

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2024**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34221

**ModivCare Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**86-0845127**  
(I.R.S. Employer  
Identification No.)

**6900 E Layton Avenue, 12th Floor, Denver, Colorado 80237**  
(Address of principal executive offices) (Zip Code)

**(303) 728-7012**  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.001 par value per share	MODV	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer,"

“smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of August 2, 2024, there were 14,240,177 shares outstanding (excluding treasury shares of 5,411,925) of the registrant's Common Stock, \$0.001 par value per share.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

**ModivCare Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**  
(in thousands, except share and per share data)

	June 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,546	\$ 2,217
Accounts receivable, net of allowance of \$853 and \$969, respectively	229,648	222,537
Contract receivables	159,345	143,960
Other receivables	14,627	8,616
Prepaid expenses and other current assets	41,997	27,028
Restricted cash	536	565
<b>Total current assets</b>	<b>456,699</b>	<b>404,923</b>
Property and equipment, net	84,949	85,629
Long-term contract receivables	6,512	—
Goodwill	680,252	785,554
Payor network, net	299,873	330,738
Other intangible assets, net	21,440	30,197
Equity investment	39,340	41,531
Operating lease right-of-use assets	38,656	39,776
Other assets	48,421	48,927
<b>Total assets</b>	<b>\$ 1,676,142</b>	<b>\$ 1,767,275</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 62,006	\$ 55,241
Accrued contract payables	86,894	117,488
Accrued transportation costs	107,773	97,245
Accrued expenses and other current liabilities	120,469	127,901
Current portion of operating lease liabilities	8,474	8,727
Short-term borrowings	183,000	113,800
<b>Total current liabilities</b>	<b>568,616</b>	<b>520,402</b>
Long-term debt, net of deferred financing costs of \$13,943 and \$16,243, respectively	986,057	983,757
Deferred tax liabilities	45,170	39,584
Operating lease liabilities, less current portion	33,105	33,784
Other long-term liabilities	33,679	33,553
<b>Total liabilities</b>	<b>1,666,627</b>	<b>1,611,080</b>
Commitments and contingencies (Note 13)		
<b>Stockholders' equity</b>		
Common stock: Authorized 40,000,000 shares; \$0.001 par value; 19,814,005 and 19,775,041, respectively, issued and outstanding (including treasury shares)	20	20
Additional paid-in capital	455,185	450,945
Accumulated deficit	(175,621)	(24,437)
Treasury shares, at cost, 5,558,519 and 5,571,004 shares, respectively	(270,069)	(270,333)
<b>Total stockholders' equity</b>	<b>9,515</b>	<b>156,195</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,676,142</b>	<b>\$ 1,767,275</b>

See accompanying notes to the unaudited condensed consolidated financial statements.

**ModivCare Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
(in thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Service revenue, net	\$ 698,299	\$ 699,107	\$ 1,382,750	\$ 1,361,413
Grant income (Note 2)	—	2,634	—	4,098
Operating expenses:				
Service expense	588,100	589,255	1,171,666	1,139,521
General and administrative expense	76,065	79,240	153,242	158,953
Depreciation and amortization	27,752	25,909	54,855	51,602
Impairment of goodwill	105,302	183,100	105,302	183,100
Total operating expenses	797,219	877,504	1,485,065	1,533,176
Operating loss	(98,920)	(175,763)	(102,315)	(167,665)
Interest expense, net	19,950	16,967	38,636	32,925
Loss before income taxes and equity method investment	(118,870)	(192,730)	(140,951)	(200,590)
Income tax benefit (provision)	(9,558)	830	(9,015)	2,703
Equity in net income (loss) of investee, net of tax	(456)	956	(1,218)	2,981
Net loss	\$ (128,884)	\$ (190,944)	\$ (151,184)	\$ (194,906)
Loss per common share:				
Basic	\$ (9.07)	\$ (13.47)	\$ (10.64)	\$ (13.76)
Diluted	\$ (9.07)	\$ (13.47)	\$ (10.64)	\$ (13.76)
Weighted-average number of common shares outstanding:				
Basic	14,216,954	14,170,617	14,209,477	14,162,776
Diluted	14,216,954	14,170,617	14,209,477	14,162,776

See accompanying notes to the unaudited condensed consolidated financial statements.

**ModivCare Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
(in thousands)

	Six months ended June 30,	
	2024	2023
<b>Operating activities</b>		
Net loss	\$ (151,184)	\$ (194,906)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	15,311	11,893
Amortization	39,544	39,709
Stock-based compensation	4,262	2,286
Deferred income taxes	5,587	(10,264)
Impairment of goodwill	105,302	183,100
Amortization of deferred financing costs and debt discount	2,858	2,576
Equity in net (income) loss of investee	1,690	(4,137)
Reduction of right-of-use assets	4,919	6,951
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(12,621)	(268)
Contract receivables	(15,386)	(48,631)
Prepaid expenses and other current assets	(14,664)	(5,116)
Long-term contract receivables	(6,512)	427
Accrued contract payables	(30,594)	(85,193)
Accounts payable and accrued expenses	(668)	3,406
Accrued transportation costs	10,528	(2,733)
Other changes in operating assets and liabilities	(4,098)	(9,974)
Net cash used in operating activities	(45,726)	(110,874)
<b>Investing activities</b>		
Purchase of property and equipment	(14,553)	(22,265)
Net cash used in investing activities	(14,553)	(22,265)
<b>Financing activities</b>		
Net proceeds from short-term borrowings	69,200	126,500
Payment of debt issuance costs	(863)	(376)
Restricted stock surrendered for employee tax payment	(156)	(840)
Other financing activities	398	346
Net cash provided by financing activities	68,579	125,630
Net change in cash, cash equivalents and restricted cash	8,300	(7,509)
Cash, cash equivalents and restricted cash at beginning of period	2,782	14,975
Cash, cash equivalents and restricted cash at end of period	\$ 11,082	\$ 7,466

See accompanying notes to the unaudited condensed consolidated financial statements.

**ModivCare Inc.**  
**Unaudited Supplemental Cash Flow Information**  
(in thousands)

Supplemental cash flow information	Six months ended June 30,	
	2024	2023
Cash paid for interest	\$ 35,656	\$ 30,430
Cash paid for income taxes	\$ 6,513	\$ 3,135
Assets acquired under operating leases	\$ 3,799	\$ 6,847

See accompanying notes to the unaudited condensed consolidated financial statements.

**ModivCare Inc.**  
**Unaudited Condensed Consolidated Statements of Stockholders' Equity**  
(in thousands, except share and per share data)

	Six months ended June 30, 2024							
	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock		Total	
	Shares	Amount			Shares	Amount		
Balance at December 31, 2023	19,775,041	\$ 20	\$ 450,945	\$ (24,437)	5,571,004	\$ (270,333)	\$ 156,195	
Net loss	—	—	—	(22,300)	—	—	(22,300)	
Stock-based compensation	—	—	1,973	—	—	—	1,973	
Restricted stock issued	22,577	—	—	—	—	—	—	
Restricted stock surrendered for employee tax payment	—	—	—	—	1,607	(64)	(64)	
Shares issued for bonus settlement and director stipends	1,559	—	37	—	—	—	37	
Balance at March 31, 2024	19,799,177	\$ 20	\$ 452,955	\$ (46,737)	5,572,611	\$ (270,397)	\$ 135,841	
Net loss	—	—	—	(128,884)	—	—	(128,884)	
Stock-based compensation	—	—	2,159	—	—	—	2,159	
Restricted stock issued	13,947	—	—	—	—	—	—	
Restricted stock surrendered for employee tax payment	—	—	—	—	3,706	(92)	(92)	
Shares issued for bonus settlement and director stipends	881	—	23	—	—	—	23	
Shares issued for ESPP	—	—	48	—	(17,798)	420	468	
Balance at June 30, 2024	19,814,005	\$ 20	\$ 455,185	\$ (175,621)	5,558,519	\$ (270,069)	\$ 9,515	

	Six months ended June 30, 2023							
	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock		Total	
	Shares	Amount			Shares	Amount		
Balance at December 31, 2022	19,729,923	\$ 20	\$ 444,255	\$ 180,023	5,573,529	\$ (269,742)	\$ 354,556	
Net loss	—	—	—	(3,962)	—	—	(3,962)	
Stock-based compensation	—	—	1,039	—	—	—	1,039	
Restricted stock issued	24,903	—	—	—	—	—	—	
Restricted stock surrendered for employee tax payment	—	—	—	—	6,000	(620)	(620)	
Shares issued for bonus settlement and director stipends	1,006	—	85	—	—	—	85	
Balance at March 31, 2023	19,755,832	\$ 20	\$ 445,379	\$ 176,061	5,579,529	\$ (270,362)	\$ 351,098	
Net loss	—	—	—	(190,944)	—	—	(190,944)	
Stock-based compensation	—	—	1,021	—	—	—	1,021	
Exercise of employee stock options	549	—	31	—	—	—	31	
Restricted stock issued	9,116	—	—	—	—	—	—	
Restricted stock surrendered for employee tax payment	—	—	—	—	3,138	(221)	(221)	
Shares issued for bonus settlement and director stipends	1,871	—	85	—	—	—	85	
Shares issued for ESPP	—	—	178	—	(7,874)	193	371	
Balance at June 30, 2023	19,767,368	\$ 20	\$ 446,694	\$ (14,883)	5,574,793	\$ (270,390)	\$ 161,441	

See accompanying notes to the unaudited condensed consolidated financial statements.



**ModivCare Inc.**  
**Notes to the Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**1. Organization and Basis of Presentation**

***Description of Business***

ModivCare Inc. ("ModivCare" or the "Company") is a technology-enabled healthcare services company that provides a suite of integrated supportive care solutions for public and private payors and their members. Its value-based solutions address the social determinants of health ("SDoH") by connecting members to essential care services. By doing so, ModivCare helps health plans manage risks, reduce costs, and improve health outcomes. ModivCare is a provider of non-emergency medical transportation ("NEMT"), personal care services ("PCS"), and remote patient monitoring solutions ("RPM"), which serve similar, highly vulnerable patient populations. The technology-enabled operating model in its NEMT segment includes the coordination of non-emergency medical transportation services supported by an infrastructure of core competencies in risk underwriting, contact center management, network credentialing and claims management. Additionally, its personal care services in its PCS segment include placements of non-medical personal care assistants, home health aides and nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting. ModivCare's remote patient monitoring solutions in its RPM segment include the monitoring of personal emergency response systems, vitals monitoring, medication management and data-driven patient engagement solutions.

ModivCare also holds a 43.6% minority interest in CCHN Group Holdings, Inc. and its subsidiaries, which operate under the Matrix Medical Network brand ("Matrix"). Matrix, which is included in the Corporate and Other segment, maintains a national network of community-based clinicians who deliver in-home and on-site services.

***Basis of Presentation***

The Company follows accounting standards established by the Financial Accounting Standards Board ("FASB"). The FASB establishes accounting principles generally accepted in the United States ("GAAP"). Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. References to GAAP issued by FASB in these notes are to the FASB *Accounting Standards Codification* ("ASC"), which serves as the single source of authoritative accounting and applicable reporting standards to be applied for non-governmental entities. All amounts are presented in U.S. dollars unless otherwise noted.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information, and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for the fair presentation of the results of the interim periods have been included.

The Company has made estimates relating to the reporting of assets and liabilities, revenues and expenses, and certain disclosures in the preparation of these unaudited condensed consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024. Management has evaluated events and transactions that occurred after the balance sheet date and through the date these unaudited condensed consolidated financial statements were filed with the SEC and considered the effect of such events in the preparation of these unaudited condensed consolidated financial statements.

The unaudited condensed consolidated balance sheet at December 31, 2023 included in this Form 10-Q has been derived from audited financial statements at that date, but does not include all the information and footnotes required by GAAP for complete financial statements. The unaudited condensed consolidated financial statements contained herein should be read in conjunction with the audited financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

*Reclassifications:* Certain prior year amounts have been reclassified to conform to current year presentation.

***Liquidity***

As of the issuance date of these unaudited condensed consolidated financial statements, the Company expects its cash and cash equivalents, excluding restricted cash, of \$10.5 million and accounts receivable, contract receivables, and other receivables of \$403.6 million as of June 30, 2024, along with cash flows from operations and amounts currently available under

the Revolving Credit Facility to be sufficient to fund its operating expenses and expenditure requirements for the next twelve months.

Management's assessment of its liquidity is highly dependent on its ability to meet its operating projections, including cash generated by operations, and manage its working capital, including specifically the timely collection of outstanding contract receivables, which were approximately \$159.3 million at June 30, 2024.

Further, the Company's ability to satisfy its affirmative and negative covenants under its outstanding debt instruments, as disclosed in Note 9, *Debt*, is highly dependent on the Company's ability to meet management's operating projections. These projections are based on information currently known by management and may change in the future as a result of factors beyond management's control. A failure by the Company to satisfy such covenants could cause amounts to become due and payable prior to maturity under the Company's amended Credit Agreement (as defined below) and potentially the indenture covering the Company's 2029 Notes (as defined below), either directly or indirectly by virtue of the cross-default provisions contained in such debt instruments, as disclosed in Note 9, *Debt*.

### ***Impact of the COVID-19 Pandemic***

On May 11, 2023, the Department of Health and Human Services ("HHS") declared the end of the public health emergency ("PHE") for the COVID-19 pandemic. While the Company has continued to experience increased trip volume, service hours, and caregiver visits each year following the pandemic, structural changes in the industry as a result of the pandemic, as well as ongoing constraints on the labor market, specifically related to the strain on healthcare professionals, could continue to have an adverse impact on the Company's financial statements. The Company continues to actively monitor the structural changes to the industry and the impact these have on the business and results of operations with emphasis on protecting the health and safety of its employees, maximizing the availability of its services and products to support SDoH, and supporting the operational and financial stability of its business.

Federal, state, and local authorities have taken several actions designed to assist healthcare providers in providing care to COVID-19 and other patients and to mitigate the adverse economic impact of the COVID-19 pandemic. Legislative actions taken by the federal government include the CARES Act and the American Rescue Plan Act of 2021 ("ARPA"). Through the CARES Act, the federal government has authorized payments to be distributed to healthcare providers through the Public Health and Social Services Emergency Fund ("Provider Relief Fund" or "PRF"). Through ARPA the Coronavirus State and Local Fiscal Recovery Fund ("SLFRF") was established to send relief payments to state and local governments impacted by the pandemic to assist with responding to the PHE including the economic hardships that continue to impact communities and to respond to workers performing essential work during the COVID-19 PHE, including providers. These funds are not subject to repayment provided the Company is able to attest to and comply with any terms and conditions of such funding, as applicable. See discussion of government grants at Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*.

## **2. Significant Accounting Policies and Recent Accounting Pronouncements**

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosure of contingencies, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Fair Value Measurements***

The Company follows FASB ASC Topic 820, *Fair Value Measurement* ("ASC 820") which establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels based on the observability of inputs are defined as follows:

- Level 1: Quoted Prices in Active Markets for Identical Assets – inputs to the valuation methodology are quoted prices in active markets as of the measurement date for identical assets or liabilities.
- Level 2: Significant Other Observable Inputs – inputs to the valuation methodology are based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3: Significant Unobservable Inputs – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. As of June 30, 2024 and December 31, 2023, the carrying amount for cash and cash equivalents, accounts receivable (net of allowance for credit losses), current assets and current liabilities was equal to or approximated fair value due to their short-term nature or proximity to current market rates. Fair values for the Company's publicly traded debt securities are based on quoted market prices, when available. See Note 9, *Debt*, for the fair value of the Company's long-term debt.

#### ***Goodwill and Intangible Assets***

In accordance with ASC 350, *Intangibles-Goodwill and Other*, the Company reviews goodwill for impairment annually, and more frequently if events and circumstances indicate that an asset may be impaired. Such circumstances could include, but are not limited to: (1) the loss or modification of significant contracts, (2) a significant adverse change in legal factors or in business climate, (3) unanticipated competition, (4) an adverse action or assessment by a regulator, or (5) a significant decline in the Company's stock price.

When evaluating goodwill for impairment, the Company first performs qualitative assessments for each reporting unit to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the qualitative assessment suggests that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative assessment and compares the fair value of the reporting unit to its carrying value and to the extent the carrying value is greater than the fair value, the difference is recorded as an impairment in the consolidated statements of operations.

The Company performed a quantitative test comparing the carrying value of the Company's reporting units with their respective fair value. The fair value of the Company's reporting units was estimated using both the income approach and the market valuation approach. The income approach produces an estimated fair value of a reporting unit based on the present value of the cash flows the Company expects the reporting unit to generate in the future. Estimates included in the discounted cash flow model are primarily Level 3 inputs and include the discount rate, which the Company determines based on adjusting an industry-wide weighted-average cost of capital for size, geography, and company specific risk factors, long-term rates of growth and profitability of the Company's business, working capital effects and planned capital expenditures. The market approach produces an estimated fair value of a reporting unit based on a comparison of the reporting unit to comparable publicly traded entities in similar lines of business. The Company's significant estimates in the market approach include the selected similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and the multiples the Company applies to earnings before interest, taxes, depreciation and amortization ("EBITDA") to estimate the fair value of the reporting unit.

During the second quarter of 2024 and 2023, the Company recorded a \$105.3 million impairment of goodwill within its RPM reporting unit and an aggregate \$183.1 million impairment of goodwill within its PCS and RPM reporting units, respectively. For both periods, the Company determined that based on its qualitative assessment for each reporting unit, factors existed which required the Company to test its goodwill and indefinite-lived intangible assets for impairment. See Note 7, *Goodwill and Intangible Assets*, for additional details.

#### ***Internal-use Software and Cloud Computing Arrangements***

The Company develops and implements software for internal use to enhance the performance and capabilities of the technology infrastructure. The costs incurred for the development of the internal-use software are capitalized when they meet the internal-use software capitalization criteria outlined in ASC 350-40 and are included within "Property and equipment, net" on the unaudited condensed consolidated balance sheets. The capitalized costs are amortized using the straight-line method over the estimated useful lives of the software, ranging from 3 to 10 years. As of June 30, 2024 and December 31, 2023, capitalized costs associated with the internal-use software, net of accumulated amortization were \$24.3 million and \$21.3 million, respectively. The amount of accumulated amortization as of June 30, 2024 and December 31, 2023 was \$5.1 million and \$2.6 million, respectively. Amortization expense during the three months ended June 30, 2024 and 2023 totaled \$1.4 million and \$0.5 million, respectively, and during the six months ended June 30, 2024 and 2023, totaled \$2.5 million and \$0.9 million, respectively.

In addition to acquired software, the Company capitalizes costs associated with cloud computing arrangements ("CCA") that are service contracts. The CCA include services which are used to support certain internal corporate functions as well as technology associated with revenue-generating activities. The capitalized costs are amortized using the straight-line

method over the term of the related CCA. As of June 30, 2024 and December 31, 2023, capitalized costs associated with CCA, net of accumulated amortization were \$13.7 million and \$14.6 million, respectively. The amount of accumulated amortization as of June 30, 2024 and December 31, 2023 was \$7.5 million and \$5.2 million, respectively. Amortization expense during the three months ended June 30, 2024 and 2023, totaled \$1.0 million and \$0.7 million, respectively, and during the six months ended June 30, 2024 and 2023, totaled \$2.3 million and \$1.2 million, respectively.

### **Revenue Recognition**

Under ASC 606, the Company recognizes revenue as it transfers promised services directly to its customers at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing these services. The Company's performance obligations are driven by its different segments of business and primarily consist of integrated service offerings to provide non-emergency medical transportation, personal care services, or remote monitoring services directly to its customers. The Company receives payment for providing these services from third-party payors that include federal, state, and local governmental agencies, managed care organizations, and private consumers. In the NEMT segment, the Company's performance obligation is to stand ready to perform transportation-related activities, including the management, fulfillment, and recordkeeping activities associated with such services. In the PCS segment, the Company's performance obligation is to deliver patient care services in accordance with the nature and frequency of services outlined in each contract. In the RPM segment, the Company's performance obligation is to stand ready to perform monitoring services in the form of personal emergency response system monitoring, vitals monitoring, and other monitoring services, as contractually agreed upon. The Company satisfies substantially all of its performance obligations over time and recognizes revenue over time instead of at points in time which aligns the pattern of transfer of promised services with the value received by the customer for the performance completed to date.

The Company holds different contract types under its different segments of business. In the NEMT segment, there are both capitated contracts, under which payors pay a fixed amount monthly per eligible member and revenue is recognized over each distinct service period, and fee-for-service ("FFS") contracts, under which the Company bills and collects a specified amount for each service that is provided and revenue is recognized using the right to invoice practical expedient. In the PCS segment, contracts are also FFS and service revenue is reported at the estimated net realizable amount from patients and third-party payors for services rendered and revenue is recognized using the right to invoice practical expedient. Under RPM contracts, payors pay per-enrolled-member-per-month, based on enrolled membership, and revenue is recognized ratably over the contract term. For each contract type, the Company determines the transaction price based on the gross charges for services provided, reduced by estimates for contractual adjustments due to settlements of audits and payment reviews from third-party payors. The Company determines the estimated revenue adjustments at each segment based on its historical experience with various third-party payors and previous results from the claims and adjudication process. The PCS segment uses the portfolio approach to determine the estimated revenue adjustments. See further information in Note 4, *Revenue Recognition*.

### **Government Grants**

The Company periodically receives government grants and other forms of government assistance which are not generated from the Company's contractual performance obligations under ASC 606, *Revenue from Contracts with Customers*. Funding received from governmental entities under government programs generally requires that the recipient attests to and complies with certain terms and conditions of receiving the funding. Government grant distributions have been received primarily under the CARES Act PRF and the ARPA SLFRF to provide economic relief and stimulus to address the health and economic impacts of the COVID-19 pandemic, as well as from other entities that provide funds with specific stipulations on the usage of these funds. Distributions received are targeted to assist with incremental health care related expenses or lost revenue attributable to the COVID-19 pandemic and provide stimulus to support long-term growth and recovery. When received, these government grants are generally recorded on the unaudited condensed consolidated balance sheets in "Accrued expenses and other current liabilities" until the time at which there is reasonable assurance the conditions of the grant will be met, at which point they can be recognized on the unaudited condensed consolidated statement of operations. Once recognized, the Company records the funds as "Grant income" if the grant is related to the loss of revenues or as an offset to "Service expense" if the grant is used to offset certain costs for which the grants are intended to compensate. The Company received an immaterial amount of grant distributions during the three months ended June 30, 2024 and received grant distributions of \$12.9 million during the three months ended June 30, 2023. The Company received grant distributions of \$14.0 million and \$14.5 million during the six months ended June 30, 2024 and 2023, respectively. During the three and six months ended June 30, 2024, no funds were recognized as grant income and \$2.6 million and \$17.9 million, respectively, were recognized as an offset to "Service expense." During the three and six months ended June 30, 2023, \$2.6 million and \$4.1 million, respectively, were recognized as grant income and \$2.3 million and \$6.2 million, respectively, were recognized as an offset to "Service expense". The remaining balance is recorded on the unaudited condensed consolidated balance sheets in the "Accrued expenses and other current liabilities" line item until the conditions for recognition have been met. See further information in Note 8, *Accrued Expenses and Other Current Liabilities*.

The payments from these acts are subject to certain restrictions and possible recoupment if not used for designated purposes. As a condition to receiving PRF distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for healthcare related expenses and lost revenues attributable to COVID-19, as defined by HHS. All recipients of PRF payments are required to comply with the reporting requirements described in the terms and conditions and as determined by HHS. The Company has submitted the required documents to meet reporting requirements for the applicable reporting periods. The Company received an audit inquiry letter from HHS related to one of the business units that received PRF payments. In response, the Company has submitted all requested information and believes that the payments received are substantiated and within the terms and conditions defined by HHS. The Company continues to recognize these amounts as grant income. At this time, the Company is unaware of any other pending or upcoming audits or inquiries related to amounts received under PRF.

As a condition of receiving SLFRF distributions, providers must agree to use the funds to respond to the PHE or its negative economic impacts, to respond to workers performing essential work by providing premium pay to eligible workers, and to offset reductions in revenue due to the COVID-19 PHE as stipulated by the states in which the funds were received. All recipients of SLFRF distributions are required to comply with the reporting requirements that the state in which the funds originated requests, in order for the states to meet the requirements as described in the terms and conditions as determined by the Department of the Treasury. The Company has complied with all known reporting requirements to date.

### **Recent Accounting Pronouncements**

Recent accounting pronouncements that the Company has yet to adopt are as follows:

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). This update improves reportable segment disclosure requirements, primarily through enhanced disclosure about significant segment expenses. The enhancements under this update require disclosure of significant segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of segment profit or loss, require disclosure of *other segment items* by reportable segment and a description of the composition of *other segment items*, require annual disclosures under ASC 280 to be provided in interim periods, clarify use of more than one measure of segment profit or loss by the CODM, require that the title of the CODM be disclosed with an explanation of how the CODM uses the reported measures of segment profit or loss to make decisions, and require that entities with a single reportable segment provide all disclosures required by this update and required under ASC 280. ASU 2023-07 is effective for public business entities for fiscal years beginning after December 15, 2023, with early adoption permitted.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). This update enhances the transparency and decision usefulness of income tax disclosures including updates to the disclosures related to the rate reconciliation and income taxes paid. These updates improve transparency by requiring consistent categories and greater disaggregation of information in the rate reconciliation and requiring income taxes paid to be disaggregated by jurisdiction. ASU 2023-09 is effective for public business entities for fiscal years beginning after December 15, 2024, with early adoption permitted.

### **3. Segments**

The Company's reportable segments are identified based on a number of factors related to how its CODM determines the allocation of resources and assesses the performance of the Company's operations. The CODM uses service revenue, net, and operating income or loss as the measures of gross revenue and profit or loss to assess segment performance and allocate resources, and uses total assets as the measure of assets attributable to each segment. The Company's operating income for the reportable segments includes an allocated portion of corporate expenses to the respective segments and includes revenues and all other costs directly attributable to the specific segment.

The Company's reportable segments are strategic units that offer different services under different financial and operating models to the Company's customers. The segments are managed separately because each segment has its own revenue generating activities and core business processes in order to serve the varying needs of its members, which requires different technology and strategies to execute. The Company's CODM manages the Company under four reportable segments.

- **NEMT** - The Company's NEMT segment is the largest manager of non-emergency medical transportation programs for state governments and managed care organizations, or MCOs, in the U.S. This segment also holds the results of the Company's captive insurance program;
- **PCS** - The Company's PCS segment provides in home personal care services to State and Managed Medicaid, Medicare, and Private Pay patient populations in need of care monitoring and assistance performing activities of daily living;

- **RPM** - The Company's RPM segment is a provider of remote patient monitoring solutions, including personal emergency response systems monitoring, vitals monitoring and data-driven patient engagement solutions;
- **Corporate and Other** - The Company's Corporate and Other segment includes the costs associated with the Company's corporate operations as well as the results of an investment in innovation related to data analytics capabilities that the Company made at the end of the first quarter of 2023, which contributes to service revenue and service expense. The operating results of the Corporate and Other segment include activities related to executive, accounting, finance, internal audit, tax, legal and certain strategic and corporate development functions for each segment, the results of this investment in innovation, as well as the results of the Company's Matrix investment.

The following table sets forth certain financial information from operations attributable to the Company's business segments for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three months ended June 30, 2024				
	NEMT	PCS	RPM	Corporate and Other	Total
Service revenue, net	\$ 490,677	\$ 186,610	\$ 19,025	\$ 1,987	\$ 698,299
Service expense	427,956	149,866	8,175	2,103	588,100
General and administrative expense	33,123	23,897	6,008	13,037	76,065
Depreciation and amortization	7,598	12,793	7,087	274	27,752
Impairment of goodwill	—	—	105,302	—	105,302
Operating income (loss)	\$ 22,000	\$ 54	\$ (107,547)	\$ (13,427)	\$ (98,920)
Equity in net income (loss) of investee, net of tax	\$ 146	\$ —	\$ —	\$ (602)	\$ (456)
Equity investment	\$ 1,816	\$ —	\$ —	\$ 37,524	\$ 39,340
Goodwill	\$ 135,186	\$ 415,444	\$ 129,592	\$ 30	\$ 680,252
Total assets	\$ 564,112	\$ 751,133	\$ 236,496	\$ 124,401	\$ 1,676,142
	Six months ended June 30, 2024				
	NEMT	PCS	RPM	Corporate and Other	Total
Service revenue, net	\$ 969,983	\$ 370,178	\$ 39,127	\$ 3,462	\$ 1,382,750
Service expense	851,613	299,304	16,538	4,211	1,171,666
General and administrative expense	64,943	48,329	11,448	28,522	153,242
Depreciation and amortization	14,957	25,588	13,761	549	54,855
Impairment of goodwill	—	—	105,302	—	105,302
Operating income (loss)	\$ 38,470	\$ (3,043)	\$ (107,922)	\$ (29,820)	\$ (102,315)
Equity in net income (loss) of investee, net of tax	\$ 118	\$ —	\$ —	\$ (1,336)	\$ (1,218)
Equity investment	\$ 1,816	\$ —	\$ —	\$ 37,524	\$ 39,340
Goodwill	\$ 135,186	\$ 415,444	\$ 129,592	\$ 30	\$ 680,252
Total assets	\$ 564,112	\$ 751,133	\$ 236,496	\$ 124,401	\$ 1,676,142

	Three months ended June 30, 2023				
	NEMT	PCS	RPM	Corporate and Other	Total
Service revenue, net	\$ 496,975	\$ 180,325	\$ 19,211	\$ 2,596	\$ 699,107
Grant income <sup>(1)</sup>	—	2,634	—	—	2,634
Service expense	441,897	138,468	6,705	2,185	589,255
General and administrative expense	28,337	20,565	5,327	25,011	79,240
Depreciation and amortization	6,739	12,872	6,059	239	25,909
Impairment of goodwill	—	137,331	45,769	—	183,100
Operating income (loss)	\$ 20,002	\$ (126,277)	\$ (44,649)	\$ (24,839)	\$ (175,763)
Equity in net income of investee, net of tax	\$ 189	\$ —	\$ —	\$ 767	\$ 956
Equity investment	\$ 1,356	\$ —	\$ —	\$ 43,758	\$ 45,114
Goodwill	\$ 135,186	\$ 415,444	\$ 234,894	\$ 30	\$ 785,554
Total assets	\$ 536,749	\$ 778,791	\$ 347,125	\$ 122,355	\$ 1,785,020

	Six months ended June 30, 2023				
	NEMT	PCS	RPM	Corporate and Other	Total
Service revenue, net	\$ 966,438	\$ 354,456	\$ 37,923	\$ 2,596	\$ 1,361,413
Grant income <sup>(1)</sup>	—	4,098	—	—	4,098
Service expense	849,583	274,558	13,195	2,185	1,139,521
General and administrative expense	62,212	43,228	11,096	42,417	158,953
Depreciation and amortization	13,505	25,740	11,913	444	51,602
Impairment of goodwill	—	137,331	45,769	—	183,100
Operating income (loss)	\$ 41,138	\$ (122,303)	\$ (44,050)	\$ (42,450)	\$ (167,665)
Equity in net income of investee, net of tax	\$ 842	\$ —	\$ —	\$ 2,139	\$ 2,981
Equity investment	\$ 1,356	\$ —	\$ —	\$ 43,758	\$ 45,114
Goodwill	\$ 135,186	\$ 415,444	\$ 234,894	\$ 30	\$ 785,554
Total assets	\$ 536,749	\$ 778,791	\$ 347,125	\$ 122,355	\$ 1,785,020

(1) Grant income for the PCS segment includes funding received on a periodic basis from the PRF in relation to relief under the CARES Act and funding received from the SLFRF under ARPA in relation to economic recovery to combat health and economic impacts of the COVID-19 pandemic. See Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements*.

#### 4. Revenue Recognition

Under ASC 606, the Company recognizes revenue as it transfers promised services to its customers and generates all of its revenue from contracts with customers. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for these services. The Company satisfies substantially all of its performance obligations over time and recognizes revenue over time instead of at points in time.

##### *Revenue Contract Structure*

*NEMT Capitated Contracts (per-member-per-month)*

Under capitated contracts, payors pay a fixed amount per eligible member per month. Capitation rates are generally based on expected costs and volume of services. The Company assumes the responsibility of meeting the covered healthcare related transportation requirements based on per-member per-month fees for the number of eligible members in the payor's program. Revenue is recognized based on the population served during the period. Certain capitated contracts have provisions for reconciliations, risk corridors or profit rebates. For contracts with reconciliation provisions, capitation payment is received as a prepayment during the month service is provided. These prepayments are reconciled based on actual cost and/or trip volume and may result in refunds to the payor, or additional payments due from the payor. Contracts with risk corridor or profit rebate provisions allow for profit within a certain corridor and once the Company reaches profit level thresholds or maximums, it discontinues recognizing revenue and instead records a liability within the accrued contract payable account. This liability may be reduced through future increases in trip volume or periodic settlements with the payor. While a profit rebate provision could only result in a liability from this profit threshold, a risk corridor provision could potentially result in a receivable if the Company does not reach certain profit minimums, which would be recorded in the reconciliation contract receivables account.

#### *NEMT Fee-for-service Contracts*

Fee-for-service ("FFS") revenue represents revenue earned under non-capitated contracts in which the Company bills and collects a specified amount for each service that it provides. FFS revenue is recognized in the period in which the services are rendered and is reduced by the estimated impact of contractual allowances.

#### *PCS Fee-for-service Contracts*

PCS FFS revenue is reported at the estimated net realizable amount from clients, patients and third-party payors for services rendered based on actual personal care hours provided. Payment for services received from third-party payors includes, but is not limited to, insurance companies, hospitals, governmental agencies and other home health care providers who subcontract work to the Company. Certain contracts are subject to retroactive audit and possible adjustment by those payors based on the nature of the contract or costs incurred. The Company makes estimates of adjustments and considers these in the recognition of revenue in the period in which the related services are rendered. The difference between estimated settlement and actual settlement is reported in net service revenues as adjustments become known or as years are no longer subject to such audits, reviews, or investigations.

#### *RPM per-member-per-month Contracts*

RPM per-member-per-month ("PMPM") revenue consists of revenue from monitoring services provided to the customer. Under RPM contracts, payors pay per-enrolled-member-per-month based on enrolled membership. Consideration is generally fixed for each type of monitoring service and revenue is recognized ratably over the contract term based on the monthly fee paid by customers.

#### **Disaggregation of Revenue by Contract Type**

The following table summarizes disaggregated revenue from contracts with customers by contract type for the three and six months ended June 30, 2024 and June 30, 2023 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
NEMT capitated contracts	\$ 399,581	\$ 422,506	\$ 810,396	\$ 827,195
NEMT FFS contracts	91,096	74,469	159,587	139,243
Total NEMT service revenue, net	\$ 490,677	\$ 496,975	\$ 969,983	\$ 966,438
PCS FFS contracts	186,610	180,325	370,178	354,456
RPM PMPM contracts	19,025	19,211	39,127	37,923
Other service revenue	1,987	2,596	3,462	2,596
Total service revenue, net	\$ 698,299	\$ 699,107	\$ 1,382,750	\$ 1,361,413

#### **Payor Information**

Service revenue, net, is derived from state and managed Medicaid contracts, managed Medicare contracts, as well as a small amount from private pay and other contracts. Of the NEMT segment's revenue, 11.9% and 11.2% were derived from one payor for the three months ended June 30, 2024 and 2023, respectively, and 11.5% and 11.1% were derived from one payor for



the six months ended June 30, 2024 and 2023, respectively. Of the PCS segment's revenue, 12.7% and 11.6% were derived from one payor for the three months ended June 30, 2024 and 2023, respectively, and 12.1% and 11.2% were derived from one payor for the six months ended June 30, 2024 and 2023, respectively. Of the RPM segment's revenue, 17.1% and 17.6% were derived from one payor for the three months ended June 30, 2024 and 2023, respectively, and 18.7% and 16.4% were derived from one payor for the six months ended June 30, 2024 and 2023, respectively.

#### Revenue Adjustments

During the three months ended June 30, 2024 and 2023, the Company recognized an increase of \$6.6 million and a reduction of \$3.5 million in service revenue, respectively, from contractual adjustments relating to performance obligations satisfied in previous periods to which the payor agreed. During the six months ended June 30, 2024 and 2023, the Company recognized an increase of \$11.3 million and a reduction of \$3.1 million in service revenue, respectively, from contractual adjustments related to performance obligations satisfied in previous periods to which the payor agreed.

#### Related Balance Sheet Accounts

The following table provides information about accounts receivable, net (in thousands):

	June 30, 2024	December 31, 2023
Accounts receivable	\$ 230,501	\$ 223,506
Allowance for doubtful accounts	(853)	(969)
Accounts receivable, net	<u>\$ 229,648</u>	<u>\$ 222,537</u>

The following table provides information about other revenue related accounts included on the accompanying unaudited condensed consolidated balance sheets (in thousands):

	June 30, 2024	December 31, 2023
Accrued contract payables <sup>(1)</sup>	\$ 86,894	\$ 117,488
Contract receivables <sup>(2)</sup>	\$ 159,345	\$ 143,960
Long-term contract receivables <sup>(3)</sup>	\$ 6,512	\$ —
Deferred revenue, current	\$ 563	\$ 2,629

- (1) Accrued contract payables primarily represent overpayments and liability reserves on certain risk corridor, profit rebate and reconciliation contracts. See the contract payables and receivables activity below.
- (2) Contract receivables primarily represent underpayments and receivables on certain risk corridor, profit rebate, and reconciliation contracts. See the contract payables and receivables activity below.
- (3) Long-term contract receivables primarily represent future receivable balances on certain risk corridor, profit rebate and reconciliation contracts that may be received in greater than 12 months.

The following table provides the summary activity of total contract payables and receivables as reported within the unaudited condensed consolidated balance sheets (in thousands):

	December 31, 2023	Additional Amounts Recorded	Amounts Paid or Settled	March 31, 2024
Reconciliation contract payables	\$ 12,294	\$ 14,097	\$ (2,010)	\$ 24,381
Profit rebate/corridor contract payables	94,775	(5,221)	(1,992)	87,562
Overpayments and other cash items	10,419	8,319	(2,282)	16,456
Total contract payables	<u>\$ 117,488</u>	<u>\$ 17,195</u>	<u>\$ (6,284)</u>	<u>\$ 128,399</u>
Reconciliation contract receivables	\$ 57,002	\$ 26,294	\$ (10,919)	\$ 72,377
Corridor contract receivables	86,958	20,443	(25,500)	81,901
Total contract receivables <sup>(1)</sup>	<u>\$ 143,960</u>	<u>\$ 46,737</u>	<u>\$ (36,419)</u>	<u>\$ 154,278</u>

	March 31, 2024	Additional Amounts Recorded	Amounts Paid or Settled	June 30, 2024
Reconciliation contract payables	\$ 24,381	\$ 2,680	\$ (2,333)	\$ 24,728
Profit rebate/corridor contract payables	87,562	(11,364)	(25,990)	50,208
Overpayments and other cash items	16,456	7,024	(11,522)	11,958
Total contract payables	<u>\$ 128,399</u>	<u>\$ (1,660)</u>	<u>\$ (39,845)</u>	<u>\$ 86,894</u>
Reconciliation contract receivables	\$ 72,377	\$ 31,996	\$ (29,788)	\$ 74,585
Corridor contract receivables	81,901	19,734	(10,363)	91,272
Total contract receivables <sup>(1)</sup>	<u>\$ 154,278</u>	<u>\$ 51,730</u>	<u>\$ (40,151)</u>	<u>\$ 165,857</u>

(1) Total contract receivables is comprised of the current and long-term contract receivables balances, which are broken out separately on the unaudited condensed consolidated balance sheets.

## 5. Equity Investment

As of June 30, 2024 and December 31, 2023, the Company owned a 43.6% non-controlling interest in Matrix. Pursuant to a Shareholder's Agreement, affiliates of Frazier Healthcare Partners hold rights necessary to control the fundamental operations of Matrix. The Company accounts for its investment in Matrix under the equity method of accounting and the Company's share of Matrix's income or loss is recorded as "Equity in net income (loss) of investee, net of tax" in the accompanying unaudited condensed consolidated statements of operations within its Corporate and Other segment.

The Company's gross share of Matrix's operations for the three months ended June 30, 2024 and June 30, 2023 was a loss of \$0.8 million and income of \$1.1 million, respectively, which is presented net of tax on the unaudited condensed consolidated statements of operations for a loss of \$0.6 million and income of \$0.8 million, respectively. The Company's gross share of Matrix's operations for the six months ended June 30, 2024 and June 30, 2023, was a loss of \$1.9 million and income of \$3.0 million, respectively, which is presented net of tax on the unaudited condensed consolidated statements of operations for a loss of \$1.3 million and income of \$2.1 million, respectively.

The carrying amount of the assets included in the Company's unaudited condensed consolidated balance sheets and the maximum loss exposure related to the Company's interest in Matrix as of June 30, 2024 and December 31, 2023 totaled \$37.5 million and \$39.9 million, respectively.

Summary financial information for Matrix on a standalone basis is as follows (in thousands):

	June 30, 2024	December 31, 2023
Current assets	\$ 80,395	\$ 112,090
Long-term assets	\$ 349,629	\$ 351,143
Current liabilities	\$ 52,080	\$ 41,584
Long-term liabilities	\$ 274,941	\$ 314,316

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 82,358	\$ 87,262	\$ 167,378	\$ 168,578
Operating income	\$ 5,166	\$ 11,196	\$ 14,288	\$ 24,603
Net income (loss)	\$ (2,541)	\$ 2,645	\$ (1,666)	\$ 7,215

## 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were comprised of the following (in thousands):

	June 30, 2024	December 31, 2023
Prepaid insurance	\$ 11,309	\$ 7,231
Prepaid income taxes	7,937	2,418
Deferred ERP implementation costs	3,945	2,875
Deferred financing costs on credit facility	2,993	2,638
Other prepaid expenses	15,813	11,866
Total prepaid expenses and other current assets	\$ 41,997	\$ 27,028

## 7. Goodwill and Intangible Assets

The Company tests goodwill for impairment for its reporting units annually as of July 1, or more frequently when events or changes in circumstances indicate that impairment may have occurred. The Company reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable.

### Goodwill

During the second quarter of 2024, the Company determined that based on its qualitative assessment for each reporting unit, factors existed which required the Company to test its goodwill and indefinite-lived intangible assets for impairment. These factors included changes in key assumptions from the prior year annual goodwill assessment as a result of lower than anticipated operating results during the first half of 2024 as compared to forecast which resulted in a decrease in the fair value of the Company's RPM reporting unit such that the fair value was less than its carrying value. As a result, during the second quarter of 2024, the Company recorded a non-cash goodwill impairment charge of \$105.3 million in the RPM reporting unit. This impairment is recorded in "Impairment of goodwill" on the Company's unaudited condensed consolidated statement of operations.

During the second quarter of 2023, the Company determined that based on its qualitative assessment for each reporting unit, factors existed which required the Company to test its goodwill and indefinite-lived intangible assets for impairment. These factors included a decline in the market price of the Company's common stock, industry specific regulatory pressures such as Medicaid redetermination and the Centers for Medicare and Medicaid Services ("CMS") proposed ruling on *Ensuring Access to Medicaid Services*, and general economic and market volatility. As a result, the Company performed a quantitative assessment and determined that the goodwill at its PCS and RPM reporting units was impaired. As such, during the second quarter of 2023, the Company recorded a non-cash goodwill impairment charge of \$183.1 million, of which \$137.3 million was recorded in the PCS reporting unit and \$45.8 million was recorded in the RPM reporting unit.

After recording the respective impairments of goodwill, the associated reporting units had a combined \$545.0 million of goodwill remaining as of June 30, 2024 and \$650.3 million as of December 31, 2023. If, among other factors, (i) the Company's equity values were to decline significantly, (ii) the Company experienced additional adverse impacts associated with macroeconomic factors, including increases in the estimated weighted average cost of capital, or (iii) the adverse impacts stemming from competition, economic, regulatory or other factors were to cause the Company's results of operations or cash flows to be worse than currently anticipated, the Company could conclude in future periods that additional impairment charges of certain reporting units are required in order to reduce the carrying values of goodwill. Any such impairment charges could be significant.

Changes in the carrying value of goodwill by reportable segment are presented in the following table (in thousands):

	NEMT	PCS	RPM	Corporate and Other	Total
Goodwill balance before cumulative loss at December 31, 2022	\$ 231,186	\$ 552,775	\$ 280,663	\$ 30	\$ 1,064,654
Accumulated loss on impairment	(96,000)	—	—	—	(96,000)
Goodwill beginning balance after cumulative loss at December 31, 2022	135,186	552,775	280,663	30	968,654
Impairment of goodwill	—	(137,331)	(45,769)	—	(183,100)
Balance at June 30, 2023 and December 31, 2023	135,186	415,444	234,894	30	785,554
Impairment of goodwill	—	—	(105,302)	—	(105,302)
Balance at June 30, 2024	\$ 135,186	\$ 415,444	\$ 129,592	\$ 30	\$ 680,252

The accumulated impairment losses on goodwill totaled \$384.4 million as of June 30, 2024 and \$279.1 million as of December 31, 2023.

#### Intangible Assets

Intangible assets are comprised of acquired payor networks, trademarks and trade names, developed technology, non-compete agreements, licenses, and an assembled workforce. Finite-lived intangible assets are amortized using the straight-line method over the estimated economic lives of the assets. These finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Indefinite-lived intangible assets are not amortized, but are tested for impairment annually and more frequently if events occur or circumstances change that indicate an asset may be impaired. Based on the continued value of the definite-lived and indefinite-lived intangible assets acquired, the Company did not identify any circumstances during the three and six months ended June 30, 2024 that would require an impairment test for the intangible assets.

#### 8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were comprised of the following (in thousands):

	June 30, 2024	December 31, 2023
Accrued compensation and related liabilities	\$ 40,605	\$ 48,033
Insurance reserves	26,408	22,014
Accrued operating expenses	13,738	15,884
Accrued interest	11,458	10,498
Accrued legal fees	10,438	10,148
Accrued government grants <sup>(1)</sup>	6,995	9,156
Deferred revenue	563	2,629
Union pension obligation	521	1,573
Other	9,743	7,966
Total accrued expenses and other current liabilities	\$ 120,469	\$ 127,901

(1) Accrued government grants include payments received from government entities, such as SLFRF or other government assistance funds, to offset increased expenditures for which the related expenditure has not yet been incurred and thus the related payments are deferred as of June 30, 2024 and December 31, 2023.

#### 9. Debt

##### Senior Unsecured Notes

Senior unsecured notes as of June 30, 2024 and December 31, 2023 consisted of the following (in thousands):

Senior Unsecured Notes	Date of Issuance		June 30, 2024		December 31, 2023
\$500.0 million 5.875% due November 15, 2025 (effective interest rate 6.509%)	11/4/2020	\$	495,539	\$	494,011
\$500.0 million 5.000% due October 1, 2029 (effective interest rate 5.403%)	8/24/2021		490,518		489,746
<b>Total</b>		<b>\$</b>	<b>986,057</b>	<b>\$</b>	<b>983,757</b>

The Company pays interest on the senior unsecured notes semi-annually in arrears. Principal payments are not required until the maturity date. Debt issuance costs of \$14.5 million in relation to the issuance of the senior unsecured notes due 2025 (the "2025 Notes") were incurred and these costs were deferred and are amortized to interest cost over the term of the 2025 Notes. Debt issuance costs of \$13.5 million were incurred in relation to the issuance of the senior unsecured notes due 2029 (the "2029 Notes" and, together with the 2025 Notes, the "Notes") and these costs were deferred and are amortized to interest cost over the term of the 2029 Notes.

As of June 30, 2024, \$13.9 million of unamortized deferred issuance costs was netted against the long-term debt balance on the unaudited condensed consolidated balance sheets. The fair value of the Notes as of June 30, 2024 and December 31, 2023 was \$859.2 million and \$909.2 million, respectively, which was determined based on quoted prices in active markets, and therefore designated as Level 1 within the fair value hierarchy. The indenture covering the Notes also contains a cross-default provision in the event any of the Company's other indebtedness having a principal amount that aggregates \$50.0 million or more is accelerated prior to its express maturity. The Company was in compliance with all covenants as of June 30, 2024.

Subsequent to quarter end, the 2025 Notes were redeemed in full on July 1, 2024 prior to contractual maturity, at a redemption premium of 1.469% on the aggregate original principal amount of the 2025 Notes for a total redemption of \$507.3 million, plus the payment of approximately \$3.8 million in accrued and unpaid interest on the 2025 Notes. The 2025 Notes were redeemed in connection with the funding of the Term Loan Facility discussed below.

#### *Credit Facility*

##### *Revolving Credit Facility*

The Company is a party to the amended and restated credit agreement, dated as of February 3, 2022 (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, swing line lender and an issuing bank, Wells Fargo Bank, National Association, as an issuing bank, Truist Bank and Wells Fargo Bank, National Association, as co-syndication agents, Deutsche Bank AG New York Branch, Bank of America, N.A., Regions Bank, Bank of Montreal and Capital One, National Association, as co-documentation agents, and JPMorgan Chase Bank, N.A., Truist Securities, Inc. and Wells Fargo Securities, LLC, as joint bookrunners and joint lead arrangers, and the other lenders party thereto. The Credit Agreement provides the Company with a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of \$325.0 million and sublimits for swingline loans, letters of credit and alternative currency loans in amounts of up to \$25.0 million, \$60.0 million and \$75.0 million, respectively. The Revolving Credit Facility under the Credit Agreement was scheduled to mature on February 3, 2027 and the proceeds that may be drawn under the Revolving Credit Facility from time to time prior to maturity may be used (i) to finance working capital needs of the Company and its subsidiaries and (ii) for general corporate purposes of the Company and its subsidiaries (including to finance capital expenditures, permitted acquisitions and investments).

On June 26, 2023, the Company entered into Amendment No. 1 (the "First Amendment") to the Credit Agreement, which amended and restated the maximum permitted Total Net Leverage Ratio (as defined in the Credit Agreement as amended by the First Amendment) under the Credit Agreement as follows: for the fiscal quarters ending June 30, 2023 through September 30, 2023, 5.25:1.00; for the fiscal quarters ending December 31, 2023 through March 31, 2024, 5.00:1.00; for the fiscal quarter ending June 30, 2024, 4.75:1.00; and for the fiscal quarters ending September 30, 2024 and for the fiscal quarters ending thereafter, 4.50:1.00.

On February 22, 2024, the Company entered into Amendment No. 2 (the "Second Amendment") to the Credit Agreement, which amended the maximum permitted Total Net Leverage Ratio under the amended Credit Agreement as follows: for the fiscal quarters ending March 31, 2024 through June 30, 2024, 5.50:1.00; for the fiscal quarters ending September 30, 2024 through December 31, 2024, 5.25:1.00; for the fiscal quarters ending March 31, 2025 through September 30, 2025, 5.00:1.00, and for the fiscal quarters ending December 31, 2025 through March 31, 2026, 4.75:1.00. The Second Amendment also included a restriction on the Company's Liquidity (as defined in the Second Amendment and which is determined generally to be, as of any date of determination, the sum of the Company's borrowing capacity under the Revolving Credit Facility plus the amount of its unencumbered cash), requiring it to be less than \$100.0 million as of the last day of each fiscal quarter (the "Liquidity Covenant").

On July 1, 2024, the Company entered into Amendment No. 3 (the "Third Amendment") to the Credit Agreement, which, among other things, extended with respect to the lenders identified in the Third Amendment the maturity date covering \$255.0 million in the aggregate principal amount of the commitments under the Revolving Credit Facility to February 3, 2028. The existing financial covenants under the amended Credit Agreement were retained for the benefit solely of the Revolving Credit Facility lenders, and the minimum liquidity level required by the Liquidity Covenant was decreased from \$100.0 million to \$75.0 million. Certain other financial covenants and restrictions were also modified under the amended Credit Agreement, as previously disclosed. The fees associated with the Third Amendment of \$0.2 million will be amortized over the life of the Revolving Credit Facility.

As of June 30, 2024, the Company had \$183.0 million of short-term borrowings outstanding under the Revolving Credit Facility and had \$53.4 million of outstanding letters of credit under the Revolving Credit Facility. The weighted average interest rate for borrowings outstanding as of June 30, 2024 was 9.9% per annum. As of December 31, 2023, the Company had \$113.8 million of short-term borrowings outstanding under the Revolving Credit Facility and had \$40.4 million of outstanding letters of credit under the Revolving Credit Facility.

Under the amended Credit Agreement, the Company has an option to request an increase in the amount of the Revolving Credit Facility so long as, after giving effect to the incremental facility, the pro forma secured net leverage ratio does not exceed 2.70:1.00 as stipulated by the Third Amendment. The Company may prepay the Revolving Credit Facility in whole or in part, at any time without premium or penalty, subject to reimbursement of the lenders' breakage and redeployment costs in connection with prepayments. The unutilized portion of the commitments under the Revolving Credit Facility may be irrevocably reduced or terminated by the Company at any time without penalty.

Interest on the outstanding principal amount of the loans under the Revolving Credit Facility accrues at a per annum rate equal to the Alternate Base Rate, the Adjusted Term SOFR Rate, the Adjusted Daily Simple SOFR Rate, the Adjusted EURIBOR Rate or the Adjusted Daily Simple SONIA Rate, as applicable and each as defined in the amended Credit Agreement, in each case, plus an applicable margin. With respect to the loans under the Revolving Credit Facility, the applicable margin ranges from 1.75% to 3.50% in the case of RFR loans, as defined in the amended Credit Agreement, and 0.75% to 2.50% in the case of the Alternate Base Rate loans, as defined in the amended Credit Agreement, in each case, based on the Company's Total Net Leverage Ratio. Interest on the loans is payable quarterly in arrears in the case of Alternate Base Rate loans. In addition, the Company is obligated to pay a quarterly commitment fee based on a percentage of the unused portion of the Revolving Credit Facility and quarterly letter of credit fees based on a percentage of the maximum amount available to be drawn under each outstanding letter of credit. The commitment fee and letter of credit fee range from 0.30% to 0.50% and 1.75% to 3.50%, respectively, in each case, based on the Company's Total Net Leverage Ratio.

The amended Credit Agreement contains customary representations and warranties, affirmative and negative covenants and events of default. The negative covenants include restrictions on the Company's ability to, among other things, incur additional indebtedness, create liens, make investments, give guarantees, pay dividends, sell assets and merge and consolidate. The Company's borrowing capacity under the Revolving Credit Facility is currently limited by, among other covenants, compliance with the Total Net Leverage Ratio covenant for each fiscal period.

The Company's obligations under the Revolving Credit Facility are guaranteed by all of the Company's present and future material domestic subsidiaries, excluding certain material domestic subsidiaries that are excluded from being guarantors pursuant to the terms of the amended Credit Agreement. The Company's obligations under, and each guarantor's obligations under its guaranty of, the Revolving Credit Facility are secured by a first priority lien on substantially all of the Company's or such guarantor's respective assets. If an event of default occurs, the required lenders may cause the administrative agent to declare all unpaid principal and any accrued and unpaid interest and all fees and expenses under the Revolving Credit Facility to be immediately due and payable. All amounts outstanding under the Revolving Credit Facility will automatically become due and payable upon the commencement of any bankruptcy, insolvency or similar proceedings. The amended Credit Agreement, as it relates to the Revolving Credit Facility, also contains a cross-default to any of the Company's indebtedness having a principal amount in excess of \$40.0 million. The Company was in compliance with all covenants under the amended Credit Agreement as of June 30, 2024.

#### *Term Loan Facility*

On July 1, 2024, the Company, pursuant to the Third Amendment, established a new term loan facility (the "Term Loan Facility") in the aggregate principal amount of \$525.0 million with the Term Loan Facility lenders named therein. The proceeds of the Term Loan Facility were used to (i) redeem the Company's 2025 Notes, (ii) repay a portion of the Revolving Credit Facility outstanding immediately prior to the effective date of the Third Amendment, and (iii) pay fees and expenses associated with such transactions. The Company paid approximately \$6.6 million of deferred financing costs with respect to the Term Loan Facility.

The Term Loan Facility matures on the earlier of (a) July 1, 2031 and (b) July 2, 2029 if any of the Company's 2029 Notes remain outstanding on that date. Principal payments on the Term Loan Facility are required on a quarterly basis, commencing with the quarter ending September 30, 2024, in the amount equal to 0.25% of the aggregate principal amount of the Term Loan Facility outstanding. All unpaid amounts of the Term Loan Facility shall be paid in full on the maturity date. The Term Loan Facility requires annual prepayments of a percentage of Excess Cash Flow (as defined in the amended Credit Agreement); commencing with the year ending December 31, 2025 as follows: (i) 75.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 4.40:1.00, (ii) 50.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 3.90:1.00, but less than or equal to 4.40:1.00, (iii) 25.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 3.40:1.00, but less than or equal to 3.90:1.00, and (iv) 0.0% if the Total Net Leverage Ratio as of the last day of such period was less than or equal to 3.40:1.00. The Term Loan Facility also requires mandatory prepayments in the event of certain asset dispositions or casualty events. In addition, the Term Loan Facility is subject to a prepayment premium for the first six months after entering into the Third Amendment in the event of any repricing transaction.

Interest on the Term Loan Facility is generally payable quarterly, in arrears, on the outstanding principal amount of the Term Loan Facility at the following rates for the interest period in effect for such borrowing: (i) a SOFR-based benchmark plus 4.75% or (ii) a prime rate (or other alternate base rate) benchmark plus 3.75% in the case of ABR Loans (as such terms are defined in the amended Credit Agreement). The Term Loan Facility is subject to customary representations and warranties, affirmative and negative covenants, and events of default, as defined in the amended Credit Agreement. The amended Credit Agreement, as it relates to the Term Loan Facility, also contains a cross-default to any of the Company's indebtedness having a principal amount in excess of \$40.0 million.

## 10. Stock-Based Compensation and Similar Arrangements

The Company provides stock-based compensation to employees, non-employee directors, consultants and advisors under the Company's 2006 Long-Term Incentive Plan ("2006 Plan"). The 2006 Plan allows the flexibility to grant or award stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units including restricted stock units and performance awards to eligible persons.

*Stock options.* The Company recognized immaterial stock-based compensation expense for non-qualified stock options ("NQs") for the three months and six months ended June 30, 2024, and 2023, in general and administrative expense. At June 30, 2024, the Company had 63,023 stock options outstanding with a weighted-average exercise price of \$108.79.

*Restricted stock awards and restricted stock units.* The Company recognized stock-based compensation expense for restricted stock awards ("RSAs") and restricted stock units ("RSUs"), collectively, of \$1.4 million and \$0.9 million for the three months ended June 30, 2024 and 2023, respectively, and \$3.1 million and \$1.8 million for the six months ended June 30, 2024 and 2023, respectively, in general and administrative expense. The Company had 15,948 unvested RSAs and 353,765 unvested RSUs outstanding at June 30, 2024 with a weighted-average grant date fair value of \$48.90 and \$41.69, respectively.

*Performance-based share awards.* The Company grants performance-based restricted stock units ("PRSUs") to align management's compensation with the Company's financial performance and other operational objectives and to retain key employees. Awards granted under this category are based on the achievement of various targeted metrics as approved by the Compensation Committee and defined in the related PRSU Agreement. Stock-based compensation expense for PRSUs is recognized over the 3-year vesting period under the straight-line attribution method. The Company recorded stock-based compensation expense related to PRSUs of \$0.7 million in general and administrative expense for the three months ended June 30, 2024 and recorded an immaterial amount of stock-based compensation expense for the three months ended June 30, 2023. The Company recorded stock-based compensation expense related to PRSUs of \$0.9 million in general and administrative expense for the six months ended June 30, 2024 and recorded an immaterial amount of stock-based compensation expense for the six months ended June 30, 2023 due to the impact of the reversal of previously recognized stock-based compensation expense during the period from forfeitures. The remaining expense is expected to be recognized over the remainder of the 3-year requisite service period. The Company had 266,782 unvested PRSUs outstanding at June 30, 2024 with a weighted-average grant date fair value of \$47.76.

### *Employee Stock Purchase Plan*

During the fourth quarter of 2022, the Company began offering an Employee Stock Purchase Plan ("ESPP") with 1,000,000 shares of Common Stock reserved for purchase pursuant to the Plan for eligible employees. The shares of Common Stock may be newly issued shares, treasury shares or shares acquired on the open market. Under the terms of the ESPP, eligible employees may designate a dollar value or percentage of their compensation to be withheld through payroll deductions, up to a maximum of \$25,000 in each plan year, for the purchase of common stock at a discounted rate of 85% of the lower of the market price on the first or last trading day of the offering period. For the three and six months ended June 30, 2024 and 2023,

the Company recorded an immaterial amount of stock-based compensation expense related to the ESPP. As of June 30, 2024, 966,172 shares remain available for future issuance under the ESPP.

## 11. Loss Per Share

The following table details the computation of basic and diluted loss per share (in thousands, except share and per share data):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>Numerator:</b>				
Net loss	\$ (128,884)	\$ (190,944)	\$ (151,184)	\$ (194,906)
<b>Denominator:</b>				
Denominator for basic and diluted earnings per share -- weighted-average shares	14,216,954	14,170,617	14,209,477	14,162,776
<b>Loss per share:</b>				
Basic loss per share	\$ (9.07)	\$ (13.47)	\$ (10.64)	\$ (13.76)
Diluted loss per share	\$ (9.07)	\$ (13.47)	\$ (10.64)	\$ (13.76)

In a period when a net loss is reported, all common stock equivalents are excluded from the calculation because they would have an anti-dilutive effect, meaning the loss per share would be reduced. Therefore, in periods where a loss is reported, there is no difference in basic and diluted loss per share. Common stock options and restricted stock are excluded from the calculation of diluted loss per share because the net loss for the three and six months ended June 30, 2024 and 2023 causes such securities to be anti-dilutive.

The following weighted-average shares were not included in the computation of diluted loss per share as the effect of their inclusion would have been anti-dilutive:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Stock options to purchase common stock	72,262	94,104	75,862	91,757
Restricted stock awards and restricted stock units	397,269	108,999	295,644	73,469

## 12. Income Taxes

The Company's effective tax rate for the three months ended June 30, 2024 and 2023 was a tax provision of 8.0% and a tax benefit of 0.4%, and for the six months ended June 30, 2024 and 2023 was a tax provision of 6.4% and a tax benefit of 1.3%. For the three and six months ended June 30, 2024, the effective tax rate differed from the U.S. federal statutory rate, primarily due to various tax credits, increased reserves on deferred tax assets, nondeductible expenses and nondeductible goodwill impairment. For the three and six months ended June 30, 2023, the effective tax rate differed from the U.S. federal statutory rate primarily due to the nondeductible goodwill impairment.

## 13. Commitments and Contingencies

### *Surveys, Audits and Governmental Investigations*

In the ordinary course of business, the Company may from time to time be or become subject to surveys, audits and governmental investigations under or with respect to various governmental programs and state and federal laws. Agencies associated with the programs and other third-party commercial payors periodically conduct extensive pre-payment or post-payment medical reviews or other audits of claims data to identify possible payments made or authorized other than in compliance with the requirements of Medicare or Medicaid. In order to conduct these reviews, documentation is requested from the Company and then that documentation is reviewed to determine compliance with applicable rules and regulations, including the eligibility of clients to receive benefits, the appropriateness of the care provided to those clients, and the documentation of



that care. Similarly, other state and federal governmental agencies conduct reviews and investigations to confirm the Company's compliance with applicable laws where it operates, including regarding employment and wage related regulations and matters. The Company cannot predict the ultimate outcome of any regulatory reviews or other governmental surveys, audits or investigations, but management does not expect any ongoing surveys, audits or investigations involving the Company to have a material adverse effect on the business, liquidity, financial condition, or results of operations of the Company. Regardless of the Company's expectations, however, surveys and audits are subject to inherent uncertainties and can have a material adverse impact on the Company due to, among other reasons, potential regulatory orders that inhibit its ability to operate its business, amounts paid as reimbursement or in settlement of any such matter, diversion of management resources and investigative costs.

### ***Legal Proceedings***

In the ordinary course of business, the Company may from time to time be or become involved in various lawsuits, some of which may seek monetary damages, including claims for punitive damages. Management does not expect any ongoing lawsuits involving the Company to have a material impact on the business, liquidity, financial condition, or results of operations of the Company. Legal proceedings are subject to inherent uncertainties, however, and unfavorable rulings or other events could occur. Unfavorable resolutions could involve substantial monetary damages. In addition, in matters for which conduct remedies are sought, unfavorable resolutions could include an injunction or other order precluding particular business practices or requiring other remedies. An unfavorable outcome might result in a material adverse impact on the business, liquidity, financial position, or results of operations.

The Company records accruals for loss contingencies related to legal matters when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. If the Company determines that a range of reasonably possible losses can be estimated, the Company records an accrual for the most probable amount in the range. Due to the inherent difficulty in predicting the outcome of any legal proceeding, it may not be reasonably possible to estimate a range of potential liability until the matter is closer to resolution. Legal fees related to all legal matters are expensed as incurred.

In 2017, one of the PCS segment subsidiaries, All Metro Home Care Services of New York, Inc. d/b/a All Metro Health Care ("All Metro"), received a class action lawsuit in state court claiming that, among other things, it failed to properly pay live-in caregivers who stay in patients' homes for 24 hours per day ("live-ins"). The Company pays live-ins for 13 hours per day as supported through a written opinion letter from the New York State Department of Labor ("NYSDOL"). A similar case involving this issue has been heard by the New York Court of Appeals (New York's highest court), which on March 26, 2019, issued a ruling reversing earlier lower courts' decisions that an employer must pay live-ins for 24 hours. The Court of Appeals agreed with the NYSDOL's interpretation to pay live-ins 13 hours instead of 24 hours if certain conditions were being met. Following All Metro's motion to oppose class certification, which was heard on June 23, 2022, the state court issued an order certifying the class on December 12, 2022. Because the parties to date have been unable to settle their dispute through mediation, discovery in the matter is continuing. If the plaintiffs prove successful in this class action lawsuit, All Metro may be liable for back wages and liquidated damages dating back to November 2021. All Metro believes that it is and has been in compliance in all material respects with the laws and regulations covering pay for live-in caregivers, intends to continue to defend itself vigorously with respect to this matter, and the Company does not believe in any event that the ultimate outcome of this matter will have a material adverse effect on the Company's business, liquidity, financial condition or results of operations.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2024 and 2023 included herein, as well as our audited consolidated financial statements and accompanying notes and management's discussion and analysis of financial condition and results of operations included in our Form 10-K for the year ended December 31, 2023. For purposes of "Management's Discussion and Analysis of Financial Condition and Results of Operations," references to "Q2 2024" and "Q2 2023" mean the three months ended June 30, 2024 and the three months ended June 30, 2023, respectively.

### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 3b-6 promulgated thereunder, including statements related to the Company's strategies or expectations about revenues, liabilities, results of operations, cash flows, ability to fund operations, profitability, ability to meet financial covenants, contracts or market opportunities. These statements are predictive in nature and are frequently identified by the use of terms such as "may," "will," "should," "expect," "believe," "estimate," "intend," and similar words indicating possible future expectations, events or actions. In addition, statements that are not historical statements of fact should also be considered forward-looking statements. Such forward-looking statements are based on current expectations, assumptions, estimates and projections about our business and our industry, and are not guarantees of our future performance. These statements are subject to a number of known and unknown risks, uncertainties and other factors, many of which are beyond our ability to control or predict, that may cause actual events to be materially different from those expressed or implied herein. Among such risks, uncertainties and other factors are those summarized under the caption "[Summary Risk Factors](#)" in Part I, and described in further detail under the caption "[Risk Factors](#)" in Part I, Item 1A, of our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, for the fiscal year ended December 31, 2023. Hyperlinks to such sections of our Annual Report are contained in the text included within the quotation marks.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made and are expressly qualified in their entirety by the cautionary statements set forth herein and in our other filings with the SEC, which you should read in their entirety before making an investment decision with respect to our securities. We undertake no obligation to update or revise any forward-looking statements contained in this release, whether as a result of new information, future events or otherwise, except as required by applicable law.

### Overview of Our Business

ModivCare Inc. ("ModivCare" or the "Company") is a technology-enabled healthcare services company that provides a suite of integrated supportive care solutions for public and private payors and their members. Its value-based solutions address the social determinants of health ("SDoH") by connecting members to essential care services. By doing so, ModivCare helps health plans manage risks, reduce costs, and improve health outcomes. ModivCare is a provider of non-emergency medical transportation ("NEMT"), personal care services ("PCS"), and remote patient monitoring solutions ("RPM"), which serve similar, highly vulnerable patient populations. The technology-enabled operating model in its NEMT segment includes the coordination of non-emergency medical transportation services supported by an infrastructure of core competencies in risk underwriting, contact center management, network credentialing and claims management. Additionally, its personal care services in its PCS segment include placements of non-medical personal care assistants, home health aides and nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting. ModivCare's remote patient monitoring solutions in its RPM segment include the monitoring of personal emergency response systems, vitals monitoring, medication management and data-driven patient engagement solutions.

ModivCare also holds a 43.6% minority interest in CCHN Group Holdings, Inc. and its subsidiaries, which operates under the Matrix Medical Network brand ("Matrix"). Matrix, which is included in our Corporate and Other segment, maintains a national network of community-based clinicians who deliver in-home and on-site services.

### Business Outlook and Trends

Our performance is affected by a number of trends that drive the demand for our services. In particular, the markets in which we operate are exposed to various trends, such as healthcare industry and demographic dynamics. Over the long term, we believe there are numerous factors that could affect growth within the industries in which we operate, including:

- an aging population, which is expected to increase demand for healthcare services including required transportation to such healthcare services and in-home personal care and remote patient monitoring services;

- increasing prevalence of chronic illnesses that require active and ongoing monitoring of health data which can be accomplished at a lower cost and result in better health outcomes through remote patient monitoring services;
- a movement towards value-based care versus fee-for-service and cost plus care and budget pressure on governments, both of which may increase the use of private corporations to provide necessary and innovative services;
- increasing demand for in-home care provision, driven by cost pressures on traditional reimbursement models and technological advances enabling remote engagement, including remote monitoring and similar internet-based health related services;
- a shift in membership dynamics as a result of Medicaid redetermination efforts, the effects of which are largely complete, however there are several states still in process of completing these efforts, which may decrease membership levels at our NEMT segment;
- advancement of regulatory priorities, which include the Centers for Medicare and Medicaid Services ("CMS") final rule, *Ensuring Access to Medicaid Services*, which, in six years, requires states to generally ensure that a minimum of 80.0% of Medicaid payments are used toward compensation for direct care workers, which may lower profit margins at our PCS segment;
- technological advancements, which may be utilized by us to improve services and lower costs, but may also be utilized by others, which may increase industry competitiveness;
- managed care organizations ("MCOs"), Medicaid and Medicare plans increasing coverage of non-emergency medical transportation services for a variety of reasons, including increased access to care, improved patient compliance with treatment plans, social trends, and to promote SDoH, and this trend may be accelerated or reinforced by The Consolidated Appropriations Act of 2021 ("H.R.133"), a component of which mandates that state Medicaid programs ensure that Medicaid beneficiaries have necessary transportation to and from health care providers; and
- uncertain macroeconomic conditions, including rising interest rates, could have an effect on our debt and short-term borrowings, which may have a negative impact on our results.

On May 11, 2023, the Department of Health and Human Services ("HHS") declared the end of the public health emergency ("PHE") for the COVID-19 pandemic. During each year following the emergence of the pandemic, we have continued to experience increased trip volume, service hours, and caregiver visits. While this indicates increased demand for our non-emergency medical transportation, personal care and remote patient monitoring services, ongoing impacts of the pandemic and implications of the current macroeconomic environment, which is characterized by high inflation rates, high interest rates, supply chain challenges, labor shortages, volatility in capital markets and growing recession risk, have had and could continue to have an adverse effect on our business, results of operations, and financial condition. For the NEMT segment, increased trip volume and utilization of non-emergency medical transportation services exposes us to cost containment risk as labor costs and trip costs are rising at a higher rate than reimbursement, which results in lower profit margins than previously reported. The increase in trip costs is driven, in part, by headwinds from the current macroeconomic environment which limit the NEMT segment's ability to provide services at a reasonable cost to achieve historic profit margins. These macroeconomic trends also put pressure on the availability of transportation providers. Additionally, we may face staffing difficulties in our contact centers as the recruitment of potential employees may be challenging amid the current labor environment, which could negatively impact the customer and member experience while interfacing with our contact centers and materially adversely affect our reputation and results of operations. For the PCS segment, the labor shortage, particularly related to availability of healthcare workers including caregivers, will continue to impact the volume of service hours that can be provided while also driving increased wage rates, which limits our ability to be profitable in contracts with set rates for various care services. Additionally, increases in the utilization of our NEMT services and reduction in payer reimbursement rates at the PCS segment could limit the ability for us to generate a profit despite our shift toward emphasizing the importance of value-based care. Any of these circumstances and factors could have a material adverse effect on our reputation and business and any long-term macroeconomic impacts that have arisen as a result of the pandemic could continue to change trends in the market.

Our business environment is competitive, the structural changes in our industry related to the COVID-19 pandemic have been lasting, the labor market for healthcare professionals remains constrained, and the market price for our common stock on the Nasdaq Stock Market continues to be volatile; the continuing effect of all or any of the foregoing could result in, in future periods, an impairment to the estimated fair value of the goodwill that has been established for our reporting units. As discussed elsewhere herein and under the caption "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2023, impairment tests may be required in addition to the annual impairment testing as of July 1, 2024, if circumstances change that would, more likely than not, reduce the fair value of goodwill of a reporting unit below such reporting unit's carrying value. We monitor the performance of the business and the value of our stock price and estimated fair values of our reporting units, among other relevant considerations, to determine if any impairments to goodwill could exist at any particular time. During the second quarter of 2024, we determined that based on our qualitative assessment for each reporting unit, factors existed which required us to test our goodwill for impairment. These factors included lower than anticipated operating results during the first half of 2024 as compared to forecast. As a result of our quantitative assessment during the second quarter of 2024, we determined that the goodwill at our RPM reporting unit was impaired. See Note 7, *Goodwill and Intangible Assets*, for additional details.

## Critical Accounting Estimates and Policies

There have been no significant changes to our critical accounting policies in our unaudited condensed consolidated financial statements from our Form 10-K for the year ended December 31, 2023. For further discussion of our critical accounting policies, see management's discussion and analysis of financial condition and results of operations contained in our Form 10-K for the year ended December 31, 2023.

## Components of Results of Operations

### Revenues

*Service revenue, net.* Service revenue for our NEMT segment includes the revenue generated by providing non-emergency medical transportation services directly to our customers. These services are provided on either a capitated basis, which means we are paid on a per-member, per-month ("PMPM") basis for each eligible member, or on a fee-for-service ("FFS") basis, which means we are paid based on the volume of trips or services performed. Payment for our NEMT services is received from third-party payors, predominately made up of state Medicaid agencies and MCOs.

Our capitated contracts operate under either a full-risk or a shared-risk structure. Under full-risk contracts, payors pay a fixed amount per eligible member per month and we assume the responsibility of meeting the covered healthcare related transportation requirements for the number of eligible members in the payor's program. Under this structure, we assume the full-risk for the costs associated with arranging transportation of members through our network of independent transportation providers. Revenue is recognized based on the number of members served during the period. Under shared-risk contracts, we have provisions for reconciliations, risk corridors, and/or profit rebates. These contracts allow for periodic reconciliations based on actual cost and/or trip volume and may result in refunds to the payor (contract payables), or additional payments due from the payor (contract receivables) based on the provisions contractually agreed upon. These shared-risk contracts also allow for margin stabilization, as generally the amount received PMPM is adjusted for the costs to provide the transportation services. Under both contract structures, we arrange for transportation of members through our network of independent transportation providers, whereby we negotiate rates and remit payment to the transportation providers. However, for certain contracts, we assume no risk for the transportation network, credentialing and/or payments to these providers. For these contracts, we only provide administrative management services to support the customers' efforts to serve their clients.

Under FFS contracts, payors pay a specified amount for each service that we provide based on costs incurred plus an agreed-upon margin. FFS revenue is recognized in the period in which the services are rendered and is reduced by the estimated impact of contractual allowances.

Service revenue for our PCS segment includes the revenue generated based on the hours incurred by our in-home caregivers to provide services to our customers, primarily on a FFS basis in which we earn a specified amount for each service that we provide. Payment for our PCS services is billed to third-party payors which include, but are not limited to, MCOs, hospitals, Medicaid agencies and programs and other home health care providers who subcontract the services of our caregivers to their patients, and individuals.

Service revenue for our RPM segment includes the sale of monitoring equipment to our third-party distributors as well as revenue generated from the hours incurred by our Clinical Team for providing monitoring services to our customers, primarily on a PMPM basis for each eligible member. Payment for our monitoring services is billed to third-party payors which include, but are not limited to, national and regional health plans, government-funded benefit programs, healthcare provider organizations, and individuals.

### Grant Income

*Grant income.* We have received distributions under the ARPA Coronavirus State and Local Fiscal Relief Fund ("SLFRF") targeted to providing economic relief and stimulus to combat health and economic impacts of the COVID-19 pandemic in addition to other governmental funds.

### Operating Expenses

*Service expense.* Service expense for our NEMT segment includes purchased transportation, operational payroll and other operational related costs. Purchased transportation includes the amounts we pay to third-party service providers and is typically dependent upon service volume. Operational payroll predominately includes our contact center operations, customer advocacy and transportation network team. Other operating expenses primarily include operational overhead costs, and operating facilities and related charges. Service expense for our PCS segment includes payroll and other operational related

costs for our caregivers to provide in-home care. Service expense for our RPM segment primarily consists of salaries of employees in our contact centers, connectivity costs and occupancy costs.

*General and administrative expense.* General and administrative expense for all segments consists principally of salaries for administrative employees that support the operations, occupancy costs, marketing expenditures, insurance, and professional fees.

*Depreciation and amortization expense.* Depreciation within this caption includes infrastructure items such as computer hardware and software, office equipment, monitoring and vitals equipment, buildings, and leasehold improvements. Amortization expense is generated primarily from amortization of our intangible assets, including payor networks, trade names and developed technology.

*Impairment of goodwill.* We determined that based on our qualitative assessment for each reporting unit, factors existed which required us to test our goodwill for impairment. As a result of such impairment test, we determined that the goodwill within our RPM reporting unit was impaired during the second quarter of 2024 and that goodwill within our PCS and RPM reporting units was impaired during the second quarter of 2023.

#### **Other Expenses (Income)**

*Interest expense, net.* Interest expense consists principally of interest accrued during the period ended June 30, 2024 on our borrowings outstanding under the Credit Facility and Senior Unsecured Notes, and amortization of deferred financing fees. Refer to the “Liquidity and Capital Resources” section below for further discussion of these borrowings.

*Equity in net income (loss) of investee, net of tax.* Equity in earnings of equity method investee consists of our proportionate share of equity earnings or losses from our Matrix equity investment held at our Corporate and Other segment, presented net of related taxes, as well as the earnings of our insurance captive held at the NEMT segment, presented net of related taxes.

*Income tax benefit (provision).* We are subject to federal taxation in the United States and state taxation in the various jurisdictions in which we operate.

#### **Segment Reporting**

Our segments reflect the manner in which our operations are organized and reviewed by management. Segment results are based on how our CODM manages our business, makes operating decisions and evaluates operating performance.

We operate four reportable business segments: NEMT, PCS, RPM, and Corporate and Other. The NEMT segment provides non-emergency medical transportation services throughout the country. The PCS segment provides non-medical personal care and home health services. The RPM segment provides remote patient monitoring solutions. The Corporate and Other segment includes the costs associated with our corporate operations and as such, includes activities related to executive, accounting, finance, internal audit, tax, legal and certain strategic and corporate development functions for each segment, as well as the results of an investment in innovation that we completed during the first quarter of 2023. The operating results of the NEMT, PCS and RPM segments include revenue and expenses generated and incurred by the segment, and the Corporate and Other segment includes expenses incurred in relation to our Corporate operations as well as certain service revenue and operating expenses associated with the investment in innovation discussed above.

See Note 3, *Segments*, in our accompanying unaudited condensed consolidated financial statements for further information on our segments.

## Results of Operations

### Q2 2024 compared to Q2 2023

*Consolidated results.* The following table sets forth results of operations and the percentage of consolidated total Service revenue, net represented by items in our unaudited condensed consolidated statements of operations for Q2 2024 and Q2 2023 (in thousands):

	Three months ended June 30,			
	2024		2023	
	Amount	% of Service Revenue	Amount	% of Service Revenue
Service revenue, net	\$ 698,299	100.0 %	\$ 699,107	100.0 %
Grant income	—	— %	2,634	0.4 %
Operating expenses:				
Service expense	588,100	84.2 %	589,255	84.3 %
General and administrative expense	76,065	10.9 %	79,240	11.3 %
Depreciation and amortization	27,752	4.0 %	25,909	3.7 %
Impairment of goodwill	105,302	15.1 %	183,100	26.2 %
Total operating expenses	797,219	114.2 %	877,504	125.5 %
Operating loss	(98,920)	(14.2)%	(175,763)	(25.1)%
Interest expense, net	19,950	2.9 %	16,967	2.4 %
Loss before income taxes and equity method investment	(118,870)	(17.0)%	(192,730)	(27.6)%
Income tax benefit (provision)	(9,558)	(1.4)%	830	0.1 %
Equity in net income (loss) of investee, net of tax	(456)	(0.1)%	956	0.1 %
Net loss	\$ (128,884)	(18.5)%	\$ (190,944)	(27.3)%

*Service revenue, net.* Consolidated service revenue, net, for Q2 2024 remained consistent with Q2 2023. Service revenue, net decreased by \$6.3 million for our NEMT segment, increased by \$6.3 million for our PCS segment, and decreased by \$0.2 million for our RPM segment. The remainder of the change is related to our Corporate and Other segment. See our *Results of Operations - Segments*, for further discussion of the revenue drivers at each respective segment.

*Grant income.* We received an immaterial amount in grant distributions in Q2 2024. We received \$12.9 million in grant distributions in Q2 2023 and recognized \$2.6 million in grant income, with the difference being funds that were previously held in accrued expenses for which the recognition criteria were met. When grant distributions are received, they are recognized either as grant income, if intended to offset lost revenues, an offset to service expense, if we incurred the expense for which the grants were intended to compensate, or as an accrued expense, if we have not yet incurred the expense for which the grants were intended to compensate. These funds were received by our NEMT and PCS segments and are available to eligible providers who have healthcare-related expenses and lost revenues attributable to COVID-19 and/or meet the eligibility requirements of the related fund.

Service expense. Service expense components are shown below (in thousands):

	Three months ended June 30,			
	2024		2023	
	Amount	% of Service Revenue	Amount	% of Service Revenue
Purchased services	\$ 372,579	53.4 %	\$ 377,192	54.0 %
Payroll and related costs	194,907	27.9 %	192,917	27.6 %
Other service expenses	20,614	3.0 %	19,146	2.7 %
Total service expense	\$ 588,100	84.2 %	\$ 589,255	84.3 %

Service expense for Q2 2024 remained consistent with Q2 2023. Service expense at our NEMT segment decreased by \$13.9 million, which was offset by an increase in service expense at our PCS segment of \$11.4 million along with an increase in service expense at our RPM segment of \$1.5 million. The remainder of the change is related to our Corporate and Other segment. See our *Results of Operations - Segments*, for further discussion.

*General and administrative expense.* General and administrative expense for Q2 2024 decreased \$3.2 million, or 4.0%, compared to Q2 2023. General and administrative expense at our Corporate and Other segment decreased by \$12.0 million, which was offset by an increase in general and administrative expense at our NEMT segment of \$4.8 million along with an increase in general and administrative expense at our PCS segment of \$3.3 million. General and administrative expense, expressed as a percentage of service revenue, net decreased to 10.9% for Q2 2024 compared to 11.3% for Q2 2023. See our *Results of Operations - Segments*, for further discussion.

*Depreciation and amortization.* Depreciation and amortization increased from Q2 2023 to Q2 2024 with an increase of \$1.8 million, or 7.1%, primarily related to the depreciation associated with the capitalization of internal use software.

*Impairment of goodwill.* Impairment of goodwill for Q2 2024 and Q2 2023 was \$105.3 million and \$183.1 million, respectively, and was driven by goodwill impairments recorded at our RPM reporting unit during Q2 2024 and at our PCS and RPM reporting units during Q2 2023 as a result of our quantitative goodwill impairment test. See Note 7, *Goodwill and Intangible Assets*.

*Interest expense, net.* Interest expense, net, for Q2 2024 and Q2 2023 was \$20.0 million and \$17.0 million, respectively, for an increase of \$3.0 million, or 17.6% quarter over quarter. During Q2 2024, we incurred \$8.1 million and \$6.6 million of interest expense related to the 2025 Notes and 2029 Notes, respectively. The remainder of the interest expense in Q2 2024 is related to interest and fees on the Credit Facility, which increased during Q2 2024 due to increased borrowing on the Revolving Credit Facility as compared to Q2 2023. Interest expense is recorded at our Corporate and Other segment.

*Equity in net income (loss) of investee, net of tax.* Our equity in net loss of investee, net of tax, for Q2 2024 of \$0.5 million and our equity in net income of investee, net of tax, of \$1.0 million for Q2 2023 was a result of our proportional share of the net income or loss of Matrix and our investment in a captive insurance program.

*Income tax benefit (provision).* Our effective tax rates from operations for Q2 2024 and Q2 2023 were a tax provision of 8.0% and a tax benefit of 0.4%, respectively. For Q2 2024, the effective tax rate differed from the U.S. federal statutory rate, primarily due to various tax credits, increased reserves on deferred tax assets, nondeductible expenses, and the nondeductible goodwill impairment. For Q2 2023, the effective tax rate differed from the U.S. federal statutory rate primarily due to the nondeductible goodwill impairment.

Six months ended June 30, 2024 compared to Six months ended June 30, 2023

*Consolidated results.* The following table sets forth results of operations and the percentage of consolidated total Service revenue, net represented by items in our unaudited condensed consolidated statements of operations for the six months ended June 30, 2024, which we refer to as “YTD 2024”, and for the six months ended June 30, 2023, which we refer to as “YTD 2023” (in thousands):

	Six months ended June 30,			
	2024		2023	
	Amount	% of Service Revenue	Amount	% of Service Revenue
Service revenue, net	\$ 1,382,750	100.0 %	\$ 1,361,413	100.0 %
Grant income	—	— %	4,098	0.3 %
Operating expenses:				
Service expense	1,171,666	84.7 %	1,139,521	83.7 %
General and administrative expense	153,242	11.1 %	158,953	11.7 %
Depreciation and amortization	54,855	4.0 %	51,602	3.8 %
Impairment of goodwill	105,302	7.6 %	183,100	13.4 %
Total operating expenses	1,485,065	107.4 %	1,533,176	112.6 %
Operating loss	(102,315)	(7.4)%	(167,665)	(12.3)%
Interest expense, net	38,636	2.8 %	32,925	2.4 %
Loss before income taxes and equity method investment	(140,951)	(10.2)%	(200,590)	(14.7)%
Income tax benefit (provision)	(9,015)	(0.7)%	2,703	0.2 %
Equity in net income (loss) of investee, net of tax	(1,218)	(0.1)%	2,981	0.2 %
Net loss	\$ (151,184)	(10.9)%	\$ (194,906)	(14.3)%

*Service revenue, net.* Consolidated service revenue, net, for YTD 2024 increased \$21.3 million, or 1.6%, compared to YTD 2023. This change consists of an increase in revenue of \$3.5 million at our NEMT segment, an increase in revenue of \$15.7 million at our PCS segment, and an increase in revenue of \$1.2 million at our RPM segment. See our *Results of Operations - Segments*, for further discussion.

*Grant income.* While we received approximately \$14.0 million in grant distributions during YTD 2024, we did not recognize grant income, but recognized a portion of these funds as an offset to service expense once they met the conditions for recognition. We received \$14.5 million in grant distributions during YTD 2023 and recognized \$4.1 million in grant income, with the difference being recognized either as an offset to service expense, if we incurred the expense for which the grants were intended to compensate, or as an accrued expense, if we have not yet incurred the expense for which the grants were intended to compensate. These funds were received by our NEMT and PCS segments and are available to eligible providers who have healthcare-related expenses and lost revenues attributable to COVID-19 and/or meet the eligibility requirements of the related fund.

*Service expense.* Service expense components are shown below (in thousands):

	Six months ended June 30,			
	2024		2023	
	Amount	% of Revenue	Amount	% of Revenue
Purchased services	\$ 735,479	53.2 %	\$ 721,612	53.0 %
Payroll and related costs	394,469	28.5 %	382,562	28.1 %
Other service expenses	41,718	3.0 %	35,347	2.6 %
Total service expense	\$ 1,171,666	84.7 %	\$ 1,139,521	83.7 %



Service expense for YTD 2024 increased \$32.1 million, or 2.8%, compared to YTD 2023 primarily due to higher purchased services for our NEMT segment of \$13.9 million related to an increase in transportation costs. Payroll and related costs across all segments increased by \$11.9 million, which was driven by a large increase in payroll and related costs of \$24.8 million at our PCS and RPM segments, which was offset by a large decrease in payroll and related costs of \$13.0 million at our NEMT segment. See our *Results of Operations - Segments*, for further discussion.

*General and administrative expense.* General and administrative expense for YTD 2024 decreased by \$5.7 million, or 3.6%, compared to YTD 2023. General and administrative expense at our Corporate and Other segment decreased by \$13.9 million, which was offset by an increase in general and administrative expense at our NEMT segment of \$2.7 million along with an increase in general and administrative expense at our PCS segment of \$5.1 million. General and administrative expense, expressed as a percentage of service revenue, net decreased to 11.1% for YTD 2024 compared to 11.7% for YTD 2023. See our *Results of Operations - Segments*, for further discussion.

*Depreciation and amortization.* Depreciation and amortization increased from YTD 2023 to YTD 2024 with an increase of \$3.3 million, or 6.3%, primarily associated with the capitalization of internal use software.

*Impairment of goodwill.* Impairment of goodwill for YTD 2024 and YTD 2023 was \$105.3 million and \$183.1 million, respectively, and was driven by goodwill impairments that were recorded at our RPM reporting unit during YTD 2024 and at our PCS and RPM reporting units during YTD 2023. See Note 7, *Goodwill and Intangible Assets*.

*Interest expense, net.* Interest expense, net for YTD 2024 and YTD 2023 was \$38.6 million and \$32.9 million, respectively, for an increase of \$5.7 million, or 17.3% year over year. During YTD 2024, we incurred \$16.2 million and \$13.3 million of interest expense related to the 2025 Notes and 2029 Notes, respectively. The remainder of the interest expense during YTD 2024 is related to interest and fees on the Credit Facility, which increased during YTD 2024 due to increased borrowing on the Revolving Credit Facility as compared to YTD 2023. Interest expense is recorded at our Corporate and Other segment.

*Equity in net income (loss) of investee, net of tax.* Our equity in net loss of investee, net of tax for YTD 2024 of \$1.2 million and our equity in net income of investee, net of tax for YTD 2023 of \$3.0 million was a result of our proportional share of the net income or loss of Matrix and our investment in a captive insurance program.

*Income tax benefit (provision).* Our effective tax rates from operations for YTD 2024 and YTD 2023 were a tax provision of 6.4% and a tax benefit of 1.3%, respectively. The YTD 2024 effective tax rate differed from the U.S. federal statutory rate, primarily due to various tax credits, increased reserves on deferred tax assets, nondeductible expenses, and the nondeductible goodwill impairment. The YTD 2023 effective tax rate differed from the U.S. federal statutory rate primarily due to the nondeductible goodwill impairment.

## Results of Operations - Segments

The following tables set forth certain financial information attributable to our business segments for the three and six months ended June 30, 2024 and 2023:

### NEMT Segment

(in thousands, except for revenue per member per month, revenue per trip, and service expense per trip)

	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
<b>Operating Results</b>								
Service revenue, net	\$ 490,677	100.0%	\$ 496,975	100.0%	\$ 969,983	100.0%	\$ 966,438	100.0%
Service expense	427,956	87.2%	441,897	88.9%	851,613	87.8%	849,583	87.9%
General and administrative expense	33,123	6.8%	28,337	5.7%	64,943	6.7%	62,212	6.4%
Depreciation and amortization	7,598	1.5%	6,739	1.4%	14,957	1.5%	13,505	1.4%
Operating income	\$ 22,000	4.5%	\$ 20,002	4.0%	\$ 38,470	4.0%	\$ 41,138	4.3%
<b>Business Metrics<sup>(1)</sup></b>								
Total paid trips	9,031		8,735		17,839		16,937	
Average monthly members	29,703		34,312		29,387		34,008	
Revenue per member per month	\$ 5.51		\$ 4.83		\$ 5.50		\$ 4.74	
Revenue per trip	\$ 54.33		\$ 56.89		\$ 54.37		\$ 57.06	
Service expense per trip	\$ 47.39		\$ 50.59		\$ 47.74		\$ 50.16	
Utilization	10.1 %		8.5 %		10.1 %		8.3 %	

- (1) These metrics are key performance indicators that management uses to evaluate our performance. Trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and understand the underlying drivers of costs and revenue for our business. We believe these metrics are useful to investors in evaluating and understanding our business but should not be used solely in assessing our performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole.

Our NEMT segment is the largest manager of non-emergency medical transportation programs for state governments and MCOs in the U.S.

*Service revenue, net.* Service revenue, net, remained consistent in Q2 2024 as compared to Q2 2023, with a decrease of 1.3%, and remained consistent in YTD 2024 as compared to YTD 2023, with an increase of 0.4%. While average monthly membership decreased 13.4% and 13.6% for the QTD and YTD periods, respectively, the revenue received per member per month increased by 14.1% and 16.0% over the same periods, leaving revenue relatively stable. Revenue per member per month is driven by increases in trip volume. These two factors are correlated due to contract repricing and the partial pass-through of costs associated with our reconciliation, risk corridor, and/or profit rebate contracts (which are considered shared-risk contracts due to the reconciliation provisions).

The change in average monthly members is correlated to the change in revenue because a majority of our contracts are capitated, and we receive monthly payments on a per member per month basis in return for full or shared risk of transportation volumes. Declines in membership over the periods presented were anticipated and related to Medicaid redetermination, along with certain contract losses. While membership decreased, revenue had an offsetting increase due to increases in the average rate received per member, which increases in line with increases in utilization or trip volume in our shared risk contracts. As most of our capitated contracts have been restructured to a shared risk format, revenue remained stable despite the decline in

membership. Trip volume increases also positively affected revenue for fee-for-service contracts due to a larger number of services performed.

*Service expense.* Service expense for our NEMT segment primarily consists of purchased services, which are costs paid to our third party transportation providers, and payroll and related costs, which consist of salaries of employees within our contact centers and operations centers. Other service expenses include occupancy costs related to our contact centers. Service expense components for the NEMT segment are shown below (in thousands):

	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
Purchased services	\$ 372,579	75.9 %	\$ 377,192	75.9 %	\$ 735,479	75.8 %	\$ 721,612	74.7 %
Payroll and related costs	42,619	8.7 %	51,697	10.4 %	90,777	9.4 %	103,733	10.7 %
Other service expenses	12,758	2.6 %	13,008	2.6 %	25,357	2.6 %	24,238	2.5 %
Total service expense	<u>\$ 427,956</u>	<u>87.2 %</u>	<u>\$ 441,897</u>	<u>88.9 %</u>	<u>\$ 851,613</u>	<u>87.8 %</u>	<u>\$ 849,583</u>	<u>87.9 %</u>

Service expense decreased by \$13.9 million, or 3.2%, for Q2 2024 as compared to Q2 2023, primarily related to a decrease in payroll and related costs of \$9.1 million, or 17.6%, and lower purchased services of \$4.6 million, or 1.2%. Service expense remained consistent for YTD 2024 as compared to YTD 2023, as although purchased services increased \$13.9 million, or 1.9%, this was offset by a decrease in payroll and related costs of \$13.0 million, or 12.5%. The decrease in payroll and related costs over both periods demonstrates ongoing improvements from cost optimization and digitization efforts in our contact centers. Purchased services costs increased with the higher trip volume period over period, which is offset by lower purchased services cost per trip, due to reduction in trip expense from the implementation of our multi-modal strategy.

*General and administrative expense.* General and administrative expense primarily consists of salaries for administrative employees that support the operations of the NEMT segment, occupancy costs, marketing expenditures, insurance, and professional fees. General and administrative expense increased by \$4.8 million, or 16.9%, for Q2 2024 as compared to Q2 2023 and increased by \$2.7 million, or 4.4%, for YTD 2024 as compared to YTD 2023. The increases are primarily related to higher professional service costs during both periods related to investments in system modernization.

*Depreciation and amortization expense.* Depreciation and amortization expense increased by \$0.9 million, or 12.7%, for Q2 2024 as compared to Q2 2023 and increased by \$1.5 million, or 10.8%, for YTD 2024 as compared to YTD 2023. Both increases are primarily associated with additional investment in internal use software.

**PCS Segment**

(in thousands, except service revenue per hour and service expense per hour)

	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
<b>Operating Results</b>								
Service revenue, net	\$ 186,610	100.0%	\$ 180,325	100.0%	\$ 370,178	100.0%	\$ 354,456	100.0%
Grant income	—	—%	2,634	1.5%	—	—%	4,098	1.2%
Service expense	149,866	80.3%	138,468	76.8%	299,304	80.9%	274,558	77.5%
General and administrative expense	23,897	12.8%	20,565	11.4%	48,329	13.1%	43,228	12.2%
Depreciation and amortization	12,793	6.9%	12,872	7.1%	25,588	6.9%	25,740	7.3%
Impairment of goodwill	—	—%	137,331	76.2%	—	—%	137,331	38.7%
Operating income (loss)	\$ 54	—%	\$ (126,277)	(70.0)%	\$ (3,043)	(0.8)%	\$ (122,303)	(34.5)%
<b>Business Metrics<sup>(1)</sup></b>								
Total hours	7,048		6,933		14,013		13,757	
Service revenue per hour	\$ 26.48		\$ 26.01		\$ 26.42		\$ 25.77	
Service expense per hour	\$ 21.26		\$ 19.97		\$ 21.36		\$ 19.96	

(1) These metrics are key performance indicators that management uses to evaluate our performance. Trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and understand the underlying drivers of costs and revenue for our business. We believe these metrics are useful to investors in evaluating and understanding our business but should not be used solely in assessing our performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole.

Our PCS segment's services include placements of non-medical personal care assistants and home health aides and nurses primarily to Medicaid patient populations in need of care monitoring and assistance performing daily living activities in the home setting, including senior citizens and disabled adults.

*Service revenue, net.* PCS contracts are generally structured as fee-for-service contracts, with revenue driven by the number of hours worked by our personal care providers. Service revenue, net, increased by \$6.3 million, or 3.5%, for Q2 2024, as compared to Q2 2023, primarily due to 1.7% higher hours worked by personal care providers, as well as 1.8% higher rates earned per hour. Service revenue, net, increased by \$15.7 million, or 4.4%, for YTD 2024 as compared to YTD 2023, primarily due to 1.9% higher hours worked by personal care providers, as well as 2.5% higher rates earned per hour during the same period.

*Grant income.* During Q2 2024 and YTD 2024, we did not recognize grant income and during Q2 2023 and YTD 2023, we recognized \$2.6 million and \$4.1 million, respectively, related to government grant distributions received, primarily from the ARPA SLFRF. See discussion in the consolidated Results of Operations section for more information.

*Service expense.* Service expense for our PCS segment primarily consists of salaries for our employees who provide personal care services and it typically trends with the number of hours worked and cost per hour of service. Service expense components for the PCS segment are shown below (in thousands):

	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
Payroll and related costs	\$ 147,938	79.3 %	\$ 137,681	76.4 %	\$ 294,791	79.6 %	\$ 272,074	76.8 %
Other service expenses	1,928	1.0 %	787	0.4 %	4,513	1.2 %	2,484	0.7 %
Total service expense	<u>\$ 149,866</u>	<u>80.3 %</u>	<u>\$ 138,468</u>	<u>76.8 %</u>	<u>\$ 299,304</u>	<u>80.9 %</u>	<u>\$ 274,558</u>	<u>77.5 %</u>

Service expense for Q2 2024 increased by \$11.4 million, or 8.2%, as compared to Q2 2023, primarily as a result of a 6.5% increase in service expense per hour, as well as a 1.7% increase in hours of service provided. Service expense for YTD 2024 increased by \$24.7 million, or 9.0%, as compared to YTD 2023, primarily as a result of a 7.0% increase in service expense per hour, as well as a 1.9% increase in hours of service provided. The increases in service expense per hour are driven primarily by increased wage rates for our caregivers, predominately from wage increases in New York and New Jersey.

*General and administrative expense.* General and administrative expense primarily consists of salaries for administrative employees that support the operations of the PCS segment, occupancy costs, marketing expenditures, insurance, and professional fees. General and administrative expense increased by \$3.3 million, or 16.2%, for Q2 2024 as compared to Q2 2023 and general and administrative expense increased by \$5.1 million, or 11.8%, for YTD 2024 as compared to YTD 2023. The increases are primarily related to increased legal fees from various audits and legal proceedings as well as increased software expense related to the implementation of a home care platform in certain markets in Q2 2024.

*Depreciation and amortization expense.* Depreciation and amortization expense remained consistent for Q2 2024 as compared to Q2 2023 and for YTD 2024 as compared to YTD 2023. This balance primarily consists of amortization expense on the payor network intangible asset.

*Impairment of goodwill.* As a result of our quantitative goodwill assessment, we determined that the goodwill within our PCS reporting unit was not impaired during Q2 2024 or YTD 2024. During Q2 2023, we determined that the goodwill within our PCS reporting unit was impaired which resulted in an impairment of goodwill charge of \$137.3 million during Q2 2023 and YTD 2023. See Note 7, *Goodwill and Intangible Assets* for additional details.

## RPM Segment

(in thousands, except Revenue per member per month and Service expense per member per month)

	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
<b>Operating Results</b>								
Service revenue, net	\$ 19,025	100.0 %	\$ 19,211	100.0 %	\$ 39,127	100.0 %	\$ 37,923	100.0 %
Service expense	8,175	43.0 %	6,705	34.9 %	16,538	42.3 %	13,195	34.8 %
General and administrative expense	6,008	31.6 %	5,327	27.7 %	11,448	29.3 %	11,096	29.3 %
Depreciation and amortization	7,087	37.3 %	6,059	31.5 %	13,761	35.2 %	11,913	31.4 %
Impairment of goodwill	105,302	553.5 %	45,769	238.2 %	105,302	269.1 %	45,769	120.7 %
Operating loss	\$ (107,547)	(565.3)%	\$ (44,649)	(232.4)%	\$ (107,922)	(275.8)%	\$ (44,050)	(116.2)%
<b>Business Metrics<sup>(1)</sup></b>								
Average monthly members	246		240		248		237	
Revenue per member per month	\$ 25.78		\$ 26.68		\$ 26.30		\$ 26.67	
Service expense per member per month	\$ 11.08		\$ 9.31		\$ 11.11		\$ 9.28	

(1) These metrics are key performance indicators that management uses to evaluate our performance. Trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and understand the underlying drivers of costs and revenue for our business. We believe these metrics are useful to investors in evaluating and understanding our business but should not be used solely in assessing our performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole.

Our RPM segment is a provider of remote patient monitoring solutions and manages a comprehensive suite of services, including personal emergency response systems monitoring, vitals monitoring and data-driven patient engagement solutions.

*Service revenue, net.* RPM contracts are generally structured as a fixed fee per enrolled member per month and therefore, revenue is generally driven by the number of enrolled members and the rate received per member per month. Service revenue, net, decreased by \$0.2 million, or 1.0%, for Q2 2024 as compared to Q2 2023, primarily related to a 3.4% decrease in revenue per member per month. Service revenue, net, increased by \$1.2 million, or 3.2%, for YTD 2024 as compared to YTD 2023, primarily related to a 4.6% increase in average monthly members from YTD 2023 to YTD 2024.

*Service expense.* Service expense for our RPM segment primarily consists of salaries for the employees providing the remote monitoring services as well as occupancy costs. Service expense components for the RPM segment are shown below (in thousands):

	Three months ended June 30,				Six months ended June 30, 2023			
	2024		2023		2024		2023	
	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue	Amount	% of Segment Revenue
Payroll and related costs	\$ 4,233	22.2 %	\$ 3,311	17.2 %	\$ 8,569	21.9 %	\$ 6,527	17.2 %
Other service expenses	3,942	20.7 %	3,394	17.7 %	7,969	20.4 %	6,668	17.6 %
Total service expense	\$ 8,175	43.0 %	\$ 6,705	34.9 %	\$ 16,538	42.3 %	\$ 13,195	34.8 %

Service expense increased by \$1.5 million, or 21.9%, for Q2 2024 as compared to Q2 2023, primarily related to an increase of \$0.9 million, or 27.8%, in payroll and related costs. Service expense increased by \$3.3 million, or 25.3%, for YTD 2024 as compared to YTD 2023, primarily related to an increase of \$2.0 million, or 31.3%, in payroll and related costs. Payroll and related costs increased due to increased wages and benefits for our monitoring employees as well as increased device installation costs.

*General and administrative expense.* General and administrative expense primarily consists of salaries for administrative employees that indirectly support the operations, occupancy costs, marketing expenditures, insurance, and professional fees. General and administrative expense for Q2 2024 increased as compared to Q2 2023 by \$0.7 million, or 12.8%. General and administrative expense for YTD 2024 increased as compared to YTD 2023 by \$0.4 million, or 3.2%.

*Depreciation and amortization expense.* Depreciation and amortization expense increased by \$1.0 million, or 17.0%, for Q2 2024 as compared to Q2 2023, primarily related to additional depreciation expense on an increased number of RPM devices used to service the 2.5% increase in average monthly members from Q2 2023. Depreciation and amortization expense increased by \$1.8 million, or 15.5%, for YTD 2024 as compared to YTD 2023, primarily related to additional depreciation expense on an increased number of RPM devices used to service the 4.6% increase in average monthly members from YTD 2023.

*Impairment of goodwill.* As a result of our quantitative goodwill assessment, we determined that the goodwill within our RPM reporting unit was impaired which resulted in an impairment of goodwill charge of \$105.3 million during Q2 2024 and YTD 2024 and \$45.8 million during Q2 2023 and YTD 2023. See Note 7, *Goodwill and Intangible Assets* for additional details.

## Corporate and Other Segment

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Service revenue, net	\$ 1,987	\$ 2,596	\$ 3,462	\$ 2,596
Service expense	2,103	2,185	4,211	2,185
General and administrative expense	13,037	25,011	28,522	42,417
Depreciation and amortization	274	239	549	444
Operating loss	<u>\$ (13,427)</u>	<u>\$ (24,839)</u>	<u>\$ (29,820)</u>	<u>\$ (42,450)</u>

Our Corporate and Other segment includes our executive, accounting, finance, internal audit, tax, legal, public reporting and corporate development functions. This segment also includes the results of our equity investment in Matrix and the operating results of our investments in innovation related to data analytics products and solutions, which is comprised of our wholly-owned subsidiary, Higi Care, LLC ("Higi"), which was acquired during the first quarter of 2023. Higi provides certain data-driven personal health technologies and also began providing virtual clinical care management services (the "MSO") through an unaffiliated professional corporation (the "PC") owned and operated by a licensed physician in the third quarter of 2023.

*Service revenue, net and Service expense:* The acquisition of Higi, which was a strategic investment in growth, contributes to service revenue and service expense.

*General and administrative expense and Depreciation and amortization:* Our Corporate and Other segment includes costs incurred related to strategy and stewardship of the other operating segments. These expenses are primarily general and administrative expenses, with a minimal amount related to depreciation. The general and administrative expense decreased by \$12.0 million, or 47.9%, for Q2 2024 as compared to Q2 2023 and decreased by \$13.9 million, or 32.8%, for YTD 2024 as compared to YTD 2023. This decrease is primarily related to lower professional service costs and lower legal fees, which were higher in the prior year due to executive departure.

### Seasonality

Our NEMT and PCS segments' operating income and cash flows normally fluctuate as a result of seasonal variations in our business, principally due to lower demand for transportation and in-home services during the winter season and periods with major holidays as members and patients may spend more time with family and less time alone needing outside care during those periods. While this fluctuation is noted in terms of the use of our services during these seasonal shifts, it does not have a material impact on our results of operations and therefore is not adjusted for. Our RPM segment's operating income and cash flows do not normally fluctuate as a result of seasonal variations in the business.

### Liquidity and capital resources

Short-term capital requirements consist primarily of recurring operating expenses, contract start-up costs on new revenue contracts and costs associated with our strategic initiatives. We expect to meet our cash requirements through available cash on hand, cash generated from operations, net of capital expenditures, and occasional borrowings under our Revolving Credit Facility (as defined below). For information regarding our long-term capital requirements, see below under the caption "Liquidity".

Cash used in operating activities during the six months ended June 30, 2024 was \$45.7 million. Our balance of cash and cash equivalents, excluding restricted cash, was \$10.5 million and \$2.2 million at June 30, 2024 and December 31, 2023, respectively. We had restricted cash of \$0.5 million and \$0.6 million at June 30, 2024 and December 31, 2023, respectively. Restricted cash amounts are not included in our balance of cash and cash equivalents in the unaudited condensed consolidated balance sheets, although they are included in the cash, cash equivalents and restricted cash balance on the accompanying unaudited condensed consolidated statements of cash flows.

We may, from time to time, access capital markets to raise equity or debt financing for various business reasons, including acquisitions, repurchases of common stock, investments in our business and possible refinancing activity. The timing, term, size, and pricing of any such financing will depend on investor interest and market conditions, and there can be no assurance that we will be able to obtain any such financing on terms acceptable to us at the time or at all.



### **YTD 2024 cash flows compared to YTD 2023**

*Operating activities.* Cash used in operating activities was \$45.7 million for YTD 2024 compared to cash used in operating activities of \$110.9 million for YTD 2023. The increase in cash of \$65.1 million was primarily a result of an increase in cash provided by changes in operating assets and liabilities of \$74.1 million. The changes in operating assets and liabilities were partly driven by an increase in cash from a build in the accrued contract payables balance of \$54.6 million during YTD 2024 coupled with an increase in the cash received from contract receivables during YTD 2024 of \$26.3 million primarily related to cash collected on receivables related to certain risk corridor and reconciliation contracts. The increases from the changes in operating assets and liabilities are partially offset by a decrease in cash related to an increase in accounts receivable and other receivables of \$12.4 million, primarily related to the timing of cash receipts, as compared to YTD 2023.

*Investing activities.* Net cash used in investing activities was \$14.6 million in YTD 2024, which decreased by \$7.7 million as compared to YTD 2023. This decrease is related to less cash spent on purchases of property and equipment.

*Financing activities.* Net cash provided by financing activities was \$68.6 million for YTD 2024, compared to \$125.6 million for YTD 2023. The decrease of \$57.1 million was primarily a result of the decrease of \$57.3 million in net proceeds from our short-term borrowing on our Revolving Credit Facility during YTD 2024 as compared to YTD 2023.

### **Obligations and commitments**

*Senior Unsecured Notes.* On November 4, 2020, we issued \$500.0 million in the aggregate principal amount of 5.875% senior unsecured notes due on November 15, 2025 (the "2025 Notes"). Subsequently, on August 24, 2021, we issued an additional \$500.0 million in the aggregate principal amount of 5.000% senior unsecured notes due on October 1, 2029 (the "2029 Notes" and, together with the 2025 Notes, the "Notes"). For information related to our senior unsecured notes, refer to Note 9, *Debt*, of the Notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, "Financial Statements".

Subsequent to quarter end, the 2025 Notes were redeemed in full on July 1, 2024 prior to contractual maturity, at a redemption premium of 1.469% on the aggregate original principal amount of the 2025 Notes for a total redemption of \$507.3 million, plus the payment of approximately \$3.8 million in accrued and unpaid interest on the 2025 Notes. The 2025 Notes were redeemed in connection with the funding of the Term Loan Facility discussed below.

*Revolving Credit Facility.* We are party to the amended and restated credit agreement, dated as of February 3, 2022, (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, swing line lender and an issuing bank, Wells Fargo Bank, National Association, as an issuing bank, Truist Bank and Wells Fargo Bank, National Association, as co-syndication agents, Deutsche Bank AG New York Branch, Bank of America, N.A., Regions Bank, Bank of Montreal and Capital One, National Association, as co-documentation agents, and JPMorgan Chase Bank, N.A., Truist Securities, Inc. and Wells Fargo Securities, LLC, as joint bookrunners and joint lead arrangers, and the other lenders party thereto. The Credit Agreement, as amended to date, provides us with a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of \$325.0 million. The Revolving Credit Facility includes sublimits for swingline loans, letters of credit and alternative currency loans in amounts of up to \$25.0 million, \$60.0 million and \$75.0 million, respectively.

The Credit Agreement contains financial and non-financial covenants, including an affirmative covenant regarding our Total Net Leverage Ratio, determined as of the end of each of our fiscal quarters, which is the ratio of (a) our total net indebtedness to (b) our earnings before interest, taxes, depreciation, amortization, and certain non-recurring charges, fees, and expenses, as set for the in the Credit Agreement. On June 26, 2023, we entered into the First Amendment to the Credit Agreement which amended the maximum permitted Total Net Leverage Ratio under the Credit Agreement. On February 22, 2024, we entered into the Second Amendment to the Credit Agreement which further amended the maximum permitted Total Net Leverage Ratio under the amended Credit Agreement as well as added a quarterly minimum liquidity covenant (the "Liquidity Covenant") that restricts us from permitting our Liquidity (as defined in the Second Amendment and which is determined generally to be, as of any date of determination, the sum of our available borrowing capacity under the Revolving Credit Facility plus the amount of our unencumbered cash), to be less than \$100.0 million as of the last day of each fiscal quarter. On July 1, 2024, we entered into the Third Amendment to the Credit Agreement, which, among other things, extended with respect to the lenders identified in the Third Amendment the maturity date covering \$255.0 million in the aggregate principal amount of the commitments under the Revolving Credit Facility to February 3, 2028. The existing financial covenants under the amended Credit Agreement were retained for the benefit solely of the Revolving Credit Facility lenders, and the minimum liquidity level required by the Liquidity Covenant was decreased from \$100.0 million to \$75.0 million. Certain other financial covenants and restrictions under the Credit Agreement were also modified by the Third Amendment, as previously disclosed. The fees associated with the Third Amendment of \$0.2 million will be amortized over the life of the Revolving Credit Facility.

As of June 30, 2024, we were in compliance with all covenants contained in the amended Credit Agreement and our Total Net Leverage Ratio was 5.22:1.00. Based on our projections of financial performance, we expect to remain in compliance with the Total Net Leverage Ratio covenant and the Liquidity Covenant as set forth in the Second Amendment and revised in the Third Amendment to the Credit Agreement for the twelve-month period subsequent to the date of the filing of this Quarterly Report. However, our assessment of our ability to meet our future obligations is inherently subjective, judgment-based, and susceptible to change based on future events. For information related to our Revolving Credit Facility, refer to Note 9, *Debt*, of the Notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, "Financial Statements".

**Term Loan Facility.** On July 1, 2024, pursuant to the Third Amendment, we established a new term loan facility (the "Term Loan Facility") in the aggregate principal amount of \$525.0 million with the Term Loan Facility lenders named therein. The proceeds of the Term Loan Facility were used to (i) redeem our 2025 Notes, (ii) repay a portion of the Revolving Credit Facility outstanding immediately prior to the effective date of the Third Amendment, and (iii) pay fees and expenses associated with such transactions. We incurred approximately \$6.6 million of deferred financing costs with respect to the Term Loan Facility.

The Term Loan Facility matures on the earlier of (a) July 1, 2031 and (b) July 2, 2029 if any of the 2029 Notes remain outstanding on that date. Principal payments on the Term Loan Facility are required on a quarterly basis, commencing with the quarter ending September 30, 2024, in the amount equal to 0.25% of the aggregate principal amount of the Term Loan Facility outstanding. All unpaid amounts of the Term Loan Facility shall be paid in full on the maturity date. The Term Loan Facility requires annual prepayments of a percentage of Excess Cash Flow (as defined in the amended Credit Agreement); commencing with the year ending December 31, 2025 as follows: (i) 75.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 4.40:1.00, (ii) 50.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 3.90:1.00, but less than or equal to 4.40:1.00, (iii) 25.0% if the Total Net Leverage Ratio as of the last day of such period was greater than 3.40:1.00, but less than or equal to 3.90:1.00, and (iv) 0.0% if the Total Net Leverage Ratio as of the last day of such period was less than or equal to 3.40:1.00. The Term Loan Facility also requires mandatory prepayments in the event of certain asset dispositions or casualty events. In addition, the Term Loan Facility is subject to a prepayment premium for the first six months after entering into the Third Amendment in the event of any repricing transaction.

Interest on the Term Loan Facility is generally payable quarterly, in arrears, on the outstanding principal amount of the Term Loan Facility at the following rates for the interest period in effect for such borrowing: (i) a SOFR-based benchmark plus 4.75% or (ii) a prime rate (or other alternate base rate) benchmark plus 3.75% in the case of ABR Loans (as such terms are defined in the amended Credit Agreement). The Term Loan Facility is subject to customary representations and warranties, affirmative and negative covenants, and events of default, as defined in the amended Credit Agreement.

## Liquidity

Liquidity measures our ability to meet current and future cash flow needs on a timely basis and at a reasonable cost. We manage our liquidity position to meet our daily cash flow needs, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our shareholders. Our liquidity position is supported by management of liquid assets and current liabilities and access to alternative sources of funds. Liquid assets include cash and cash equivalents, excluding restricted cash, of \$10.5 million and accounts receivable, contract receivables, and other receivables of \$403.6 million as of June 30, 2024. Current liabilities, which totaled \$746.5 million at period end as detailed in the table below, included \$88.9 million in guarantees and letters of credit that are not expected to be settled in cash. Other sources of liquidity include amounts currently available under our Revolving Credit Facility and expected future cash generated from operations. As of June 30, 2024, we had amounts currently available under our Revolving Credit Facility of up to approximately \$62.0 million based on our Total Net Leverage Ratio of 5.50:1.00 as in effect for the quarter ended June 30, 2024.

We believe that, based on our current forecasts, the cash generated by our operations, amounts available under our Credit Agreement and our current liquid assets will continue to be sufficient to fund our operations and growth strategies for the next twelve months. Our assessment is based on assumptions that may prove to be incorrect, and our operating projections, including our projected cash generated by our operations, may change as a result of many factors currently unknown to us.

In accordance with Accounting Standards Codification ("ASC") Subtopic 205-40, *Presentation of Financial Statements - Going Concern*, we have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that our consolidated financial statements included in this report are issued. As of the date of this report, we do not believe that substantial doubt exists about our ability to continue as a going concern and meet our obligations as they become due in the ordinary course of business for the next twelve months. On the contrary, we believe that, based on our current forecasts, the cash generated by our operations, amounts available under our Credit Agreement and our other current liquid assets will be sufficient to fund our operations and allow us to meet our obligations as they become due in the ordinary course of business for at least the next twelve months from

the issuance of these financial statements. Management's assessment of its liquidity is highly dependent on its ability to meet its operating projections, including cash generated by operations, and manage its working capital, including specifically the timely collection of outstanding contract receivables, which were \$159.3 million at June 30, 2024. We have based our beliefs on estimates and assumptions that we believe are reasonable under the circumstances, but which may prove to differ from actual results due to factors beyond management's control. For example, while we believe we have sufficient liquidity to meet our obligations as they become due in the ordinary course of business for the next twelve months, there are factors that may impact negatively our ability to satisfy the Total Net Leverage Ratio covenant in our Revolving Credit Facility in the next twelve months subsequent to the release date of these financial statements. If we are unable to satisfy the Total Net Leverage Ratio covenant as of the certification date for such compliance following the end of any completed calendar quarter during the next twelve months, all of our outstanding obligations under the Credit Agreement and the 2029 Notes, by virtue of the cross-default provisions contained within the indenture covering the 2029 Notes, could become due and payable. In such circumstances, we would not expect to have sufficient liquidity on hand to meet all of our obligations to repay such indebtedness and we would be expected to be required to restructure our existing debt or seek additional equity or debt financing to meet our obligations and maintain our existence as a going concern. Our ability to seek any such remedial measures or raise additional capital is subject to a number of risks; see Item 1A. "Risk Factors" of our Annual Report on Form 10-K filed with the SEC on February 26, 2024 for further discussion of such risks.

In the ordinary course of business we have entered into contractual obligations and have made other commitments to make future payments. Our short-term and long-term liquidity requirements are primarily to fund on-going operations. These liquidity requirements are met primarily through cash flow from operations, debt financing, and borrowings under our Revolving Credit Facility. For additional information regarding our operating, investing and financing cash flows, see "Condensed Consolidated Financial Statements— Condensed Consolidated Statements of Cash Flows," included in Part I, Item I of this report.

We have cash requirements of \$746.5 million due in one year or less in addition to \$1,197.2 million due in more than one year as of June 30, 2024. The following is a summary of our future cash requirements for the next twelve months and the period extending beyond twelve months as of June 30, 2024 (in thousands):

	<b>At June 30, 2024</b>		
	<b>Total</b>	<b>Less than 1 Year</b>	<b>Greater than 1 Year</b>
Senior Unsecured Notes <sup>(1)</sup>	\$ 1,000,000	\$ —	\$ 1,000,000
Interest <sup>(1)</sup>	182,798	64,225	118,573
Contracts payable <sup>(2)</sup>	86,894	86,894	—
Transportation costs <sup>(3)</sup>	107,773	107,773	—
Deferred tax liabilities <sup>(4)</sup>	45,170	—	45,170
Operating leases <sup>(5)</sup>	41,579	8,474	33,105
Guarantees <sup>(6)</sup>	35,907	35,557	350
Letters of credit <sup>(6)</sup>	53,364	53,364	—
Purchased service commitment <sup>(7)</sup>	24,750	24,750	—
Short-term borrowings <sup>(8)</sup>	183,000	183,000	—
Other current cash obligations <sup>(9)</sup>	182,475	182,475	—
<b>Total</b>	<b>\$ 1,943,710</b>	<b>\$ 746,512</b>	<b>\$ 1,197,198</b>

- (1) See Note 9 of the Notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, "Financial Statements" for further detail of our Senior Unsecured Notes and the timing of expected future payments. Interest payments on our Senior Unsecured Notes are typically paid semi-annually in arrears and have been calculated at the rates fixed as of June 30, 2024. Interest payments on our short-term borrowings have been calculated by taking the expected borrowing on the Revolving Credit Facility for the next year at the weighted average interest rate of borrowings outstanding as of June 30, 2024 of 9.9%.
- (2) See Note 4 of the Notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, "Financial Statements" for further detail of our contracts payable.
- (3) See Note 1 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of our Form 10-K for the year ended December 31, 2023 filed on February 26, 2024 for further detail of our accrued transportation cost.

- (4) Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.
- (5) The operating leases are for office space. Certain leases contain periodic rent escalation adjustments and renewal options. See Note 15 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of our Form 10-K for the year ended December 31, 2023 filed on February 26, 2024 for further detail of our operating leases.
- (6) Letters of credit ("LOCs") are guarantees of potential payments to third parties under certain conditions. Guarantees include surety bonds we provide to certain customers to protect against potential non-delivery of our non-emergency transportation services. Our LOCs shown in the table were provided by our Revolving Credit Facility and reduced our availability under the related Credit Agreement. The surety bonds and LOC amounts in the above table represent the amount of commitment expiration per period.
- (7) The purchased service commitment includes the maximum penalty we would incur if we do not meet our minimum volume commitment over the remaining term of the agreement under certain contracts. See Note 17 of the Notes to the consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of our Form 10-K for the year ended December 31, 2023 filed on February 26, 2024 for further detail of our purchased service commitment.
- (8) Short-term borrowings shown in the table were provided by our Revolving Credit Facility and reduced our availability under the related Credit Agreement. See Note 9 of the Notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, "Financial Statements" for further detail of our Revolving Credit Facility.
- (9) These include other current liabilities reflected in our unaudited condensed consolidated balance sheets as of June 30, 2024, including accounts payable and accrued expenses as detailed at Note 8 of the Notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, "Financial Statements".

Our primary sources of funding include operating cash flows, available borrowing capacity under the Revolving Credit Facility and access to capital markets. In addition, there are statutory, regulatory, and debt covenant limitations that affect our ability to access the capital market for funds. Management believes that such limitations will not impact our ability to meet our ongoing short-term cash obligations. Management continuously monitors our liquidity position and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Our management is not aware of any events that are reasonably likely to have a material adverse effect on our liquidity, capital resources, or operations. In addition, our management is not aware of any regulatory recommendations regarding liquidity, which if implemented, would have a material adverse effect on us.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We have exposure to interest rate risk mainly related to our Revolving Credit Facility, which has variable interest rates that may increase. We had \$183.0 million of short-term borrowings outstanding on the Revolving Credit Facility and \$53.4 million of outstanding letters of credit under the Revolving Credit Facility at June 30, 2024. Interest rates on the outstanding principal amount of the Revolving Credit Facility vary and accrue at a per annum rate equal to the Alternate Base Rate, the Adjusted Term SOFR Rate, the Adjusted Daily Simple SOFR Rate, the Adjusted EURIBOR Rate or the Adjusted Daily Simple SONIA Rate, as applicable and each as defined in the Credit Agreement, in each case, plus an applicable margin. We completed an interest rate risk sensitivity analysis with the assumption that the short-term borrowing amount that was outstanding as of June 30, 2024 was outstanding for the fiscal year with an assumed one-percentage point increase in interest rates. Based on this analysis, the one-percentage point increase would have an approximate \$1.8 million negative impact on our pre-tax earnings.

### **Item 4. Controls and Procedures.**

#### *(a) Evaluation of disclosure controls and procedures*

The Company's management, under the supervision and with the participation of its principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act as of June 30, 2024. Based upon this evaluation, the Company's principal executive officer and principal financial officer concluded that, to the extent of the material weaknesses identified in internal control over financial reporting as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, such disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and accumulated and communicated to the Company's management, including its principal executive and financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In light of the material weaknesses described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, management performed additional analysis and other procedures to ensure that the unaudited condensed consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, management believes that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the financial position, results of operations, and cash flows as of and for the periods presented, in accordance with U.S. GAAP.

*(b) Changes in internal control over financial reporting*

The Company, with the oversight of the Audit Committee of the Board of Directors, is in the process of ongoing remediation efforts related to the material weaknesses previously reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

During the six months ended June 30, 2024, management continued updating certain internal controls and supporting processes to address the material weaknesses in internal control over financial reporting at the Company's PCS segment as described in our Annual Report on Form 10-K for the year ended December 31, 2023. The remediation plan put into place by management includes working with an independent third-party internal control specialist to lead the remediation efforts as well as the addition of resources within the organization to improve structure and help mitigate risks previously identified. The approach to the remediation plan is uniform and enterprise-wide to eliminate future enterprise risk and strengthen the Company's overall internal control over financial reporting. Key focus areas have been identified as general information technology control (GITC) deficiencies, namely change management controls and logical access controls, and process-level controls activities in the Company's revenue processes and payroll processes within the PCS segment.

To that effect, the Company has:

- Continued to make progress on the implementation of a new payroll system at one of the PCS business units;
- Started the process to implement the existing instance of the PCS revenue and billing system at the only remaining PCS business unit that is currently not on this system, creating standard systems, processes, and controls across the PCS segment;
- Continued to design, enhance and implement, the efforts with respect to which are ongoing, process-level control activities in payroll and revenue.

The Company's management continues to focus on projects that automate, standardize, and centralize the Company's control environment as it continues to integrate the PCS segment. Management believes that the remediation measures described above will address the material weaknesses and strengthen the Company's overall internal control over financial reporting. Management will continue to monitor the progress of these efforts, and may take additional measures or modify the remediation plan described above in order to effectively address the control deficiencies. The material weaknesses will not be considered remediated until the remediated controls have operated for a sufficient amount of time for management to conclude, through testing, that the controls are designed and operating effectively.

*(c) Limitations on the effectiveness of controls*

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

From time-to-time, we may become involved in legal proceedings arising in the ordinary course of our business. We record accruals for outstanding legal matters when it is believed to be probable that a loss will be incurred and the amount can be reasonably estimated. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of any such ongoing or anticipated matters to have a material adverse effect on our business, financial condition or operating results. We cannot predict with certainty, however, the potential for or outcome of any litigation. Regardless of the outcome of any particular litigation and the merits of any particular claim, litigation can have a material adverse impact on us due to, among other reasons, any injunctive relief granted which could inhibit our ability to operate our business, amounts paid as damages or in settlement of any such matter, diversion of management resources and defense costs. Interested parties should refer to Note 13, *Commitments and Contingencies*, in this report for information concerning other potential contingent liabilities matters that do not rise to the level of materiality for purposes of disclosure hereunder.

### **Item 1A. Risk Factors.**

The risks described under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “Annual Report”) could materially and adversely affect our business, financial condition, and results of operations, and could cause the trading price of our common stock to decline. The discussion of the risks included under that caption in our Annual Report remains current in all material respects, and there have been no material changes from the risk factors disclosed in the Annual Report. The risk factors that we have discussed do not identify all risks that we face; our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

During the three months ended June 30, 2024, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

Item 6. Exhibits.

EXHIBIT INDEX

Exhibit Number	Description
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of the registrant, as filed with the Secretary of State of Delaware on December 9, 2011 (Incorporated by reference to Exhibit 3.1 to the registrant's annual report on Form 10-K filed with the SEC on March 1, 2021).</a>
3.2	<a href="#">Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of the registrant, dated as of May 6, 2015 (Incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed with the SEC on May 7, 2015).</a>
3.3	<a href="#">Second Amendment to the Second Amended and Restated Certificate of Incorporation of the registrant, effective January 6, 2021 (Incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed with the SEC on January 6, 2021).</a>
3.4	<a href="#">Third Amendment to the Second Amended and Restated Certificate of Incorporation of the registrant, effective June 13, 2023 (Incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed with the SEC on June 15, 2023).</a>
3.5	<a href="#">Amended and Restated Bylaws of the registrant, effective January 6, 2021 (Incorporated by reference to Exhibit 3.2 to the registrant's current report on Form 8-K filed with the SEC on January 6, 2021).</a>
3.6	<a href="#">Amendment to the Amended and Restated Bylaws of the registrant, effective June 13, 2023 (Incorporated by reference to Exhibit 3.2 to the registrant's current report on Form 8-K filed with the SEC on June 15, 2023).</a>
4.1	<a href="#">Indenture for 5.875% Senior Notes Due 2025 dated as of November 4, 2020, between the registrant and The Bank of New York Mellon Trust Company, N.A., as trustee (Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed with the SEC on November 12, 2020).</a>
4.2	<a href="#">Indenture for 5.000% Senior Notes Due 2029 dated as of August 24, 2021, between ModivCare Escrow Issuer, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed with the SEC on August 24, 2021).</a>
10.1*+	<a href="#">Amendment, dated May 7, 2024, to the Offer Letter by and between the Registrant and Anne Bailey.</a>
10.2*+	<a href="#">Separation Agreement, dated May 3, 2024, by and between the Registrant and Ilias Simpson.</a>
10.3*+	<a href="#">Separation Agreement, dated May 31, 2024, by and between the Registrant and Anne Bailey.</a>
31.1*	<a href="#">Certification pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 of the Chief Executive Officer.</a>
31.2*	<a href="#">Certification pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 of the Chief Financial Officer.</a>
32.1**	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer.</a>
32.2**	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer.</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Schema Document
101.CAL*	Inline XBRL Calculation Linkbase Document
101.LAB*	Inline XBRL Label Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
101.DEF*	Inline XBRL Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)



- + Management contract or compensatory plan or arrangement.
- \* Filed herewith.
- \*\* Furnished herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ModivCare Inc.

Date: August 7, 2024

By: \_\_\_\_\_  
**L. Heath Sampson**  
**Chief Executive Officer**  
*(Principal Executive Officer)*

Date: August 7, 2024

By: \_\_\_\_\_  
**Barbara Gutierrez**  
**Chief Financial Officer**  
*(Principal Financial Officer)*



**modivcare** 6900 E Layton Ave  
Suite 1200  
Denver, CO 80237

Office 303.931.0224  
modivcare.com

May 6, 2024

**VIA Email:** [Anne.Bailey@Modivcare.com](mailto:Anne.Bailey@Modivcare.com)

Re: Amendment to Your March 15, 2023 Offer of Employment

Dear Anne:

During the 2024 Proxy season Modivcare identified an oversight contained in your March 15, 2023 offer of employment. Specifically, page 3, paragraph 1, provides six (6) months severance in the event your employment is terminated by Modivcare without Cause or by you for Good Reason in accordance with the terms and conditions of the Restrictive Covenant Agreement ("RCA"), the Board's severance policy, and after delivering to Modivcare a unilateral general release in a form acceptable to the Company.

Page 3, paragraph 1, should have stated that you will receive twelve (12) months severance in the event your employment is terminated by Modivcare without Cause or by you for Good Reason. The other terms, conditions, and provisions remain unchanged.

To accept this adjustment, please sign the signature line below, and return to my attention by May 15, 2024. Thank you.

Very Truly Yours,

*s/Jennifer Jaskolka*  
VP, Deputy General Counsel

cc: Enrique Toledo, Chief People Officer

/s/ Anne Bailey \_\_\_\_\_ 5/7/2024  
Anne Bailey Date

RESPECT • TRUST • RELIABLE • COMPASSION • SAFETY • TRANSPARENCY



## **SEPARATION AGREEMENT AND GENERAL RELEASE**

This Confidential Separation Agreement and General Release (“Agreement”) is entered into between Ilias Simpson (“Employee”) and Modivcare Solutions, LLC (“the Company”), collectively referred to as the “Parties.”

Employee’s employment with the Company will terminate effective May 2, 2024 (“Termination Date”). By this Agreement, Employee and the Company desire to resolve any claims or disputes Employee may have as of the date the Agreement is executed.

In consideration of all mutual promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Employee and the Company agree:

1. **Separation Pay and Other Benefits**. This Release is given in consideration of the following:

- (a) The Company will pay Employee a lump sum payment equal to twelve (12) months’ worth or Participant’s annual base salary as of the Termination Date (gross amount of \$500,000.00), less any and all required and/or authorized deductions and withholdings (“Separation Pay”). The Separation Pay will be paid within 30 days after the Agreement becomes effective; provided, however, that in no case will payment be made until all Company property is returned by Employee in a form and manner that is satisfactory to the Company. The Company’s obligation to pay severance to Employee shall continue as specified above irrespective of the death or illness of the Employee.
- (b) The parties agree that no provision of this Agreement is intended to either expand or in any way limit Employee’s entitlement to vested benefits under any Company benefit plan. After the Termination Date, Employee will neither accrue benefits under these plans nor will Employee be able to contribute to the plans. Except as expressly set forth in this Agreement, for all employee insurance or welfare benefits in which Employee currently participates, regular coverage shall cease on May 31, 2024. At this time, to the extent required by law, Employee will be offered applicable continuation coverage (e.g., COBRA). The Company will pay Employee twelve (12) months of COBRA premium support at Employee’s current level of enrollment for medical, dental and vision insurance as a lump sum, equal to \$10,299.86, less any and all required and/or authorized deductions and withholdings.
- (c) Employee received their Short-Term Incentive Plan (STIP) bonus, less any and all required and/or authorized deductions and withholdings, for the 2023 plan year on or around March 15, 2024. Employee agrees that nothing further is owed under the 2023 STIP Plan document.
- (d) Career transition and outplacement services through SparkEffect, a Talent Solutions firm. For three months, Employee will have access to SparkEffect’s career coaching services, online tools, and essential events.



Employee acknowledges that the Company has made no representation about the tax consequences of the Separation Pay or any other consideration provided by the Company to Employee pursuant to this Agreement. Employee agrees to indemnify and hold the Company harmless for any and all claims, taxes, or penalties asserted against the Company relating to the Separation Pay or other consideration provided by the Company pursuant to this Agreement.

2. **Vested Equity.** Employee represents and warrants that the table set forth below describes the vested equity Employee holds in the Company as of the Termination Date. Except as set forth in the table below, Employee acknowledges and agrees that they do not have any other rights to receive, acquire, possess, or vest into any additional shares, options, warrants, securities, derivative securities, Restricted Stock Units (“RSUs”), Performance Units (“PSUs”), or other equity (collectively, “Equity”) in the Company except as stated in paragraph three (3), below. Employee understands and agrees that separation is other than due to a Change in Control and, as such, the unvested portion of any Equity shall immediately terminate and cease to be exercisable as of the Termination Date. Notwithstanding the foregoing, Employee agrees and understands that the exercise period and tax treatment of the vested stock options and RSUs set forth on the table below remain subject to the applicable award agreement and Equity Incentive Plan.

**Personal Vesting Summary as at 5/1/2024**

Grant Date	Expiration Date	Award Type	Award Price	Awards Granted	Awards Exercised /Released	Total Awards Outstanding	Awards Vested	Exercisable Awards
04/11/2022	4/11/2027	NQO	\$109.70	3,262	0	3,262	2,175	2,175
04/11/2022	-	RSU	\$0.00	1,139	380	380	759	379

3. **Unvested Equity.** In lieu of the Employee's equity shares scheduled to vest on August 31, 2024, the Company will compensate the Employee with a one-time payment of \$65,000. This amount will be subject to any mandatory or authorized deductions and withholdings. All unvested equity shares will be voided and relinquished.

4. **Release of Claims.** In consideration of the Company's promises set forth in Paragraph 1, Employee hereby and forever releases the Company and its officers, directors, employees, managers, supervisors, agents, attorneys, insurers, investors, shareholders, administrators, parents, affiliates, divisions, subsidiaries, predecessor and successor corporations, assigns, and any other related persons or entities (“the Releasees”) from, and agrees not to sue concerning, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, liquidated or contingent, that Employee may possess against any of the Releasees arising from any omissions, acts, or facts that have occurred up until and including the date on which Employee signs this Agreement including, without limitation:

- (a) any and all claims arising out of or relating to Employee's employment with or separation from the Company;
- (b) any and all public policy, contract, tort, or common law claims, including, but not limited to, wrongful discharge of employment, termination in violation of public

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policy, discrimination, harassment, retaliation, breach of contract (express and implied), breach of a covenant of good faith and fair dealing (express and implied), promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, and conversion;

- (c) any and all claims or demands for wages, compensation or other amounts claimed to be due from the Company, including, but not limited to, claims for bonuses, commissions, stock, stock options, or any equity or ownership interest in the Company, vacation pay, personal time off, sick pay, fringe benefits, 401(k) match, expense reimbursements, or any other form of payment;
- (d) any and all claims for violation of federal, state, or local constitution, law, code, ordinance, statute, or other legislative enactment, as amended, including, but not limited to, the Americans with Disabilities Act; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Genetic Information Nondiscrimination Act of 2008; the Civil Rights Acts of 1866 and 1871; Sections 1981 through 1988 of Title 42 of the United States Code; the Age Discrimination in Employment Act; the Older Workers Benefit Protection Act; the Equal Pay Act; the Fair Labor Standards Act; the Family and Medical Leave Act; the National Labor Relations Act; the Occupational Safety and Health Act; the Rehabilitation Act; Executive Order 11246; the Worker Adjustment and Retraining Notification Act; the Employee Retirement Income Security Act of 1974; and the Lilly Ledbetter Fair Pay Act;
- (e) any and all claims arising out of any other federal, state, or local statute, law, rule, regulation, or ordinance; and
- (f) any and all claims for damages (whether compensatory, punitive, or otherwise), attorneys' fees, and costs.

Employee agrees that the release set forth in this Paragraph 3 shall be and remains in effect in all respects as a complete general release. Employee agrees that in the event Employee brings a claim covered by the foregoing release in which Employee seeks damages or other remedies against the Releasees, this Agreement shall serve as a complete defense to such claims. Employee agrees that in the event any government agency pursues any such claim in Employee's name or on Employee's behalf, this Agreement shall serve as a bar to any recovery by or relief to Employee.

Employee agrees that any breach of this Paragraph 3 shall constitute a material breach of this Agreement. Employee agrees to reimburse the Releasees for all costs, attorneys' fees, and any and all damages incurred by the Releasees in defending against a claim brought or pursued by Employee in violation of this Agreement.





This general release does not extend to the obligations of the Company created by this Agreement and shall not apply to any claim for unemployment compensation Employee may file with a governmental agency.

**5. Affirmations.** Employee affirms that Employee has not filed nor caused to be filed, nor is presently a party to, any claim against the Company.

Employee also affirms that Employee has been paid and/or has received all compensation, wages, bonuses, commissions, and/or benefits to which Employee may be entitled. Employee affirms that Employee has been granted any leave to which Employee was entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws.

Employee further affirms that (i) Employee has no known workplace injuries or occupational diseases incurred by Employee during Employee's employment by the Company; (ii) Employee has been properly provided any leave requested because of Employee's or a family member's health condition or military service and has not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave; (iii) Employee had the opportunity to provide the Company with written notice of any and all concerns regarding suspected ethical and compliance issues or violations on the part of any Released Party; and (iv) Employee has not raised a claim against the Company or any Released Party for sexual assault; sexual harassment; or unlawful workplace harassment or discrimination, failure to prevent an act of workplace harassment or discrimination, or act of retaliation against a person for reporting or opposing harassment or discrimination whether or not filed in a court or government agency proceeding, in an alternative dispute resolution forum, or through the Company's internal complaint process.

Employee also affirms that Employee has not divulged any proprietary or confidential information of the Company and will continue to maintain the confidentiality of such information consistent with the Company's policies and Employee's agreement(s) with the Company and/or relevant statutory or common law. Employee understands and acknowledges that notwithstanding the provisions above, Employee will not be held criminally or civilly liable for any disclosure of any of Company's proprietary or confidential information that Employee makes:

- (a) In confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law;
- (b) In a complaint or other document filed in a lawsuit or other proceeding when the filing is made under seal; or
- (c) To Employee's attorney or in a sealed court filing in a lawsuit alleging retaliation for reporting a suspected violation of law.

Employee affirms that Employee has returned all of the Company's property, documents, and/or any confidential information in Employee's possession or control. Employee also affirms that Employee is in possession of all of Employee's property that Employee had at the Company's premises and that the Company is not in possession of any of Employee's property.



5. **Duty to Cooperate.** Employee agrees to cooperate fully with the Company and its counsel in connection with any legal matters relating to the Company in which the Company determines that Employee is a relevant witness. Employee agrees that they will not, without the Company's consent, voluntarily assist or cooperate in any way with any party or attorney in any private lawsuit in which the Company is a party. Employee further agrees that they will not voluntarily participate in any such action, and that they will not solicit, encourage, or do anything to induce any party to bring such an action. Employee further agrees to provide the Company with written notice within 48 hours of any party or attorney not affiliated with the Company attempting to contact them in connection with any such action. Except as otherwise provided in this agreement, with respect to any such depositions, interviews, and appearances, Employee agrees to be represented by the Company's counsel and to work with such counsel in preparation therefor. Notwithstanding, Employee is entitled to appoint, at Employee's own expense, their own counsel to represent them, in addition to the Company's counsel, in connection with any legal matters covered by this Agreement. The selection by Employee of their own counsel shall in no way detract from or interfere with any of the obligations to cooperate with the Company that Employee has agreed to herein.

6. **Confidentiality.** Employee expressly agrees that Employee will keep the terms of this Agreement **STRICTLY CONFIDENTIAL**. Employee further agrees that Employee will not communicate (orally or in writing), or in any way voluntarily disclose or allow or direct others to disclose, the terms of this Agreement to any person, judicial or administrative agency or body, business entity or association, or anyone else for any reason whatsoever, unless required to do so to enforce the terms of this Agreement, or pursuant to lawful subpoena or to an order of a court of competent jurisdiction, except that Employee may disclose the terms of this Agreement to Employee's spouse, attorney, and tax or financial advisor. If disclosure is made to any of the persons listed in this Paragraph, Employee agrees to inform such persons of the confidentiality requirements of this Agreement and will not make any disclosure to such persons without first obtaining the agreement of those persons to keep the information confidential. It is expressly agreed that the provisions of this Paragraph are essential provisions of, and partial consideration for, this Agreement between the Parties. Nothing in this Agreement prevents or restricts Employee from enforcing his or her Section 7 rights under the National Labor Relations Act, participating in Section 7 activity (including the right to communicate with former coworkers and/or third parties about terms and conditions of employment or labor disputes, unrelated to the amount of severance pay under this Agreement) or otherwise cooperating with the National Labor Relation Board's investigative process through investigation, testimony, or otherwise with an administrative agency or court. The parties believe this confidentiality provision is reasonable and intend to comply with it.

Employee acknowledges and agrees that any breach of this Paragraph by Employee or by any of the persons listed above is a material breach of this Agreement for which Employee is responsible. In addition, Employee shall reimburse the Company for any and all costs (including, but not limited to, the Company's attorneys' fees) incurred by the Company in enforcing the terms of this Paragraph 6.

The Parties agree that the terms of this Paragraph are a material inducement for the execution of this Agreement. Any disclosure or dissemination, other than as authorized in this Paragraph will be regarded as a breach of this Agreement, and a cause of action shall immediately accrue for damages and injunctive relief in the Company's favor. The Parties agree that damages sustained by such breach would be impractical or extremely difficult to determine and, therefore, agree that in the event that



Employee, or any of the individuals identified in this Paragraph violates the Confidentiality provisions outlined herein, Employee shall pay Company liquidated damages in the sum of Ten Thousand Dollars (\$10,000.00) for each violation. The Parties further agree that such damages are not intended to be, and shall not be construed as, a penalty.

7. **Non-Solicitation.** Employee shall not, without the Company's prior written consent, directly or indirectly, in person or through assisting others:

- (a) solicit, knowingly induce or encourage any employee or independent contractor who provided services to the Company during the one (1) year period preceding the termination of Employee's employment to leave the employment or other service of the Company, or hire (on Employee's behalf or on behalf of any other person or entity) any such employee or independent contractor who has left the employment or other service of the Company within one (1) year of the termination of such employee's or independent contractor's employment or other service with the Company;
- (b) solicit, contact, or engage in business related communications with (regardless of who initiates the communication), any customer, client, or referral source of the Company with whom Employee dealt during the one (1) year period preceding the termination of Employee's employment for the purpose of (i) inducing or helping the customer, client or referral source to cease or reduce doing business for or with the Company; or (ii) diverting business opportunities away from the Company; or
- (c) provide services to a customer, client, or referral source of the Company that would displace or reduce the business opportunities of the Company with the customer, client, or referral source.

8. **Neutral Reference.** The Company will follow its general policy of providing to prospective employers only Employee's dates of employment and positions held, provided any requests for information are made through and responded to by the Company's Human Resources Department.

9. **Non-Assignment.** Employee warrants that Employee has not assigned any claims or rights released in this Agreement.

10. **Non-Disparagement.** Employee and the Company agree and warrant that neither will disparage, defame, belittle, ridicule, discredit, denigrate or in any other way harm or damage the reputation of the other, their products or services. Employee and the Company further agree and warrant that neither Employee or the Company will not make, file, prepare, report, or assist in making, filing, preparing, or reporting any disparaging remarks regarding the other via the Internet or any news media. Employee further agrees and warrants that within 30 days of executing this Agreement, Employee will remove Company or any of its affiliates as their active/current employer on social media including, but not limited to, LinkedIn, Facebook, Instagram, TikTok, and Twitter. This does not preclude Employee from referencing Company or its affiliates as a past employer. This Section is not intended to prevent cooperation through investigation, testimony, or otherwise with an administrative agency or court. This Section is also not intended to prevent Employee from exercising any other rights protected by law, including the right to communicate with former coworkers and/or

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third parties about terms and conditions of employment or labor disputes, unrelated to the amount of severance pay under this Agreement, when the communication is not so disloyal, reckless, or maliciously untrue as to lose the protection of the law.

The Parties agree that the terms of this Paragraph 10 are a material inducement for the execution of this Agreement. The Parties agree that damages sustained by a breach of this provision would be impractical or extremely difficult to determine and, therefore, agree that in the event that Employee violates this Paragraph, Employee shall pay Company liquidated damages in the sum of Ten Thousand Dollars (\$10,000.00) for each violation. The Parties further agree that such damages are not intended to be, and shall not be construed as, a penalty.

11. **Non-Admission of Liability.** By entering into this Agreement, the Company does not admit that it engaged in any unlawful or improper conduct, or that it is legally obligated to Employee in any way.

12. **Voluntary Nature of Agreement.** The consideration stated herein is contractual and not merely a recital. The Parties hereto execute and deliver this Agreement after being fully informed of its terms, contents and effects. The Parties acknowledge that this Agreement is a negotiated agreement that both Parties have reviewed with their attorneys, that both Parties have had a full opportunity to revise the language of the Agreement, and that, in the event of a dispute, the Agreement should not be construed in any way either for or against a party based on whether a particular party was or was not the primary drafter of this Agreement.

13. **Effective Date.** This Agreement shall be effective, binding on the Parties, and in full force and effect immediately following the execution of the Agreement by both Parties, except for Employee's release of ADEA claims (if any), which shall be binding and effective as of the expiration of the revocation period addressed below.

14. **Compliance with the Older Workers Benefit Protection Act.** Employee is over 40 years of age and because he is waiving in this Agreement claims for age discrimination, pursuant to the provisions of the Older Workers Benefit Protection Act, Employee acknowledges:

- (a) That by executing this Agreement, Employee waives all rights or claims, if any, that Employee may have against the Company under the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 626, et seq. ("ADEA");
- (b) That this Agreement has been written in a manner calculated to be understood by Employee, and is in fact understood by Employee;
- (c) That the aforementioned waiver reflects specifically, but is not limited to, all rights or claims, if any, that Employee may have against the Company arising under the ADEA;
- (d) That Employee is not waiving rights and claims that Employee may have under the ADEA against the Company that may arise after the date on which this Agreement is executed;



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- (e) **That Employee is waiving rights and claims that Employee may have under the ADEA, if any, only in exchange for consideration in addition to anything of value to which Employee is already entitled; That Employee is advised and has had the opportunity to consult with an attorney of Employee's choice prior to executing this Agreement;**
- (f) **That Employee has been given a period of 45 days from the date on which Employee receives this Agreement, not counting the day upon which Employee receives the Agreement, within which to consider whether to sign this Agreement (Consideration Period). In the event Employee chooses to sign this Agreement prior to the expiration of the Consideration Period, Employee represents that Employee is knowingly and voluntarily waiving the remainder of the Consideration Period. Employee understands that having waived some portion of the Consideration Period, the Company may expedite the processing of benefits provided to Employee in exchange for signing this Agreement. If Employee is age 40 or over and Employee's termination is part of a group employment termination program, the Company has attached information regarding the class, unit, or group of individuals covered by the employment termination program; the applicable eligibility factors and time limits; and a list of the job titles and ages of all individuals eligible or selected for the employment termination program as well as those who are not. Employee agrees with the Company that changes, whether material or immaterial, do not restart the running of the Consideration Period.**
- (g) **That Employee has 7 days following Employee's execution of this Agreement to revoke Employee's waiver of all claims, if any, under the ADEA, and Employee's release of any claims under the ADEA shall not become effective or enforceable until the revocation period has expired without Employee revoking Employee's waiver of all claims under the ADEA;**
- (h) **That to revoke Employee's waiver of all claims under the ADEA, Employee understands that Employee must deliver a written, signed statement that Employee revokes Employee's waiver of all claims under the ADEA to the Company by hand or by mail within the 7-day revocation period. The revocation must be emailed within the period stated above to the Company at the following address: Jennifer Jaskolka, Jennifer.Jaskolka@modivcare.com.**
- (i) **That this Agreement becomes null and void and of no further force or effect if Employee does not sign, date and return this Agreement to the Company within 45 days after the date on which Employee receives this Agreement.**
- (j) **That Employee has (i) received all compensation due Employee as a result of services performed for the Company with the receipt of Employee's final paycheck; (ii) reported to the Company any and all work-related injuries.**

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- (k) **That any modifications, material or otherwise, made to this Agreement, do not restart or affect in any manner the original period of up to 45 calendar days during which Employee may consider this Agreement.**

15. **Counterparts.** This Agreement may be executed in counterparts and shall be fully enforceable in all regards if executed in such manner as if it had been executed as a single document. Signatures obtained electronically shall constitute effective execution of this Agreement.

**Entire Agreement.** Employee and the Company agree that all the terms of this Agreement are contained in this document, that no statements or inducements have been made contrary to or in addition to the statements herein, that the terms hereof are binding on and enforceable for the benefit of Employee's successors and assigns, that the Agreement shall be governed by Florida law, and that the provisions of this Agreement are severable, so that if any paragraph of this Agreement with the exception of the release in Paragraph 3, is determined to be unenforceable, the other paragraphs shall remain valid and fully enforceable. Nothing in this Paragraph or Agreement shall be interpreted to supersede any agreements regarding confidentiality, proprietary information, or trade secrets, which agreements shall remain in effect following the Effective Date of this Agreement.

16. **Time Limits.** The time limits related to this separation arrangement are as follows: Any employee who is being offered separation pay must sign the Release and return it via DocuSign within 45 days of receiving the Agreement, but not before May 1, 2024. Once the signed Release is returned, the eligible employee will have seven (7) days to revoke the Release.

17. **EXCEPTIONS AND PROTECTED RIGHTS: Employee understands this Release does not apply to (a) any claims or rights that may arise after the date that Employee signed this Agreement, (b) the Company's expense reimbursement policies, (c) any vested rights under the Company's ERISA-covered employee benefit plans as applicable on the date Employee signs this Release, and (d) any claims that the controlling law clearly states may not be released by private agreement. Moreover, nothing in this Agreement (including but not limited to the affirmations, release of claims, the promise not to sue, the confidentiality obligations, non-disparagement provision, and the return of property provision) (e) shall have the purpose or effect of requiring Employee to conceal the details relating to any claim of discrimination, harassment, or retaliation, provided that Employee does not reveal proprietary information consisting of non-public trade secrets, business plans, and customer information; (f) limits or affects Employee's right to challenge the validity of this Release under the ADEA or the OWBPA; (g) prohibits the Employee from providing trade secret information to individuals or entities outlined in the Federal Trade Secrets Act; (h) prevents Employee from communicating with, filing a charge or complaint with; provide documents or information voluntarily or in response to a subpoena or other information request to; or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, National Labor Relations Board, the Securities and Exchange Commission, law enforcement, or any other federal, state or local agency charged with the enforcement of any laws, or from responding to a subpoena or discovery request in court litigation or arbitration, or (i) precludes Employee from exercising their rights under Section 7 of the NLRA or similar state law to engage in protected, concerted activity with other employees, although by signing this Release Employee is waiving their right to recover any individual relief (including any backpay, frontpay,**

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reinstatement or other legal or equitable relief) in any charge, complaint, or lawsuit or other proceeding brought by Employee or on Employee's behalf by any third party, except for any right Employee may have to receive a payment or award from a government agency (and not the Company) for information provided to the government agency or where otherwise prohibited.

18. **Notice Requirements:** Each notice ("Notice") provided for under this Agreement, must comply with the requirements as set forth in this Paragraph. Each Notice shall be in writing and sent by E-Mail addressed to the appropriate party (and marked to a particular individual's attention, if so indicated) as hereinafter provided. Each Notice shall be effective upon the date it is sent. Any Party shall have the right from time to time to change the E-Mail address or individual's attention to which notices to it shall be sent by giving to the other Party at least ten (10) days prior Notice thereof. The Parties' E-Mail addresses for providing Notices hereunder shall be as follows:

MODIVCARE  
c/o Jennifer Jaskolka  
[\*\*\*]

ILIAS SIMPSON  
[\*\*\*]

19. **Selective Enforcement:** The Parties agree that the failure of any Party to enforce or exercise any right, condition, term, or provision of this Agreement shall not be construed as or deemed a relinquishment or waiver thereof, and the same shall continue in full force and effect.

Accepted and agreed as of this 3rd day of May 2024.

Employee:

Ilias Simpson  
\_\_\_\_\_

Ilias Simpson

*Ilias Simpson*  
\_\_\_\_\_

Employee's Signature

Date: 5/3/2024  
\_\_\_\_\_

For Modivcare Solutions, LLC:

By:   
\_\_\_\_\_

L. Heath Sampson  
Chief Executive Officer

Date: 5/3/2024  
\_\_\_\_\_

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## SEPARATION AGREEMENT AND GENERAL RELEASE

This Confidential Separation Agreement and General Release (“Agreement”) is entered into between Anne Bailey (“Employee”) and Modivcare Solutions, LLC, on its behalf and wholly owned subsidiaries, affiliates, and its parent organization (“the Company”), collectively referred to as the “Parties.”

Employee’s employment with the Company ends effective June 21, 2024 (“Termination Date”). By this Agreement, Employee and the Company desire to resolve any claims or disputes between them, as described herein.

In consideration of all mutual promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Employee and the Company agree:

**1. Separation Pay and Other Benefits.** This Release is given in consideration of the following:

- (a) The Company will pay Employee a lump sum payment equal to twelve (12) months’ worth or Participant’s annual base salary as of the Termination Date (gross amount of \$500,000.00), less any and all required and/or authorized deductions and withholdings (“Separation Pay”). The Separation Pay will be paid within thirty (30) days after the Effective Date; provided, however, that in no case will payment be made until all Company property, excluding the consulting services laptop described in Section 4.1 (to the extent one is allowed to be retained through implementation of Company IT security measures), is returned by Employee in a form and manner that is satisfactory to the Company and the Revocation Period has expired. The Company’s obligation to pay severance to Employee shall continue as specified above, irrespective of the death or illness of the Employee. The “Effective Date” will be the date the Revocation Period (defined in Section 15) expires.
- (b) The Parties agree that no provision of this Agreement is intended to either expand or in any way limit Employee’s entitlement to vested benefits under any Company benefit plan. After the Termination Date, Employee will neither accrue benefits under these plans nor will Employee be able to contribute to the plans. Except as expressly set forth in this Agreement, for all employee insurance or welfare benefits in which Employee currently participates, regular coverage shall cease on June 30, 2024. At this time, to the extent required by law, Employee will be offered applicable continuation coverage (e.g., COBRA). The Company will pay Employee twelve (12) months of COBRA premium support at Employee’s current level of enrollment for medical, dental and vision insurance as a lump sum, equal to \$24,009.72, less any and all required and/or authorized deductions and withholdings, within thirty (30) days after the Effective Date.
- (c) Employee received her Short-Term Incentive Plan (STIP) bonus, less any and all required and/or authorized deductions and withholdings, for the 2023 plan year on



or around March 15, 2024. Employee agrees that nothing further is owed under the 2023 STIP Plan document.

- (d) Career transition and outplacement services through SparkEffect, a Talent Solutions firm. For three months, Employee will have access to SparkEffect's career coaching services, online tools, and essential events.

Employee acknowledges that the Company has made no representation about the tax consequences of the Separation Pay or any other consideration provided by the Company to Employee, or the Consulting Services Fee (as defined in Section 4) pursuant to this Agreement. Employee agrees to indemnify and hold the Company harmless for any and all claims, taxes, or penalties asserted against the Company relating to the Separation Pay or other consideration provided by the Company, and the Consulting Services Fee, pursuant to this Agreement.

**2. Vested Equity.** Employee represents and warrants that the table set forth below describes the vested equity Employee holds in the Company as of the Termination Date. Except as set forth in the table below, Employee acknowledges and agrees that she does not have any other rights to receive, acquire, possess, or vest into any additional shares, options, warrants, securities, derivative securities, Restricted Stock Units ("RSUs"), Performance Units ("PSUs"), or other equity (collectively, "Equity") in the Company except as stated in Section 3, below. Employee understands and agrees that separation is other than due to a Change in Control and, as such, the unvested portion of any Equity shall immediately terminate and cease to be exercisable as of the Termination Date. Notwithstanding the foregoing, Employee agrees and understands that the exercise period and tax treatment of the vested stock options and RSUs set forth on the table below remain subject to the applicable award agreement and Equity Incentive Plan.

**Personal Vesting Summary as at 5/1/2024**

Grant Date	Expiration Date	Award Type	Award Price	Awards Granted	Awards Exercised /Released	Total Awards Remaining Outstanding	Awards Vested	Exercisable Awards
5/16/23	90 days from Termination Date	NQ	\$53.10	11,809	0	11,809	3,936	3,936
5/16/23	N/A	RSU	\$0.00	11,770	2,794*	0**	2,794	0

\*Net of shares withheld to satisfy the reporting person's tax withholding obligations upon vesting of a previously reported restricted stock unit award.

\*\*Awards forfeited automatically upon termination of employment.

**3. Unvested Equity.** All unvested equity shares will be voided and relinquished.

**4. Post-Termination Consulting Services.**

**4.1 Services.** Employee shall make herself reasonably available to provide consulting services to the Company for a period of twelve (12) continuous months after the Termination Date. The Parties agree that the consulting services may be undertaken by Employee at her sole

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discretion upon reasonable written or verbal request by the Company's President and CEO or the Company's EVP of Personal Care Services. The consulting services shall be provided in Employee's capacity as an individual contractor and not an employee of the Company for all purposes (including taxes). Employee and the Company agree that Employee will be paid monthly at a rate of \$200.00 per hour for consulting services (the "Consulting Services Fee"). Subject to implementation of Company's IT security measures, Company shall allow Employee to retain one (1) Company laptop for consulting services purposes only for a period up to twelve (12) continuous months after the Termination Date. Employee shall immediately return the laptop to Company via Company's pre-paid return method when Company, or Employee, or they mutually decide to cease the consulting services of Employee.

**4.2 Invoicing and Payments.** Employee shall submit to the Company an itemized monthly invoice, in a form reasonably satisfactory to the Company, listing the consulting services performed for said month. The Company shall pay Employee all amounts for undisputed itemized services shown on each monthly invoice within thirty (30) days after receipt. The Company will reimburse Employee for reasonable expenses in connection with providing the consulting services; provided, however, Employee provides reasonable advance notice of any expenses she anticipates she will incur in the performance of the services and receives the Company's approval before incurring said expenses. The Company may dispute an invoice by providing Employee with written notice of such dispute within thirty (30) days of receipt of the invoice that describes with particularity the items and associated Consulting Services Fee in dispute. The Parties shall work in good faith and use best efforts to settle any dispute with respect to an invoice. The Company shall be responsible for all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any federal, state or local governmental entity on any amounts payable by the Company hereunder that are chargeable to the Company; and to the extent Employee is required to pay any such sales, use, excise, or other taxes or other duties or charges, the Company shall reimburse Employee in connection with its payment of fees and expenses as set forth in this Section 4.

**5. Release of Claims.** In consideration of the Company's promises set forth in Section 1, Employee hereby and forever releases the Company and its officers, directors, employees, managers, supervisors, agents, attorneys, insurers, investors, shareholders, administrators, parents, affiliates, divisions, subsidiaries, predecessor and successor corporations, assigns, and any other related persons or entities ("the Releasees") from, and agrees not to sue concerning, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, liquidated or contingent, that Employee may possess against any of the Releasees arising from any omissions, acts, or facts that have occurred up until and including the date on which Employee signs this Agreement including, without limitation:

- (a) any and all claims arising out of or relating to Employee's employment with or separation from the Company;
- (b) any and all public policy, contract, tort, or common law claims, including, but not limited to, wrongful discharge of employment, termination in violation of public policy, discrimination, harassment, retaliation, breach of contract (express and implied), breach of a covenant of good faith and fair dealing (express and implied),

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promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, and conversion;

- (c) any and all claims or demands for wages, compensation or other amounts claimed to be due from the Company, including, but not limited to, claims for bonuses, commissions, stock, stock options, or any equity or ownership interest in the Company, vacation pay, personal time off, sick pay, fringe benefits, 401(k) match, expense reimbursements, or any other form of payment;
- (d) any and all claims for violation of federal, state, or local constitution, law, code, ordinance, statute, or other legislative enactment, as amended, including, but not limited to, the Americans with Disabilities Act; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Genetic Information Nondiscrimination Act of 2008; the Civil Rights Acts of 1866 and 1871; Sections 1981 through 1988 of Title 42 of the United States Code; the Age Discrimination in Employment Act; the Older Workers Benefit Protection Act; the Equal Pay Act; the Fair Labor Standards Act; the Family and Medical Leave Act; the National Labor Relations Act; the Occupational Safety and Health Act; the Rehabilitation Act; Executive Order 11246; the Worker Adjustment and Retraining Notification Act; the Employee Retirement Income Security Act of 1974; and the Lilly Ledbetter Fair Pay Act;
- (e) any and all claims arising out of any other federal, state, or local statute, law, rule, regulation, or ordinance; and
- (f) any and all claims for damages (whether compensatory, punitive, or otherwise), attorneys' fees, and costs.

Employee agrees that the release set forth in this Section 5 shall be and remains in effect in all respects as a complete general release. Employee agrees that in the event Employee brings a claim covered by the foregoing release in which Employee seeks damages or other remedies against the Releasees, this Agreement shall serve as a complete defense to such claims. Employee agrees that in the event any government agency pursues any such claim in Employee's name or on Employee's behalf, this Agreement shall serve as a bar to any recovery by or relief to Employee.

Employee agrees that any breach of this Section 5 shall constitute a material breach of this Agreement. Employee agrees to reimburse the Releasees for all costs, attorneys' fees, and any and all damages incurred by the Releasees in defending against a claim brought or pursued by Employee in violation of this Agreement.

This general release does not extend to the obligations of the Company created by this Agreement and shall not apply to any claim for unemployment compensation Employee may file with a governmental agency.

**6. Affirmations.** Employee affirms that Employee has not filed nor caused to be filed, nor is presently a party to, any claim against the Company.





Employee also affirms that Employee has been paid and/or has received all compensation, wages, bonuses, commissions, and/or benefits to which Employee may be entitled as of the Termination Date. Employee affirms that Employee has been granted any leave to which Employee was entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws.

Employee further affirms that (i) Employee has no known workplace injuries or occupational diseases incurred by Employee during Employee's employment by the Company; (ii) Employee has been properly provided any leave requested because of Employee's or a family member's health condition or military service and has not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave; (iii) Employee had the opportunity to provide the Company with written notice of any and all concerns regarding suspected ethical and compliance issues or violations on the part of any Released Party; and (iv) Employee has not raised a claim against the Company or any Released Party for sexual assault; sexual harassment; or unlawful workplace harassment or discrimination, failure to prevent an act of workplace harassment or discrimination, or act of retaliation against a person for reporting or opposing harassment or discrimination whether or not filed in a court or government agency proceeding, in an alternative dispute resolution forum, or through the Company's internal complaint process.

Employee also affirms that Employee has not divulged any proprietary or confidential information of the Company and will continue to maintain the confidentiality of such information consistent with the Company's policies and Employee's agreement(s) with the Company and/or relevant statutory or common law. Employee understands and acknowledges that notwithstanding the provisions above, Employee will not be held criminally or civilly liable for any disclosure of any of Company's proprietary or confidential information that Employee makes:

- (a) In confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law;
- (b) In a complaint or other document filed in a lawsuit or other proceeding when the filing is made under seal; or
- (c) To Employee's attorney or in a sealed court filing in a lawsuit alleging retaliation for reporting a suspected violation of law.

Employee affirms that Employee has returned all of the Company's property, documents, and/or any confidential information in Employee's possession or control. Employee also affirms that Employee is in possession of all of Employee's property that Employee had at the Company's premises and that the Company is not in possession of any of Employee's property.

**7. Duty to Cooperate.** Employee agrees to cooperate fully with the Company and its counsel in connection with any legal matters relating to the Company in which the Company determines that Employee is a relevant witness. Employee agrees that she will not, without the Company's consent, voluntarily assist or cooperate in any way with any party or attorney in any private lawsuit in which the Company is a party. Employee further agrees that she will not voluntarily participate in any such action, and that she will not solicit, encourage, or do anything

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to induce any party to bring such an action. Employee further agrees to provide the Company with written notice within 48 hours of any party or attorney not affiliated with the Company attempting to contact her in connection with any such action. Except as otherwise provided in this agreement, with respect to any such depositions, interviews, and appearances, Employee agrees to be represented by the Company's counsel and to work with such counsel in preparation therefor. Notwithstanding, Employee is entitled to appoint, at Employee's own expense, her own counsel to represent her, in addition to the Company's counsel, in connection with any legal matters covered by this Agreement. The selection by Employee of her own counsel shall in no way detract from or interfere with any of the obligations to cooperate with the Company that Employee has agreed to herein.

**8. Confidentiality.** Employee expressly agrees that Employee will keep the terms of this Agreement *strictly confidential*. Employee further agrees that Employee will not communicate (orally or in writing), or in any way voluntarily disclose or allow or direct others to disclose, the terms of this Agreement to any person, judicial or administrative agency or body, business entity or association, or anyone else for any reason whatsoever, unless required to do so to enforce the terms of this Agreement, or pursuant to lawful subpoena or to an order of a court of competent jurisdiction, except that Employee may disclose the terms of this Agreement to Employee's spouse, attorney, and tax or financial advisor. If disclosure is made to any of the persons listed in this Section 8, Employee agrees to inform such persons of the confidentiality requirements of this Agreement and will not make any disclosure to such persons without first obtaining the agreement of those persons to keep the information confidential. The parties believe this confidentiality provision is reasonable and intend to comply with it.

The Parties agree that the terms of this Section are a material inducement for the execution of this Agreement. Employee acknowledges and agrees that any breach of this Section 8 by Employee or by any of the persons listed above is a material breach of this Agreement for which Employee is responsible. The Parties agree that damages sustained by such breach would be impractical or extremely difficult to determine and, therefore, agree that in the event that Employee, or any of the individuals identified in this Section 8 violates the Confidentiality provisions outlined herein, Employee shall pay Company liquidated damages in the sum of Ten Thousand Dollars (\$10,000.00) for each violation. The Parties further agree that such damages are not intended to be, and shall not be construed as, a penalty. In addition, Employee shall reimburse the Company for any and all costs (including, but not limited to, the Company's attorneys' fees) incurred by the Company in enforcing the terms of this Section 8.

## **9. Protective Covenants.**

**9.1 Compliance with Existing Agreements.** Employee acknowledges that Employee has entered into, and is bound by Modivcare's Restrictive Covenant Agreement (RCA) and Code of Conduct, including but not limited to all their provisions regarding the protection and confidentiality of Company's trade secrets, intellectual property and proprietary information, and that these agreements contain these and other obligations that extend beyond the end of Employee's employment with the Company ("Existing Post-Employment Obligations"). Employee recognizes and agrees that these Existing Post-Employment Obligations are reasonable and necessary for the protection of the Company's trade secrets and other legitimate business interests, and agrees not to assert or pursue any claims or defenses to the contrary. Employee



represents that Employee is in full compliance with the RCA and Code of Conduct as of the Termination Date, and will honor and comply with the Existing Post-Employment Obligations in those agreements. Nothing in this Agreement shall be construed to eliminate, reduce, or replace Employee's Existing Post-Employment Obligations.

**9.2 Restrictive Covenants.** As a supplement to, and not in place of the Existing Post-Employment Obligations, and in recognition of the need to avoid certain activities described below in order to avoid compromise of the Company's trade secrets, Employee agrees that for a period of twelve (12) continuous months following the Termination Date, Employee shall not, without the Company's prior written consent, directly or indirectly, in person or through assisting others, for the benefit of a Competitor:

(a) solicit, or assist others in their efforts to solicit, a customer with respect to which Employee was provided trade secret information (a "Covered Customer") for the purpose of selling or providing any products or services that competes with those of the Company, or for the purpose of causing or encouraging the Covered Customer to cease or reduce the extent to which the customer does business with the Company;

(b) solicit, or assist others in their efforts to solicit, any supplier, referral source, vendor, distributor, landlord, business partner, lender, or other holder of a key business relationship with the Company with respect to which Employee was provided trade secret information to cease or reduce doing business with the Company, or to divert a business opportunity to a Competitor;

(c) solicit, or assist others in their efforts to solicit, an individual hired to work for the Company that Employee supervised, worked with, or was provided Confidential Information about in the course of employment with the Company, to leave his/her/their employment or other engagement with the Company or assist a Competitor in efforts to hire such an individual away from the Company;

(d) provide services to a Competitor in any role or position (as an employee, owner, director, consultant or otherwise) that would involve Competitive Activity within or related to the Restricted Area.

"Competitor" refers to any business (person, organization, or entity) that is engaged in or preparing to engage in providing products or services that would replace, displace the business opportunities for, or otherwise compete with the products and/or services provided by any part of the Company's business that Employee had material involvement with or was provided Confidential Information (inclusive of trade secrets) during her approximate 15 month tenure with Company preceding the Termination Date (the "Look Back Period"). "Competitive Activity" is activity that involves (i) providing services to or for a Competitor that are the same as or similar in function or purpose to the services Employee provided to the Company in the Look Back Period, (ii) assisting in the development or improvement of a competing product or service, (iii) accepting or conducting business with Company customers, (iv) owning, operating, or managing a business that is a Competitor, or (v) participating in other activity that is likely to result in the use or disclosure of Confidential Information for the benefit of a Competitor. "Restricted Area" refers to those states within the United States where the Company does business (or has demonstrable plans to do



business) that Employee was involved with or was otherwise provided Confidential Information about in the Look Back Period, the counties within the United States where Covered Customers are located, and each state and county where Employee was primarily employed while employed with the Company. “Solicit” and derivatives like “soliciting” and “solicitation” shall be presumed to mean to interact with another person or entity with the purpose or foreseeable result being to cause, motivate or induce the person or entity to engage in some responsive action (such as starting, modifying, or ending a business relationship), irrespective of who first initiated contact. It shall not include general advertising (such as “help wanted” ads) that are not targeted at Company’s employees or customers.

Limitations and Extensions: Notwithstanding anything in Section 9.2 of this Agreement to the contrary, nothing prohibits Employee from owning a non-controlling interest consisting of two percent (2%) or less of any class of securities in any publicly traded company or passive investments through an independently controlled fund such as a mutual fund. Nothing in the Noncompete shall be construed to prohibit Employee’s employment in a separately operated subsidiary or other business unit of a company that would not be a Competitor but for common ownership with a Competitor so long as Employee provides written assurances regarding the non-competitive nature of Employee’s position that are satisfactory to the Company and Employee’s new employer confirms this understanding. In the event Employee violates any provision in Section 9.2, the restricted period for that provision(s) shall be extended by the greater of (1) the amount of time Employee was in violation of the provision, or (2) the length of the legal proceeding undertaken to enforce the violated provision, up to a maximum of one (1) year.

**10. Neutral Reference.** The Company will follow its general policy of providing to prospective employers only Employee’s dates of employment and positions held, provided any requests for information are made through and responded to by the Company’s Human Resources Department.

**11. Assignment.** Employee warrants that Employee has not assigned any claims or rights released in this Agreement.

**12. Non-Disparagement.** Employee agrees and warrants that Employee will not disparage, defame, belittle, ridicule, discredit, denigrate or in any other way harm or damage the reputation of Releasees, their products or services. Employee further agrees and warrants that Employee will not make, file, prepare, report, or assist in making, filing, preparing, or reporting any disparaging remarks regarding Releasees via the Internet or any news media. Employee further agrees and warrants that within thirty (30) days of executing this Agreement, Employee will remove Company or any of its affiliates as their active/current employer on social media including, but not limited to, LinkedIn, Facebook, Instagram, TikTok, and Twitter. This does not preclude Employee from referencing Company or its affiliates as a past employer. This Section is not intended to prevent cooperation through investigation, testimony, or otherwise with an administrative agency or court. This Section is also not intended to prevent Employee from exercising any other rights protected by law, including the right to communicate with former coworkers and/or third parties about terms and conditions of employment or labor disputes, unrelated to the amount of severance pay under this Agreement, when the communication is not so disloyal, reckless, or maliciously untrue as to lose the protection of the law.





The Parties agree that the terms of this Section 12 are a material inducement for the execution of this Agreement. The Parties agree that damages sustained by a breach of this provision would be impractical or extremely difficult to determine and, therefore, agree that in the event that Employee violates this Section 12, Employee shall pay Company liquidated damages in the sum of Ten Thousand Dollars (\$10,000.00) for each violation. The Parties further agree that such damages are not intended to be, and shall not be construed as, a penalty.

**13. Non-Admission of Liability.** By entering into this Agreement, the Company does not admit that it engaged in any unlawful or improper conduct, or that it is legally obligated to Employee in any way.

**14. Voluntary Nature of Agreement.** The consideration stated herein is contractual and not merely a recital. The Parties hereto execute and deliver this Agreement after being fully informed of its terms, contents and effects. The Parties acknowledge that this Agreement is a negotiated agreement that both Parties have reviewed with their attorneys, that both Parties have had a full opportunity to revise the language of the Agreement, and that, in the event of a dispute, the Agreement should not be construed in any way either for or against a party based on whether a particular party was or was not the primary drafter of this Agreement.

**15. Effective Date / Revocation Period.** This Agreement shall be effective, binding on the Parties, and in full force and effect immediately following the execution of the Agreement by both Parties and the expiration of the Revocation Period. Employee has seven (7) days following Employee's execution of this Agreement (the "Revocation Period") within which to revoke this Agreement.

**16. Compliance with the Older Workers Benefit Protection Act. Employee is over 40 years of age and because Employee is waiving in this Agreement claims for age discrimination, pursuant to the provisions of the Older Workers Benefit Protection Act, Employee acknowledges:**

- (a) **That by executing this Agreement, Employee waives all rights or claims, if any, that Employee may have against the Company under the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 626, et seq. ("ADEA");**
- (b) **That this Agreement has been written in a manner calculated to be understood by Employee, and is in fact understood by Employee;**
- (c) **That the aforementioned waiver reflects specifically, but is not limited to, all rights or claims, if any, that Employee may have against the Company arising under the ADEA;**
- (d) **That Employee is not waiving rights and claims that Employee may have under the ADEA against the Company that may arise after the date on which this Agreement is executed;**
- (e) **That Employee is waiving rights and claims that Employee may have under the ADEA, if any, only in exchange for consideration in addition to anything of value to which Employee is already entitled; That Employee is advised and**



**has had the opportunity to consult with an attorney of Employee's choice prior to executing this Agreement;**

- (f) That Employee has been given a period of 21 days from the date on which Employee receives this Agreement, not counting the day upon which Employee receives the Agreement, within which to consider whether to sign this Agreement (Consideration Period). In the event Employee chooses to sign this Agreement prior to the expiration of the Consideration Period, Employee represents that Employee is knowingly and voluntarily waiving the remainder of the Consideration Period. Employee understands that having waived some portion of the Consideration Period, the Company may expedite the processing of benefits provided to Employee in exchange for signing this Agreement. If Employee is age 40 or over and Employee's termination is part of a group employment termination program, the Company has attached information regarding the class, unit, or group of individuals covered by the employment termination program; the applicable eligibility factors and time limits; and a list of the job titles and ages of all individuals eligible or selected for the employment termination program as well as those who are not. Employee agrees with the Company that changes, whether material or immaterial, do not restart the running of the Consideration Period.**
- (g) That Employee has seven (7) days following Employee's execution of this Agreement within which to revoke Employee's waiver of all claims, if any, under the ADEA; Employee's release of any claims under the ADEA shall not become effective or enforceable until the Revocation Period has expired;**
- (h) That to revoke Employee's waiver of all claims under the ADEA, Employee understands that Employee must deliver a written, signed statement that Employee revokes Employee's waiver of all claims under the ADEA to the Company by hand or by mail within the Revocation Period. The revocation must be emailed within the period stated above to the Company at the following address: Faisal Khan, [\*\*\*].**
- (i) That this Agreement becomes null and void and of no further force or effect if Employee does not sign, date and return this Agreement to the Company within 21 days after the date on which Employee receives this Agreement.**
- (j) That Employee has (i) received all compensation due Employee as a result of services performed for the Company with the receipt of Employee's final paycheck; (ii) reported to the Company any and all work-related injuries.**
- (k) That any modifications, material or otherwise, made to this Agreement, do not restart or affect in any manner the original period of up to 21 calendar days during which Employee may consider this Agreement.**

**17. Counterparts.** This Agreement may be executed in counterparts and shall be fully enforceable in all regards if executed in such manner as if it had been executed as a single

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document. Signatures obtained electronically shall constitute effective execution of this Agreement.

**18. Entire Agreement, and Non-Waiver of Existing Post-Employment Obligations.** The parties are not relying upon any representations, agreements, terms, or conditions not contained within this document in making the decision to enter into it. This Agreement is the full and complete agreement of the parties with regard to the matters covered in it; provided, however, that this Agreement shall supplement and not supersede or replace Employee's Existing Post-Employment Obligations.

**19. Controlling Law.** The laws of the State of Colorado will control the interpretation, application, and enforcement of this Agreement, without regard to the conflicts of laws principles of any state to the contrary.

**20. Severability, Reformation, and Presumptions.** Except where otherwise expressly indicated, the provisions of this Agreement are severable, so that if any portion of this Agreement with the exception of the release in Section 5, is determined to be unenforceable, the remainder of the Agreement shall remain valid and fully enforceable. If an authorized court or arbitrator ("adjudicator") determines that a covenant herein cannot be enforced as written in some part (such as time, scope of activity, or geography), the parties agree to the adjudicator's enforcement of the restrictions to such lesser extent as would make the obligation reasonable and enforceable, and/or to the reformation of the restriction to make it enforceable. If, after and/or despite application of the foregoing, any provision contained in this Agreement remains void, illegal, or unenforceable, then it shall be severed, and the remainder of this Agreement shall remain in full force and effect. Presumptions provided for in this Agreement can only be overcome through clear and convincing evidence by the party opposing the presumption, and a presumption will not apply if its application would make the clause or restriction where it would be applied void, voidable, or otherwise unenforceable.

**21. EXCEPTIONS AND PROTECTED RIGHTS: Employee understands this Release does not apply to (a) any claims or rights that may arise after the date that Employee signed this Agreement, (b) the Company's expense reimbursement policies, (c) any vested rights under the Company's ERISA-covered employee benefit plans as applicable on the date Employee signs this Release, and (d) any claims that the controlling law clearly states may not be released by private agreement. Moreover, nothing in this Agreement (including but not limited to the affirmations, release of claims, the promise not to sue, the confidentiality obligations, non-disparagement provision, and the return of property provision) (e) shall have the purpose or effect of requiring Employee to conceal the details relating to any claim of discrimination, harassment, or retaliation, provided that Employee does not reveal proprietary information consisting of non-public trade secrets, business plans, and customer information; (f) limits or affects Employee's right to challenge the validity of this Release under the ADEA or the OWBPA; (g) prohibits the Employee from providing trade secret information to individuals or entities outlined in the Federal Trade Secrets Act; (h) prevents Employee from communicating with, filing a charge or complaint with; provide documents or information voluntarily or in response to a subpoena or other information request to; or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, National Labor Relations Board, the Securities and Exchange**





**Commission, law enforcement, or any other federal, state or local agency charged with the enforcement of any laws, or from responding to a subpoena or discovery request in court litigation or arbitration, or (i) precludes Employee from exercising her rights under Section 7 of the NLRA or similar state law to engage in protected, concerted activity with other employees, although by signing this Release Employee is waiving her right to recover any individual relief (including any backpay, frontpay, reinstatement or other legal or equitable relief) in any charge, complaint, or lawsuit or other proceeding brought by Employee or on Employee's behalf by any third party, except for any right Employee may have to receive a payment or award from a government agency (and not the Company) for information provided to the government agency or where otherwise prohibited.**

**22. Notice Requirements:** Each notice ("Notice") provided for under this Agreement, must comply with the requirements as set forth in this Section 22. Each Notice shall be in writing and sent by E-Mail addressed to the appropriate party (and marked to a particular individual's attention, if so indicated) as hereinafter provided. Each Notice shall be effective upon the date it is sent. Any Party shall have the right from time to time to change the E-Mail address or individual's attention to which notices to it shall be sent by giving to the other Party at least ten (10) days prior Notice thereof. The Parties' E-Mail addresses for providing Notices hereunder shall be as follows:

MODIVCARE  
c/o Faisal Khan  
[\*\*\*]

ANNE BAILEY  
[\*\*\*]

**23. Selective Enforcement:** The Parties agree that the failure of any Party to enforce or exercise any right, condition, term, or provision of this Agreement shall not be construed as or deemed a relinquishment or waiver thereof, and the same shall continue in full force and effect.

[Remainder of this page intentionally left blank; signature page follows]

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Accepted and agreed as of this 31st day of May 2024.

Employee:

Anne Bailey

\_\_\_\_\_  
Anne Bailey

*Anne Bailey*

\_\_\_\_\_  
Employee's Signature

5/31/2024  
Date: \_\_\_\_\_

For Modivcare Solutions, LLC:

By:   
\_\_\_\_\_

L. Heath Sampson  
Chief Executive Officer

6/11/2024  
Date: \_\_\_\_\_

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**COLORADO NOTICE**

You (Anne Bailey) are hereby placed on notice that in Section 9.2 of the Separation Agreement and General Release (the “Agreement”) that has been offered to you by Modivcare Solutions, LLC, including its wholly owned subsidiaries, affiliates and parent organization (the “Company”), some of the restrictions placed on your post-employment conduct will be considered covenants not to compete for purposes of Colorado law and could restrict your options for subsequent employment following your separation from the Company. Please read them carefully.

You hereby acknowledge that through this separate “Notice” document (separate from any other covenants between you and the Company), you have been informed in clear and conspicuous terms as to the existence and location of the covenants not to compete in the Agreement.



I acknowledge receipt of this Notice and the attached Agreement.

**Anne Bailey**

*Anne Bailey*

Date: 5/31/2024

\_\_\_\_\_  
Signature

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**Certificate Of Completion**

Envelope Id: 3B9C1C7960CE4859A8FADF7A0F106DB9	Status: Completed	
Subject: Complete with Docusign: Anne Bailey Separation Agreement (Execution Version).docx, Colorado Not...		
Source Envelope:		
Document Pages: 14	Signatures: 3	Envelope Originator:
Certificate Pages: 5	Initials: 0	Faisal Khan
AutoNav: Enabled		Faisal.Khan@modivcare.com
Envelopeld Stamping: Enabled		IP Address: 75.26.192.187
Time Zone: (UTC-08:00) Pacific Time (US & Canada)		

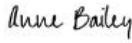
**Record Tracking**

Status: Original	Holder: Faisal Khan	Location: DocuSign
5/31/2024 6:35:15 AM	Faisal.Khan@modivcare.com	

**Signer Events**

Anne Bailey  
anne.bailey@modivcare.com  
Vice President  
VRI  
Security Level: Email, Account Authentication (None)

**Signature**

  
  
Signature Adoption: Pre-selected Style  
Using IP Address: 98.38.99.143

**Timestamp**

Sent: 5/31/2024 6:40:52 AM  
Viewed: 5/31/2024 6:50:00 AM  
Signed: 5/31/2024 6:50:31 AM

**Electronic Record and Signature Disclosure:**  
Accepted: 5/31/2024 6:50:00 AM  
ID: 1ae75618-b284-4d54-bced-705826f96dc1

Heath Sampson  
heath.sampson@modivcare.com  
Matrix Audit Committee Chair  
Security Level: Email, Account Authentication (None)

  
  
Signature Adoption: Drawn on Device  
Using IP Address: 73.14.10.230  
Signed using mobile

Sent: 5/31/2024 6:50:33 AM  
Resent: 6/4/2024 11:30:50 AM  
Viewed: 6/11/2024 5:29:06 AM  
Signed: 6/11/2024 5:29:26 AM

**Electronic Record and Signature Disclosure:**  
Accepted: 6/11/2024 5:29:06 AM  
ID: 174ca36c-6321-4aa6-a56c-e0af649cadb2

**In Person Signer Events**

**Signature**

**Timestamp**

**Editor Delivery Events**

**Status**

**Timestamp**

**Agent Delivery Events**

**Status**

**Timestamp**

**Intermediary Delivery Events**

**Status**

**Timestamp**

**Certified Delivery Events**

**Status**

**Timestamp**

**Carbon Copy Events**

**Status**

**Timestamp**

Faisal Khan  
faisal.khan@modivcare.com  
Security Level: Email, Account Authentication (None)

**COPIED**

Sent: 6/11/2024 5:29:28 AM  
Resent: 6/11/2024 5:29:31 AM  
Viewed: 6/11/2024 6:25:35 AM

**Electronic Record and Signature Disclosure:**  
Not Offered via DocuSign

**Witness Events**

**Signature**

**Timestamp**

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<b>Notary Events</b>	<b>Signature</b>	<b>Timestamp</b>
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<b>Envelope Summary Events</b>	<b>Status</b>	<b>Timestamps</b>
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Envelope Sent	Hashed/Encrypted	5/31/2024 6:40:52 AM
Certified Delivered	Security Checked	6/11/2024 5:29:06 AM
Signing Complete	Security Checked	6/11/2024 5:29:26 AM
Completed	Security Checked	6/11/2024 5:29:28 AM

<b>Payment Events</b>	<b>Status</b>	<b>Timestamps</b>
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<b>Electronic Record and Signature Disclosure</b>
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## **ELECTRONIC RECORD AND SIGNATURE DISCLOSURE**

From time to time, Modivcare (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

### **Getting paper copies**

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

### **Withdrawing your consent**

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

### **Consequences of changing your mind**

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

### **All notices and disclosures will be sent to you electronically**

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Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

**How to contact Modivcare:**

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: [legaldisclosure@modivcare.com](mailto:legaldisclosure@modivcare.com)

**To advise Modivcare of your new email address**

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at [legaldisclosure@modivcare.com](mailto:legaldisclosure@modivcare.com) and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

**To request paper copies from Modivcare**

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to [legaldisclosure@modivcare.com](mailto:legaldisclosure@modivcare.com) and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

**To withdraw your consent with Modivcare**

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

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i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;

ii. send us an email to [legaldisclosure@modivcare.com](mailto:legaldisclosure@modivcare.com) and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

### **Required hardware and software**

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here:

### **Acknowledging your access and consent to receive and sign documents electronically**

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-

box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

By selecting the check-box next to 'I agree to use electronic records and signatures', you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify Modivcare as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by Modivcare during the course of your relationship with Modivcare.

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## CERTIFICATIONS

I, L. Heath Sampson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ModivCare Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2024

/s/ L. Heath Sampson

\_\_\_\_\_  
L. Heath Sampson  
Chief Executive Officer  
(Principal Executive Officer)



## CERTIFICATIONS

I, Barbara Gutierrez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ModivCare Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2024

/s/ Barbara Gutierrez

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Barbara Gutierrez  
Chief Financial Officer  
(Principal Financial Officer)

**MODIVCARE INC.**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ModivCare Inc. ("ModivCare" or the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 2024 (the "Report") that, to the best of such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2024

/s/ L. Heath Sampson

\_\_\_\_\_  
L. Heath Sampson  
Chief Executive Officer  
(Principal Executive Officer)

**MODIVCARE INC.**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ModivCare Inc. ("ModivCare" or the "Company") does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 2024 (the "Report") that, to the best of such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2024

/s/ Barbara Gutierrez  
\_\_\_\_\_  
Barbara Gutierrez  
Chief Financial Officer  
(Principal Financial Officer)