

**E-56-20**



**NIFS ID:CLPD19000010 Department: Police Dept.**

**Capital:**

SERVICE: Ambulance billing services

Contract ID #:CQPD13000013 NIFS Entry Date: 21-NOV-19 Term: from 11-FEB-13 to 31-DEC-19

Amendment
Time Extension: X
Addl. Funds:X
Blanket Resolution:
RES#

1) Mandated Program:	N
2) Comptroller Approval Form Attached:	Y
3) CSEA Agmt. § 32 Compliance Attached:	N
4) Vendor Ownership & Mgmt. Disclosure Attached:	Y
5) Insurance Required	Y

<b>Vendor Info:</b>	
Name: <b>Change Healthcare Practice Management Solutions, Inc.</b>	Vendor ID#:
Address: 3055 Lebanon Pike, Suite 1000 Nashville, TN 37214	Contact Person:
	Phone:

<b>Department:</b>
Contact Name: Jaclyn Delle
Address: 1 West St. Mineola, NY 11501
Phone: 5165713054

## Routing Slip

Department	NIFS Entry: X	09-DEC-19 -- JDELLEPD
Department	NIFS Approval: X	09-DEC-19 -- JDELLEPD
DPW	Capital Fund Approved:	
OMB	NIFA Approval: X	12-DEC-19 -- IQURESHI
OMB	NIFS Approval: X	09-DEC-19 -- JNOGID
County Atty.	Insurance Verification: X	09-DEC-19 -- AAMATO
County Atty.	Approval to Form: X	09-DEC-19 -- DMCDERMOTT

<b>CPO</b>	<b>Approval: X</b>	<b>09-JAN-20 -- KOHAGENCE</b>
<b>DCEC</b>	<b>Approval: X</b>	<b>15-JAN-20 -- JCHIARA</b>
<b>Dep. CE</b>	<b>Approval: X</b>	<b>27-JAN-20 -- TFOX</b>
<b>Leg. Affairs</b>	<b>Approval/Review: X</b>	<b>30-MAR-20 -- GCASTILLO</b>
<b>Legislature</b>	<b>Approval:</b>	
<b>Comptroller</b>	<b>Deputy:</b>	
<b>NIFA</b>	<b>NIFA Approval:</b>	

## Contract Summary

<b>Purpose:</b> Amendment to existing contract to extend the term of the contract to December 31, 2019.
<b>Method of Procurement:</b> Contract amendment. Please see procurement history below.
<b>Procurement History:</b> A Request for Proposals ("RFP") was issued on October 11, 2012 and the vendor was selected as the highest scoring proposer. A new RFP was recently issued for these services, and the Department is currently in the process of finalizing an award. This extension is to ensure a smooth transition to a new contract, without a gap in these important services.
<b>Description of General Provisions:</b> As described above.
<b>Impact on Funding / Price Analysis:</b> Emergency Ambulance billing is revenue generating, no dollar amount ceiling. Encumbering \$354,400 to pay vendor fees as per the contract.
<b>Change in Contract from Prior Procurement:</b> n/a
<b>Recommendation:</b> (approve as submitted) Approve as submitted.

## Advisement Information

BUDGET CODES		FUNDING SOURCE	AMOUNT	LINE	INDEX/OBJECT CODE	AMOUNT
Fund:	PDH	Revenue		7	PDPDH1484/DE500	\$ 354,400.00
Control:	PD10	Contract:				\$ 0.00
Resp:	PDPDH1484	County	\$ 354,400.00			\$ 0.00
Object:	DE500	Federal	\$ 0.00			\$ 0.00
Transaction:	109	State	\$ 0.00			\$ 0.00
Project #:		Capital	\$ 0.00			\$ 0.00
Detail:		Other	\$ 0.00			\$ 0.00
		<b>TOTAL</b>	<b>\$ 354,400.00</b>		<b>TOTAL</b>	<b>\$ 354,400.00</b>
RENEWAL						
% Increase						
% Decrease						

RULES RESOLUTION NO.     — 2019

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON BEHALF OF THE NASSAU COUNTY POLICE DEPARTMENT, AND CHANGE HEALTHCARE PRACTICE MANAGEMENT SOLUTIONS, INC. (FORMERLY MED3000, INC.)

WHEREAS, the County has negotiated an amendment to a personal services agreement with Change Healthcare Management Solutions, Inc. (formerly MED3000, Inc.) to ambulance billing services for the County, a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the amendment to an agreement with Change Healthcare Management Solutions, Inc. (formerly MED3000, Inc.).

# NIFA Nassau County Interim Finance Authority

## Contract Approval Request Form (As of January 1, 2015)

1. **Vendor:** Change Healthcare Practice Management Solutions, Inc.

2. **Dollar amount requiring NIFA approval:** \$0

**Amount to be encumbered:** \$354400

This is a Amendment

If new contract - \$ amount should be full amount of contract

If advisement – NIFA only needs to review if it is increasing funds above the amount previously approved by NIFA

If amendment - \$ amount should be full amount of amendment only

3. **Contract Term:** 02/11/2013-12/31/2019

Has work or services on this contract commenced? Y \_\_\_\_\_

If yes, please explain: Services continuing as amendment routed through approvals.

4. **Funding Source:**

X General Fund (GEN)

Grant Fund (GRT)

Capital Improvement Fund (CAP)

Other

Federal % 0

State % 0

County % 100

Is the cash available for the full amount of the contract?

Y

If not, will it require a future borrowing?

N

Has the County Legislature approved the borrowing?

N/A

Has NIFA approved the borrowing for this contract?

N/A

5. **Provide a brief description (4 to 5 sentences) of the item for which this approval is requested:**

Amendment to existing contract to extend the term of the contract to December 31, 2019.

6. **Has the item requested herein followed all proper procedures and thereby approved by the:**

Nassau County Attorney as to form Y

Nassau County Committee and/or Legislature

**Date of approval(s) and citation to the resolution where approval for this item was provided:**

7. **Identify all contracts (with dollar amounts) with this or an affiliated party within the prior 12 months:**

Contract ID	Date	Amount



## AUTHORIZATION

To the best of my knowledge, I hereby certify that the information contained in this Contract Approval Request Form and any additional information submitted in connection with this request is true and accurate and that all expenditures that will be made in reliance on this authorization are in conformance with the Nassau County Approved Budget and not in conflict with the Nassau County Multi-Year Financial Plan. I understand that NIFA will rely upon this information in its official deliberations.

LIQUORESHI

12-DEC-19

**Authenticated User**

**Date**

## COMPTROLLER'S OFFICE

To the best of my knowledge, I hereby certify that the information listed is true and accurate and is in conformance with the Nassau County Approved Budget and not in conflict with the Nassau County Multi-Year Financial Plan.

Regarding funding, please check the correct response:

☐ I certify that the funds are available to be encumbered pending NIFA approval of this contract.

If this is a capital project:

I certify that the bonding for this contract has been approved by NIFA.

Budget is available and funds have been encumbered but the project requires NIFA bonding authorization

**Authenticated User**

**Date**

## NIFA

Amount being approved by NIFA:

Payment is not guaranteed for any work commenced prior to this approval.

**Authenticated User**

**Date**

**NOTE: All contract submissions MUST include the County's own routing slip, current NIFS printouts for all relevant accounts and relevant Nassau County Legislature communication documents and relevant supplemental information pertaining to the item requested herein.**

**NIFA Contract Approval Request Form MUST be filled out in its entirety before being submitted to NIFA for review.**

**NIFA reserves the right to request additional information as needed.**

Jack Schnirman  
Comptroller



OFFICE OF THE COMPTROLLER  
240 Old Country Road  
Mineola, New York 11501

## COMPTROLLER APPROVAL FORM FOR PERSONAL, PROFESSIONAL OR HUMAN SERVICES CONTRACTS

*Attach this form along with all personal, professional or human services contracts, contract renewals, extensions and amendments.*

CONTRACTOR NAME: Change Healthcare Practice Management Solutions, Inc.

CONTRACTOR ADDRESS: 3055 Lebanon Pike, Suite 1000, Nashville, TN 37214

FEDERAL TAX ID #: \_\_\_\_\_

**Instructions:** Please check the appropriate box ("☐") after one of the following roman numerals, and provide all the requested information.

I. ☐ **The contract was awarded to the lowest, responsible bidder after advertisement for sealed bids.** The contract was awarded after a request for sealed bids was published in \_\_\_\_\_ [newspaper] on \_\_\_\_\_ [date]. The sealed bids were publicly opened on \_\_\_\_\_ [date]. \_\_\_\_\_ [#] of sealed bids were received and opened.

II. ☐ **The contractor was selected pursuant to a Request for Proposals.**

The Contract was entered into after a written request for proposals was issued on \_\_\_\_\_ [date]. Potential proposers were made aware of the availability of the RFP by advertisement in \_\_\_\_\_ [newspaper], posting on industry websites, via email to interested parties and by publication on the County procurement website. Proposals were due on \_\_\_\_\_ [date]. \_\_\_\_\_ [state #] proposals were received and evaluated. The evaluation committee consisted of: \_\_\_\_\_

\_\_\_\_\_ (list # of persons on committee and their respective departments). The proposals were scored and ranked. As a result of the scoring and ranking, the highest-ranking proposer was selected.

**III. ☒ This is a renewal, extension or amendment of an existing contract.**

The contract was originally executed by Nassau County on 11/12/2013 [date]. This is a renewal or extension pursuant to the contract, or an amendment within the scope of the contract or RFP (copies of the relevant pages are attached). The original contract was entered into after a Request for Proposals was issued on Oct. 11, 2012. Six (6) proposals were received and scored and ranked. Change Healthcare (formerly MED3000) was selected as the highest ranking proposer. The County recently issued a new RFP for these services, and this extension is to ensure there is no gap in these important services. [describe procurement method, i.e., RFP, three proposals evaluated, etc.] Attach a copy of the most recent evaluation of the contractor's performance for any contract to be renewed or extended. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to continue to contract with the county.

**IV. ☐ Pursuant to Executive Order No. 1 of 1993, as amended, at least three proposals were solicited and received. The attached memorandum from the department head describes the proposals received, along with the cost of each proposal.**

- ☐ A. The contract has been awarded to the proposer offering the lowest cost proposal; OR:
- ☐ B. The attached memorandum contains a detailed explanation as to the reason(s) why the contract was awarded to other than the lowest-cost proposer. The attachment includes a specific delineation of the unique skills and experience, the specific reasons why a proposal is deemed superior, and/or why the proposer has been judged to be able to perform more quickly than other proposers.

**V. ☐ Pursuant to Executive Order No. 1 of 1993 as amended, the attached memorandum from the department head explains why the department did not obtain at least three proposals.**

- ☐ A. There are only one or two providers of the services sought or less than three providers submitted proposals. The memorandum describes how the contractor was determined to be the sole source provider of the personal service needed or explains why only two proposals could be obtained. If two proposals were obtained, the memorandum explains that the contract was awarded to the lowest cost proposer, or why the selected proposer offered the higher quality proposal, the proposer's unique and special experience, skill, or expertise, or its availability to perform in the most immediate and timely manner.
- ☐ B. The memorandum explains that the contractor's selection was dictated by the terms of a federal or New York State grant, by legislation or by a court order. (Copies of the relevant documents are attached).
- ☐ C. Pursuant to General Municipal Law Section 104, the department is purchasing the services required through a New York State Office of General Services contract no. \_\_\_\_\_, and the attached memorandum explains how the purchase is within the scope of the terms of that contract.

- ☐ D. Pursuant to General Municipal Law Section 119-o, the department is purchasing the services required through an inter-municipal agreement.

**VI. ☐ This is a human services contract with a not-for-profit agency for which a competitive process has not been initiated.** Attached is a memorandum that explains the reasons for entering into this contract without conducting a competitive process, and details when the department intends to initiate a competitive process for the future award of these services. For any such contract, where the vendor has previously provided services to the county, attach a copy of the most recent evaluation of the vendor's performance. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to contract with the county.

In certain limited circumstances, conducting a competitive process and/or completing performance evaluations may not be possible because of the nature of the human services program, or because of a compelling need to continue services through the same provider. In those circumstances, attach an explanation of why a competitive process and/or performance evaluation is inapplicable.

**VII. ☐ This is a public works contract for the provision of architectural, engineering or surveying services.** The attached memorandum provides details of the department's compliance with Board of Supervisors' Resolution No. 928 of 1993, including its receipt and evaluation of annual Statements of Qualifications & Performance Data, and its negotiations with the most highly qualified firms.

Instructions with respect to Sections VIII, IX and X: All Departments must check the box for VIII. Then, check the box for either IX or X, as applicable.

**VIII. ☒ Participation of Minority Group Members and Women in Nassau County Contracts.** The selected contractor has agreed that it has an obligation to utilize best efforts to hire MWBE sub-contractors. Proof of the contractual utilization of best efforts as outlined in Exhibit "EE" may be requested at any time, from time to time, by the Comptroller's Office prior to the approval of claim vouchers.

**IX. ☐ Department MWBE responsibilities.** To ensure compliance with MWBE requirements as outlined in Exhibit "EE", Department will require vendor to submit list of sub-contractor requirements prior to submission of the first claim voucher, for services under this contract being submitted to the Comptroller.

**X. ☒ Vendor will not require any sub-contractors.**

In addition, if this is a contract with an individual or with an entity that has only one or two employees: ☐ a review of the criteria set forth by the Internal Revenue Service, Revenue Ruling No. 87-41, 1987-1 C.B. 296, attached as Appendix A to the Comptroller's Memorandum, dated February 13, 2004, concerning independent contractors and employees indicates that the contractor would not be considered an employee for federal tax purposes.

  
\_\_\_\_\_  
Department Head Signature

11/27/2019  
\_\_\_\_\_  
Date

NOTE: Any information requested above, or in the exhibit below, may be included in the county's "staff summary" form in lieu of a separate memorandum.



COUNTY OF NASSAU

POLITICAL CAMPAIGN CONTRIBUTION DISCLOSURE FORM

1. Has the vendor or any corporate officers of the vendor provided campaign contributions pursuant to the New York State Election Law in (a) the period beginning April 1, 2016 and ending on the date of this disclosure, or (b), beginning April 1, 2018, the period beginning two years prior to the date of this disclosure and ending on the date of this disclosure, to the campaign committees of any of the following Nassau County elected officials or to the campaign committees of any candidates for any of the following Nassau County elected offices: the County Executive, the County Clerk, the Comptroller, the District Attorney, or any County Legislator?

YES ☐ NO ☒ If yes, to what campaign committee?

2. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

The undersigned further certifies and affirms that the contribution(s) to the campaign committees identified above were made freely and without duress, threat or any promise of a governmental benefit or in exchange for any benefit or remuneration.

Electronically signed and certified at the date and time indicated by:

Scott Schrader [SCOTT.SCHRADER@CHANGEHEALTHCARE.COM]

Dated: 01/02/2020 01:36:40 PM

Vendor: Change Healthcare Technology Enabled Services

Title: Chief Commercial Officer, TES

## PRINCIPAL QUESTIONNAIRE FORM

All questions on these questionnaires must be answered by all officers and any individuals who hold a ten percent (10%) or greater ownership interest in the proposer. Answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

**COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD**

1. Principal Name: Morris Maybruch  
Date of birth: [REDACTED]  
Home address: [REDACTED]  
City: [REDACTED] State/Province/Territory: [REDACTED] Zip/Postal Code: [REDACTED]  
Country: US

Business Address: 1 Blue Hill Plaza  
City: Pearl River State/Province/Territory: NY Zip/Postal Code: 10965  
Country: US  
Telephone: 8453684800

Other present address(es):  
City: Nashville State/Province/Territory:            Zip/Postal Code:             
Country:             
Telephone:           

List of other addresses and telephone numbers attached

2. Positions held in submitting business and starting date of each (check all applicable)

President	_____	Treasurer	_____
Chairman of Board	_____	Shareholder	_____
Chief Exec. Officer	_____	Secretary	_____
Chief Financial Officer	_____	Partner	_____
Vice President	_____		
(Other)	_____		

Type	Description	Start Date
Other	Senior Operations Manager	06/04/2012

3. Do you have an equity interest in the business submitting the questionnaire?

YES ☐ NO ☒ If Yes, provide details.

4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?

YES ☐ NO ☒ If Yes, provide details.

5. Within the past 3 years, have you been a principal owner or officer of any business or notfor-profit organization other than the one submitting the questionnaire?

YES ☐ NO ☒ If Yes, provide details.

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer?

YES ☐ NO ☒ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:

- a. Been debarred by any government agency from entering into contracts with that agency?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated?  
YES ☐ NO ☒ If 'Yes', provide details for each such instance. (Provide a detailed response to all questions check "Yes". If you need more space, photocopy the appropriate page and attached it to the questionnaire.)

9. a. Is there any felony charge pending against you?  
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- b. Is there any misdemeanor charge pending against you?  
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- c. Is there any administrative charge pending against you?  
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- d. In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business? Y  
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- e. In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor?  
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- f. In the past 5 years, have you been found in violation of any administrative or statutory charges?  
YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.



10. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

11. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

12. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

13. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

I, Morris Maybruch , hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Morris Maybruch , hereby certify that I have read and understand all the items contained in this form; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this form; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this form as additional inducement to enter into a contract with the submitting business entity.

**CERTIFICATION**

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

Change Healthcare Technology Enabled Services LLC

Name of submitting business

Electronically signed and certified at the date and time indicated by:

Morris Maybruch [MORRIS.MAYBRUCH@CHANGEHEALTHCARE.COM]

Senior Operations Manager

Title

01/03/2020 02:07:19 PM

Date

### **Business History Form**

The contract shall be awarded to the responsible proposer who, at the discretion of the County, taking into consideration the reliability of the proposer and the capacity of the proposer to perform the services required by the County, offers the best value to the County and who will best promote the public interest.

In addition to the submission of proposals, each proposer shall complete and submit this questionnaire. The questionnaire shall be filled out by the owner of a sole proprietorship or by an authorized representative of the firm, corporation or partnership submitting the Proposal.

**NOTE: All questions require a response, even if response is "none" or "not-applicable." No blanks.**

(USE ADDITIONAL SHEETS IF NECESSARY TO FULLY ANSWER THE FOLLOWING QUESTIONS).

Date: 09/30/2019

1) Proposer's Legal Name: Change Healthcare Technology Enabled Services LLC

2) Address of Place of Business: 3055 Lebanon Pike

City: Nashville State/Province/Territory: TN Zip/Postal Code: 37214

Country: \_\_\_\_\_

Address: 1 Blue Hill Plaza

City: Pearl River State/Province/Territory: NY Zip/Postal Code: 10965

Country: \_\_\_\_\_

Start Date: \_\_\_\_\_ End Date: \_\_\_\_\_

3) Mailing Address (if different): \_\_\_\_\_

City: \_\_\_\_\_ State/Province/Territory: \_\_\_\_\_ Zip/Postal Code: \_\_\_\_\_

Country: \_\_\_\_\_

Phone: \_\_\_\_\_

Does the business own or rent its facilities? Both If other, please provide details:

4) Dun and Bradstreet number: 61-6809588

5) Federal I.D. Number: 58-1953146

6) The proposer is a: Other (Describe) Limited Liability Company

7) Does this business share office space, staff, or equipment expenses with any other business?

YES ☐ NO ☒ If yes, please provide details:

8) Does this business control one or more other businesses?

YES ☒ NO ☐ If yes, please provide details:

Change Healthcare LLC

- 9) Does this business have one or more affiliates, and/or is it a subsidiary of, or controlled by, any other business?

YES ☒ NO ☐ If yes, please provide details:

This business is controlled by its parent Change Healthcare LLC

- 10) Has the proposer ever had a bond or surety cancelled or forfeited, or a contract with Nassau County or any other government entity terminated?

YES ☐ NO ☒ If yes, state the name of bonding agency, (if a bond), date, amount of bond and reason for such cancellation or forfeiture: or details regarding the termination (if a contract).

- 11) Has the proposer, during the past seven years, been declared bankrupt?

YES ☐ NO ☒ If yes, state date, court jurisdiction, amount of liabilities and amount of assets

- 12) In the past five years, has this business and/or any of its owners and/or officers and/or any affiliated business, been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency? And/or, in the past 5 years, have any owner and/or officer of any affiliated business been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency, where such investigation was related to activities performed at, for, or on behalf of an affiliated business.

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 13) In the past 5 years, has this business and/or any of its owners and/or officers and/or any affiliated business been the subject of an investigation by any government agency, including but not limited to federal, state and local regulatory agencies? And/or, in the past 5 years, has any owner and/or officer of an affiliated business been the subject of an investigation by any government agency, including but not limited to federal, state and local regulatory agencies, for matters pertaining to that individual's position at or relationship to an affiliated business.

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 14) Has any current or former director, owner or officer or managerial employee of this business had, either before or during such person's employment, or since such employment if the charges pertained to events that allegedly occurred during the time of employment by the submitting business, and allegedly related to the conduct of that business:

a) Any felony charge pending?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

b) Any misdemeanor charge pending?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

c) In the past 10 years, you been convicted, after trial or by plea, of any felony and/or any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

d) In the past 5 years, been convicted, after trial or by plea, of a misdemeanor?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

e) In the past 5 years, been found in violation of any administrative, statutory, or regulatory provisions?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 15) In the past (5) years, has this business or any of its owners or officers, or any other affiliated business had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 16) For the past (5) tax years, has this business failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges?

YES ☐ NO ☒ If yes, provide details for each such year. Provide a detailed response to all questions checked 'YES'. If you need more space, photocopy the appropriate page and attach it to the questionnaire.

- 17 Conflict of Interest:

a) Please disclose any conflicts of interest as outlined below. NOTE: If no conflicts exist, please expressly state "No conflict exists."

(i) Any material financial relationships that your firm or any firm employee has that may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

(ii) Any family relationship that any employee of your firm has with any County public servant that may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

(iii) Any other matter that your firm believes may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No conflict exists

- b) Please describe any procedures your firm has, or would adopt, to assure the County that a conflict of interest would not exist for your firm in the future.

We will contact the County should a potential conflict arise to be guided accordingly.

- A. Include a resume or detailed description of the Proposer's professional qualifications, demonstrating extensive experience in your profession. Any prior similar experiences, and the results of these experiences, must be identified.

Have you previously uploaded the below information under in the Document Vault?

YES ☐ NO ☒

Is the proposer an individual?

YES ☐ NO ☒ Should the proposer be other than an individual, the Proposal MUST include:

- i) Date of formation;

01/16/1990

- ii) Name, addresses, and position of all persons having a financial interest in the company, including shareholders, members, general or limited partner. If none, explain.

We have included our most recent form 10-Q to provide the requested information.

*No individuals with a financial interest in the company have been attached..*

1 File(s) Uploaded:

- iii) Name, address and position of all officers and directors of the company. If none, explain.

*No officers and directors from this company have been attached.*

1 File(s) Uploaded:

- iv) State of incorporation (if applicable);

GA

- v) The number of employees in the firm;

1500

- vi) Annual revenue of firm;

1000000000

- vii) Summary of relevant accomplishments

We have provided EMS billing services to the New York metropolitan area for over 25 years. Our collection rate of over \$500/transport is one of the highest in the country. We have over 200 EMS billing clients and process more than 1 million transports annually.

viii) Copies of all state and local licenses and permits.

B. Indicate number of years in business.

29

C. Provide any other information which would be appropriate and helpful in determining the Proposer's capacity and reliability to perform these services.

We have been providing EMS billing services to Nassau County for 16 years.

D. Provide names and addresses for no fewer than three references for whom the Proposer has provided similar services or who are qualified to evaluate the Proposer's capability to perform this work.

Company	Town of Ramapo		
Contact Person	John Lynch, Director of Finance		
Address	237 Route 59		
City	Suffern	State/Province/Territory	NY
Country			
Telephone	(845) 357-5100		
Fax #			
E-Mail Address	john.lynch@ramapo.org		

Company	Town of Greenburgh		
Contact Person	Jared Rosenberg, Director of EMS Services		
Address	188 Terrytown Road		
City	White Plains	State/Province/Territory	NY
Country			
Telephone	(914) 682-5345		
Fax #			
E-Mail Address	jrosenberg@greengurghny.com		

Company	Change Healthcare Technology Enabled Services LLC		
Contact Person	George Speaks, Deputy Director of Public Safety		
Address	3055 Lebanon Pike		
City	Nashville	State/Province/Territory	TN
Country			
Telephone	(614) 645-8210		
Fax #			
E-Mail Address	gespeaks@columbus.gov		

I, Scott Schrader, hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Scott Schrader, hereby certify that I have read and understand all the items contained in this form; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this form; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this form as additional inducement to enter into a contract with the submitting business entity.

#### **CERTIFICATION**

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

Name of submitting business: Change Healthcare Technology Enabled Services LLC

Electronically signed and certified at the date and time indicated by:  
Scott Schrader [SCOTT.SCHRADER@CHANGEHEALTHCARE.COM]

Chief Commercial Officer  
Title

01/02/2020 01:39:33 PM  
Date



**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 September 30, 2019

☐ **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 001-38961

**Change Healthcare Inc.**

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

82-2152098  
(I.R.S. Employer  
Identification No.)

3055 Lebanon Pike, Suite 1000  
Nashville, TN  
(Address of Principal Executive Offices)

37214  
(Zip Code)

(615) 932-3000  
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.001 per share 6.00% Tangible Equity Units	CHNG CHNGU	The Nasdaq Stock Market LLC The Nasdaq Stock Market LLC

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, anon-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. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-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 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of November 11, 2019
Common Stock, \$0.001 par value	124,948,388

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**Table of Contents**

**Change Healthcare Inc.**

**Table of Contents**

<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	41
<u>Item 4. Controls and Procedures</u>	42
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	43
<u>Item 1A. Risk Factors</u>	43
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
<u>Item 3. Defaults Upon Senior Securities</u>	43
<u>Item 4. Mine Safety Disclosures</u>	43
<u>Item 5. Other Information</u>	43
<u>Item 6. Exhibits</u>	44
<u>Signatures</u>	45
<u>Exhibit Index</u>	

Table of Contents

**Change Healthcare Inc.**  
**Condensed Statements of Operations**  
(unaudited and amounts in thousands, except share and per share amounts)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
<b>Revenue</b>	\$ —	\$ —	\$ —	\$ —
<b>Operating expenses</b>				
General and administrative	1,138	31	1,389	62
Accretion Expense	48,363	—	48,363	—
<b>Total operating expenses</b>	<u>49,501</u>	<u>31</u>	<u>49,752</u>	<u>62</u>
<b>Operating income (loss)</b>	<u>(49,501)</u>	<u>(31)</u>	<u>(49,752)</u>	<u>(62)</u>
<b>Non-operating (income) expense</b>				
Loss from Equity Method Investment in the Joint Venture	56,179	25,571	95,732	48,337
(Gain) Loss on Sale of Interests in the Joint Venture	—	(197)	—	(661)
Management fee income	(772)	(31)	(876)	(62)
Interest expense	644	—	644	—
Interest income	(644)	—	(644)	—
Amortization of debt discount and issuance costs	212	—	212	—
Unrealized gain (loss) on forward purchase contract	2,435	—	2,435	—
<b>Total non-operating (income) expense</b>	<u>58,054</u>	<u>25,343</u>	<u>97,503</u>	<u>47,614</u>
<b>Income (loss) before income tax provision (benefit)</b>	<u>(107,555)</u>	<u>(25,374)</u>	<u>(147,255)</u>	<u>(47,676)</u>
<b>Income tax provision (benefit)</b>	<u>(13,620)</u>	<u>(6,783)</u>	<u>(15,804)</u>	<u>(11,584)</u>
<b>Net income (loss)</b>	<u>\$ (93,935)</u>	<u>\$ (18,591)</u>	<u>\$ (131,451)</u>	<u>\$ (36,092)</u>
<b>Net income (loss) per share:</b>				
Basic	<u>\$ (0.66)</u>	<u>\$ (0.25)</u>	<u>\$ (1.20)</u>	<u>\$ (0.48)</u>
Diluted	<u>\$ (0.66)</u>	<u>\$ (0.25)</u>	<u>\$ (1.20)</u>	<u>\$ (0.48)</u>
<b>Weighted average shares (see Note 5):</b>				
Basic	<u>142,223,836</u>	<u>75,506,552</u>	<u>109,111,853</u>	<u>75,555,700</u>
Diluted	<u>142,223,836</u>	<u>75,506,552</u>	<u>109,111,853</u>	<u>75,555,700</u>

See accompanying notes to condensed financial statements.

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**Table of Contents**

**Change Healthcare Inc.**  
**Condensed Statements of Comprehensive Income (Loss)**  
**(unaudited and amounts in thousands)**

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Six Months Ended</u> <u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Net income (loss)</b>	<b>\$(93,935)</b>	<b>\$(18,591)</b>	<b>\$(131,451)</b>	<b>\$(36,092)</b>
<b>Other comprehensive income (loss):</b>				
Unrealized gain (loss) on available for sale debt securities of the Joint Venture, net of taxes	1,173	—	1,173	—
Changes in fair value of interest rate swap of the Joint Venture, net of taxes	(1,310)	1,478	(6,741)	2,260
Foreign currency translation adjustment of the Joint Venture	1,583	566	1,809	(2,027)
<b>Other comprehensive income (loss)</b>	<b>1,446</b>	<b>2,044</b>	<b>(3,759)</b>	<b>233</b>
<b>Total comprehensive income (loss)</b>	<b>\$(92,489)</b>	<b>\$(16,547)</b>	<b>\$(135,210)</b>	<b>\$(35,859)</b>

See accompanying notes to condensed financial statements.

Table of Contents

**Change Healthcare Inc.**  
**Condensed Balance Sheets**  
(unaudited and amounts in thousands, except share and per share amounts)

	September 30, 2019	March 31, 2019
<b>Assets</b>		
Current Assets:		
Cash	\$ 3,409	\$ 3,409
Prepaid expenses	2,315	—
Due from the Joint Venture	1,345	373
Investment in Joint Venture tangible equity units, current	15,154	—
Income taxes receivable	<u>1,602</u>	<u>1,781</u>
Total current assets	23,825	5,563
Dividend receivable	34,547	81,264
Investment in the Joint Venture	1,826,887	1,211,996
Investment in Joint Venture tangible equity units	<u>259,237</u>	<u>—</u>
Total assets	<u>\$ 2,144,496</u>	<u>\$1,298,823</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 453	\$ 176
Due to the Joint Venture	9,513	6,167
Current portion of long-term debt	<u>15,154</u>	<u>—</u>
Total current liabilities	25,120	6,343
Long-term debt	27,384	—
Due to McKesson	48,363	—
Deferred income tax liabilities	156,770	159,993
Other liabilities	752	—
Commitments and contingencies (see Note 4)		
Stockholders' Equity:		
Common Stock (par value, \$.001), 9,000,000,000 and 252,800,000 shares authorized and 124,935,806 and 75,474,654 shares issued and outstanding at September 30, 2019 and March 31, 2019, respectively	124	75
Class X common stock (par value, \$.001), 1 and 1 share authorized and no shares issued and outstanding at September 30, 2019 and March 31, 2019, respectively	—	—
Preferred stock (par value, \$.001), 900,000,000 and 0 shares authorized and no shares issued and outstanding at September 30, 2019 and March 31, 2019, respectively	—	—
Additional paid-in capital	2,006,494	1,153,509
Accumulated other comprehensive income (loss)	(6,593)	(3,256)
Retained earnings (deficit)	<u>(113,918)</u>	<u>(17,841)</u>
Total stockholders' equity	<u>1,886,107</u>	<u>1,132,487</u>
Total liabilities and stockholders' equity	<u>\$ 2,144,496</u>	<u>\$1,298,823</u>

See accompanying notes to condensed financial statements.

**Table of Contents**

**Change Healthcare Inc.**  
**Condensed Statements of Stockholders' Equity**  
(unaudited and amounts in thousands, except share and per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
<b>Balance at March 31, 2018</b>	75,749,118	\$ 75	\$1,139,300	\$ 34,661	\$ 2,536	\$ 1,176,572
Cumulative effect of accounting change of the Joint Venture-ASU 2017-12	—	—	—	(490)	490	—
Equity compensation expense	—	—	5,300	—	—	5,300
Repurchase of Change Healthcare Inc. common stock	(251,789)	—	(4,782)	—	—	(4,782)
Issuance of Change Healthcare Inc. common stock upon exercise of equity awards	4,045	—	—	—	—	—
Net income (loss)	—	—	—	(17,501)	—	(17,501)
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	(2,593)	(2,593)
Change in fair value of interest rate cap, net of taxes of the Joint Venture	—	—	—	—	782	782
<b>Balance at June 30, 2018</b>	75,501,374	\$ 75	\$1,139,818	\$ 16,670	\$ 1,215	\$ 1,157,778
Equity compensation expense	—	—	2,969	—	—	2,969
Repurchase of Change Healthcare Inc. common stock	(90,629)	—	(1,720)	—	—	(1,720)
Issuance of Change Healthcare Inc. common stock upon exercise of equity awards	35,139	—	—	—	—	—
Net income (loss)	—	—	—	(18,591)	—	(18,591)
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	566	566
Change in fair value of interest rate cap, net of taxes of the Joint Venture	—	—	—	—	1,478	1,478
<b>Balance at September 30, 2018</b>	75,445,885	\$ 75	\$1,141,067	\$ (1,921)	\$ 3,259	\$ 1,142,480
<b>Balance at March 31, 2019</b>	75,474,654	\$ 75	\$1,153,509	\$ (17,841)	\$ (3,256)	\$ 1,132,487
Cumulative effect of accounting change of the Joint Venture-ASC 606	—	—	—	35,797	—	35,797
Cumulative effect of accounting change of the Joint Venture-ASU 2018-02	—	—	—	(422)	422	—
Equity compensation expense	—	—	5,862	—	—	5,862
Net income (loss)	—	—	—	(37,517)	—	(37,517)
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	226	226
Change in fair value of interest rate cap, net of taxes of the Joint Venture	—	—	—	—	(5,431)	(5,431)
<b>Balance at June 30, 2019</b>	75,474,654	\$ 75	\$1,159,371	\$ (19,983)	\$ (8,039)	\$ 1,131,424
Issuance of Change Healthcare Inc. common stock upon initial public offering	49,285,713	49	608,630	—	—	608,679
Effect of initial public offering issuance costs on Joint Venture equity	—	—	(4,160)	—	—	(4,160)
Issuance of tangible equity units	—	—	232,929	—	—	232,929
Equity compensation expense	—	—	8,585	—	—	8,585
Issuance of Change Healthcare Inc. common stock upon exercise of equity awards	175,439	—	1,139	—	—	1,139
Net income (loss)	—	—	—	(93,935)	—	(93,935)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture	—	—	—	—	1,173	1,173
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	1,583	1,583
Change in fair value of interest rate cap, net of taxes of the Joint Venture	—	—	—	—	(1,310)	(1,310)
<b>Balance at September 30, 2019</b>	124,935,806	\$ 124	\$2,006,494	\$ (113,918)	\$ (6,593)	\$ 1,886,107

See accompanying notes to condensed financial statements.

Table of Contents

**Change Healthcare Inc.**  
**Condensed Statements of Cash Flows**  
(unaudited and amounts in thousands)

	<b>Six Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$(131,451)	\$(36,092)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss from Equity Method Investment in the Joint Venture	95,732	48,337
Deferred income tax expense (benefit)	(15,806)	(11,584)
(Gain) loss on Sale of Interests in the Joint Venture	—	(661)
(Gain) loss on available for sale debt securities	2,435	—
Amortization of debt discount and issuance costs	212	—
Changes in operating assets and liabilities:		
Prepaid expenses	(2,315)	—
Due from the Joint Venture	(972)	(62)
Income taxes receivable	179	13,292
Accounts payable and accrued expenses	277	64
Due to McKesson	48,363	—
Due to the Joint Venture	3,346	(9,663)
<b>Net cash provided by (used in) operating activities</b>	<b>—</b>	<b>3,631</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of interests in Joint Venture	—	4,782
Investment in debt and equity securities of the Joint Venture	(278,875)	—
Proceeds from investment in debt and equity securities of the Joint Venture	3,621	—
Investment in the Joint Venture	(609,818)	—
<b>Net cash provided by (used in) investing activities</b>	<b>(885,072)</b>	<b>4,782</b>
<b>Cash flows from financing activities:</b>		
Proceeds from initial public offering, net of issuance costs	608,679	—
Proceeds from issuance of equity component of tangible equity units, net of issuance costs	232,929	—
Proceeds from issuance of debt component of tangible equity units	47,367	—
Payment of loan costs	(1,421)	—
Repayment of senior amortizing notes	(3,621)	—
Proceeds from exercise of equity awards	1,139	—
Payments to acquire common stock	—	(4,782)
<b>Net cash provided by (used in) financing activities</b>	<b>885,072</b>	<b>(4,782)</b>
Net increase (decrease) in cash, cash equivalents and restricted cash	—	3,631
Cash, cash equivalents and restricted cash at beginning of period	3,409	—
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 3,409</b>	<b>\$ 3,631</b>

See accompanying notes to condensed financial statements.



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## Table of Contents

### **Change Healthcare Inc. Notes to Condensed Financial Statements (unaudited and amounts in thousands, except share and per share amounts)**

#### **1. Nature of Business and Organization**

##### ***Organization***

Change Healthcare Inc. (the "Company"), a Delaware corporation, was formed on June 22, 2016 to hold an equity investment in Change Healthcare LLC (the "Joint Venture"), a joint venture between the Company and McKesson Corporation ("McKesson"). As of September 30, 2019, the Company and McKesson each owned approximately 41% and 59%, respectively, of the membership interest in the Joint Venture, subject to adjustment based on exercise of equity-based awards or other changes in the number of the Joint Venture's membership units outstanding.

##### ***The Transactions***

In June 2016, the Company, the Joint Venture, Change Healthcare Holdings, LLC, Change Healthcare Intermediate Holdings, LLC, Change Healthcare Performance, Inc. ("Legacy CHC") and its stockholders—including affiliates of The Blackstone Group, Inc. (formerly known as the Blackstone Group L.P.) ("Blackstone") and Hellman & Friedman LLC entered into an Agreement of Contribution and Sale (the "Contribution Agreement") with McKesson (together with the Company, the "Members"). Under the terms of the Contribution Agreement, the parties agreed to form the Joint Venture, a joint venture that combined the majority of the McKesson Technology Solutions businesses, excluding McKesson's Enterprise Information Solutions business and RelayHealth Pharmacy Network (such contributed businesses, "Core MTS"), with substantially all of the assets and operations of Legacy CHC, but excluding Legacy CHC's pharmacy claims switching and prescription routing businesses (such excluded business, the "eRx Network" and the businesses contributed by Legacy CHC, together with Core MTS, the "Contributed Businesses"). The creation of the Joint Venture, including the contribution of the Contributed Businesses and related transactions, is collectively referred to as the "Transactions". The Transactions closed on March 1, 2017.

##### ***Amendment of Certificate of Incorporation***

Effective June 26, 2019 and in contemplation of its initial public offering of common stock, the Company amended its certificate of incorporation to effect a 126.4 for 1 stock split for all previously issued shares of common stock, to increase the authorized number of common stock, and to authorize shares of preferred stock. Following this amendment, the authorized shares include 9,000,000,000 shares of common stock (par value \$.001 per share), 1 share of Class X stock (par value \$.001 per share), and 900,000,000 shares of preferred stock (par value \$.001 per share). All issued or outstanding shares or related share-based payment arrangement disclosures included herein have been retrospectively adjusted for the stock split.

##### ***Initial Public Offering***

Effective July 1, 2019, the Company completed its initial public offering of 49,285,713 shares of common stock and a concurrent offering of 5,750,000 of tangible equity units ("TEUs") for net proceeds of \$608,679 and \$278,875, respectively. The proceeds of the offering of common stock were subsequently contributed to the Joint Venture in exchange for 49,285,713 additional units of the Joint Venture, which together with the Company's existing holdings represents an approximately 41% interest in the Joint Venture. The proceeds of the offering of TEUs were used to acquire TEUs of the Joint Venture that substantially mirror the terms of the TEUs included in the offering. The Joint Venture, in turn, used the proceeds received from the Company to repay \$805,000 of its indebtedness under the Term Loan Facility without penalty in July 2019. The Joint Venture repaid an additional \$85,000 of its indebtedness under the Term Loan Facility without penalty during the three months ended September 30, 2019 for a total paydown of \$890,000.

#### **2. Basis of Presentation**

##### ***Principles of Consolidation***

The accompanying unaudited condensed financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC") Guidelines, Rules and Regulations and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in

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**Table of Contents**

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
**(unaudited and amounts in thousands, except share and per share amounts)**

annual financial statements prepared in accordance with GAAP have been condensed or omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. All intercompany accounts and transactions have been eliminated in the unaudited condensed financial statements.

***Accounting Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience, current business factors and various other assumptions that the Company believes are necessary to consider in order to form a basis for making judgments about the carrying values of assets and liabilities, the recorded amounts of expenses and disclosure of contingent assets and liabilities. The Company is subject to uncertainties such as the impact of future events, economic, environmental and political factors and changes in the Company's business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Company's financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in the reported results of operations; and if material, the effects of changes in estimates are disclosed in the notes to the financial statements. Estimates and assumptions by management affect: the carrying value of the Company's investments; the provision and benefit for income taxes and related deferred tax accounts; contingencies; and the value attributed to equity awards. Additionally, the Company's financial statements are impacted by estimates and assumptions made by management that affect the financial statements of the Joint Venture, including: the allowance for doubtful accounts; the fair value assigned to assets acquired and liabilities assumed in business combinations; tax receivable agreement obligations; the fair value of interest rate cap agreement obligations; measurement of the components of tangible equity units; contingent consideration; loss accruals; the carrying value of long-lived assets (including goodwill and intangible assets); the classification and measurement of assets held for sale; the amortization period of long-lived assets (excluding goodwill); the carrying value, capitalization and amortization of software development costs; the provision and benefit for income taxes and related deferred tax accounts; certain accrued expenses; revenue recognition; contingencies; and the value attributed to equity awards.

***Tangible Equity Units***

In connection with the initial public offering, the Company completed an offering of tangible equity units (TEUs). Each TEU comprises an amortizing note and purchase contract, both of which are freestanding instruments and separate units of account. The amortizing notes were issued at par and are classified as debt on the accompanying condensed consolidated balance sheet, with scheduled principal payments over the next twelve months reflected in current maturities of long-term debt. The purchase contracts are accounted for as prepaid forward contracts and classified as equity. The TEU proceeds and issuance costs were allocated to the amortizing notes and purchase contracts on a relative fair value basis. See Note 10 for further discussion.

***Other Investments***

The Company holds investments in tangible equity units issued by the Joint Venture with terms that substantially mirror the TEUs issued by the Company. Each TEU comprises an amortizing note and forward purchase contract, both of which are freestanding instruments and separate units of account. The Company accounts for its investment in each component at fair value. Unrealized gains and losses resulting from changes in the fair value of the investment in debt securities are included as a component of other comprehensive income. Unrealized gains and losses resulting from changes in the fair value of the investment in the equity purchase contracts are recorded in current period earnings, in accordance with ASU 2016-01. See Note 11 for further discussion.

***Recently Adopted Accounting Pronouncements***

In April 2019, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-07 on a modified retrospective basis, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Among other provisions, the measurement date for awards to nonemployees was changed from the earlier of the date at which a commitment for performance by the counterparty was reached or the date at which performance was complete under the previous guidance to the grant date under this update. Because the Company's equity-based compensation was previously subject to remeasurement at fair value each quarter under previous authoritative literature, the adoption of this update had no material direct effect on the Company's consolidated financial statements. As described in Note 7, however, the adoption of this update changed the relationship between the equity-based compensation and the accounting for the freestanding option (i.e. the Dividend receivable).

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## Table of Contents

### **Change Healthcare Inc. Notes to Condensed Financial Statements (unaudited and amounts in thousands, except share and per share amounts)**

In April 2019, the Joint Venture adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, which replaces most prior general and industry specific revenue recognition guidance with a principles-based comprehensive revenue recognition framework on a modified retrospective basis. Under this revised framework, a company will recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. As the Company's operations consist principally of an investment in the Joint Venture, its financial statements reflect no revenue and, accordingly, the Company recognized no direct impact on its financial statements from the adoption of this update. However, upon adoption, the Joint Venture recognized a cumulative effect adjustment to its Members' deficit. As a result of the impact of the adoption of ASC 606 to the Joint Venture's Members' equity (deficit), the Company was required to recognize a proportionate amount of this cumulative effect adjustment to its April 1, 2019 retained earnings as well. The effect is disclosed within a separate caption of the accompanying condensed statement of stockholders' equity.

#### ***Accounting Pronouncements Not Yet Adopted***

In June 2016, the FASB issued ASU No. 2016-13, as amended by ASU No. 2018-19, which requires that a financial asset (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. This update is scheduled to be effective for the Company beginning April 1, 2021, with early adoption permitted beginning April 1, 2019. The Company is currently assessing the potential effects this update may have on its condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, which modifies the disclosure requirements for fair value measurements. ASU 2018-13 is effective for public companies for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for either the entire standard or only the provisions that eliminate or modify requirements. The Company is currently assessing the potential effects this update may have on its financial statement disclosures.

### **3. Equity Method Investment in Change Healthcare LLC**

#### ***Exchange of Equity Method Investments***

In connection with the Transactions, the Company exchanged its 45.615% investment in Legacy CHC for 30% of the membership units of the Joint Venture. The Joint Venture used proceeds from the issuance of debt to acquire the remaining 54.385% of Legacy CHC. The Company accounted for this exchange of investments as a non-monetary transaction at their respective carrying values. Prior to the Transactions, the investors of Legacy CHC accounted for their investments at fair value. As a result, the book basis and fair value of the Company's investment in Legacy CHC were generally the same such that no gain was recognized as a result of the Transactions.

The fair value of the Joint Venture was determined at March 1, 2017 using a combination of the income and the market valuation approaches. Under the income approach, a discounted cash flow model ("DCF") was used in which cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate expected rate of return. The discount rate used for cash flows reflects capital market conditions and the specific risks associated with the business. Under the market approach, valuation multiples of reasonably similar publicly traded companies or guideline companies are applied to the operating data of the subject business to derive the estimated fair value. These valuation approaches are considered a Level 3 fair value measurement. Fair value determination requires complex assumptions and judgment by management in projecting future operating results, selecting guideline companies for comparisons, determining appropriate market value multiples, selecting the discount rate to measure the risks inherent in the future cash flows and assessing the business's life cycle and the competitive trends impacting the business, including considering technical, legal, regulatory, or economic barriers to entry. Any material changes in key assumptions, including failure to meet business plans, deterioration in the financial market, an increase in interest rate or an increase in the cost of equity financing by market participants within the industry or other unanticipated events and circumstances, may affect such estimates.

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**Table of Contents**

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
**(unaudited and amounts in thousands, except share and per share amounts)**

***Additional Ownership Interest***

Following the initial public offering, the Company contributed the proceeds of the offering of common stock to the Joint Venture in exchange for 49,285,713 additional units of the Joint Venture, which represented approximately 11% of additional ownership interest. Resulting from the additional ownership interest acquired, the Company measured additional basis differences at July 1, 2019 based on the fair value of the Joint Venture's assets and liabilities as of the date of the initial public offering, and using valuation approaches substantially similar to those used as of the date of the Transactions.

***Equity Method Investment in Change Healthcare LLC***

The Company accounts for its investment in the Joint Venture using the equity method of accounting. During the three and six months ended September 30, 2019 and 2018, the Company recorded a proportionate share of the earnings from this investment based on its ownership percentage during each respective period, which included transaction and integration related expenses incurred by the Joint Venture and the Company's portion of basis adjustments including amortization expenses associated with equity method intangible assets. These amounts are aggregated and recorded under the caption, "Loss from Equity Method Investment in the Joint Venture" in the accompanying condensed statements of operations.

Summarized financial information of the Joint Venture is as follows:

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
<b>Statement of Operations Data:</b>				
Total revenue	\$ 795,811	\$ 800,190	\$ 1,651,367	\$ 1,623,453
Cost of operations (exclusive of depreciation and amortization)	\$ 331,234	\$ 327,563	\$ 658,181	\$ 664,993
Customer postage	\$ 57,110	\$ 62,404	\$ 115,594	\$ 127,962
Net income (loss)	\$ (130)	\$ 113,440	\$ 71,785	\$ 125,946

Subsequent to the Company's initial public offering of common stock, the Company now has a publicly available indication of the value of its investment in the Joint Venture. The fair value that was derived from trading prices of the Company's common stock at September 30, 2019 indicated a potential impairment to the carrying value of its investment in the Joint Venture. Accordingly, the Company evaluated its equity method investment for an other-than-temporary impairment ("OTTI"). The Company considered various factors in determining whether an OTTI has occurred, including the Company's ability and intent to hold the investment, the trading history available, the implied EBITDA valuation multiples compared to public guideline companies, the Joint Venture's ability to achieve milestones and any notable operational and strategic changes by the Joint Venture. After the evaluation, the Company determined that an OTTI had not occurred as of September 30, 2019 nor as of the date of this quarterly report on Form 10-Q. However, the Company may experience declines in the fair value of its investment in the Joint Venture, and it may determine an impairment loss will be required to be recognized in a future reporting period. Such determination will be based on the prevailing facts and circumstances, including those related to the reported results and disclosures of the Joint Venture as well as from changes in the market price of the Company's common stock.

In the event the Company obtains a controlling interest in the Joint Venture, the Company will evaluate its investment under the guidance in ASC 805 for a business combination achieved in stages. Upon such a change in control, the Company will remeasure its investment in the Joint Venture to fair value as of the date that control is obtained and will recognize a gain or loss in its statement of operations for the difference between the carrying value and fair value of its investment.

**4. Legal Proceedings**

In the ordinary course of business, the Company may become subject to various claims and legal proceedings. The Company is not currently a defendant in any pending litigation.

Table of Contents

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
(unaudited and amounts in thousands, except share and per share amounts)

**5. Net Income (Loss) Per Share**

The following table sets forth the computation of basic net income (loss) per share of common stock for the periods indicated:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Basic net income (loss) per share:				
Numerator:				
Net income (loss)	\$ (93,935)	\$ (18,591)	\$ (131,451)	\$ (36,092)
Denominator:				
Weighted average common shares outstanding	123,794,511	75,506,552	99,897,191	75,555,700
Minimum shares issuable under purchase contracts	18,429,325	—	9,214,662	—
	<u>142,223,836</u>	<u>75,506,552</u>	<u>109,111,853</u>	<u>75,555,700</u>
Basic net income (loss) per share	<u>\$ (0.66)</u>	<u>\$ (0.25)</u>	<u>\$ (1.20)</u>	<u>\$ (0.48)</u>

The calculation of diluted net income (loss) per share has not been presented due to the presence of a net loss for each period.

Due to their antidilutive effect, the following securities have been excluded from diluted net income (loss) per share for the periods indicated:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Incremental shares issuable under purchase contracts	3,685,750	—	1,842,875	—
Time-Vesting Options	1,156,510	1,832,196	1,405,556	1,839,878
Restricted Stock Units	908,745	—	454,373	—

**6. Income Taxes**

The income tax benefit for the three months ended September 30, 2019 and 2018 was \$13,620 and \$6,783, respectively, which represents an effective tax rate of 12.7% and 26.7%, respectively. The income tax benefit for the six months ended September 30, 2019 and 2018 was \$15,804 and \$11,584, respectively, which represents an effective tax rate of 10.7% and 24.3%, respectively.

Fluctuations in our reported income tax rates from the statutory rate are primarily due to benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures and discrete items recognized in the quarters.

***McKesson Tax Receivable Agreement***

In connection with the closing of the Transactions, the Joint Venture, subsidiaries of McKesson that serve as members of the Joint Venture (the "McK Members"), McKesson and the Company entered into a tax receivable agreement (the "McKesson Tax Receivable Agreement"). The McKesson Tax Receivable Agreement generally provides for the payment by the Joint Venture to the McK Members and it assigns 85% of the net cash tax savings realized (or, in certain circumstances, deemed to be realized) by the Company in periods ending on or after the date on which McKesson ceases to own at least 20% of the outstanding units of the Joint Venture (the "LLC Units") as a result of (i) certain amortizable tax basis in assets transferred to the Joint Venture at the closing of the Transactions and (ii) imputed interest deductions and certain other tax attributes arising from payments under the McKesson Tax Receivable Agreement. Additionally, upon the occurrence of the first exchange of LLC Units by McKesson (or its permitted

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Table of Contents

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
**(unaudited and amounts in thousands, except share and per share amounts)**

transferees), if any, the Company has agreed to enter into an additional tax receivable agreement with the McK Members, pursuant to which the Company would be required to pay to the relevant McK Member 85% of the net cash tax savings, if any, arising from the Company's utilization of (i) certain tax basis increases resulting from the relevant exchange and payments under such additional tax receivable agreement and (ii) imputed interest deductions. The Company may also be required to enter into and make payments under an additional tax receivable agreement with McKesson in certain circumstances.

Because payments under the McKesson Tax Receivable Agreement are contingent upon McKesson's ceasing to own at least 20% of the Joint Venture and such an event was not probable at the inception of the McKesson Tax Receivable Agreement or as of September 30, 2019, no related obligation has been reflected on the accompanying condensed balance sheet.

***Letter Agreement***

The Company, the Joint Venture, McKesson and certain of McKesson's affiliates have entered into a letter agreement relating to the Contribution Agreement (the "Letter Agreement"). The Letter Agreement addresses miscellaneous tax-related matters, including (i) technical clarifications and modifications to the manner in which the Joint Venture allocates certain items of taxable income, loss and deduction among, and calculates and makes required tax distributions to, its members, (ii) the sharing of certain contingent tax benefits and expenses not addressed by the McKesson Tax Receivable Agreement or the tax matters agreement that the Company will enter into with McKesson in connection with a spin-off or split-off transaction (or a combination of the foregoing) that McKesson may, at its election, initiate and complete that would result, among other things, in the acquisition by the Company of all of McKesson's LLC Units and the issuance by the Company to McKesson and/or McKesson's securityholders of an equal number of shares of its common stock and (iii) procedures applicable in the case of certain tax proceedings. In particular, pursuant to the terms of the Letter Agreement, McKesson may adjust the manner in which depreciation or amortization deductions in respect of assets transferred to the Joint Venture at the closing of the Transactions are allocated among the Company, McKesson and certain of McKesson's affiliates beyond minimum amounts provided in the LLC Agreement. If an amount of deductions is allocated to the Company in excess of a specified minimum threshold, the Company will be required to make cash payments to McKesson equal to 100% of the tax savings of the Company attributable to such excess deductions for any tax period ending prior to the date on which McKesson ceases to own at least 20% of the outstanding LLC Units of the Joint Venture, after which the terms of the McKesson Tax Receivable Agreement will control. At September 30, 2019, the Company has recorded a liability to McKesson equal to \$48,363, which reflects the amount payable for future tax savings the Company anticipates receiving as a result of deductions that are probable to be allocated by McKesson to the Company for the year ended March 31, 2019 and is reflected as Due to McKesson on the consolidated balance sheet.

**7. Fair Value Measurements**

The Company's assets and liabilities that are measured at fair value on a recurring basis consist of the Company's Dividend Receivable and Other Investments. The debt component of the tangible equity units issued by the Company is a Level 2 liability measured at fair value on a nonrecurring basis based on available market data and a discounted cash flow analysis (see Note 10). The tables below summarize the Dividend Receivable and Other Investments as of September 30, 2019 and March 31, 2019, aggregated by the level in the fair value hierarchy within which those measurements fall.

Table of Contents

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
(unaudited and amounts in thousands, except share and per share amounts)

Description	Balance at September 30, 2019	Quoted in Markets Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other Investments (see Note 11)	\$ 274,391	\$ —	\$ 274,391	\$ —
Dividend Receivable	34,547	—	—	34,547
Total	\$ 308,938	\$ —	\$ 274,391	\$ 34,547

Description	Balance at March 31, 2019	Quoted in Markets Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other Investments (see Note 11)	\$ —	\$ —	\$ —	\$ —
Dividend Receivable	81,264	—	—	81,264
Total	\$ 81,264	\$ —	\$ —	\$ 81,264

The Company is entitled to receive an additional unit of the Joint Venture for each share of stock issued by the Company. In the case of equity-based awards, the requirement to receive an additional unit of the Joint Venture upon exercise of such awards represents a freestanding derivative. Because the fair value measurement of this derivative involves significant unobservable inputs, the most significant of which is the use of a levered volatility calculation of a peer group of companies, the Company has determined that it represents a Level 3 fair value measurement.

Because the freestanding derivative is directly related to the Company's equity-based compensation awards, the valuation of the derivative is determined to be consistent with the valuation of the underlying equity-based awards (although we use a current period measurement date). As with the equity-based awards, changes in the value of the derivative are generally expected to fluctuate with changes in the value of the Company's common stock.

The following table summarizes the fair value of the freestanding derivative at September 30, 2019 and March 31, 2019, respectively:

Derivative financial instruments not designated as hedging instruments:	Fair Values of Derivative Financial Instruments Asset (Liability)		
	Balance Sheet Location	September 30, 2019	March 31, 2019
Freestanding Option	Dividend receivable	\$ 34,547	\$ 81,264

Table of Contents

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
**(unaudited and amounts in thousands, except share and per share amounts)**

The following table presents a reconciliation of the fair value of the derivative for which the Company uses significant unobservable inputs:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Balance at beginning of period	\$ 48,807	\$64,338	\$ 81,264	\$59,116
Increase in fair value based on ASC 505 equity-based compensation	—	2,969	—	8,269
Settlements due to exercise of awards	(1,324)	(666)	(1,324)	(744)
Change in fair value of equity-based awards	(12,936)	—	(45,393)	—
Balance at end of period	<u>\$ 34,547</u>	<u>\$66,641</u>	<u>\$ 34,547</u>	<u>\$66,641</u>

***Other Investments***

The Company invested in a unit purchase contract and a debt instrument of the Joint Venture on terms that substantially mirror the economics of the TEUs (see Note 10). At September 30, 2019 and March 31, 2019, the Company's investment in the Joint Venture's debt securities were classified as "available-for-sale" and its investment in the Joint Venture's purchase contracts were accounted for as equity securities measured at fair value. Changes in unrealized gains and losses for the Company's investment in the Joint Venture's debt securities are recognized as adjustments to other comprehensive income (loss) while changes in unrealized gains and losses for the Company's investment in the Joint Venture's purchase contracts are recognized as adjustments to pretax income (loss). The fair value measurement of the investments is based on available market data and a discounted cash flow analysis of the Joint Venture's debt and equity securities for which the Company is investing.

***Dividend Receivable***

As the dividend receivable was initially received in connection with the contribution of assets to the Joint Venture, the initial fair value was treated as a component of the Company's contribution of assets and receipt of its Investment in the Joint Venture. During the three and six months ended September 30, 2019 and 2018, the Company recognized a decrease in the Dividend Receivable which was recorded as a component of Loss from Equity Method Investment in the Joint Venture. The result was that no net equity-based compensation related to employees of the Joint Venture was recognized in the financial statements of the Company for the three and six months ended September 30, 2019 and 2018.

Following the adoption of FASB ASUNo. 2018-07, however, the measurement of equity-based compensation generally becomes fixed at the date of grant such that the fair value of the dividend receivable is no longer correlated with the amount of equity compensation recognized. As a result, following the adoption of FASB ASU No. 2018-07, the Loss from Equity Method Investment in the Joint Venture is subject to variability associated with changes in the fair value of the equity-based awards.



Table of Contents

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
(unaudited and amounts in thousands, except share and per share amounts)

**8. Accumulated Other Comprehensive Income (Loss)**

The following is a summary of the Company's proportionate share of the Joint Venture's accumulated other comprehensive income (loss) balances, net of taxes, as of and for the three and six months ended September 30, 2019 and 2018.

	Available For Sale Debt Security	Foreign Currency Translation Adjustment	Cash Flow Hedge	Accumulated Other Comprehensive Income (Loss)
<b>Balance at March 31, 2018</b>	\$ —	\$ 1,268	\$ 1,268	\$ 2,536
Cumulative effect of accounting change of the Joint Venture-ASU 2017-12	—	—	490	490
Change associated with foreign currency translation	—	(2,593)	—	(2,593)
Change associated with current period hedging	—	—	1,206	1,206
Reclassification into earnings	—	—	(424)	(424)
<b>Balance at June 30, 2018</b>	\$ —	\$ (1,325)	\$ 2,540	\$ 1,215
Change associated with foreign currency translation	—	566	—	566
Change associated with current period hedging	—	—	1,866	1,866
Reclassification into earnings	—	—	(388)	(388)
<b>Balance at September 30, 2018</b>	\$ —	\$ (759)	\$ 4,018	\$ 3,259
<b>Balance at March 31, 2019</b>	\$ —	\$ (1,565)	\$ (1,691)	\$ (3,256)
Cumulative effect of accounting change of the Joint Venture-ASU 2018-02	—	—	422	422
Change associated with foreign currency translation	—	226	—	226
Change associated with current period hedging	—	—	(5,117)	(5,117)
Reclassification into earnings	—	—	(314)	(314)
<b>Balance at June 30, 2019</b>	\$ —	\$ (1,339)	\$ (6,700)	\$ (8,039)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture	1,173	—	—	1,173
Change associated with foreign currency translation	—	1,583	—	1,583
Change associated with current period hedging	—	—	(1,509)	(1,509)
Reclassification into earnings	—	—	199	199
<b>Balance at September 30, 2019</b>	\$ 1,173	\$ 244	\$ (8,010)	\$ (6,593)

Effective April 1, 2018, the Joint Venture adopted FASB ASUNo. 2017-12, which significantly changed the framework by which hedge accounting is recognized, presented and disclosed in the Joint Venture's financial statements. The adoption of this update by the Joint Venture resulted in a reclassification between its accumulated other comprehensive income (loss) and accumulated earnings (deficit).

Effective April 1, 2019, the Joint Venture adopted FASB ASUNo. 2018-02, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The adoption of this update resulted in a reclassification between accumulative other comprehensive income (loss) and accumulated earnings (deficit).

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## Table of Contents

### **Change Healthcare Inc. Notes to Condensed Financial Statements (unaudited and amounts in thousands, except share and per share amounts)**

As an investor in the Joint Venture, the Company has recognized its proportionate amount of these reclassifications as presented in the table above.

#### **9. Equity Based Compensation**

Effective as of the Company's initial public offering, the Company adopted the Change Healthcare Inc. 2019 Omnibus Incentive Plan (the "Omnibus Incentive Plan") pursuant to which 25.0 million shares of the Company's common stock have been reserved for issuance to employees, directors and consultants of the Company, the Joint Venture and its affiliates.

In connection with the Omnibus Incentive Plan, the Company, during the three and six months ended September 30, 2019, granted to the Joint Venture's employees and directors one or a combination of time-vesting restricted stock units (RSUs), time-vesting deferred stock units, performance stock units, and cash settled restricted stock units under vesting terms that generally vary from one to four years from the date of grant. Each of these instruments is described below.

*Restricted Stock Units ("RSUs")*—The Company granted 4,436,758 RSUs during the three and six months ended September 30, 2019. The RSUs are subject to either a graded vesting schedule over four years, or a one or four year cliff vesting schedule, depending on the terms of the specific award. Upon vesting, the RSUs are exchanged for shares of the Company's common stock.

*Performance Stock Units ("PSUs")*—The Company granted 1,079,621 PSUs during the three and six months ended September 30, 2019. The PSUs consist of two tranches, one for which the quantity of awards expected to vest varies based on the Joint Venture's compound annual revenue growth rate over a three year period in comparison to a target percentage and one for which the quantity of awards expected to vest varies based on the Joint Venture's compound annual Adjusted EBITDA growth rate over a three year period in comparison to a target percentage. The awards earned upon satisfaction of the performance conditions become vested on the fourth anniversary of the vesting commencement date of the award (i.e. continued service is required beyond the satisfaction of the performance condition prior to vesting). The Joint Venture recognizes compensation expense for the PSUs based on the number of awards that are considered probable to vest. Recognition of expense is based on the probability of achievement of performance targets and is periodically reevaluated.

*Cash Settled Restricted Stock Units ("CSRSUs")*—The Company granted 597,006 CSRSUs during the three and six months ended September 30, 2019. The CSRSUs are expected to vest ratably over three years. Upon vesting, however, the Company is required to pay cash in settlement of such CSRSUs based on their fair value at the date such CSRSUs vest.

*Deferred Stock Units ("DSUs")*—The Company granted 45,704 DSUs during the three and six months ended September 30, 2019. The DSUs vest 100% upon the one-year anniversary of the date of grant. Unlike the RSUs, however, the DSUs are exchanged for shares of the Company's common stock only following the participant's separation from service.

During the three and six months ended September 30, 2019, the Joint Venture recognized compensation expense of \$6,096 related to awards granted under the Omnibus Incentive Plan. At September 30, 2019, aggregate unrecognized compensation expense of the Joint Venture related to the awards granted under the Omnibus Incentive Plan was \$87,211.

#### **10. Tangible Equity Units**

In July 2019, the Company completed its offering of 5,750,000 TEUs. Total proceeds, net of underwriting discounts, were \$278,875. Each TEU, which has a stated amount of \$50, is comprised of a stock purchase contract and a senior amortizing note due June 30, 2022. The Company allocated the proceeds from the issuance of the TEUs to equity and debt based on the relative fair values of the respective components of each TEU. The value allocated to the stock purchase contracts is reflected net of issuance costs in additional paid in capital. The value allocated to the senior amortizing notes is reflected in debt on the accompanying balance sheet, with payments expected in the next twelve months reflected in current maturities of long-term debt. Issuance costs, reflected as a reduction of the face amount of the amortizing notes, are being accreted to the face amount of the debt under the effective interest method.

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**Table of Contents**

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
**(unaudited and amounts in thousands, except share and per share amounts)**

The aggregate values assigned upon issuance of the TEUs, based on the relative fair value of the respective components of each TEU, were as follows:

	Equity Component	Debt Component	Total
Price per TEU	\$ 41.7622	\$ 8.2378	\$ 50.00
Gross proceeds	240,133	47,367	287,500
Issuance costs	(7,204)	(1,421)	(8,625)
Net proceeds	<u>\$ 232,929</u>	<u>\$ 45,946</u>	<u>\$278,875</u>

Each senior amortizing note has an initial principal amount of \$8.2378 and bears interest at 5.5% per year. On each March 30, June 30, September 30 and December 30, the Company pays equal quarterly cash installments of \$0.7500 per amortizing note (except for the September 30, 2019 installment payment, which was \$0.7417 per amortizing note). Each installment constitutes a payment of interest and partial payment of principal. The carrying value and fair value of the senior amortizing notes as of September 30, 2019 was \$42,537 and \$43,896, respectively. Unless settled earlier, each purchase contract will automatically settle on June 30, 2022. The Company will deliver between a minimum of 18,429,325 shares and a maximum of 22,115,075 shares of the Company's common stock, subject to adjustment, based on the Applicable Market Value (as defined below) of the Company's common stock as described below:

- If the Applicable Market Value is greater than \$15.60 per share, holders will receive 3.2051 shares of common stock per purchase contract.
- If the Applicable Market Value is less than or equal to \$15.60 per share but greater than or equal to \$13.00 per share, the holder will receive a number of shares of the Company's common stock per purchase contract equal to \$50, divided by the Applicable Market Value; and
- If the Applicable Market Value is less than \$13.00 per share, the holder will receive 3.8461 shares of common stock per purchase contract.

The Applicable Market Value is defined as the arithmetic average of the volume weighted average price per share of the Company's common stock over the twenty consecutive trading day period immediately preceding the balance sheet date, or June 30, 2022, for settlement of the stock purchase contracts.

The TEUs have a dilutive effect on the Company's net income (loss) per share. The 18,429,325 minimum shares to be issued are included in the calculation of basic net income (loss) per share. The difference between the minimum shares and the maximum shares are potentially dilutive securities, and accordingly, are included in the Company's diluted net income (loss) per share on a pro rata basis to the extent the Applicable Market Value is higher than \$13.00 but is less than \$15.60 at period end.

Table of Contents

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
(unaudited and amounts in thousands, except share and per share amounts)

**11. Other Investments**

The proceeds of the offering of TEUs were used to acquire TEUs of the Joint Venture that substantially mirror the terms of the TEUs included in the offering. Under these mirrored arrangements, the Joint Venture is required to make cash payments or to transfer LLC Units to the Company concurrent with any cash payments or issuance of shares by the Company pursuant to the terms of its TEUs. The Company accounts for these mirror arrangements as investments in debt and equity securities.

At September 30, 2019 and March 31, 2019, the Company's investment in debt securities are classified as "available-for-sale" and its investment in forward purchase contracts are considered equity securities measured at fair value. Changes in unrealized gains and losses for the Company's debt securities are recognized as adjustments to other comprehensive income (loss) while changes in unrealized gains and losses for the Company's investment in forward purchase contracts are recognized as adjustments to pretax income (loss).

A summary of the Company's other investments at September 30, 2019 and March 31, 2019 is summarized in the tables that follow.

	September 30, 2019		
	Amortized Costs	Unrealized Amounts	Fair Value
Debt Securities (Level 2)	\$ 42,326	Gains \$ 1,571 Losses \$ —	\$ 43,897
Forward Purchase Contracts (Level 2)	\$ 232,929	\$ — \$ (2,435)	230,494
			\$274,391
Amounts classified within current assets			15,154
Amounts classified within Other investments			\$259,237

	March 31, 2019		
	Amortized Costs	Unrealized Amounts	Fair Value
Debt Securities	\$ —	Gains \$ — Losses \$ —	\$ —
Forward Purchase Contracts	\$ —	\$ — \$ —	—
			—
Amounts classified within current assets			—
Amounts classified within Other investments			\$ —

Scheduled maturities of investments in debt securities at September 30, 2019 were as follows:

	Amortized Cost	Fair Value
Due in one year or less	\$ 15,154	\$ 15,154
Due after one year through five years	27,172	28,742
Due after five years through ten years	—	—
Due after ten years	—	—
	\$ 42,326	\$ 43,896

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**Table of Contents**

**Change Healthcare Inc.**  
**Notes to Condensed Financial Statements**  
**(unaudited and amounts in thousands, except share and per share amounts)**

The portion of unrealized gains and losses for each period related to equity securities still held at each reporting date is calculated as follows:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Six Months Ended</u> <u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net gains and losses recognized during the period on equity securities	\$ (2,435)	\$ —	\$ (2,435)	\$ —
Less: Net gains and losses recognized during the period on equity securities sold during the period	—	—	—	—
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	<u>\$ (2,435)</u>	<u>\$ —</u>	<u>\$ (2,435)</u>	<u>\$ —</u>

**12. Subsequent Events*****Agreement to Sell Office Property***

In October 2019, the Joint Venture executed an agreement for the sale of its Alpharetta, GA office property for gross proceeds of approximately \$31,500. The sale is expected to be completed during the third quarter of the Joint Venture's fiscal year. While the Joint Venture expects to recognize a gain of an immaterial amount as a result of this transaction, the Company expects, as a result of the write-off of basis differences associated with this office property, to recognize a loss within its Loss from equity method investment in the Joint Venture of approximately \$14,000.

## Table of Contents

### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of the financial condition and results of operations of Change Healthcare Inc. and Change Healthcare LLC is provided as a supplement to, and should be read in conjunction with, Change Healthcare Inc.'s and Change Healthcare LLC's audited financial statements and the accompanying notes as well as the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Change Healthcare Inc.'s Registration Statement on Form S-1 (File No. 333-230345), as well as the unaudited consolidated financial statements and the related notes presented in Part I, Item 1 of this Quarterly Report for the quarter ended September 30, 2019 ("Quarterly Report").

In addition to historical data, this discussion contains forward-looking statements about the business, operations and financial performance of Change Healthcare Inc. and Change Healthcare LLC based on current expectations that involve risks, uncertainties and assumptions. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those discussed below in "Cautionary Notice Regarding Forward-Looking Statements," and Part II, Item 1A, "Risk Factors."

References in this discussion and analysis to "Change Healthcare Inc." refer to Change Healthcare Inc. and not to any of its subsidiaries. References in this discussion and analysis to the Joint Venture refer to Change Healthcare LLC and its direct and indirect subsidiaries.

#### **Recent Developments**

Effective June 26, 2019, Change Healthcare Inc.'s Registration Statement on Form S-1 for the initial public offering of 49.3 million shares of common stock and the concurrent offering of 5.75 million tangible equity units ("TEUs") was declared effective by the Securities and Exchange Commission ("SEC") and Change Healthcare Inc. subsequently amended its charter to authorize 9 billion shares of common stock and effected a 126.4 for 1 split of its common stock. Change Healthcare Inc.'s common stock and TEUs began trading the next day on the NASDAQ under the CHNG and CHNGU ticker symbols, respectively.

The offerings of common stock and TEUs were consummated on July 1, 2019 and resulted in Change Healthcare Inc. receiving net proceeds of \$608.7 million and \$278.9 million respectively, before consideration of offering costs paid subsequent to the offering from available cash. The proceeds of the offering of common stock were subsequently contributed to the Joint Venture in exchange for 49.3 million additional units of the Joint Venture, thereby resulting in an additional ownership in the Joint Venture of approximately 11%. The proceeds of the offering of TEUs were used to acquire TEUs of the Joint Venture that substantially mirror the terms of the TEUs issued by Change Healthcare Inc. in the offering. The Joint Venture, in turn, used the proceeds received from Change Healthcare Inc. to repay \$805.0 million of its indebtedness under the Term Loan Facility (as defined herein) without penalty in July 2019.

In July 2019, the Joint Venture amended its Revolving Credit Facility (as defined herein), the primary effects of which were to increase the maximum amount that can be borrowed from \$500.0 million to \$785.0 million and to extend the maturity date until March 1, 2024. In the event that the outstanding balance under the Term Loan Facility exceeds \$1.1 billion on December 1, 2023, however, amounts due, if any, under the Revolving Facility become due and payable on December 1, 2023.

#### **Change Healthcare Inc.**

##### **Overview**

Change Healthcare Inc. (formerly HCIT Holdings, Inc.), a Delaware corporation, was formed on June 22, 2016 to hold an equity investment in Change Healthcare LLC, a joint venture between Change Healthcare Inc. and McKesson Corporation ("McKesson"), which we refer to as the Joint Venture. Each of Change Healthcare Inc. and McKesson holds a 50% voting interest in the Joint Venture, with equal representation on the Joint Venture's board of directors and with all major operating, investing and financial activities requiring the consent of both members. As a result, Change Healthcare Inc. accounts for this investment using the equity method of accounting.

Change Healthcare Inc. has no substantive assets apart from its investment in the Joint Venture. As a result, Change Healthcare Inc. believes the financial statements of the Joint Venture are more relevant to an investor than Change Healthcare Inc.'s financial statements as they include greater detail regarding the financial condition and results of operations of the business.

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## **Table of Contents**

### **Key Components of Change Healthcare Inc.'s Results of Operations**

#### ***Loss from Equity Method Investment in the Joint Venture***

Loss from equity method investment in the Joint Venture generally represents Change Healthcare Inc.'s proportionate share of the income or loss from this investment, including basis adjustments related to amortization expense associated with equity method intangible assets, property and equipment, deferred revenue and other items.

Loss from equity method investment in the Joint Venture was \$56.2 million and \$25.6 million for the three months ended September 30, 2019 and 2018, respectively. The loss from equity method investment in the Joint Venture increased as a result of incremental basis difference amortization due to the additional units of the Joint Venture that were acquired using the proceeds of the initial public offering, combined with lower operating profits at the Joint Venture in the current quarter when compared to the same quarter in the prior year, primarily due to the gain recognized from the sale of the Joint Venture's extended care business during the three months ended September 30, 2018.

Loss from equity method investment in the Joint Venture was \$95.7 million and \$48.3 million for the six months ended September 30, 2019 and 2018, respectively. The loss from equity method investment in the Joint Venture for the six months ended September 30, 2019 was discretely affected by the Joint Venture's adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification No. 606 ("ASC 606") and Change Healthcare Inc.'s adoption of FASB Accounting Standards Update No. 2018-07 ("ASU 2018-07"). The loss from equity method investment in the Joint Venture was decreased by approximately \$17.0 million as a result of the continuing effect of the adoption of ASC 606 and was increased by approximately \$45.4 million as a result of changes in the fair value of its dividend receivable following the adoption of ASU 2018-07.

#### ***General and Administrative Expense and Management Fees***

In addition to its income (loss) from its equity method investment in the Joint Venture, Change Healthcare Inc. may also periodically incur certain other operating expenses, including professional service fees, general liability insurance, and other fees associated with being an SEC registrant.

To the extent any such fees Change Healthcare Inc. incurs are required to facilitate or maintain its status as a public company, however, the limited liability company agreement of the Joint Venture (the "LLC Agreement") contemplates that Change Healthcare Inc. be reimbursed for such costs by the Joint Venture. Such reimbursements are classified as management fees within Change Healthcare Inc.'s statements of operations.

#### ***Gain (Loss) on Sale of Interests in the Joint Venture***

Under the terms of the LLC Agreement, Change Healthcare Inc. and the Joint Venture agreed to cooperate to ensure a 1:1 ratio of outstanding shares of common stock of Change Healthcare Inc. to the units of the Joint Venture ("LLC Units") held by Change Healthcare Inc. as long as the subsidiaries of McKesson that serve as members of the Joint Venture (the "McK Members") hold LLC Units. This provision requires that Change Healthcare Inc. be issued an additional LLC Unit for each share of common stock that Change Healthcare Inc. issues. Similarly, for any share that Change Healthcare Inc. repurchases, the Joint Venture is likewise required to repurchase a respective LLC Unit from Change Healthcare Inc. In this latter case, the repurchase by the Joint Venture of LLC Unit(s) from Change Healthcare Inc. results in a gain or loss to Change Healthcare Inc. equal to the difference in the fair value of such LLC Units and the proportionate carrying value of Change Healthcare Inc.'s investment in the Joint Venture associated with such repurchased LLC Units.

#### ***Income Taxes***

As the Joint Venture is treated as a partnership for income tax purposes, Change Healthcare Inc. is subject to income taxes for its allocable portion of the Joint Venture's taxable income. The income tax benefit was \$13.6 million and \$6.8 million (which resulted in effective income tax rates of 12.7% and 26.7%) for the three months ended September 30, 2019 and 2018, respectively. The income tax benefit was \$15.8 million and \$11.6 million (which resulted in effective income tax rates of 10.7% and 24.3%) for the six months ended September 30, 2019 and 2018, respectively.

In connection with the closing of the Transactions, the Joint Venture, subsidiaries of McKesson that serve as members of the Joint Venture (the "McK Members"), McKesson and the Company entered into a tax receivable agreement (the "McKesson Tax Receivable Agreement"). Additionally, the Company, the Joint Venture, McKesson and certain of McKesson's affiliates have entered into a letter agreement relating to the Contribution Agreement (the "Letter Agreement"). The McKesson Tax Receivable Agreement and the Letter Agreement contemplate payments from the Company to the McK Members or to McKesson based upon certain criteria

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## **Table of Contents**

as outlined in Note 6, *Income Taxes*. In the three months ended September 30, 2019 the Company has recorded a liability to McKesson equal to \$48.4 million, which reflects the amount payable for future tax savings the Company anticipates receiving as a result of deductions that are probable to be allocated by McKesson to the Company for the year ended March 31, 2019.

### **Liquidity and Capital Resources**

#### ***Overview***

Change Healthcare Inc.'s principal source of liquidity consists of distributions or advances from the Joint Venture. To the extent that Change Healthcare Inc. requires additional funds, Change Healthcare Inc. may need to raise funds through subsequent debt or equity financing.

Change Healthcare Inc. has not incurred, nor does it expect to incur, significant capital expenditures in the normal course of business or to pursue acquisition opportunities other than through the Joint Venture.

#### ***Off-Balance Sheet Arrangements***

As of September 30, 2019, Change Healthcare Inc. had no off-balance sheet arrangements.

### **Recent Accounting Pronouncements**

See Note 2, *Basis of Presentation*, within Change Healthcare Inc.'s financial statements appearing elsewhere in this Quarterly Report for information about recent accounting pronouncements and the potential impact on Change Healthcare Inc.'s financial statements.

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with United States generally accepted accounting principles ("GAAP") requires Change Healthcare Inc. to make estimates and assumptions that affect reported amounts and related disclosures. Change Healthcare Inc. considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been made could have a material impact on Change Healthcare Inc.'s results of operations and financial condition.

As disclosed in Note 2, *Summary of Significant Accounting Policies*, in Change Healthcare Inc.'s Registration Statement on Form S-1 (333-230345), Change Healthcare Inc. evaluates its equity method investment for impairment review whenever an event or change in circumstances occurs that may have a significant adverse impact on the carrying value of the investment. If a loss in value occurs that is deemed to be other than temporary, an impairment loss would be recognized.

Subsequent to the IPO, Change Healthcare Inc. now has a publicly available indication of the value of its investment in the Joint Venture. Accordingly, Change Healthcare Inc. evaluated its equity method investment for an other-than-temporary impairment ("OTTI"). Change Healthcare Inc. considered various factors in determining whether an OTTI had occurred, including Change Healthcare Inc.'s ability and intent to hold the investment, the trading history available, the implied EBITDA valuation multiples compared to public guideline companies, and the Joint Venture's ability to achieve milestones and any operational and strategic changes by the Joint Venture that might have negatively impacted the fair value. After the evaluation, Change Healthcare Inc. determined that an OTTI had not occurred as of September 30, 2019 or as of the date of this quarterly report on Form 10-Q. However, the Joint Venture may experience declines in its fair value, and Change Healthcare Inc. may determine an impairment loss will be required to be recognized in a future reporting period. Such determination will be based on the prevailing facts and circumstances, including those related to the reported results and disclosures of the Joint Venture, as well as from changes in the market price of Change Healthcare Inc.'s common stock.

Change Healthcare Inc.'s investments in the debt and equity securities of the Joint Venture are reported at fair value. The measurement of these investments is impacted by changes in market interest rates, as well as factors that impact the underlying value of the Joint Venture's equity. See Note 11 for further discussion.



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## Table of Contents

Change Healthcare Inc. believes the current assumptions and other considerations used to estimate amounts reflected in Change Healthcare Inc.'s financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in Change Healthcare Inc.'s financial statements, the resulting changes could have a material adverse effect on Change Healthcare Inc.'s results of operations and financial condition.

See Note 2, *Summary of Significant Accounting Policies*, within Change Healthcare Inc.'s financial statements appearing in the Registration Statement on Form S-1 (333-230345) for information about Change Healthcare Inc.'s other critical accounting policies.

### **Quantitative and Qualitative Disclosure of Market Risk**

As Change Healthcare Inc. has no substantive assets or operations apart from its investment in the Joint Venture, Change Healthcare Inc. does not believe that it has significant market risk.

### **Summary Disclosures about Contractual Obligations and Commercial Commitments**

During the three months ended September 30, 2019, Change Healthcare Inc. issued TEBUs comprised of a stock purchase contract and a senior amortizing note due June 30, 2022. See Note 10, *Tangible Equity Units*. Change Healthcare Inc. has no other ongoing contractual obligations or commercial commitments as of September 30, 2019.

## **Change Healthcare LLC**

### **Overview**

The Joint Venture is a leading independent healthcare technology company, formed through the combination of substantially all of the businesses of Change Healthcare Performance, Inc. (formerly Change Healthcare, Inc.) ("Legacy CHC") and a majority of the McKesson Technology Solutions business ("Core MTS"), which was completed on March 1, 2017. The Joint Venture offers a comprehensive suite of software, analytics, technology enabled services and network solutions that drive improved results in the complex workflows of healthcare system payers and providers. The Joint Venture's solutions are designed to improve clinical decision making, simplify billing, collection and payment processes and enable a better patient experience.

The Joint Venture offers comprehensive end-to-end solutions with modular capabilities to address its customers' needs. Working with its customers to analyze workflows before, during and after care has been delivered to patients, the Joint Venture designs and commercializes innovative solutions for various points in the healthcare delivery timeline. The Joint Venture's offerings range from discrete data and analytics solutions to broad enterprise-wide solutions, which include workflow software and technology-enabled services that help its customers achieve their operational objectives.

The Joint Venture's Intelligent Healthcare Network was created to facilitate the transfer of data among participants and is one of the largest clinical and financial healthcare networks in the United States. In the fiscal year ended March 31, 2018, Change Healthcare facilitated nearly 14 billion healthcare transactions and approximately \$1 trillion in adjudicated claims or approximately one-third of all U.S. healthcare expenditures. The Joint Venture serves the vast majority of U.S. payers and providers. The Joint Venture's customer base includes approximately 2,200 government and commercial payer connections, 900,000 physicians, 118,000 dentists, 33,000 pharmacies, 5,500 hospitals and 600 laboratories. This network transacts clinical records for over 112 million unique patients, more than one-third of the estimated total U.S. population. With insights gained from its pervasive network, extensive applications and analytics portfolio and its services operations, the Joint Venture has designed analytics solutions that include industry-leading and trusted franchises supported by extensive intellectual property and regularly updated content.

In addition to the advantages of scale, the Joint Venture believes it offers the collaborative benefits of a mission-critical partner. The Joint Venture seeks enduring relationships with each customer through solutions embedded in their complex daily workflows that deliver measurable results. The Joint Venture's customer retention rate for its top 50 provider and top 50 payer customers for the fiscal year ended March 31, 2019 was 100%. The Joint Venture believes its size, scale, thought leadership and prevalence across the healthcare ecosystem help make it a preferred partner for innovative technology companies and industry associations focused on driving standardization and efficiencies in the healthcare industry.

### **Segments**

The Joint Venture reports its financial results in the following three reportable segments: Software and Analytics, Network Solutions and Technology-Enabled Services.

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## **Table of Contents**

- Software and Analytics provides software and analytics solutions for financial performance, payment accuracy, clinical decision management, value-based payment, provider and consumer engagement and imaging and clinical workflow.
- Network Solutions enables financial, administrative and clinical transactions, electronic business-to-business and consumer-to-business payments and aggregation and analytics of clinical and financial data.
- Technology-Enabled Services provides solutions for financial and administrative management, value-based care, communication and payment, pharmacy benefits administration and healthcare consulting.

In April 2019, the Joint Venture made certain changes in the way that it manages its business and allocates costs. Specifically, the Joint Venture made the following changes:

- Moved its consumer payments solution from the Network Solutions reportable segment to the Technology-enabled Services reportable segment.
- Moved its consumer engagement solutions from the Software and Analytics reportable segment to the Network Solutions reportable segment.
- Made certain changes in the way that costs are assigned to reportable segments.

The presentation of revenue and Adjusted EBITDA included within this management's discussion and analysis of financial condition and results of operations has been retrospectively adjusted for all periods presented to reflect the above described changes.

### **Factors Affecting Change Healthcare's Results of Operations**

The following are certain key factors that affect, will affect, or have recently affected, the Joint Venture's results of operations:

#### ***Post-Contribution Cost Synergies***

In connection with the Transactions, the Joint Venture identified opportunities to implement certain cost synergies based on its analyses of existing operating structures, estimated spend by category, its resource requirements and industry benchmarks for similar activities. The Joint Venture expects such cost synergies to include, among others, (i) product integration, network efficiencies and combining common products; (ii) procurement savings from the elimination of duplicate orders, leveraging scale and optimization of providers; (iii) utilization of global talent; and (iv) reduction of management redundancies and duplicative roles.

By the end of the fourth year following the combination of Legacy CHC and Core MTS, the Joint Venture expects to have implemented operational initiatives to fully realize these synergies, which are expected to result in significant annual run-rate cost savings and efficiencies. The Joint Venture has incurred significant non-recurring expenses and expects to continue to incur such expenses in order to achieve these cost synergies.

#### ***Macroeconomic and Industry Trends***

The healthcare industry is highly regulated and subject to frequently changing complex regulatory and other requirements. For example, ongoing healthcare reform has significantly affected the healthcare regulatory environment by changing how healthcare services are covered, delivered and reimbursed through coverage expansion, reduced federal healthcare program spending, increased efforts to link federal healthcare program payments to quality and efficiency and insurance market reforms. The number of states that will ultimately participate in some form of Medicaid expansion and the future of mandated coverage for individuals is not yet clear. If the Patient Protection and Affordable Care Act (collectively, the "ACA") is repealed or significantly modified, such repeal or modification, any alternative reforms adopted in its place or the failure to adopt alternative reforms may have a material impact on the Joint Venture's business. For example, since many of the Joint Venture's products and services include solutions designed to assist customers in effectively navigating the shift to value-based healthcare, the elimination of, or significant reductions to, the ACA's various value-based healthcare initiatives may adversely impact the Joint Venture's business. While the specific regulatory instruments and tactics used to implement reform may change in the future, the Joint Venture expects that the pervasive focus on improving coverage, efficiency and quality and related needs for payers and providers to optimize performance and reduce costs will continue.

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## Table of Contents

### ***Revenue Convergence***

In April 2019, the Joint Venture adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, which replaces most prior general and industry specific revenue recognition guidance with a principles-based comprehensive revenue recognition framework.

The Joint Venture adopted ASC 606 using the modified retrospective transition method applied only to contracts that were not completed as of the date of initial application. The adoption of ASC 606 resulted in a cumulative effect adjustment to reduce members' equity (deficit) as of April 1, 2019 by \$159.9 million. After assessing all potential impacts of adopting the new standard on its consolidated financial statements, related disclosures, and necessary control and process changes, the Joint Venture noted the following to be the most notable impacts of adopting the new standard:

- Revenue for certain contingent fee service arrangements will be accelerated as revenue for these arrangements is recognized as the services are performed.
- Revenue related to certain time-based software and content license agreements will be accelerated. The license component for certain time-based software will be recognized upon delivery to the customer ("point in time"), or in the case of software that requires significant production, modification or customization, recognized as the implementation work is performed. A non-license component (e.g., technical support) will be recognized over the respective contract terms ("over time").
- Incremental costs to obtain contracts and qualifying costs to fulfill will be capitalized and amortized over the period of benefit. The net result of this change was an increase to capitalized contract costs on the balance sheet; these capitalized costs will be amortized and recognized as expense over an incrementally longer period of time.

Refer to Note 2, *Basis of Presentation*, in the unaudited condensed financial statements of the Joint Venture included as Exhibit 99.1 to this Quarterly Report for a full description of the impact of the adoption of ASC 606 on the Joint Venture's financial statements.

### ***Equity-based Compensation***

Change Healthcare Inc. grants equity-based awards of Change Healthcare Inc. common stock to certain employees, officers and directors of Change Healthcare Inc. and the Joint Venture. For grants to employees, equity-based awards are generally measured at the date of grant and recognized as expense over each employee's service period. Because the Joint Venture's employees are not considered employees of Change Healthcare Inc., however, prior to the adoption of FASB ASU No. 2018-07 on April 1, 2019, the Joint Venture was generally required to measure these equity-based awards at fair value each quarter until the earlier of the completion of required service or the performance commitment date. As a result, the Joint Venture's results of operations have historically reflected volatility from the periodic re-measurement of its equity-based awards.

In April 2019, the Joint Venture adopted FASB ASU No. 2018-07, the effect of which is to require that equity awards to non-employees be treated similarly to awards to employees. As a result, the Joint Venture expects to significantly lessen the volatility on equity-based compensation that has historically resulted from changes in the fair value of the underlying stock of Change Healthcare Inc., stock price volatility among its peer companies, changes in interest rates and the passage of time.

In connection with the initial public offering, the Board of Directors adopted, and the stockholders approved, the Change Healthcare Inc. 2019 Omnibus Incentive Plan (the "Omnibus Incentive Plan"), which became effective as of the date of the IPO. The purpose of our Omnibus Incentive Plan is to provide a means through which to attract and retain key personnel and to provide a means whereby our directors, officers, employees, consultants and advisors (and those of the Joint Venture and its subsidiaries) can acquire and maintain an equity interest in us or be paid incentive compensation. The Omnibus Incentive Plan allows us to implement a new market-based long-term incentive program to align our executive compensation package with similarly situated public companies.

As part of the 2019 Omnibus Incentive Plan, the Board of Directors may, from time to time, grant awards to one or more eligible persons. All awards granted under the Plan shall vest and become exercisable in such manner and on such dates or upon such events as determined by the Board of Directors, including attainment of performance conditions. Each award granted under the Omnibus Incentive Plan shall be evidenced by an award agreement, which agreement need not be the same for each participant.

Refer to Note 11, *Equity Based Compensation*, in the unaudited condensed financial statements of the Joint Venture included as Exhibit 99.1 to this Quarterly Report for a full description of the new awards included in the long-term incentive program.

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## Table of Contents

### ***Acquisitions and Divestitures***

The Joint Venture actively evaluates opportunities to improve and expand its business through targeted acquisitions that are consistent with its strategy. On occasion, the Joint Venture also may dispose of certain components of its business that no longer fit within its overall strategy. Because of the Joint Venture's acquisition and divestiture activity, as well as the shifting revenue mix of its business due to this activity, the Joint Venture's results of operations may not be directly comparable among periods.

In July 2018, certain of the Joint Venture's affiliates sold all of the membership interests in the Joint Venture's extended care business (a component of the software and analytics reportable segment) for net cash proceeds of \$159.9 million.

### ***Income Taxes***

The Joint Venture's effective income tax rate is affected by several factors. The following table and subsequent commentary reconciles the Joint Venture's federal statutory rate to its effective income tax rate and the subsequent commentary describes the more significant of the reconciling factors:

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2018
Statutory U.S. federal tax rate	21.00%	21.00%
State income taxes (net of federal benefit)	0.13	(0.04)
Income passed through to Members	(16.39)	(21.15)
Change in valuation allowance	(4.58)	0.05
Research and development credits (net of uncertain tax positions)	(2.29)	(2.83)
Return to provision adjustments	1.29	0.14
Other	4.29	1.03
Effective income tax rate	<u>3.45%</u>	<u>(1.80)%</u>

*State Income Taxes*—The Joint Venture's effective tax rate for state income taxes is generally impacted by changes in its apportionment.

*Income Passed through to Members*—Certain of the Joint Venture's subsidiaries are organized as limited liability corporations and report income that is distributed to the Members where it is subject to income taxes.

*Change in tax liability on outside basis difference of foreign subsidiary*—The Joint Venture records tax expense or benefit related to undistributed earnings in a foreign subsidiary for the change in the amount of excess of book basis over tax basis in the subsidiary.

*Change in Valuation Allowance*—The Joint Venture records valuation allowances or reverses existing valuation allowances related to assumed future income tax benefits depending on circumstances and factors related to its business. During the six months ended September 30, 2019, the Joint Venture released a valuation allowance related to prior deferred tax assets as a result of its change in judgment resulting from forecasted earnings and tax planning strategies that provide for future taxable income in the relevant jurisdictions.

*Research and development credits (net of uncertain tax position liability)*—The Joint Venture records credits against income taxes for certain research and development expenditures in the U.S. and Canada net of the portion that is estimated to be included in Change Healthcare Inc.'s unrecognized tax benefits.

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## **Table of Contents**

### ***Qualified McKesson Exit***

In connection with a Qualified McKesson Exit, we anticipate that Change Healthcare Inc. will acquire the interest in the Joint Venture that it did not own prior to such transaction. As a result, in periods following the Qualified McKesson Exit, Change Healthcare LLC is expected to be a wholly-owned subsidiary of Change Healthcare Inc., and Change Healthcare Inc. will consolidate the financial position and results of Change Healthcare LLC in its financial statements.

Change Healthcare Inc. expects to account for the Qualified McKesson Exit and related transactions as a business combination achieved in stages in accordance with the FASB Accounting Standards Codification Business Combinations Topic, resulting in a new basis of accounting. As a result, Change Healthcare Inc. will be required to remeasure its investment in the Joint Venture to fair value as of the date that control is obtained and will recognize a gain or loss in its statement of operations for the difference in the carrying value and fair value of this investment. Further, Change Healthcare Inc. expects to recognize the consideration transferred, as well as the acquired business's identifiable assets, liabilities and noncontrolling interests at their acquisition date fair value. The excess of the consideration transferred over the fair value of the identifiable assets, liabilities and noncontrolling interest, if any, is anticipated to be recorded as goodwill. Any excess of the fair value of the identifiable assets acquired and liabilities assumed over the consideration transferred, if any, would generally be recognized within earnings as of the acquisition date.

As a result of the accounting for these transactions and the anticipated change in basis of accounting, the consolidated results of Change Healthcare Inc. in periods following the Qualified McKesson Exit will not be comparable to the consolidated results of the Joint Venture in periods prior to the Qualified McKesson Exit. The following are certain of the more significant changes resulting from the Qualified McKesson Exit that are expected to affect the comparability of financial results and operations:

- Gain or loss upon remeasuring Change Healthcare Inc.'s investment in the Joint Venture at its fair value.
- Increased tangible and intangible assets resulting from adjusting the basis of tangible and intangible assets to their fair value which is expected to result in increased depreciation and amortization expense.
- Potential increase or decrease in long-term debt as a result of adjustments to state the long-term debt at its fair value. Resulting differences in the historical carrying value and fair value of the long-term debt are expected to result in either additional discount or premium which, in turn, may materially increase or decrease future interest expense.
- Decreased deferred revenue as a result of recognizing deferred revenue in the business combination only to the extent that contractual obligations remain to be fulfilled at that time. Decreases in deferred revenue are expected to result in decreased solutions revenue in the near term.
- Income currently attributable to the Joint Venture and not subject to U.S. federal income taxes and most state and local income taxes will become subject to such taxes, resulting in an expected increase in Change Healthcare Inc.'s effective tax rate compared with the historical effective tax rate of the Joint Venture.

### **Results of Operations**

The Joint Venture adopted the new revenue recognition accounting standard, ASC 606, effective April 1, 2019 on a modified retrospective basis. Its results of operations as presented within the following discussion and analysis includes financial results for reporting periods during fiscal 2020, which are disclosed in compliance with the new revenue recognition standard. Historical financial results for reporting periods prior to fiscal 2020 have not been retroactively restated and are presented in conformity with amounts previously disclosed under the prior revenue recognition standard, ASC 605. The Joint Venture has included additional information regarding the impacts from the adoption of the new revenue recognition standard for the three and six months ended September 30, 2019 and included financial results during fiscal 2020 under ASC 605 for comparison to the prior year.

The following table summarizes our consolidated results of operations for the three months ended September 30, 2019 and 2018, respectively:

## Table of Contents

(in millions)	Three Months Ended September 30,						Six Months Ended September 30,					
	2019			2018			2019			2018		
	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)	\$ Change	% Change	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)	\$ Change	% Change
<b>Revenue</b>												
Solutions revenue	\$ 738.7	\$ 9.9	\$ 748.6	\$ 737.8	\$ 10.8	1.5%	\$1,535.8	\$ (31.6)	\$ 1,504.2	\$ 1,495.5	\$ 8.7	0.6%
Postage revenue	57.1	—	57.1	62.4	(5.3)	(8.5)	115.6	—	115.6	128.0	(12.4)	(9.7)
<b>Total revenue</b>	<b>795.8</b>	<b>9.9</b>	<b>805.7</b>	<b>800.2</b>	<b>5.5</b>	<b>0.7</b>	<b>1,651.4</b>	<b>(31.6)</b>	<b>1,619.8</b>	<b>1,623.5</b>	<b>(3.7)</b>	<b>(0.2)</b>
<b>Operating expenses</b>												
Costs of operations (exclusive of depreciation and amortization below)	331.2	1.0	332.2	327.6	4.6	1.4	658.2	1.8	660.0	665.0	(5.0)	(0.8)
Research and development	51.8	—	51.8	51.2	0.6	1.2	101.1	—	101.1	106.6	(5.5)	(5.2)
Sales, marketing, general and administrative	190.0	4.6	194.6	207.1	(12.5)	(6.0)	383.3	9.8	393.1	414.0	(20.9)	(5.0)
Customer postage	57.1	—	57.1	62.4	(5.3)	(8.5)	115.6	—	115.6	128.0	(12.4)	(9.7)
Depreciation and amortization	77.4	—	77.4	69.3	8.1	11.7	148.8	—	148.8	137.8	11.0	8.0
Accretion and changes in estimate with related parties, net	3.2	—	3.2	5.9	(2.7)	(45.8)	7.1	—	7.1	9.8	(2.7)	(27.6)
Gain on sale of the Extended Care Business	—	—	—	(111.4)	111.4	(100.0)	—	—	—	(111.4)	111.4	(100.0)
<b>Total operating expenses</b>	<b>710.7</b>	<b>5.6</b>	<b>716.3</b>	<b>612.1</b>	<b>104.2</b>	<b>17.0</b>	<b>1,414.1</b>	<b>11.6</b>	<b>1,425.7</b>	<b>1,349.8</b>	<b>75.9</b>	<b>5.6</b>
<b>Operating income</b>	<b>85.1</b>	<b>4.3</b>	<b>89.4</b>	<b>188.1</b>	<b>(98.7)</b>	<b>(52.5)</b>	<b>237.3</b>	<b>(43.2)</b>	<b>194.1</b>	<b>273.7</b>	<b>(79.6)</b>	<b>(29.1)</b>
<b>Non-operating (income) and expense</b>												
Interest expense	69.9	—	69.9	80.7	(10.8)	(13.4)	153.3	—	153.3	159.2	(5.9)	(3.7)
Loss on extinguishment of debt	16.9	—	16.9	—	16.9		16.9	—	16.9	—	16.9	
Contingent consideration	1.7	—	1.7	(0.1)	1.8	(1,800.0)	0.9	—	0.9	0.2	0.7	350.0
Other, net	(4.4)	—	(4.4)	(3.8)	(0.6)	15.8	(8.2)	—	(8.2)	(9.4)	1.2	(12.8)
<b>Non-operating (income) and expense</b>	<b>84.1</b>	<b>—</b>	<b>84.1</b>	<b>76.8</b>	<b>7.3</b>	<b>9.5</b>	<b>162.9</b>	<b>—</b>	<b>162.9</b>	<b>150.0</b>	<b>12.9</b>	<b>8.6</b>
<b>Income (loss) before income tax provision (benefit)</b>	<b>1.0</b>	<b>4.3</b>	<b>5.3</b>	<b>111.3</b>	<b>(106.0)</b>	<b>(95.2)</b>	<b>74.4</b>	<b>(43.2)</b>	<b>31.2</b>	<b>123.7</b>	<b>(92.5)</b>	<b>(74.8)</b>
<b>Income tax provision (benefit)</b>	<b>1.0</b>	<b>—</b>	<b>1.0</b>	<b>(2.1)</b>	<b>3.1</b>	<b>(147.6)</b>	<b>2.6</b>	<b>(2.3)</b>	<b>0.3</b>	<b>(2.2)</b>	<b>2.5</b>	<b>(113.6)</b>
<b>Net income (loss)</b>	<b>\$ 0.0</b>	<b>\$ 4.3</b>	<b>\$ 4.3</b>	<b>\$ 113.4</b>	<b>\$ (109.1)</b>	<b>(96.2)%</b>	<b>\$ 71.8</b>	<b>\$ (40.9)</b>	<b>\$ 30.9</b>	<b>\$ 125.9</b>	<b>\$ (95.0)</b>	<b>(75.5)%</b>

As a result of displaying amounts in millions, rounding differences may exist in the table above.

### Three Months Ended September 30, 2019 (ASC 605 Basis) Compared to Three Months Ended September 30, 2018

#### Solutions Revenue

Solutions revenue increased \$10.8 million for the three months ended September 30, 2019, compared with the same period in the prior year. Factors affecting the Joint Venture's solutions revenue are described in the various segment discussions below.

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## Table of Contents

### *Expenses*

#### Costs of Operations (Exclusive of Depreciation and Amortization)

Costs of operations (exclusive of depreciation and amortization) increased \$4.6 million for the three months ended September 30, 2019, compared with the same period in the prior year. The increase in the Joint Venture's costs of operations is primarily attributable to an increase in information technology maintenance and data and communications costs.

#### Research and Development

Research and development expenses increased \$0.6 million for the three months ended September 30, 2019, compared with the same period in the prior year. The increase is primarily attributable to increases in investments, offset by synergies associated with reduction or elimination of duplicative roles.

#### Sales, Marketing, General and Administrative

Sales, marketing, general and administrative expenses decreased \$12.5 million for the three months ended September 30, 2019, compared with the same period in the prior year. Sales, marketing, general and administrative expense for each of the three months ended September 30, 2019 and 2018 reflects significant integration related costs, including professional and consulting fees related to rationalizations of information technology, business process re-engineering, implementation of human resource and finance information technology systems, severance and other costs. The amount of such costs, however, decreased by \$8.5 million in the three months ended September 30, 2019 as compared to the same period in the prior year.

#### Customer Postage

Customer postage decreased \$5.3 million for the three months ended September 30, 2019, compared with the same period in the prior year. Customer postage is affected by the declines in print volumes within communication and payment solutions, which were partially offset by the effect of a USPS postage rate increase in January 2019 (e.g. an increase in first-class postage of 10%). Because customer postage is a pass-through cost to the Joint Venture's customers, however, changes in volume of customer postage generally have no effect on operating income.

#### Depreciation and Amortization

Depreciation and amortization increased \$8.1 million for the three months ended September 30, 2019, compared with the same period in the prior year. Depreciation and amortization were generally affected by routine amortization of tangible and intangible assets existing at March 31, 2019 as well as the routine amortization and depreciation of additions to property, equipment, and software since that date.

#### Accretion and changes in estimate with related parties, net

Accretion and changes in estimate with related parties, net decreased \$2.7 million for the three months ended September 30, 2019, compared with the same period in the prior year. Accretion is routinely affected by changes in the expected timing or amount of cash flows which may result from various factors, including changes in tax rates and McKesson's discretionary allocation of deductions under the terms of the Letter Agreement.

#### Interest expense

Interest expense decreased \$10.8 million for the three months ended September 30, 2019, compared with the same period in the prior year. This decrease is primarily attributable to the repayment of approximately \$805.0 million of variable interest rate debt in July 2019 from the proceeds of the initial public offering and an additional repayment of \$85.0 million during the three months ended September 30, 2019. The Joint Venture has interest rate cap agreements in place to limit its exposure to rising interest rates, and such agreements together with the Joint Venture's fixed rate notes effectively fixed interest rates for approximately 59% of the Joint Venture's total indebtedness at September 30, 2019.

#### Loss on Extinguishment of Debt

Loss on extinguishment of debt for the three months ended September 30, 2019 of \$16.9 million includes a loss of \$15.8 million related to the unamortized discounts and debt issuance costs associated with the total repayment of \$890.0 million on the Term Loan Facility, as well as a loss of \$1.1 million due to the deemed extinguishment associated with the amendment of the Revolving Credit Facility.

## Table of Contents

### Contingent consideration

Contingent consideration reflects changes in the fair value of the Joint Venture's earnout obligation to the former owners of an acquired business. Such amounts may increase or decrease in the future based on changes in the expected amount, timing, and probability of making such payments in the future.

### Other, net

Other, net primarily represents income the Joint Venture receives from McKesson and eRx Network related to transitional and other services that we provide them following the closing of the Transactions in March 2017.

### Income Tax Provision (Benefit)

The income tax provision was \$1.0 million (effective tax rate of 115.0%) for the three months ended September 30, 2019 as compared to an income tax benefit of \$2.1 million (effective tax rate of -1.9%) for the three months ended September 30, 2018. The Joint Venture's income taxes and related effective tax rate are routinely affected by it and its subsidiaries' legal organization. Certain of the Joint Venture's subsidiaries are organized as limited liability corporations and report income that is distributed to the Members where it is subject to income taxes. Other subsidiaries are organized as corporations, for which the tax effects are directly reflected in the Joint Venture's financial statements.

### Solutions Revenue and Adjusted EBITDA

	Three Months Ended September 30,					
	2019			2018		
(in millions)	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)	\$ Change	% Change
<b>Solutions revenue (1)</b>						
Software and Analytics	\$ 376.1	\$ 13.2	\$ 389.3	\$ 383.5	\$ 5.8	1.5%
Network Solutions	\$ 144.3	\$ —	\$ 144.3	\$ 136.3	\$ 8.0	5.9%
Technology-enabled Services	\$ 244.1	\$ (3.2)	\$ 240.9	\$ 243.3	\$ (2.4)	(1.0)%
<b>Adjusted EBITDA</b>						
Software and Analytics	\$ 140.1	\$ 8.8	\$ 148.9	\$ 139.4	\$ 9.5	6.8%
Network Solutions	\$ 86.5	\$ (0.4)	\$ 86.1	\$ 83.6	\$ 2.5	3.0%
Technology-enabled Services	\$ 44.8	\$ (3.8)	\$ 41.0	\$ 39.2	\$ 1.8	4.6%

(1) Includes inter-segment revenue

As a result of displaying amounts in millions, rounding differences may exist in the tables above.

### Software and Analytics

Software and Analytics revenue increased \$5.8 million for the three months ended September 30, 2019 compared with the same period in the prior year. Software and Analytics revenue reflects core revenue growth and timing, partially offset by ongoing efforts to rationalize the connected analytics solution and the effect of prior year one-time nonrecurring revenue of \$6.0 million in the enterprise imaging business.

Software and Analytics Adjusted EBITDA increased \$9.5 million for the three months ended September 30, 2019, compared to the same period in the prior year. This increase in Adjusted EBITDA was attributable to core revenue growth and timing, operational synergies, and cost initiatives related to the connected analytics solution, partially offset by the decline in the enterprise imaging business.



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## Table of Contents

### Network Solutions

Network Solutions revenue increased \$8.0 million for the three months ended September 30, 2019 compared with the same period in the prior year, which primarily reflects increased revenues resulting from the sale of new contracts in the data solutions, dental and medical network businesses and stronger volume.

Network Solutions Adjusted EBITDA increased by \$2.5 million for the three months ended September 30, 2019 compared to the same period in the prior year. As described above, Network Solutions revenue was positively affected by increased revenues resulting from the sale of new contracts in the data solutions, dental and medical network businesses and stronger volumes. Adjusted EBITDA similarly increased as a result of these factors partially offset by investments to support the data solutions new market expansion efforts and continued investment in network capabilities.

### Technology-enabled Services

Technology-enabled Services revenue decreased \$2.4 million for the three months ended September 30, 2019, compared with the same period in the prior year. Technology-enabled Services revenue for the three months ended September 30, 2019 was primarily impacted by new sales and same store organic growth of \$24 million, which was more than offset by \$30 million of customer attrition (including the company's decision to exit certain contracts). Customer attrition for the three months ended September 30, 2019 reflects the full current period impact of attrition that occurred throughout fiscal year 2019 in the Joint Venture's physician revenue cycle management and communication and payment services solutions, driven by industry consolidation. While the Joint Venture expects that such consolidation will continue in the future, as part of its strategy, the Joint Venture is repositioning certain of its solutions to better address end market dynamics, enhance efficiency and to improve the long-term growth potential of these solutions.

Technology-enabled Services Adjusted EBITDA increased \$1.8 million for the three months ended September 30, 2019, compared to the same period in the prior year. Technology-enabled Services Adjusted EBITDA for the three months ended September 30, 2019 reflects the decrease in Technology-enabled Services revenue which was more than offset by cost savings from the Joint Venture's post-contribution cost synergy initiatives.

## Table of Contents

### Six Months Ended September 30, 2019 (ASC 605 Basis) Compared to Six Months Ended September 30, 2018

#### Solutions Revenue

Solutions revenue increased \$8.7 million for the six months ended September 30, 2019, compared with the same period in the prior year. Solutions revenue for the six months ended September 30, 2019 was generally affected the continuation of trends described in the discussion of results of operations for the three months ended September 30, 2019. In addition, the comparison to the prior year period was discretely affected by the sale of the Joint Venture's extended care business in July 2018.

#### Expenses

Expenses were affected by similar items outlined in the discussion of results for the three months ended September 30, 2019.

#### Solutions Revenue and Adjusted EBITDA

	Six Months Ended September 30,					
	2019			2018		
(in millions)	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)	\$ Change	% Change
<b>Solutions revenue (1)</b>						
Software and Analytics	\$ 813.5	(28.5)	785.0	\$ 779.9	\$ 5.1	0.7%
Network Solutions	\$ 285.9	—	285.9	\$ 272.9	\$ 13.0	4.8%
Technology-enabled Services	\$ 488.1	(3.1)	485.0	\$ 493.3	\$ (8.3)	(1.7)%
<b>Adjusted EBITDA</b>						
Software and Analytics	\$ 342.4	(37.1)	305.3	\$ 282.1	\$ 23.2	8.2%
Network Solutions	\$ 171.5	(0.9)	170.6	\$ 165.8	\$ 4.8	2.9%
Technology-enabled Services	\$ 90.0	(4.5)	85.5	\$ 89.2	\$ (3.7)	(4.1)%

(1) Includes inter-segment revenue

Revenue and Adjusted EBITDA for the six months ended September 30, 2019 for all three segments were affected by similar trends outlined in the discussion of results for the three months ended September 30, 2019. The increases in revenue and Adjusted EBITDA for Software and Analytics were partially offset by the divestiture of the extended care business, which contributed revenue of \$9.2 million and Adjusted EBITDA of \$1.5 million in the six months ended September 30, 2018.

#### Significant Changes in Assets and Liabilities

Within the Joint Venture's network solutions business, the Joint Venture regularly receives funds from certain pharmaceutical industry participants in advance of its obligation to remit these funds to participating retail pharmacies. Such funds are not restricted; however, these funds are generally paid out in satisfaction of the processing obligations within three business days of their receipt. At the time of receipt, the Joint Venture records a corresponding liability within accrued expenses on its consolidated balance sheets. At September 30, 2019, the Joint Venture reported \$20.3 million of such pass-through payment obligations which were subsequently paid in the first week of October 2019. At March 31, 2019, the Joint Venture reported \$7.4 million of such pass-through payment obligations.

#### Liquidity and Capital Resources

##### Overview

The Joint Venture's principal sources of liquidity are cash flows provided by operating activities, cash and cash equivalents on hand, and potential funds available under its Revolving Credit Facility. The Joint Venture's principal uses of liquidity are working capital, capital expenditures, debt service, business acquisitions and other general corporate purposes. The Joint Venture anticipates its cash on hand, cash generated from operations, and funds available under the Revolving Credit Facility will be sufficient to fund its planned capital expenditures, debt service obligations, business acquisitions and operating needs. The Joint Venture may, however, elect to raise funds through debt or equity financing in the future to fund significant investments or acquisitions that are consistent with its growth strategy.

## Table of Contents

Cash, cash equivalents and restricted cash totaled \$73.0 million and \$48.9 million at September 30, 2019 and March 31, 2019, respectively, of which \$23.7 million and \$28.1 million was held outside the United States. As of September 30, 2019, no amounts had been drawn under the senior secured revolving line of credit and the Joint Venture could have borrowed up to the additional \$779.9 million available. The Joint Venture also has the ability to borrow up to an additional \$1,080.0 million, or such amount that the senior secured net leverage ratio does not exceed 4.9 to 1.0, whichever is greater, under the Senior Secured Credit Facilities, subject to certain additional conditions and commitments by existing or new lenders to fund any additional borrowings.

The balance retained in cash and cash equivalents is consistent with the Joint Venture's short-term cash needs and investment objectives. The Joint Venture may be required to make additional principal payments on the Term Loan Facility based on excess cash flows of the prior year, as defined in the credit agreement governing the Term Loan Facility.

(in millions)	Six Months Ended September 30,			
	2019	2018	\$	%
Cash provided by (used in) operating activities	\$ 223.9	\$ 227.9	\$ (4.0)	(1.8)%
Cash provided by (used in) investing activities	(148.8)	35.6	(184.4)	(518.0)
Cash provided by (used in) financing activities	(51.3)	(104.8)	53.5	(51.0)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	0.3	(0.7)	1.0	(142.9)
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>\$ 24.1</b>	<b>\$ 158.0</b>	<b>(133.9)</b>	<b>(84.7)%</b>

### Operating Activities

Cash provided by operating activities is primarily affected by operating income, including the impact of debt service payments, integration related costs and the timing of collections and related disbursements. Cash provided by operating activities includes \$12.9 million and \$156.1 million as a source of cash related to pass-through funds for the six months ended September 30, 2019 and 2018, respectively.

### Investing Activities

Cash used in investing activities primarily reflects routine capital expenditures related to purchase of property and equipment and the development of software, as well as expenditures related to significant software development efforts necessary to integrate the contributed businesses in both periods. Cash provided by investing activities in the six months ended September 30, 2018 was primarily impacted by the proceeds from the sale of the extended care business.

### Financing Activities

Cash used in financing activities reflects cash payments under the Term Loan Facility, receipts under the Joint Venture's interest rate cap agreements, and payments for deferred financing obligations. Cash used in financing activities was primarily impacted by the proceeds from the initial public offering and resulting increased payments under the Term Loan Facility in the six months ended September 30, 2019.

### Capital Expenditures

The Joint Venture incurs capital expenditures to grow its business by developing new and enhanced capabilities, to increase the effectiveness and efficiency of the organization and to reduce risks. The Joint Venture incurs capital expenditures for product development, disaster recovery, security enhancements, regulatory compliance and the replacement and upgrade of existing equipment at the end of its useful life.

## Table of Contents

### **Debt**

#### *Senior Credit Facilities and Senior Notes*

In March 2017, the Joint Venture entered into the \$5,100 million term loan facility (the "Term Loan Facility"), and a \$500 million revolving credit facility (as amended in July 2019 to increase the maximum amount that can be borrowed to \$785 million, the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Secured Credit Facilities"). Additionally, the Joint Venture issued \$1,000 million of 5.75% senior notes due 2025 (the "Senior Notes"). No amounts have been drawn against the Revolving Credit Facility as of September 30, 2019.

The Joint Venture used the initial public offering proceeds received from Change Healthcare Inc. to repay \$805,000 of its indebtedness under the Term Loan Facility without penalty in July 2019. The Joint Venture repaid an additional \$85,000 of its indebtedness under the Term Loan Facility without penalty during the three months ended September 30, 2019 for a total paydown of \$890,000.

In July 2019, the Joint Venture amended the Revolving Credit Facility, the primary effects of which were to increase the maximum amount that can be borrowed from \$500 million to \$785 million and to extend the maturity date until July 3, 2024. In the event that the outstanding balance under the Term Loan Facility exceeds \$1,100 million on December 1, 2023, however, amounts due, if any, under the Revolving Facility become due and payable on December 1, 2023.

#### *Tangible Equity Units*

In July 2019, the Joint Venture issued a debt arrangement to Change Healthcare Inc. on terms that substantially mirror the economics of the amortizing note component of the Change Healthcare Inc. TEUs. The Joint Venture agreed to pay Change Healthcare Inc. an aggregate principal amount of \$47,367 in quarterly installments of principal and interest (5.5% per year) on March 30, June 30, September 30, and December 30 of each year through June 30, 2022.

### **Hedges**

From time to time, the Joint Venture executes interest rate cap agreements with various counterparties that effectively cap its LIBOR exposure on a portion of its existing Term Loan Facility or similar replacement debt. The following table summarizes the terms of the Joint Venture's interest rate cap agreements at September 30, 2019.

Effective Date	Expiration Date	Notional Amount	Receive LIBOR Exceeding (1)	Pay Fixed Rate
March 31, 2017	March 31, 2020	\$ 650,000	1.25%	0.56%
March 31, 2017	March 31, 2020	\$ 750,000	1.00%	0.82%
August 31, 2018	March 31, 2020	\$ 500,000	1.00%	1.82%
March 31, 2020	December 31, 2021	\$ 1,500,000	1.00%	1.82%

(1) All based on 1-month LIBOR, except the \$650,000 tranche which receives based on 3-month LIBOR.

The interest rate caps are recorded on the balance sheet at fair value. Changes in the fair value of the interest rate cap agreements are recorded in other comprehensive income.

In accordance with ASC 815, the fair value of the interest rate caps at inception is reclassified from other comprehensive income to interest expense in the same period the interest expense on the underlying hedged debt impacts earnings. Any payments the Joint Venture receives to the extent LIBOR exceeds the specified cap rate is also reclassified from other comprehensive income to interest expense in the period received.

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. The Joint Venture has material contracts that are indexed to USD-LIBOR and is monitoring this activity and evaluating the related risks.

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## **Table of Contents**

### *Effect of Certain Debt Covenants*

A breach of any of the covenants under the agreements governing the Joint Venture's debt could limit its ability to borrow funds under the Term Loan Facility and could result in a default under the Term Loan Facility. Upon the occurrence of an event of default under the Term Loan Facility, the lenders could elect to declare all amounts then outstanding to be immediately due and payable, and the lenders could terminate all commitments to extend further credit. If the Joint Venture were unable to repay the amounts declared due, the lenders could proceed against any collateral granted to them to secure that indebtedness.

With certain exceptions, the Term Loan Facility obligations are secured by a first-priority security interest in substantially all of the assets of the Joint Venture, including its investment in subsidiaries. The Term Loan Facility contains various restrictions and nonfinancial covenants, along with a senior secured net leverage ratio test. The nonfinancial covenants include restrictions on dividends, investments, dispositions, future borrowings and other specified payments, as well as additional reporting and disclosure requirements. The senior secured net leverage test must be met as a condition to incur additional indebtedness, but otherwise is applicable only to the extent that amounts drawn exceed 35% of the Revolving Credit Facility at the end of any fiscal quarter. As of September 30, 2019, the Joint Venture was in compliance with all debt covenants.

The Joint Venture's ability to meet its liquidity needs depends on its subsidiaries' earnings and cash flows, the terms of the Joint Venture and its subsidiaries' indebtedness, and other contractual restrictions. Except for certain permitted distributions, the Joint Venture generally is not permitted to make any distribution to its members.

### **Off-Balance Sheet Arrangements**

As of September 30, 2019, the Joint Venture had no off-balance sheet arrangements.

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## **Table of Contents**

### **Recent Accounting Pronouncements**

See Exhibit 99.1, "Notes to Consolidated Financial Statements," Note 2, "Summary of Significant Accounting Policies," for information about recent accounting pronouncements and the potential impact on the Joint Venture's consolidated financial statements.

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. The Joint Venture considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been made could have a material impact on our consolidated results of operations and financial condition.

The Joint Venture believes the current assumptions and other considerations used to estimate amounts reflected in its consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on the Joint Venture's consolidated results of operations and financial condition.

### ***Revenue Recognition***

In April 2019, the Joint Venture adopted Accounting Standards Codification ASC 606, Revenue from Contracts with Customers, which replaced most prior general and industry specific revenue recognition guidance with a principles-based comprehensive revenue recognition framework. Under this revised framework, a company recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services.

The Joint Venture generates most of its solutions revenue by using technology solutions (generally Software as a Service ("SaaS")) to provide services to its customers that automate and simplify business and administrative functions for payers, providers, pharmacies, and channel partners and through the licensing of software, software systems (consisting of software, hardware and maintenance support) and content.

The Joint Venture recognizes revenue when the customer obtains control of the good or service through the Joint Venture satisfying a performance obligation by transferring the promised good or service to the customer.

### ***Principal Revenue Generating Products and Services***

*Content license subscriptions and time-based software*—The Joint Venture's content license subscriptions and time-based software arrangements provide a license to use a software for a specified period of time. At the end of the contractual period, the customer either renews the license for an additional term or ceases to use the software. Software licenses are typically delivered to the customer with functionality that the customer can benefit from the software on its own or together with readily available resources. As contracts for these solutions generally do not price individual components separately, the Joint Venture allocates the transaction price to the license and ongoing support performance obligations based on standalone selling price ("SSP"), primarily determined by historical value relationships between licenses and ongoing support and updates. Revenue allocated to content license subscriptions and time-based software license agreements is generally recognized at the point-in-time of delivery of the license or the content update upon transfer of control of the underlying license to the customer. Generally, software implementation fees are recognized over the implementation period through an input measure of progress method. Revenue allocated to maintenance and support is recognized ratably over the period covered by the agreements, as passage of time represents a faithful depiction of the transfer of these services. In some cases, software arrangements provide licenses to several software applications that are highly integrated with the implementation services and software updates and cannot function separately. The bundle is a single performance obligation since the individually promised goods and services are not distinct in the context of the contract because the related implementation services significantly modify and customize the software and the updates provided to the integrated software solution are critical to the software's utility. The related revenue is recognized on a straight-line basis, ratably over the contractual term due to the frequency and criticality of the updates throughout the license period.

*Contingent fee services*—The Joint Venture provides services to customers in which the transaction price is contingent on future occurrences, such as savings generated or amounts collected on behalf of its customers through the delivery of its services. In some cases, the Joint Venture performs services in advance of invoicing the customer, thereby creating a contract asset. Revenue in these arrangements is estimated and constrained until the Joint Venture determines that it is probable that a significant revenue reversal will not occur, and variable consideration is allocated to the performance obligation for which the Joint Venture earns a contingent fee.

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## Table of Contents

*Perpetual software licenses*—The Joint Venture's perpetual software arrangements provide a license for a customer to use software in perpetuity. Software licenses are typically delivered to the customer with functionality from which the customer can benefit from the license on its own or together with readily available resources. Perpetual software arrangements are recognized at the time of delivery or through an input measure of progress method over the installation period if the arrangements require significant production or modification or customization of the software. Contracts accounted for through an input measure of progress method are generally measured based on the ratio of labor hours incurred to date to total estimated labor hours to be incurred. Software implementation fees are recognized as the work is performed or under the input method for perpetual software. Hardware revenues are generally recognized upon delivery. Maintenance is recognized ratably over the term of the agreement as passage of time represents a faithful depiction of the transfer of these services.

*Professional services*—The Joint Venture provides training and consulting services to its customers, and the services may be fixed fee or time and materials based. Consulting services that fall outside of the standard implementation services vary depending on the scope and complexity of the service requested by the customer. Consulting services are deemed to be capable of being distinct from other products and services, and the services are satisfied either at a point of time or over time based on delivery. Training services are usually provided as an optional service to enhance the customer's experience with a software product or provides additional education surrounding the general topic of the solution. Training services are capable of being distinct from other products and services. The Joint Venture treats training services as a distinct performance obligation, and they are satisfied at a point of time.

*Transaction processing services*—The Joint Venture provides transaction processing (such as claims processing) services to hospitals, pharmacies and health systems via a cloud-based (SaaS) platform. The promised service is to stand ready to process transactions for our customers over the contractual period on an as needed basis. The revenue related to these services is recognized over time as the transactions are processed, and the revenue is recognized over the individual days in which the services are performed. Any fixed annual fees and implementation fees are recognized ratably over the contract period.

*Hosted solutions and software as a service ("SaaS")*—The Joint Venture enters into arrangements whereby the Joint Venture provides the customer access to a Joint Venture-owned software solution, which are generally marketed under annual and multi-year arrangements. The customer is only provided "access" (not a license) to the software application. In these arrangements, the customer does not purchase equipment nor does the customer take physical possession of the software. The related revenue is recognized ratably over the contracted term. For fixed fee arrangements, revenue recognition begins after set-up and implementation are complete. For per-transaction fee arrangements, revenue is recognized as transactions are processed beginning on the service start date.

## Contract Balances

The Joint Venture's payment terms vary by customer and product type. For certain products or services, the Joint Venture requires upfront payments before control of the product or service has transferred to the customer. For other products and services, the Joint Venture invoices the customer in arrears after providing the products or services. In addition, for certain contingent fee services, customers are billed in arrears, typically based upon a percentage of collections the Joint Venture makes on the customer's behalf.

Under the new revenue standard, the Joint Venture generally recognizes a contract asset when revenue is recognized in advance of invoicing on a customer contract, unless the right to payment for that revenue is unconditional (i.e. requiring no further performance and only the passage of time). If a right to payment is determined to meet the criteria to be considered 'unconditional', then the Joint Venture will recognize a receivable.

There were no impairment losses recognized on accounts receivable or contract assets in the three and six months ended September 30, 2019.

The Joint Venture records deferred revenues when billings or payments are received from customers in advance of its performance. Deferred revenue is generally recognized when transfer of control to customers occurs. The deferred revenue balance is driven by multiple factors, including the frequency of renewals, invoice timing, and invoice duration. As of September 30, 2019, the Joint Venture expects 94% of the deferred revenue balance to be recognized in one year or less, and approximately \$328 million of the beginning period balance was recognized during the three months ended September 30, 2019.

## Costs to Obtain or Fulfill a Contract

Sales commissions and certain other incentive payments (e.g., bonuses that are contingent solely on obtaining a contract or a pool of contracts) earned by the Joint Venture's sales organization are capitalized as incremental costs to obtain a contract. The Joint Venture typically does not offer commissions on contract renewals. Decremental commissions upon renewal (i.e., non-commensurate with initial commissions) are offered to the Joint Venture's sales associates for certain customers and are not material. Under ASC 606, all commissions and other qualifying incentive payments capitalized are amortized over an expected period of benefit defined as the initial contract term plus anticipated renewals. In contrast, under ASC 605 these capitalized costs were amortized over the specific

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## Table of Contents

revenue contract terms, which are typically 12 to 60 months. In making the significant judgment in determining the appropriate period of benefit, the Joint Venture evaluated both qualitative and quantitative factors such as the expected customer relationship period and technology obsolescence. In addition, prior to solution go-live, the Joint Venture incurs certain contract fulfillment costs primarily related to SaaS setup for our clients. These costs are capitalized to the extent they are directly related to a contract, are recoverable, and create a resource used to deliver the Joint Venture's SaaS services. Capitalized costs to fulfill a contract are amortized over the expected period of benefit.

At September 30, 2019, the Joint Venture had capitalized costs to obtain a contract of \$12.4 million in prepaid and other current assets and \$67.4 million in other noncurrent assets. During the three and six months ended September 30, 2019, the Joint Venture recognized \$5.1 million and \$9.2 million, respectively, of amortization expense related to such capitalized costs, which is included in the total operating expenses. At September 30, 2019, the Joint Venture had capitalized costs to fulfill a contract of \$1.4 million in prepaid and other current assets and \$8.6 million in other noncurrent assets. During the three and six months ended September 30, 2019, the Joint Venture recognized \$0.3 million and \$0.6 million, respectively, of amortization expense related to such capitalized costs, which is included in cost of operations.

### Postage Revenues

Postage revenues are the result of providing delivery services to customers in the Joint Venture's payment and communication solutions. Postage revenues are generally billed as a pass-through cost to the Joint Venture's customers. The service is part of a combined performance obligation with the printing and handling services provided to the customer because the postage services are not distinct within the context of the contract. The Joint Venture presents Postage Revenue separately from Solutions Revenue on the consolidated statements of operation as it makes the financial statements more informative for the users. The revenue related to the combined performance obligation of the postage, printing, and handling service is recognized as the transactions are processed, and the revenue is recognized over the individual days in which the services are performed.

### Arrangements with Multiple Performance Obligations

The Joint Venture engages in customer arrangements which may include multiple performance obligations, such as any combination of software, hardware, implementation, SaaS-based offerings, consulting services, or maintenance services. For such arrangements, the Joint Venture allocates revenues to each performance obligation on a relative standalone selling price basis. A performance obligation's standalone selling price is determined based on the directly observable prices charged to customers when available or estimated using other methods such as the adjusted market assessment approach, the expected cost plus a margin approach, or other approaches in cases where distinct performance obligations are not sold separately but instead sold at a bundled price. For performance obligations with historical pricing that is highly variable, the residual approach is used. Such instances primarily relate to the Joint Venture's perpetual software arrangements in which the Joint Venture sells the same products to different customers for a broad range of amounts.

### Remaining Performance Obligations

The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for executed contracts includes deferred revenue and other revenue yet to be recognized from non-cancellable contracts. As of September 30, 2019, the Joint Venture's total remaining performance obligations approximated \$1.4 billion, of which approximately 52% is expected to be recognized over the next twelve months, and the remaining 48% thereafter.

In this balance, the Joint Venture does not include the value of unsatisfied performance obligations related to those contracts for which it recognizes revenue at the amount for which it has the right to invoice for services performed. Additionally, this balance does not include revenue related to performance obligations that are part of a contract with an original expected duration of one year or less. Lastly, this balance does not include variable consideration allocated to the individual goods or services in a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Examples includes variable fees associated with transaction processing and contingent fee services.

### Disaggregated Revenue

The Joint Venture disaggregates the revenue from contracts with customers by operating segment as it believes doing so best depicts how the nature, amount, timing and uncertainty of the Joint Venture's revenue are affected by economic factors. See Note 9 in the Joint Venture unaudited financial statements included in Exhibit 99.1, "Segment Reporting" for the total revenue disaggregated by operating segment for the six months ended September 30, 2019 and 2018.

The Joint Venture's total revenue by disaggregated revenue source was generally consistent for each reportable segment for the three and six months ended September 30, 2019 compared with the corresponding periods in 2018.



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## **Table of Contents**

### **Customer Incentives**

Certain customers, which include the Joint Venture's channel partners, may receive cash-based incentives or rebates based on actual sales and achievement of a cumulative level of sales, which are accounted for as variable consideration. The Joint Venture considers these amounts to be consideration payable to the customer, and therefore, the Joint Venture estimates these amounts based on the expected amount to be provided to customers and reduces the transaction price accordingly.

### **Practical Expedients and Exemptions**

The Joint Venture has elected to utilize either the right to invoice practical expedient or the series-based variable consideration allocation framework for most transaction processing services not subject to contingencies. The Joint Venture also has elected to exclude sales taxes and other similar taxes from the measurement of the transaction price in contracts with customers. Therefore, revenue is recognized net of such taxes.

In certain customer arrangements with customers, the Joint Venture determined there are certain promised goods or services which are immaterial in the context of the contract from both a quantitative and qualitative perspective, and therefore, the goods and services are disregarded when assessing the performance obligations in the customer arrangement.

The Joint Venture has elected to apply the significant financing practical expedient, and as a result, the Joint Venture will not adjust the promised amount of consideration in a customer contract for the effects of a significant financing component when the period of time between when the Joint Venture transfers a promised good or service to a customer and when the customer pays for the good or service will be one year or less.

Apart from the adoption of ASC 606, the Joint Venture believes there have been no other significant changes during the six months ended September 30, 2019 to the items we previously disclosed as our critical accounting estimates in "Management's Discussion and Analysis of Financial Condition and Results of Operations".

### **Cautionary Notice Regarding Forward-Looking Statements**

This Quarterly Report contains "forward-looking statements" within the meaning of federal securities laws. Any statements made in this quarterly report that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plans and strategies. These statements often include words such as "anticipate," "expect," "suggest," "plan," "believe," "intend," "estimate," "target," "project," "should," "could," "would," "may," "will," "forecast," "outlook," "potential," "continues," "seeks," "predicts," and the negatives of these words and other similar expressions.

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## Table of Contents

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that factors affecting our actual financial results could cause actual results to differ materially from those expressed in the forward-looking statements. Factors that could materially affect our financial results or such forward-looking statements include, among others, the following factors:

- macroeconomic and industry trends and adverse developments in the debt, consumer credit and financial services markets;
- our ability to provide competitive services and prices while maintaining our margins;
- our ability to retain or renew existing customers and attract new customers;
- our ability to maintain the security and integrity of our data;
- our ability to deliver services timely without interruption;
- our ability to maintain our access to data sources;
- government regulation and changes in the regulatory environment;
- litigation or regulatory proceedings;
- our ability to effectively manage our costs;
- economic and political instability in the United States and international markets where we operate;
- our ability to effectively develop and maintain strategic alliances and joint ventures;
- our ability to timely develop new services and the market's willingness to adopt our new services;
- our ability to manage and expand our operations and keep up with rapidly changing technologies;
- our ability to make acquisitions and integrate the operations of acquired businesses;
- our ability to protect and enforce our intellectual property, trade secrets and other forms of unpatented intellectual property;
- our ability to defend our intellectual property from infringement claims by third parties;
- the ability of our outside service providers and key vendors to fulfill their obligations to us;
- further consolidation in our end-customer markets;
- losses against which we do not insure;
- our ability to make timely payments of principal and interest on our indebtedness;
- our ability to satisfy covenants in the agreements governing our indebtedness;
- our ability to maintain our liquidity;
- our reliance on key management personnel; and
- our controlling stockholders.

There may be other factors, many of which are beyond our control, that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed in the Registration Statement on Form S-1 (No. 333-230345) in the section entitled "Risk Factors" and in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. You should evaluate all forward-looking statements made in this report and the other public statements we may make from time to time in the context of these risks and uncertainties.

Our forward-looking statements made herein speak only as of the date on which made. We expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements made herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Change Healthcare Inc.**

Change Healthcare Inc. holds an equity method investment in the LLC Units of the Joint Venture as well as, following the consummation of the offering of TEUs on July 1, 2019, investments in the amortizing notes and prepaid forward purchase contracts components of the TEUs issued by the Joint Venture. In the case of the equity method investment in the Joint Venture, Change Healthcare Inc. is only exposed to changes in the fair value of the investment to the extent that the changes in fair value are so significant and long-lasting that they represented an other than temporary impairment of the investment. In the case of the investments in the amortizing note and prepaid forward purchase contracts components of the TEUs, however, such investments are required to be remeasured to their respective fair value each quarter with the changes in those values affecting earnings and other comprehensive income of Change Healthcare Inc.

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## Table of Contents

### **Change Healthcare LLC**

The Joint Venture has interest rate risk primarily related to borrowings under the Senior Secured Credit Facilities. Borrowings under the Senior Secured Credit Facilities bear interest at a rate equal to, at the Joint Venture's option, either (i) LIBOR for the relevant interest period, adjusted for statutory reserve requirements (which is subject, in the case of the Term Loan Facility, to a floor of 1.00% per annum and, in the case of the Revolving Credit Facility, to a floor of 0.00% per annum), plus an applicable margin or (ii) a base rate equal to the highest of (a) the rate of interest in effect as publicly announced by the administrative agent as its prime rate, (b) the federal funds effective rate plus 0.50% and (c) adjusted LIBOR for an interest period of one month plus 1.00% (which may be subject, solely in the case of the Term Loan Facility, to a floor of 2.00% per annum), in each case, plus an applicable margin.

As of September 30, 2019, the Joint Venture had borrowings of \$3,993.3 million (before unamortized debt discount) under the Senior Secured Credit Facilities. As of September 30, 2019, the LIBOR-based interest rate on the Term Loan Facility and Revolving Credit Facility were each LIBOR plus 2.5%.

The Joint Venture manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of our debt funding and the use of derivative financial instruments. Specifically, the Joint Venture enters into interest rate cap agreements to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Joint Venture's interest rate cap agreements are used to manage differences in the amount, timing and duration of our known or expected cash receipts and our known or expected cash payments principally related to our borrowings. As of September 30, 2019, the Joint Venture's outstanding interest rate cap agreements were each designated as cash flow hedges of interest rate risk and were determined to be highly effective.

A change in interest rates on variable rate debt may impact the Joint Venture's pretax earnings and cash flows. Based on the Joint Venture's outstanding debt as of September 30, 2019, and assuming that its mix of debt instruments, derivative financial instruments and other variables remain the same, the annualized effect of a one percentage point change in variable interest rates would have an annualized pretax impact on the Joint Venture's earnings and cash flows of approximately \$20.9 million.

In the future, in order to manage the Joint Venture's interest rate risk, it may refinance its existing debt, enter into additional interest rate cap agreements, modify its existing interest rate cap agreements or make changes that may impact its ability to treat its interest rate cap agreements as a cash flow hedge. However, the Joint Venture does not intend or expect to enter into derivative or interest rate cap agreement transactions for speculative purposes.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### ***Disclosure Controls and Procedures***

Change Healthcare Inc.'s management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. The term "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a 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 that such information is accumulated and communicated to management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosures.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving their desired control objectives. Based on the evaluation of Change Healthcare Inc.'s disclosure controls and procedures as of the end of the period covered by this report, its Chief Executive Officer and Chief Financial Officer concluded that, as of such date, its disclosure controls and procedures were effective at a reasonable assurance level.

##### ***Changes in Internal Control Over Financial Reporting***

During the quarter covered by this report, there have been no changes in Change Healthcare Inc.'s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

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**Table of Contents**

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

**Change Healthcare Inc.**

In the normal course of business, Change Healthcare Inc. may become subject to various claims and legal proceedings. As of September 30, 2019, Change Healthcare Inc. was not involved in any material pending legal proceedings.

**Change Healthcare LLC**

The Joint Venture is subject to various claims with customers and vendors, pending and potential legal actions for damages, investigations relating to governmental laws and regulations and other matters arising out of the normal conduct of its business.

From time to time, the Joint Venture receives subpoenas or requests for information from various government agencies. The Joint Venture generally responds to such subpoenas and requests in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Joint Venture. Such subpoenas and requests also can lead to the assertion of claims or the commencement of civil or criminal legal proceedings against the Joint Venture and other members of the health care industry, as well as to settlements.

Additionally, in the normal course of business, the Joint Venture is involved in various claims and legal proceedings. While the ultimate resolution of these matters has yet to be determined, the Joint Venture does not believe that it is reasonably possible that their outcomes will have a material adverse effect on the Joint Venture's consolidated financial position, results of operations or liquidity.

To reduce their exposure to an unexpected significant monetary award resulting from an adverse judicial decision, both Change Healthcare Inc. and Change Healthcare LLC maintain insurance that they believe is appropriate and adequate based on historical experience. Both Change Healthcare Inc. and Change Healthcare LLC advise their insurance carriers of any claims, threatened or pending, against them in the course of litigation and generally receives a reservation of rights letter from the carriers when such claims exceed applicable deductibles.

**ITEM 1A. RISK FACTORS**

In addition to the other information included in this report, you should carefully consider the factors discussed in "Risk Factors" included in the Registration Statement on Form S-1 (No. 333-230345), as well as the factors identified under "Cautionary Notice Regarding Forward-Looking Statements" at the end of Part I, Item 2 of this Quarterly Report, which could materially affect the Change Healthcare Inc.'s or the Joint Venture's business, financial condition or future results. The risks described in the Registration Statement on Form S-1 and this Quarterly Report are not the only risks Change Healthcare Inc. or the Joint Venture face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or operating results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. MINE SAFETY DISCLOSURES**

None

**ITEM 5. OTHER INFORMATION**

None

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## Table of Contents

### ITEM 6.EXHIBITS

The exhibits listed on the accompanying Exhibit Index are filed, furnished or incorporated by reference (as stated therein) as part of this Quarterly Report.

#### Exhibit Index

3.1	<u>Amended and Restated Certificate of Incorporation of Change Healthcare Inc., dated as of June 26, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on July 2, 2019).</u>
3.2	<u>Amended and Restated Bylaws of Change Healthcare Inc., dated as of June 26, 2019 (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed on July 2, 2019).</u>
4.1	<u>Purchase Contract Agreement, dated as of July 1, 2019, between Change Healthcare Inc. and U.S. Bank N.A., as purchase contract agent, as attorney-in-fact for the Holders from time to time as provided therein and as trustee under the indenture referred to therein (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on July 2, 2019).</u>
4.2	<u>Form of Unit (included in Exhibit 4.1).</u>
4.3	<u>Form of Purchase Contract (included in Exhibit 4.1).</u>
4.4	<u>Indenture, dated as of July 1, 2019, between Change Healthcare Inc. and U.S. Bank N.A., as trustee (incorporated by reference to Exhibit 4.4 to the Company's Form 8-K filed on July 2, 2019).</u>
4.5	<u>First Supplemental Indenture, dated as of July 1, 2019, between Change Healthcare Inc. and U.S. Bank N.A., as trustee (incorporated by reference to Exhibit 4.5 to the Company's Form 8-K filed on July 2, 2019).</u>
10.1	<u>Change Healthcare LLC Annual Incentive Plan (AIP) Amended and Restated as of September 18, 2019.</u>
10.2	<u>Change Healthcare LLC U.S. Executive Severance Benefit Guidelines (Amended and Restated September 18, 2019).</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).</u>
32.1	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u>
32.2	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u>
99.1	<u>Condensed financial information of Change Healthcare LLC as of September 30, 2019 and March 31, 2019, and for the six months ended September 30, 2019 and 2018.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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## Table of Contents

Certain agreements and other documents filed as exhibits to this Form 10-Q contain representations and warranties that the parties thereto made to each other. These representations and warranties have been made solely for the benefit of the other parties to such agreements and may have been qualified by certain information that has been disclosed to the other parties to such agreements and other documents and that may not be reflected in such agreements and other documents. In addition, these representations and warranties may be intended as a way of allocating risks among parties if the statements contained therein prove to be incorrect, rather than as actual statements of fact. Accordingly, there can be no reliance on any such representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of any such representations and warranties may have changed since the date of such agreements and other documents.

## **SIGNATURES**

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

Change Healthcare Inc.

November 14, 2019

By /s/ Neil E. de Crescenzo

Neil E. de Crescenzo  
Chief Executive Officer and Director  
(Principal Executive Officer)

November 14, 2019

By /s/ Fredrik Eliasson

Fredrik Eliasson  
Executive Vice President, Chief Financial Officer  
(Principal Financial Officer)

**Change Healthcare LLC  
Annual Incentive Plan (AIP)  
Amended and Restated as of September 18, 2019**

1. **Purpose.** The purpose of the Change Healthcare LLC Annual Incentive Plan (the "Plan") is to provide an incentive to eligible employees of Change Healthcare LLC and its participating subsidiaries (collectively, the "Company") who contribute to the success of the enterprise. The Plan offers eligible employees an opportunity to earn compensation in addition to their base salaries, based upon the performance of the Company (including its Business Units) and their individual performance.
2. **Plan Administration.** The Compensation Committee of the Board of Directors (the "Board") of the Company (the "Committee"), in consultation with the Chief Executive Officer of the Company (the "CEO"), shall administer the Plan. The CEO shall oversee and interpret any and all aspects of the Plan (including the amount payable to any individual participant) and may delegate any responsibilities under the Plan to the Chief People Officer ("CPO") of the Company. The CEO (other than with respect to himself) shall make final recommendations to the Committee regarding both the amount and the timing of any bonus payments pursuant to the Plan. The Committee shall review and approve the CEO's recommendations. If an employee believes that he/she has been paid incorrectly or denied payment incorrectly under the Plan, the employee must provide written notice to the CPO (the "appeal") within thirty (30) days of the date of the incorrect payment or payment refusal. The CEO has the sole unilateral discretion and authority to accept or reject an appeal, whether to modify or make a payment in response to an appeal, to interpret and apply the Plan and any and all language contained in the Plan, and to determine the amount of payment. Any and all decisions made by the CEO are final.
3. **Plan Year.** The Plan shall be effective from April 1 of each fiscal year of the Company through March 31 of such fiscal year (each, a "Plan Year").
4. **Participant Eligibility.** Employees eligible to participate in the Plan generally include regular full-time employees, unless state, local, province, or territorial laws requires additional employee participation, and an eligible employee selected to participate in the Plan is referred to as a "Participant". A Participant must be employed and meet the eligibility criteria before the Participation Deadline to be eligible to participate in the Plan for that year.

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Generally, individuals who are ineligible to participate in the Plan include the following:

- Temporary employees, independent contractors and consultants
- Employees located in the United States who do not have a signed Company Protection Agreement on file with the Company
- Anyone not actively employed on the date the Actual Awards are distributed (except as described in this Plan summary)
- Any other employee that does not meet the eligibility criteria above

5. **Annual Incentive Potential.** The target bonus potential ("Annual Incentive Plan or AIP Target Percentage") is calculated as a percentage of the Participant's Annual Base Salary as of the last day of the Plan Year to which the bonus relates. If a Participant no longer participates in the Plan due to a change in job during the Plan Year, the AIP Target Percentage is calculated as a percentage of the Participant's Annual Base Salary as of the last day of the Plan Year on which the individual was a Participant in the Plan. If a Participant changes from full-time to part-time or vice versa during the Plan year, then the AIP Target Percentage is calculated based on the different employment percentages applicable during the Plan Year. The guidelines for determining AIP Target Percentage are based on the level of the job the employee is assigned. These guidelines, however, may be adjusted to reflect the significance, scope and level of accountability for a given job. Adjustments (increases or reductions) to the AIP Target Percentage levels may be made at the discretion of the CEO or the CPO of the Company. Additionally, certain AIP Target Percentage levels are set forth in written employment agreements. As such, these written agreements shall be controlling.
6. **Performance Targets.** The funding and payment of bonuses is based upon performance metrics established by the Committee. Unless and until otherwise specified by the Committee, the three Plan components are the Company Performance Targets, Business Unit Performance Targets and Individual Performance Measures. Calculation of Actual Awards shall be based on the achievement of multiple objectives. Each objective has a threshold, target and a maximum level of performance. For each objective, the bonus payment shall range from zero to a maximum percentage based on the level of performance for that objective.
  - a. Company Performance Targets. Payments are contingent upon the Company achieving the Company Performance Targets as shall be set by the Committee within the first ninety days of a Plan Year. If, and when, bonuses are declared, financial calculations shall be made to determine the funding level for Participants based upon the Company Performance Targets.
  - b. Business Unit Performance Targets. For those eligible employees whose job responsibilities are primarily related to a particular Business Unit, payments for a portion of the Participant's bonus amount are contingent upon the Business Unit, achieving the applicable Performance Targets as shall be set by the Committee with respect to each Plan Year. If, and when, bonuses are declared, financial calculations shall be made to determine a funding level for each Business Unit.



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- c. **Individual Performance Measures.** Each Participant shall have one or more Individual Performance Measures. Individual Performance Measures may be quantitative, qualitative or both. Once the Company and/or the Business Unit have achieved their performance goals, a Participant's Individual Performance Measures, taken as a whole with the Company and/or Business Unit performance, shall determine the amount of the Participant's Actual Award. Individual bonus potential can be greatly impacted by the level of achievement of Individual Performance Measures as determined by each Participant's manager. Actual Awards shall be adjusted, at each Participant's manager's discretion, to reflect the Participant's individual contribution to the achievement of Company Performance Targets and Business Unit Performance Targets and the Participant's Individual Performance Measures. A Participant's manager shall review and approve, modify or disapprove the Actual Award, if any, to be paid to a Participant for the Plan Year, and reserves the right to reduce or increase or eliminate the individual payments determined according to the above method.
7. **Prorations.** If an employee, not previously eligible for participation in the Plan, moves to a job and becomes eligible for participation in the Plan, the employee's Actual Award shall be calculated as a prorated portion of the annual bonus relevant to that Plan Year based upon the employee's first date of eligibility. If a person otherwise eligible for participation in the Plan becomes an employee of the Company during the Plan Year, the employee's Actual Award shall be calculated as a prorated portion of the annual bonus for that Plan Year based upon the employee's first date of employment. If a Participant is transferred to a new job during the Plan Year with a higher or lower AIP Target Percentage, the determination of the Participant's Actual Award shall be calculated based on the two different AIP Target Percentages, prorated for each AIP Target Percentage based on the date of the change in job. If a Participant is transferred to a new job during the Plan Year with a higher or lower Business Unit Performance Target, the determination of the Participant's Actual Award shall be calculated based on the different Performance Targets, prorated for each Business Unit Performance Target, based on the date of the change in job within that Plan Year. If a Participant no longer participates in the Plan due to a change in job during the Plan Year, the employee shall be eligible to receive a prorated award based on the period of participation in the Plan; provided, that the employee must continue to meet the "Conditions For Receiving Payment" set forth below. Such prorated award shall be paid at the same time as awards are made to other Participants under the Plan.
8. **Payout and Taxation.** The Company anticipates any bonus amounts earned under the Plan for each Plan Year shall be paid in a lump sum around June of the year following that Plan Year after completion of audited financial statements for the Plan Year and final executive and Committee approval but in any event, bonus amounts earned under the Plan, if any, shall be paid prior to March 15 of the calendar year following the end of the Plan Year to which such bonus amounts relate. Specific provisions regarding distribution

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are outlined below under the "Conditions for Receiving Payment" section of the Plan. Payroll taxes shall be withheld from the bonus award, or remitted to tax authorities, subject to and in accordance with law. Actual Awards that Participants receive shall be reported as income in the year in which they are paid, in accordance with applicable law.

9. **Conditions for Receiving Payment.** No Actual Awards under this Plan shall be paid to any Participant if employment is terminated, whether voluntary or involuntary, prior to the actual payment distribution date, except as described in Section 10 of this Plan summary or to the extent required by applicable law. However, the Company retains the authority to make exceptions to the foregoing policy in unusual or meritorious cases including, but not limited to, the death of a Participant during the Plan Year, termination of employment due to total or partial disability, call to active military service or retirement with the written consent of the Company. For clarity, a Participant is considered an active employee of the Company during any notice period, whether based on a written employment agreement, the applicable local employment or labor laws, or the common or civil law ("Notice Period") if the Participant continues working during the Notice Period, regardless of why that Participant's employment is terminated. However, if a Participant receives a payment in lieu of notice, instead of working during the Notice Period, the employee will not be considered an active employee during the Notice Period and the last day worked is considered the termination date for purposes of the Plan.
10. **Effect of Termination of Employment.** Except as expressly set forth in this section, a Participant must be an active employee of the Company on the date the Actual Awards are distributed to Participants to be eligible to receive any payment under the Plan.
  - a. **Death or Long-Term Disability.** If a Participant's employment is terminated by the Company due to death or Long-Term Disability during the Plan Year, the Participant shall be entitled to receive a prorated portion of the Actual Award, with proration based on the date of termination of employment within the Plan Year.
  - b. **Retirement.** If a Participant's employment is terminated due to Retirement on or after the Participation Deadline, the Participant shall be entitled to receive a prorated portion of the Actual Award, with proration based on the date of termination of employment within the Plan Year.
  - c. **Other Qualifying Terminations.** If a Participant's employment is terminated due to a Qualifying Termination on or after the Participation Deadline, the Participant shall be entitled to receive a prorated portion of the Actual Award, with proration based on the date of termination of employment within the Plan Year.

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11. **Limitations and/or Adjustments.** Payment of an Actual Award under the Plan is not an integral part of a Participant's compensation package. A Participant's base salary compensates them for the expected results of any given job role within the Company. Payment of an Actual Award is at the discretion of the Company. For the avoidance of doubt, the Plan is discretionary by nature, and unless the provincial labor/employment standards legislation applicable in the province of employment where the Participant works requires otherwise in the specific circumstance, awards made under the Plan shall not be deemed a portion of a Participant's compensation for any purpose whatsoever, including without limitation, when calculating a Participant's entitlements to termination pay, severance pay or other amounts payable upon termination of employment. Participation in a Plan Year does not guarantee payment of an award under the Plan for that Plan Year and Participation in one Plan Year does not guarantee participation in any subsequent Plan Year. The Company reserves the right to review, amend, suspend and/or terminate the Plan, the incentive calculation formulas and all other aspects of the Plan at any time. Plan changes shall be based on a determination of the Company's business needs and do not require prior notification or explanation to Participants. A Participant's participation in the Plan shall not be construed as an employment contract or as a promise of continuing employment between the Company and the Participant. Employment with the Company is terminable at will, unless an employment contract or state, local, province, or territorial laws requires otherwise.
  12. **Active Employment Eligibility.** If a Participant takes any type of approved leave of absence for less than (12) consecutive weeks during the Plan Year, this period of time will be included in the calculation of the award. If a Participant takes any type of approved leave of absence for (12) consecutive weeks during the Plan Year or more, the period of time in excess of (12) weeks will not be considered in the Participant's Actual Award calculation, unless an employment contract or state, local, province, or territorial laws requires otherwise.
  13. **Section 409A.** The payments made under this Plan to Participants subject to U.S. taxes are intended be exempt from with Section 409A of the Internal Revenue Code of 1986, as amended, and applicable guidance issued thereunder ("Section 409A"). Payments made under this Plan shall be interpreted and construed to be distributed in the short-term deferral period, as defined under Treasury Regulation section 1.409A-1(b)(4). Notwithstanding any provision of this Plan to the contrary, this Plan shall be interpreted and construed consistent with the terms set forth in this Section 13, provided that the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer this Plan so that it shall be exempt from the requirements of Section 409A, the Company does not represent or warrant that this Plan shall be exempt from Section 409A or any other provision of federal, state, local, or non-United States law. The Company, or either of its directors, officers, employees or advisers shall not be liable to the Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant may owe as a result of compensation paid under this Plan, and shall have no obligation to indemnify or otherwise protect the Participant from the obligation to pay any taxes pursuant to Section 409A.

14. **Clawback.** Any payment made under this Plan shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (i) any clawback, forfeiture or similar policy adopted by the Company, whether in existence as of the effective date of the Plan or later adopted by the Company) and (ii) any applicable law or government regulation. Further, unless otherwise determined by the Committee, to the extent that the Participant receives any amount in excess of the amount that the Participant should otherwise have received under the terms of the Plan for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Participant shall be required to repay any such excess amount to the Company. The Company will make any determination for clawback, forfeiture or recovery in its sole discretion and in accordance with any applicable law, government regulation or Company policy, as applicable. By participating in this Plan the Participant consents to such deductions being made by the Company.
15. **Change in Control.** In connection with a Change in Control, the Committee shall have the discretion to make changes to the Plan and awards hereunder as the Committee, in its sole discretion, deems to be equitable and appropriate.
16. **Definitions.**
  - a. **"Actual Award"** means the finally determined amount payable to a Participant under the Plan for a Plan Year.
  - b. **"Affiliate"** means any Person that directly or indirectly controls, is controlled by, or is under common control with Change Healthcare Inc. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract, or otherwise.
  - c. **"Annual Base Salary"** means annual rate of pay as of the last day of the Plan year for exempt Participants. For non-exempt Participants, this is the hourly rate of pay annualized for the number of hours worked during the Plan Year.
  - d. **"Change in Control"** means (i) the acquisition (whether by purchase, merger, consolidation, combination, or other similar transaction) by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% (on a fully diluted basis) of either (A) the then-outstanding

shares of Common Stock, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, the exchange of exchangeable stock or units, and the exercise of any similar right to acquire such Common Stock; or (B) the combined voting power of the then-outstanding voting securities of Change Healthcare Inc. entitled to vote generally in the election of directors, in the case of each of the foregoing clauses (A) and (B) assuming that all Units (as defined in the Company LLC Agreement) held by MCK Members (as defined in the Company LLC Agreement) had been exchanged for an equal number of shares of Common Stock; provided, however, that for purposes of the Plan, the following acquisitions shall not constitute a Change in Control: (I) any acquisition by Change Healthcare Inc. or any Affiliate; (II) any acquisition by any employee benefit plan sponsored or maintained by Change Healthcare Inc. or any Affiliate; or (III) any acquisition in connection with a Qualified MCK Exit (as defined in the Company LLC Agreement); (ii) during any period of 12 months, individuals who, at the beginning of such period, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; provided, that any Person becoming a director subsequent to the effective date of the Plan, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of Change Healthcare Inc. in which such Person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest, as such terms are used in Rule 14a-12 of Regulation 14A promulgated under the Exchange Act, with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall be deemed to be an Incumbent Director; or (iii) the sale, transfer, or other disposition of all or substantially all of the assets of Change Healthcare Inc. and the Company (taken as a whole) to any Person that is not an Affiliate of Change Healthcare Inc. or the Company.

- e. "Common Stock" means the common stock of Change Healthcare Inc., par value \$0.001 per share (and any stock or other securities into which such Common Stock may be converted or into which it may be exchanged).
- f. "Company LLC Agreement" means the Third Amended and Restated Limited Liability Company Agreement of Change Healthcare LLC, dated as of March 1, 2017.
- g. "Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto. Reference in the Plan to any section of (or rule promulgated under) the Exchange Act shall be deemed to include any rules, regulations, or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations, or guidance.

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- h. "Long-Term Disability" shall mean the Company or its affiliates having cause to terminate a Participant's employment or service on account of "disability," as defined in any written employment agreement then in effect between the Participant and the Company or an affiliate, or in the absence of such an agreement, a condition entitling the Participant to receive benefits under a long-term disability plan of the Company or an affiliate or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a Participant was employed or served when such disability commenced or, as determined by the Company based upon medical evidence acceptable to it.
  - i. "Participation Deadline" with respect to a Plan Year shall mean January 1 of the Plan Year.
  - j. "Person" means any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).
  - k. "Qualifying Termination" means a termination of employment eligible to receive benefits under the Company's Severance Guidelines or Executive Severance Guidelines in accordance with the terms and conditions of such guidelines as may be amended from time to time.
  - l. "Retirement" means, unless otherwise set forth in an employment agreement with a Participant or specifically defined under local law for the purposes of payment of compensation for services, termination from the Company with age of at least 65.
17. **Governing Law.** For employees on U.S. payroll, the laws of the state of Tennessee shall govern all questions concerning the construction, validity and interpretation of the Plan, without regard to the state of Tennessee's conflict of laws rules.
- For International employees, the laws of the country where the Participant permanently resides shall govern all questions concerning the construction, validity and interpretation of the Plan, without regard to the Country of Residence's conflict of laws rules.

**CHANGE HEALTHCARE LLC  
U.S. EXECUTIVE SEVERANCE BENEFIT GUIDELINES  
(AMENDED AND RESTATED SEPTEMBER 18, 2019)**

**1. INTRODUCTION.**

The terms of the Change Healthcare LLC Executive Severance Benefit Guidelines (the “*Guidelines*”) are set forth below. The purpose of the Guidelines is to provide a framework to be used in the event that any of the Change Healthcare LLC, Participating Companies (collectively, the “*Company*”) decides to award severance to Eligible Executives who have a Qualifying Termination and who do not have a contractual entitlement to Severance Benefits. The determination as to which Executive is eligible to receive Severance Benefits in the event of a Qualifying Termination is within the Company’s sole discretion. The Company may amend, modify or terminate these Guidelines at any time with or without notice to Executives, including without limitation the right to establish Severance Benefits on an action by action basis in its sole discretion.

**2. EFFECTIVE DATE.**

These Guidelines are effective as of February 1, 2018. These Guidelines supersede any plan, program, guidelines, policy or arrangements previously in effect for the Executives by which Severance Benefits would be provided by the Company, with the exception of Executives who have entered into an individual employment agreement with the Company that provides for Severance Benefits.

**3. ELIGIBILITY FOR SEVERANCE BENEFITS.**

(a) **General Rules.** An executive of the Company in the executive career band “E”, who is a U.S. Eligible Paid Executive is entitled to receive Severance Benefits, subject to the conditions and requirements set forth in these Guidelines. These guidelines do not apply to the Chief Executive Officer.

(b) **Definitions.** The following definitions shall apply to these Guidelines:

(i) “**Affiliate**” means any Person that directly or indirectly controls, is controlled by, or is under common control with Change Healthcare Inc. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract, or otherwise.

(ii) **"Cause"** means the following: (A) the Executive's violation of any federal or state law or regulation applicable to the business of the Company or its affiliates; (B) the Executive being convicted of, or entering a plea of nolo contendere to any crime or committing any act of moral turpitude; (C) the Executive engaging in any act of dishonesty, fraud or misrepresentation; (D) the breach of any agreement between the Executive and the Company (or any affiliate of the Company), including but not limited to a breach of a restrictive covenant agreement; (E) the Executive's habitual or willful neglect of duties; (F) the Executive's breach of any duties owed to the Company, including but not limited to fiduciary duty and duty of care; or (G) the Executive's failure to perform his or her assigned duties or responsibilities (other than a failure resulting from the Executive's disability) after notice thereof from the Company describing the Executive's failure to perform such duties or responsibilities. Notwithstanding the foregoing, if "Cause" is defined in an employment agreement between the Company and Executive then the meaning of "Cause" in the employment agreement shall apply.

(iii) **"Change in Control"** means (i) the acquisition (whether by purchase, merger, consolidation, combination, or other similar transaction) by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% (on a fully diluted basis) of either (A) the then-outstanding shares of Common Stock, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, the exchange of exchangeable stock or units, and the exercise of any similar right to acquire such Common Stock; or (B) the combined voting power of the then outstanding voting securities of Change Healthcare Inc. entitled to vote generally in the election of directors, in the case of each of the foregoing clauses (A) and (B) assuming that all Units (as defined in the Company LLC Agreement) held by MCK Members (as defined in the Company LLC Agreement) had been exchanged for an equal number of shares of Common Stock; provided, however, that for purposes of the Plan, the following acquisitions shall not constitute a Change in Control: (I) any acquisition by Change Healthcare Inc. or any Affiliate; (II) any acquisition by any employee benefit plan sponsored or maintained by Change Healthcare Inc. or any Affiliate; or (III) any acquisition in connection with a Qualified MCK Exit (as defined in the Joint Venture LLC Agreement); (ii) during any period of 12 months, individuals who, at the beginning of such period, constitute the Board of Directors of Change Healthcare Inc. (the **"Board,"** the **"Incumbent Directors"**) cease for any reason to constitute at least a majority of the Board; provided, that any Person becoming a director subsequent to the Effective Date, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a



specific vote or by approval of the proxy statement of Change Healthcare Inc. in which such Person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest, as such terms are used in Rule 14a-12 of Regulation 14A promulgated under the Exchange Act, with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall be deemed to be an Incumbent Director; or (iii) the sale, transfer, or other disposition of all or substantially all of the assets of Change Healthcare Inc. and the Company (taken as a whole) to any Person that is not an Affiliate of Change Healthcare Inc. or the Company.

(iv) **"COBRA Continuation"** means the continuation of medical, dental and/or vision benefits under the Company-sponsored group health plan that an Executive who is enrolled in such group health plan may elect pursuant to the requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985 (commonly known as COBRA).

(v) **"COBRA Subsidy"** means, subject to the Eligible Executive being eligible to elect COBRA Continuation coverage, the Company's payment, in lump sum, of the amount equal to the cost of such Eligible Executive's COBRA Continuation premiums that the Company and Eligible Executive would pay if he or she elects COBRA Continuation for the number of months specified in Schedule A, as attached to these Guidelines.

(vi) **"Code"** means the Internal Revenue Code, as amended from time to time.

(vii) **"Common Stock"** means the common stock of Change Healthcare Inc., par value \$0.001 per share (and any stock or other securities into which such Common Stock may be converted or into which it may be exchanged).

(viii) **"Company"** means Change Healthcare LLC.

(ix) **"Company LLC Agreement"** means the Third Amended and Restated Limited Liability Company Agreement of Change Healthcare LLC, dated as of March 1, 2017.

(x) **"Comparable Employment"** means a position with the Company that is similar in job authority, duties, reporting structure, responsibilities, and is located within 50 miles of the Executive's current worksite or with a relocation package; and with a salary equal to or greater than the Executive's current salary.

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(xi) **"Eligible Executive"** means an Executive of the Company who has a Qualifying Termination. It is within the sole discretion of the Company to determine whether an Executive is an Eligible Executive.

(xii) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended, and any successor thereto. Reference in the Guidelines to any section of (or rule promulgated under) the Exchange Act shall be deemed to include any rules, regulations, or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations, or guidance.

(xiii) **"Executive"** means an employee of the Company at the E Compensation Grade.

(xiv) **"Guidelines"** means these Change Healthcare LLC Executive Severance Benefits Guidelines, as amended from time to time.

(xv) **"Participating Companies"** means any subsidiary or affiliate of Change Healthcare LLC, that is owned by no less than an 80% interest by Change Healthcare LLC, or any of its subsidiaries.

(xvi) **"Person"** means any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

(xvii) **"Qualifying Termination"** means that the Company involuntarily terminates without Cause the employment of an Executive, or any other constructive termination that the Executive and the Company have agreed constitutes a Qualifying Termination. It is within the sole discretion of the Company to determine whether a termination is a Qualifying Termination.

(xviii) **"Release"** means a waiver and release in favor of the Company and on the form provided by the Company. The waiver and release will apply to all claims, known and unknown, relating to the Executive's employment with the Company through and including the date of execution. The contents of the general release will vary, depending on the state in which the affected Executive resides, the age of the Executive, and whether two or more employees are affected by the same action.

(xix) **"Severance Benefits"** means the amount of payments that an Eligible Executive may receive under these Guidelines.

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(c) **Eligibility.** In order to be eligible to receive Severance Benefits under these Guidelines, an Eligible Executive must not fall under one of the exceptions, as set forth in Section 3(d) of these Guidelines, and fulfill the following:

- (i) be actively employed until his or her date of termination as scheduled by the Company unless otherwise indicated by the Company.
- (ii) must execute and return a Release in accordance with the time periods set forth in the release agreement.

(d) **Exceptions.** An Executive who otherwise is an Eligible Executive will not receive Severance Benefits in any of the following circumstances:

(i) The Executive has executed an individually negotiated employment contract or agreement with the Company, which includes the provision of Severance Benefits upon his or her termination. Such Executive's Severance Benefits, if any, shall be governed by the terms of such individually negotiated employment contract or agreement. If these Guidelines would provide the Executive more benefits than the Executive's individual agreement, the Company may, at its sole discretion, offer the Executive the amount set forth herein;

(ii) The Executive voluntarily terminates employment with the Company. Voluntary terminations include, but are not limited to, resignation and retirement;

(iii) The Executive rejects an offer of Comparable Employment with the Company;

(iv) In connection with a Change in Control between the Company and another entity, the surviving entity (a "*Successor Employer*") employs Executive for the period of time outlined in Schedule A as attached to these Guidelines, after the Change in Control in the same position as he or she held immediately prior to the Change in Control or offers Comparable Employment to Executive.

If, during any period, the Company has not regarded an individual as an employee of the Company and, for that reason, has not withheld employment taxes with respect to that individual, then that individual shall not be an Eligible Executive for that period, even in the event that the individual is determined, retroactively, to have been an employee of the Company during all or any portion of that period.

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**4. AMOUNT OF SEVERANCE BENEFITS.**

Schedule A, attached to these Guidelines, sets forth the amount of the Severance Benefits that an Eligible Executive may receive pursuant to these Guidelines.

**5. EQUITY.**

When the Eligible Executive terminates employment, any outstanding stock options, restricted stock units or other equity grants will be treated as set forth in the applicable equity incentive plan and award agreements and/or any other related documents.

**6. OTHER EMPLOYMENT BENEFITS.**

(a) **COBRA Continuation.** Each Eligible Executive who is enrolled in a Company-sponsored health, dental or vision plan will be eligible for COBRA Continuation coverage. The Company will notify the individual of any such right to continue health coverage.

(b) **Other Employee Benefits.** All non-health benefits (such as life insurance and disability coverage) will terminate as of the Executive's last day of being physically present on the job, the last day of active employment with the Company, or the date of termination, as determined by the applicable plan documents and/or the Company in its sole discretion (except to the extent that the Executive elects and pays for any conversion privilege available). The Executive's right to benefits under the Company's 401(k) plan shall be determined exclusively by the plan and any of its related agreements.

(c) **Coordination with Other Plans.** Any Severance Benefits payable to the Eligible Executive under these Guidelines will not be counted as compensation for purposes of determining benefits under any other benefit policies or plans of the Company, except to the extent expressly provided therein.

**7. TIME AND FORM OF PAYMENT.**

Subject to the terms and conditions set forth in these Guidelines, Severance Benefits will be paid in a single lump sum on the first payroll date following the effective date of the Release, except as otherwise provided in Schedule A, as attached to these Guidelines. No Severance Benefits will be paid or provided until the expiration of any applicable revocation period. In no event will any Severance Benefits be paid or provided under these Guidelines if the Release does not become effective by fifteen (15) days prior to (i) the end of the short-term deferral period as defined in Treasury Regulation § 1.409A-1(b)(4) or (ii) the end of the second calendar year following the year in which the separation occurs, if the Severance Benefits are less than the maximum amount provided under Treasury Regulation § 1.409A-1(b)(9)(iii)(A).

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**8. NON-DUPLICATION OF BENEFITS.**

There will be no duplication of severance benefits that the Company or any of its affiliates pay or provide to the Eligible Executive, and that the Severance Benefits provided under these Guidelines are in lieu of any severance benefits for which the Eligible Executive might otherwise have been eligible under any plan, program, guidelines, policy or arrangement of the Company or any of its affiliates. To the extent necessary to avoid duplication of benefits, Severance Benefits paid or provided under these Guidelines will be reduced to offset severance benefits paid or provided to the Eligible Executive under any other plan, program, guidelines, policy or arrangement of the Company or any of its affiliates. Notwithstanding the foregoing, an Executive who has an employment agreement, in effect with the Company at the time of his or her termination of employment, that provides for severance payments and/or benefits shall not be eligible to be an Eligible Executive and shall not receive any Severance Benefits under these Guidelines.

**9. NOTICE.**

The Company may give at least two (2) weeks' non-working notice in advance of termination at the Company's sole discretion. If the effective date of the termination is immediate, then the Company may pay the Eligible Executive(s) an amount equal to two (2) weeks' salary in lieu of notice. However, the provision of notice and/or notice pay is at the Company's sole discretion, unless notice and/or notice pay is required by applicable law.

**10. NO IMPLIED EMPLOYMENT CONTRACT.**

Nothing in these Guidelines shall be deemed (a) to give any Executive any right to be retained in the employ of the Company, or (b) to interfere with the right of the Company to discharge any Executive at any time and for any reason, which right is hereby reserved. Nothing contained in these Guidelines alters or amends an Executive's status as an at-will employee. As an at-will employee, either the Executive or the Company may terminate the employment relationship with or without cause, with or without advance notice.

## 11. REEMPLOYMENT.

If an Eligible Executive receives Severance Benefits pursuant to these Guidelines and is subsequently reemployed by the Company in reasonably Comparable Employment, such Eligible Executive shall be obligated to repay the Company any portion of Severance Benefits received that is in excess of the time the he or she was separated from the Company. For purposes of determining the repayment obligation, the Severance Benefits shall be converted to a "**Weekly Benefit Amount**," which shall be calculated by dividing the Severance Benefits paid by the number of weeks of base salary payments that the Eligible Executive received as set forth in Schedule A, as attached to these Guidelines. The Weekly Benefit Amount multiplied by the number of whole weeks the Eligible Executive was separated from the Company shall be deducted from the total amount of Severance Benefits paid, and such Eligible Executive shall repay to the Company the difference between the two amounts.

## 12. Section 280G of the Code.

(a) Notwithstanding any other provision of these Guidelines or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates to the Eligible Executive or for the Eligible Executive's benefit pursuant to the terms of these Guidelines or otherwise ("**Covered Payments**") constitute parachute payments ("**Parachute Payments**") within the meaning of Section 280G of the Code and would, but for this Section 12 be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "**Excise Tax**"), then prior to making the Covered Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to the Eligible Executive of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to the Executive if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the Covered Payments be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax (that amount, the "**Reduced Amount**"). "**Net Benefit**" shall mean the present value of the Covered Payments net of all federal, state, local, foreign income, employment and excise taxes.

(b) Any such reduction shall be made in accordance with Section 409A of the Code and the following:

(i) the Covered Payments which do not constitute nonqualified deferred compensation subject to Section 409A of the Code shall be reduced first; and

(ii) all other Covered Payments shall then be reduced as follows: (A) cash payments shall be reduced before non-cash payments; and (B) payments to be made on a later payment date shall be reduced before payments to be made on an earlier payment date.

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(c) Any determination required under this Section 12, including whether any payments or benefits are parachute payments, shall be made by the Company (or an accounting firm that the Company selects) in its sole discretion. The Eligible Executive shall provide the Company with such information and documents as the Company may reasonably request in order to make a determination under this Section 12. The Company's determination shall be final and binding on the Eligible Executive.

(d) It is possible that after the determinations and selections made pursuant to this Section 12 the Eligible Executive will receive Covered Payments that are in the aggregate more than the amount provided under this Section 12 ("*Overpayment*") or less than the amount provided under this Section 12 ("*Underpayment*").

(i) In the event that: (A) the Company determines, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Eligible Executive which the Company believes has a high probability of success, that an Overpayment has been made or (B) it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that has been finally and conclusively resolved that an Overpayment has been made, then the Eligible Executive shall pay any such Overpayment to the Company together with interest at the applicable federal rate (as defined in Section 7872(f)(2)(A) of the Code) from the date of the Eligible Executive's receipt of the Overpayment until the date of repayment.

(ii) In the event that: (A) the Company, based upon controlling precedent or substantial authority, determine that an Underpayment has occurred or (B) a court of competent jurisdiction determines that an Underpayment has occurred, any such Underpayment will be paid promptly by the Company to or for the benefit of the Eligible Executive together with interest at the applicable federal rate (as defined in Section 7872(f)(2)(A) of the Code) from the date the amount would have otherwise been paid to the Eligible Executive until the payment date.

(e) Notwithstanding the foregoing, the Company in its sole discretion may choose to put the Parachute Payments to a shareholder vote in accordance with Section 280G(b)(5)(B) and the regulations promulgated thereunder.

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### 13. GENERAL PROVISIONS.

(a) **Severability.** The invalidity or unenforceability of any provision of these Guidelines shall not affect the validity or enforceability of any other provision of the Guidelines. If any provision of these Guidelines is held by a court of competent jurisdiction to be illegal, invalid, void or unenforceable, such provision shall be deemed modified, amended and narrowed to the extent necessary to render such provision legal, valid, and enforceable, and the other remaining provisions of these Guidelines shall not be affected but shall remain in full force and effect.

(b) **Headings and Subheadings.** Headings and subheadings contained in these Guidelines are intended solely for convenience and no provision of these Guidelines is to be construed by reference to the heading or subheading of any section or paragraph.

(c) **Unfunded Obligations.** The amounts to be paid to Eligible Executives under these Guidelines are unfunded obligations of the Company. The Company is not required to segregate any monies or other assets from its general funds with respect to these obligations. Eligible Executives shall not have any preference or security interest in any assets of the Company other than as a general unsecured creditor.

(d) **Successors.** These Guidelines will be binding upon any successor to the Company, its assets, its businesses or its interest, in the same manner and to the same extent that the Company would be obligated under the Guidelines if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by these Guidelines, the Company shall require any successor to the Company to expressly and unconditionally assume these Guidelines in writing and honor the obligations of the Company hereunder, in the same manner and to the same extent that the Company would be required to perform if no succession had taken place. All payments and benefits that become due to an Eligible Executive under these Guidelines will inure to the benefit of his or her heirs, assigns, designees, or legal representatives.

(e) **Transfer and Assignment.** Neither an Eligible Executive nor any other person shall have any right to sell, assign, transfer, pledge, anticipate or otherwise encumber, transfer, hypothecate or convey any amounts payable under these Guidelines prior to the date that such amounts are paid, except that, in the case of an Eligible Executive's death, such amounts shall be paid to his or her estate.

(f) **Waiver.** Any party's failure to enforce any provision or provisions of these Guidelines will not in any way be construed as a waiver of any such provision or provisions, nor prevent any party from thereafter enforcing each and every other provision of the Guidelines.



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**(g) Governing Law.** To the extent not pre-empted by federal law, these Guidelines shall be construed in accordance with and governed by the laws of Tennessee without regard to conflicts of law principles.

**(h) Clawback.** Any payment made under the Guidelines shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (i) any clawback, forfeiture or similar policy adopted by Change Healthcare Inc., whether in existence as of the Effective Date or later adopted by Change Healthcare Inc.) and (ii) any applicable law or government regulation. Further, unless otherwise determined by the Compensation Committee of Change Healthcare Inc., to the extent that the Participant receives any amount in excess of the amount that the Participant should otherwise have received under the terms of the Guidelines for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Participant shall be required to repay any such excess amount to Change Healthcare Inc. Change Healthcare Inc. will make any determination for clawback, forfeiture or recovery in its sole discretion and in accordance with any applicable law, government regulation or Change Healthcare Inc. policy, as applicable. By participating in these Guidelines the Participant consents to such deductions being made by Change Healthcare Inc.

**(i) Withholding.** The Company shall have the right to withhold from any amount payable hereunder any Federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

**(j) Section 409A of the Code.**

(i) These Guidelines are intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and administered in accordance with Section 409A of the Code. Notwithstanding any other provision of the Guidelines, payments provided under the Guidelines may only be made upon an event and in a manner that complies with Section 409A of the Code or an applicable exemption. Any payments under the Guidelines that may be excluded from Section 409A of the Code either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A of the Code to the maximum extent possible. For purposes of Section 409A of the Code, each installment payment or benefit provided under the Guidelines shall be treated as a separate payment. Any payments subject to and not exempt from Section 409A is to be made under the Guidelines upon a termination of employment shall only be made upon a "separation from service" under Section 409A of the Code. Although the Company intends to administer these Guidelines so that they shall comply with the requirements of 409A, the

Company does not represent or warrant that these Guidelines shall comply with Section 409A or any other provision of federal, state, local or non-United States law. The Company, or either of its directors, officers, employees or advisers shall not be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by a Eligible Executive as a result of compensation paid under the Guidelines, and shall have no obligation to indemnify or otherwise protect an Eligible Executive from the obligation to pay any taxes pursuant to Section 409A.

(ii) Notwithstanding any other provision of the Guidelines, if any payment or benefit provided to an Eligible Executive in connection with his or her Qualifying Termination is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the Eligible Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Qualifying Termination or, if earlier, on the Eligible Executive's death (the "*Specified Employee Payment Date*"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Eligible Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. Notwithstanding any other provision of the Guidelines, if any payment or benefit is conditioned on the Eligible Executive's execution of a Release, the first payment shall include all amounts that would otherwise have been paid to the Eligible Executive during the period beginning on the date of the Qualifying Termination and ending on the payment date if no delay had been imposed. If the consideration and revocation period of the Release crosses over two (2) calendar years, then the Severance Benefits shall be paid or begin being paid (taking the preceding sentence into effect), on the later of (A) the first payroll date in the second calendar year, or (B) the first payroll date following the effective date of the Release.

(iii) To the extent required by Section 409A of the Code, each reimbursement or in-kind benefit provided under the Guidelines shall be provided in accordance with the following: (A) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; and (B) any right to reimbursements or in-kind benefits under the Guidelines shall not be subject to liquidation or exchange for another benefit.

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## **SCHEDULE A**

### **Severance Benefits Schedule**

#### **U.S. Executives (excluding the Chief Executive Officer) in the Executive "E" Career Band**

##### **Qualifying Termination Not in Connection with a Change in Control**

**Base:** Eligible Executive shall be eligible to receive a lump sum payment equivalent to twelve (12) months of base salary in effect on the date of the Qualifying Termination.

**COBRA Subsidy:** Eligible Executive shall be eligible to receive payment of, in lump sum, an amount equivalent to the COBRA health insurance premiums that the Company and Eligible Executive would pay for employees with similar coverage during the twelve (12) month period following Eligible Executive's termination.

##### **Qualifying Termination in Connection with a Change in Control**

If Eligible Executive's Qualifying Termination occurs upon a Change in Control, or within twelve (12) months after a Change in Control, Eligible Executive shall be eligible to receive a lump sum payment equivalent to the sum of:

- Twelve (12) months of base salary in effect on the date of the Qualifying Termination;
- The bonus Eligible Executive would have received under the Annual Incentive Plan ("AIP") in effect at the time of such Qualifying Termination, at one times the Eligible Executive's full target payout rate for the year in which the Qualifying Termination occurs; and
- The COBRA health insurance premiums that the Company and Eligible Executive would pay for employees with similar coverage during the twelve (12) month period following Eligible Executive's termination;

provided, however, that (i) the sum of the above-described benefits payable to Eligible Executive in connection with a Change in Control may be subject to reduction as described in Section 12 of the Guidelines and/or (ii) in connection with a Change in Control, the Compensation Committee of Change Healthcare Inc. shall have the discretion to make changes to the Guidelines and benefits payable hereunder as the Compensation Committee of Change Healthcare Inc., in its sole discretion, deems to be equitable and appropriate.

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**Eligibility Exception:** In accordance with section 3(d)(iv), twelve (12) months.

## SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Neil E. de Crescenzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Change Healthcare 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: November 14, 2019

By: /s/ Neil E. de Crescenzo  
 Name: Neil E. de Crescenzo  
 Title: President and Chief Executive Officer of Change Healthcare Inc.

## SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Fredrik Eliasson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Change Healthcare 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: November 14, 2019

By: /s/ Fredrik Eliasson

Name: Fredrik Eliasson

Title: Executive Vice President and Chief Financial Officer of Change Healthcare Inc.

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Change Healthcare Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neil E. de Crescenzo, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d), as applicable, 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: November 14, 2019

By: /s/ Neil E. de Crescenzo  
Name: Neil E. de Crescenzo  
Title: President and Chief Executive Officer of Change Healthcare Inc.

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Change Healthcare Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Fredrik Eliasson, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d), as applicable, 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: November 14, 2019

By: /s/ Fredrik Eliasson  
Name: Fredrik Eliasson  
Title: Executive Vice President and  
Chief Financial Officer of Change Healthcare Inc.



**Financial Information of Significant Equity Method Investee  
Change Healthcare LLC**

**Index to Condensed Consolidated Financial Statements**

Explanatory Note	2
Condensed Consolidated Statements of Operations	3
Condensed Consolidated Statements of Comprehensive Income (Loss)	4
Condensed Consolidated Balance Sheets	5
Condensed Consolidated Statements of Members' Equity (Deficit)	6
Condensed Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8

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## EXPLANATORY NOTE

### *Unconsolidated Significant Subsidiary*

Change Healthcare Inc.'s ("the Company") primary asset is its interest in the Joint Venture which is accounted for using the equity method. As the Company's investment in the Joint Venture is considered to be significant, the Joint Venture's annual financial statements are required to be included as an exhibit to each Company Annual Report on Form 10-K in accordance with SEC Rule 3-09 of Regulation S-X. Given the significance of this investment to the financial position and results of operations of the Company, however, we have elected to include financial information of the Joint Venture in this Quarterly Report on Form 10-Q.

**Change Healthcare LLC**  
**Condensed Consolidated Statements of Operations**  
(unaudited and amounts in thousands, except unit and per unit data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
<b>Revenue:</b>				
Solutions revenue	\$ 738,701	\$ 737,786	\$ 1,535,773	\$ 1,495,491
Postage revenue	57,110	62,404	115,594	127,962
Total revenue	795,811	800,190	1,651,367	1,623,453
<b>Operating expenses:</b>				
Cost of operations (exclusive of depreciation and amortization below)	331,234	327,563	658,181	664,993
Research and development	51,783	51,243	101,122	106,567
Sales, marketing, general and administrative	190,039	207,105	383,312	414,019
Customer postage	57,110	62,404	115,594	127,962
Depreciation and amortization	77,448	69,258	148,764	137,785
Accretion and changes in estimate with related parties, net	3,214	5,932	7,094	9,756
Gain on Sale of the Extended Care Business	—	(111,392)	—	(111,392)
<b>Total operating expenses</b>	<b>710,828</b>	<b>612,113</b>	<b>1,414,067</b>	<b>1,349,690</b>
<b>Operating income (loss)</b>	<b>84,983</b>	<b>188,077</b>	<b>237,300</b>	<b>273,763</b>
<b>Non-operating (income) and expense</b>				
Interest expense, net	69,901	80,677	153,307	159,226
Loss on extinguishment of debt	16,900	—	16,900	—
Contingent consideration	1,700	(72)	909	200
Other, net	(4,386)	(3,849)	(8,164)	(9,381)
<b>Total non-operating (income) and expense</b>	<b>84,115</b>	<b>76,756</b>	<b>162,952</b>	<b>150,045</b>
<b>Income (loss) before income tax provision (benefit)</b>	<b>868</b>	<b>111,321</b>	<b>74,348</b>	<b>123,718</b>
<b>Income tax provision (benefit)</b>	<b>998</b>	<b>(2,119)</b>	<b>2,563</b>	<b>(2,228)</b>
<b>Net income (loss)</b>	<b>\$ (130)</b>	<b>\$ 113,440</b>	<b>\$ 71,785</b>	<b>\$ 125,946</b>
<b>Net income (loss) per common unit:</b>				
Basic	\$ —	\$ 0.45	\$ 0.25	\$ 0.50
Diluted	\$ —	\$ 0.45	\$ 0.25	\$ 0.50
<b>Weighted average common units outstanding:</b>				
Basic	318,219,028	251,501,744	285,107,046	251,550,892
Diluted	323,970,033	253,333,940	288,809,850	253,390,770

See accompanying notes to condensed consolidated financial statements.

**Change Healthcare LLC**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
(unaudited and amounts in thousands)

	Three Months Ended		Six Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Net income (loss)</b>	<u>\$ (130)</u>	<u>\$ 113,440</u>	<u>\$ 71,785</u>	<u>\$ 125,946</u>
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustment	3,812	1,886	4,568	(6,752)
Changes in fair value of interest rate cap, net of taxes	(3,156)	4,925	(21,254)	7,529
<b>Other comprehensive income (loss)</b>	<u>656</u>	<u>6,811</u>	<u>(16,686)</u>	<u>777</u>
<b>Total comprehensive income (loss)</b>	<u><u>\$ 526</u></u>	<u><u>\$ 120,251</u></u>	<u><u>\$ 55,099</u></u>	<u><u>\$ 126,723</u></u>

See accompanying notes to condensed consolidated financial statements.

**Change Healthcare LLC**  
**Condensed Consolidated Balance Sheets**  
(unaudited and amounts in thousands)

	September 30, 2019	March 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 72,992	\$ 47,718
Restricted cash	—	1,176
Accounts receivable, net of allowance for doubtful accounts	675,306	759,502
Contract assets	139,111	—
Prepaid expenses and other current assets	155,019	172,067
Assets held for sale (see Note 14)	29,562	—
Total current assets	1,071,990	980,463
Property and equipment, net	160,305	197,263
Goodwill	3,295,381	3,284,266
Intangible assets, net	1,261,290	1,320,161
Other noncurrent assets, net	500,627	421,985
<b>Total assets</b>	<b>\$ 6,289,593</b>	<b>\$ 6,204,138</b>
<b>Liabilities and members' equity</b>		
Current liabilities:		
Drafts and accounts payable	\$ 64,010	\$ 98,550
Accrued expenses	315,419	316,179
Deferred revenues	337,371	437,636
Due to related parties, net	23,230	34,629
Current portion of long-term debt	26,644	2,789
Total current liabilities	766,674	889,783
Long-term debt, excluding current portion	4,944,395	5,787,150
Deferred income tax liabilities	110,016	106,099
Tax receivable agreement obligations to related parties	199,876	212,698
Other long-term liabilities	112,812	113,194
Commitments and contingencies (see Note 6)		
Members' equity (deficit)	155,820	(904,786)
<b>Total liabilities and members' equity</b>	<b>\$ 6,289,593</b>	<b>\$ 6,204,138</b>

See accompanying notes to condensed consolidated financial statements.

**Change Healthcare LLC**  
**Condensed Consolidated Statements of Members' Equity (Deficit)**  
(unaudited and amounts in thousands)

	2019	2018
<b>Balance at March 31</b>	<b>\$ (904,786)</b>	<b>\$ (1,066,180)</b>
Cumulative effect of a change in accounting principle-revenue recognition	159,877	—
Advances to Member	—	(208)
Repurchase of equity awards	—	(4,838)
Capital contribution from Member from exercise of equity awards	—	205
Equity compensation expense	5,862	5,300
Net income (loss)	71,915	12,506
Foreign currency translation adjustment	756	(8,638)
Change in fair value of interest rate cap agreements, net of taxes	(18,098)	2,604
Other	(409)	456
<b>Balance at June 30</b>	<b>\$ (684,883)</b>	<b>\$ (1,058,793)</b>
Advances to Members, net	—	2,844
Repurchase of equity awards	—	(2,249)
Capital contribution from Member from exercise of equity awards	1,139	—
Issuance of LLC units for IPO proceeds	601,429	—
Issuance of tangible equity units	230,154	—
Equity compensation expense	8,565	2,969
Net income (loss)	(130)	113,440
Foreign currency translation adjustment	3,812	1,886
Change in fair value of interest rate cap agreements, net of taxes	(3,156)	4,925
Other	(1,110)	(192)
<b>Balance at September 30</b>	<b>\$ 155,820</b>	<b>\$ (935,170)</b>

See accompanying notes to condensed consolidated financial statements.

**Change Healthcare LLC**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited and amounts in thousands)

	Six Months Ended September 30,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 71,785	\$ 125,946
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	148,764	137,785
Amortization of capitalized software developed for sale	6,698	7,378
Accretion and changes in estimate, net	7,094	9,756
Equity compensation	15,207	8,269
Deferred income tax expense (benefit)	1,473	(3,013)
Amortization of debt discount and issuance costs	9,941	10,964
Contingent consideration	909	200
Gain on Sale of the Extended Care Business	—	(111,392)
Loss on extinguishment of debt	16,900	—
Other	(111)	538
Changes in operating assets and liabilities:		
Accounts receivable	54,240	6,730
Contract assets	12,688	—
Prepaid expenses and other	(8,583)	(16,373)
Accounts payable	(15,209)	(32,035)
Accrued expenses and other liabilities	(16,311)	142,707
Deferred revenue	(69,471)	(75,074)
Due to related party, net	(12,150)	15,482
<b>Net cash provided by (used in) operating activities</b>	<b>223,864</b>	<b>227,868</b>
<b>Cash flows from investing activities:</b>		
Capitalized expenditures	(129,847)	(124,631)
Proceeds from Sale of the Extended Care Business	—	160,244
Investments in businesses	(18,946)	—
<b>Net cash provided by (used in) investing activities</b>	<b>(148,793)</b>	<b>35,613</b>
<b>Cash flows from financing activities:</b>		
Payments of third party initial public offering and loan costs	(8,554)	—
Payments under tax receivable agreements with related parties	(27,227)	(25,096)
Payments on Term Loan Facility	(902,750)	(76,500)
Receipts (payments) on derivative instruments	3,109	2,090
Payments of deferred financing obligations	—	(3,432)
Capital contribution from Members from exercise of equity awards	1,139	205
Repurchase of equity awards	—	(5,305)
Proceeds from Change Healthcare Inc. initial public offering	608,679	—
Proceeds from debt issued to Change Healthcare Inc.	47,367	—
Proceeds from forward purchase contract with Change Healthcare Inc.	232,929	—
Advances to and refunds from Change Healthcare Inc.	(2,590)	2,636
Payment of debt issued to Change Healthcare Inc.	(3,621)	—
Other	247	598
<b>Net cash provided by (used in) financing activities</b>	<b>(51,272)</b>	<b>(104,804)</b>
Effect of exchange rate changes on cash and cash equivalents	299	(672)
Net increase (decrease) in cash, cash equivalents and restricted cash	24,098	158,005
Cash, cash equivalents and restricted cash at beginning of period	48,894	50,011
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 72,992</b>	<b>\$ 208,016</b>

See accompanying notes to condensed consolidated financial statements.

## **1. Nature of Business and Organization**

### ***Nature of Business***

Change Healthcare LLC (the “Joint Venture”), is a leading independent healthcare technology platform that provides data and analytics-driven solutions to improve clinical, financial and patient engagement outcomes in the U.S. healthcare system. The Joint Venture offers a comprehensive suite of software, analytics, technology enabled solutions that drive improved results in the complex workflows of healthcare system payers and providers.

### ***Organization***

In June 2016, Change Healthcare Inc., the Joint Venture, Change Healthcare Holdings, LLC, Change Healthcare Intermediate Holdings, LLC, Change Healthcare Performance, Inc. (“Legacy CHC”) and its stockholders—including affiliates of The Blackstone Group, L.P. (“Blackstone”) and Hellman & Friedman LLC (“Hellman & Friedman”)—entered into an Agreement of Contribution and Sale (the “Contribution Agreement”) with McKesson Corporation (“McKesson”, together with Change Healthcare Inc., the “Members”). Under the terms of the Contribution Agreement, the parties agreed to form the Joint Venture, a joint venture that combined the majority of the McKesson Technology Solutions businesses, excluding McKesson’s Enterprise Information Solutions business and RelayHealth Pharmacy Network (such contributed businesses, “Core MTS”) with substantially all of the assets and operations of Legacy CHC, but excluding Legacy CHC’s pharmacy claims switching and prescription routing businesses (such excluded businesses, the “eRx Network” and the businesses contributed by Legacy CHC, together with Core MTS, the “Contributed Businesses”). The creation of the Joint Venture, including the contribution of the Contributed Businesses and related transactions, is collectively referred to as the “Transactions”. The Transactions closed on March 1, 2017.

### ***Basis of Accounting***

Due to the existence of shared control among the Members over all major financial and operating decisions of the Joint Venture and its consolidated subsidiaries, the assets and liabilities contributed to the Joint Venture were recognized in the accompanying condensed consolidated financial statements at their historical carrying values (i.e., joint venture accounting).

### ***Change Healthcare Inc. Initial Public Offering***

Effective July 1, 2019, Change Healthcare Inc. completed its initial public offering of 49,285,713 of common stock and a concurrent offering of 5,750,000 of tangible equity units (“TEUs”). The proceeds of the offering of common stock were subsequently contributed to the Joint Venture in exchange for an additional 49,285,713 units of the Joint Venture (“LLC Units”), which together with the Company’s existing holdings represents an approximately 41% interest in the Joint Venture. The proceeds of the offering of TEUs were used to acquire instruments of the Joint Venture that, in economic terms, substantially mirror the terms of the TEUs included in Change Healthcare Inc.’s offering. The net proceeds received from Change Healthcare Inc. from the offering of common stock and the offering of TEUs were \$603,787 and \$276,633, respectively, and the Joint Venture, in turn, used the proceeds to repay \$805,000 of its indebtedness under the Term Loan Facility without penalty in July 2019. The Joint Venture repaid an additional \$85,000 of its indebtedness under the Term Loan Facility without penalty during the three months ended September 30, 2019 for a total paydown of \$890,000. However, due to the presence of unamortized discounts and debt issuance costs, the Joint Venture recognized a loss on extinguishment of debt of approximately \$15,791 during the three and six months ended September 30, 2019.

### ***Amendment of Revolving Credit Facility***

Additionally, in July 2019, the Joint Venture amended its Revolving Credit Facility, the primary effects of which were to increase the maximum amount that can be borrowed from \$500,000 to \$785,000 and to extend the maturity date until July 3, 2024. In the event that the outstanding balance under the Term Loan Facility exceeds \$1,100,000 on December 1, 2023, however, amounts due, if any, under the Revolving Facility become due and payable on December 1, 2023. In connection with this amendment, a portion of the debt was deemed extinguished, and the Joint Venture recognized a loss on extinguishment of \$1,109 during the three and six months ended September 30, 2019.



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## 2. Basis of Presentation

### *Principles of Consolidation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC") Guidelines, Rules and Regulations ("Regulation S-X") and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. All intercompany accounts and transactions have been eliminated in the unaudited condensed consolidated financial statements.

### *Tangible Equity Units*

In connection with the initial public offering of Change Healthcare Inc., the Joint Venture completed an offering of TEUs that were issued to Change Healthcare Inc. Each TEU comprises an amortizing note and purchase contract, both of which are freestanding instruments and separate units of account. The amortizing notes were issued at par and are classified as debt on the accompanying condensed consolidated balance sheet, with scheduled principal payments over the next twelve months reflected in current maturities of long-term debt. The purchase contracts are accounted for as prepaid forward contracts and classified as equity. The TEU proceeds and issuance costs were allocated to the amortizing notes and purchase contracts on a relative fair value basis, consistent with the methodology utilized by Change Healthcare Inc. See Note 12 for further discussion.

### *Accounting Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The Joint Venture bases its estimates on historical experience, current business factors and various other assumptions that the Joint Venture believes are necessary to consider in order to form a basis for making judgments about the carrying values of assets and liabilities, the recorded amounts of revenue and expenses and disclosure of contingent assets and liabilities. The Joint Venture is subject to uncertainties such as the impact of future events, economic, environmental and political factors and changes in the Joint Venture's business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Joint Venture's financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Joint Venture's operating environment changes. Such changes in estimates and refinements in estimation methodologies are reflected in the reported results of operations, and, if material, the effects of changes in estimates are disclosed in the notes to the condensed consolidated financial statements. Estimates and assumptions by management affect: the allowance for doubtful accounts; the fair value assigned to assets acquired and liabilities assumed in business combinations; tax receivable agreement obligations; the fair value of interest rate cap agreement obligations; contingent consideration; loss accruals; the carrying value of long-lived assets (including goodwill and intangible assets); the classification and measurement of assets held for sale; the measurement of the components of tangible equity units; the amortization period of long-lived assets (excluding goodwill); the carrying value, capitalization and amortization of software development costs; the provision and benefit for income taxes and related deferred tax accounts; certain accrued expenses; revenue recognition; contingencies; and the value attributed to equity awards.

### *Allowance for Doubtful Accounts*

The allowance for doubtful accounts of \$21,796 and \$20,438 at September 30, 2019 and March 31, 2019, respectively, reflects the Joint Venture's best estimate of losses inherent in the Joint Venture's receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence.

### *Accounting Pronouncements Not Yet Adopted*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, which generally requires that all lease obligations be recognized on the balance sheet at the present value of the remaining lease payments with a corresponding lease asset. As originally issued, the standard required that companies adopt the standard using the modified retrospective transition method and report a cumulative effect adjustment to the opening balance of retained earnings in the earliest comparative period presented. In July 2018, the FASB issued ASU No. 2018-11 which provides companies with the

option to apply this cumulative effect adjustment to the opening balance of retained earnings in the period of adoption instead of the earliest comparative period presented. This update is scheduled to be effective for the Joint Venture beginning April 1, 2020, with early adoption permitted. The Joint Venture is currently assessing both the method of adoption and the potential effects this update may have on its condensed consolidated financial statements.

In June 2016, the FASB issued ASUNo. 2016-13, as amended by ASUNo. 2018-19, which requires that a financial asset (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. This update is scheduled to be effective for the Joint Venture beginning April 1, 2021, with early adoption permitted beginning April 1, 2019. The Joint Venture is currently assessing the potential effects this update may have on its condensed consolidated financial statements.

In August 2018, the FASB issued ASUNo. 2018-13, which modifies the disclosure requirements related to fair value measurements based on the FASB Concepts Statements. This update eliminates certain disclosures, modifies others and, in certain cases, requires additional disclosures. This update is effective for the Joint Venture beginning April 1, 2020, with earlier adoption permitted. The Joint Venture is currently assessing the potential effects this update may have on its condensed consolidated financial statements.

In August 2018, the FASB issued ASUNo. 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This update also requires that the effects of such capitalized costs be classified in the same respective caption of the statement of operations, balance sheet and cash flows as the underlying hosting arrangement. Upon adoption, a company may elect to either retrospectively restate each prior reporting period or apply the update prospectively to all implementation costs incurred after the effective date. This update is scheduled to be effective for the Joint Venture beginning April 1, 2020, with early adoption permitted. The Joint Venture is currently assessing both the method of adoption and the potential effects this update may have on its condensed consolidated financial statements.

#### ***Recently Adopted Accounting Pronouncements***

In April 2019, the Joint Venture adopted FASB ASUNo. 2018-16, which adds the Overnight Index Swap rate based on the Secured Overnight Financing Rate as a benchmark interest rate for hedging purposes. As the adoption of this update applies only to qualifying new or redesignated hedging relationships entered into following the date of adoption, its adoption has no immediate effect on the Joint Venture's condensed consolidated financial statements.

In April 2019, the Joint Venture adopted FASB ASUNo. 2018-02, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 ("Tax Legislation"). Because the Joint Venture's financial statements do not separately classify the components of members' deficit, the effect of the adoption of this update was limited to the separate disclosure in Note 10 related to the reclassification of such stranded costs from accumulated comprehensive income (loss) to accumulated deficit.

In April 2019, the Joint Venture adopted FASB ASUNo. 2018-07, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Among other provisions, the measurement date for awards to nonemployees changed from the earlier of the date at which a commitment for performance by the counterparty is reached or the date at which performance is complete under the previous guidance to the grant date under this update. Because the Joint Venture's equity-based compensation was previously subject to remeasurement at fair value each quarter under the previous authoritative literature, the effect of the adoption of this update had no material effect on the Joint Venture's condensed consolidated financial statements.

In April 2019, the Joint Venture adopted Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, which replaced most prior general and industry specific revenue recognition guidance with a principles-based comprehensive revenue recognition framework. Under this revised framework, a company recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. All of the Joint Venture's revenue is accounted for under ASC 606.

The Joint Venture adopted ASC 606 using the modified retrospective transition method applied only to contracts that were not completed as of the date of initial application. The Joint Venture has also elected the contract modification transition practical expedient, and as a result, will treat all contract modifications entered into prior to adoption date as if they were part of the original

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contract. The adoption of the new revenue standard utilizing these transition methods resulted in a cumulative effect adjustment that reduced members' equity (deficit) as of April 1, 2019 by \$159,877. After assessing all potential impacts of adopting the new standard on its consolidated financial statements, related disclosures, and necessary control and process changes, the Joint Venture has noted the following to be the most notable impacts of adopting the new standard:

- Revenue for certain contingent fee service arrangements will be accelerated as revenue for these arrangements is recognized as the services are performed.
- Revenue related to certain time-based software and content license agreements will be accelerated. The license component for certain time-based software will be recognized upon delivery to the customer ("point in time"), or in the case of software that requires significant production, modification or customization, recognized as the implementation work is performed. A non-license component (e.g., technical support) will be recognized over the respective contract terms ("over time").
- Incremental costs to obtain contracts and qualifying costs to fulfill will be capitalized and amortized over the period of benefit. The net result of this change was an increase to capitalized contract costs on the balance sheet; these capitalized costs will be amortized and recognized as expense over an incrementally longer period of time.

The following tables represent the impact of the new standard on the Joint Venture's unaudited financial statements as of and for the three and six months ended September 30, 2019:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2019		2018		2019		2018	
	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
<b>Revenue:</b>								
Solutions revenue	\$ 738,701	\$ 9,945	\$ 748,646	\$ 737,786	\$ 1,535,773	\$ (31,586)	\$ 1,504,187	\$ 1,495,491
Postage revenue	57,110	—	57,110	62,404	115,594	—	115,594	127,962
Total revenue	795,811	9,945	805,756	800,190	1,651,367	(31,586)	1,619,781	1,623,453
<b>Operating expenses:</b>								
Cost of operations (exclusive of depreciation and amortization below)	331,234	996	332,230	327,563	658,181	1,804	659,985	664,993
Research and development	51,783	—	51,783	51,243	101,122	—	101,122	106,567
Sales, marketing, general and administrative	190,039	4,595	194,634	207,105	383,312	9,764	393,076	414,019
Customer postage	57,110	—	57,110	62,404	115,594	—	115,594	127,962
Depreciation and amortization	77,448	—	77,448	69,258	148,764	—	148,764	137,785
Accretion and changes in estimate with related parties, net	3,214	—	3,214	5,932	7,094	—	7,094	9,756
Gain on Sale of the Extended Care Business	—	—	—	(111,392)	—	—	—	(111,392)
Impairment of long-lived assets and related costs	—	—	—	—	—	—	—	—
Total operating expenses	710,828	5,591	716,419	612,113	1,414,067	11,568	1,425,635	1,349,690
Operating income (loss)	84,983	4,354	89,337	188,077	237,300	(43,154)	194,146	273,763
<b>Non-operating (income) and expense</b>								
Interest expense, net	69,901	—	69,901	80,677	153,307	—	153,307	159,226
Loss on extinguishment of debt	16,900	—	16,900	—	16,900	—	16,900	—
Contingent consideration	1,700	—	1,700	(72)	909	—	909	200
Other, net	(4,386)	—	(4,386)	(3,849)	(8,164)	—	(8,164)	(9,381)
Total non-operating (income) and expense	84,115	—	84,115	76,756	162,952	—	162,952	150,045
Income (loss) before income tax provision (benefit)	868	4,354	5,222	111,321	74,348	(43,154)	31,194	123,718
Income tax provision (benefit)	998	(32)	966	(2,119)	2,563	(2,283)	280	(2,228)
Net income (loss)	\$ (130)	\$ 4,386	\$ 4,256	\$ 113,440	\$ 71,785	\$ (40,871)	\$ 30,914	\$ 125,946
<b>Net income (loss) per common unit:</b>								
Basic	\$ —	\$ 0.01	\$ 0.01	\$ 0.45	\$ 0.25	\$ (0.14)	\$ 0.11	\$ 0.50
Diluted	\$ —	\$ 0.01	\$ 0.01	\$ 0.45	\$ 0.25	\$ (0.14)	\$ 0.11	\$ 0.50

	September 30, 2019			March 31, 2019
	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 72,992	\$ —	\$ 72,992	\$ 47,718
Restricted cash	—	—	—	1,176
Accounts receivable, net of allowance for doubtful accounts	675,306	15,814	691,120	759,502
Contract assets	139,111	(139,111)	—	—
Prepaid expenses and other current assets	155,019	20,914	175,933	172,067
Assets held for sale	29,562	—	29,562	—
Total current assets	1,071,990	(102,383)	969,607	980,463
Property and equipment, net	160,305	—	160,305	197,263
Goodwill	3,295,381	—	3,295,381	3,284,266
Intangible assets, net	1,261,290	—	1,261,290	1,320,161
Other noncurrent assets, net	500,627	(40,520)	460,107	421,985
<b>Total assets</b>	<b>\$6,289,593</b>	<b>\$(142,903)</b>	<b>\$6,146,690</b>	<b>\$ 6,204,138</b>
<b>Liabilities and members' equity</b>				
Current liabilities:				
Drafts and accounts payable	\$ 64,010	\$ —	\$ 64,010	\$ 98,550
Accrued expenses	315,419	—	315,419	316,179
Deferred revenues	337,371	57,881	395,252	437,636
Due to related parties, net	23,230	—	23,230	34,629
Current portion of long-term debt	26,644	—	26,644	2,789
Total current liabilities	766,674	57,881	824,555	889,783
Long-term debt, excluding current portion	4,944,395	—	4,944,395	5,787,150
Deferred income tax liabilities	110,016	—	110,016	106,099
Tax receivable agreement obligations to related parties	199,876	—	199,876	212,698
Other long-term liabilities	112,812	—	112,812	113,194
Commitments and contingencies	—	—	—	—
Members' equity (deficit)	155,820	(200,784)	(44,964)	(904,786)
<b>Total liabilities and members' equity</b>	<b>\$6,289,593</b>	<b>\$(142,903)</b>	<b>\$6,146,690</b>	<b>\$ 6,204,138</b>

The adoption of the new standard had an immaterial impact on the Joint Venture's unaudited statement of cash flows for the three and six months ended September 30, 2019. See Note 3, *Revenue Recognition* for more information.

### 3. Revenue Recognition

The Joint Venture generates most of its solutions revenue by using technology solutions (generally Software as a Service ("SaaS")) to provide services to its customers that automate and simplify business and administrative functions for payers, providers, pharmacies, and channel partners and through the licensing of software, software systems (consisting of software, hardware and maintenance support) and content.

The Joint Venture recognizes revenue when the customer obtains control of the good or service through the Joint Venture satisfying a performance obligation by transferring the promised good or service to the customer.

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### ***Principal Revenue Generating Products and Services***

***Content license subscriptions and time-based software***—The Joint Venture's content license subscriptions and time-based software arrangements provide a license to use a software for a specified period of time. At the end of the contractual period, the customer either renews the license for an additional term or ceases to use the software. Software licenses are typically delivered to the customer with functionality that the customer can benefit from the software on its own or together with readily available resources. As contracts for these solutions generally do not price individual components separately, the Joint Venture allocates the transaction price to the license and ongoing support performance obligations based on standalone selling price ("SSP"), primarily determined by historical value relationships between licenses and ongoing support and updates. Revenue allocated to content license subscriptions and time-based software license agreements is generally recognized at the point-in-time of delivery of the license or the content update upon transfer of control of the underlying license to the customer. Generally, software implementation fees are recognized over the implementation period through an input measure of progress method. Revenue allocated to maintenance and support is recognized ratably over the period covered by the agreements, as passage of time represents a faithful depiction of the transfer of these services. In some cases, software arrangements provide licenses to several software applications that are highly integrated with the implementation services and software updates and cannot function separately. The bundle is a single performance obligation since the individually promised goods and services are not distinct in the context of the contract because the related implementation services significantly modify and customize the software and the updates provided to the integrated software solution are critical to the software's utility. The related revenue is recognized on a straight-line basis, ratably over the contractual term due to the frequency and criticality of the updates throughout the license period.

***Contingent fee services***—The Joint Venture provides services to customers in which the transaction price is contingent on future occurrences, such as savings generated or amounts collected on behalf of its customers through the delivery of its services. In some cases, the Joint Venture performs services in advance of invoicing the customer, thereby creating a contract asset. Revenue in these arrangements is estimated and constrained until the Joint Venture determines that it is probable a significant revenue reversal will not occur, and variable consideration is allocated to the performance obligation for which the Joint Venture earns a contingent fee.

***Perpetual software licenses***—The Joint Venture's perpetual software arrangements provide a license for a customer to use software in perpetuity. Software licenses are typically delivered to the customer with functionality from which the customer can benefit from the license on its own or together with readily available resources. Perpetual software arrangements are recognized at the time of delivery or through an input measure of progress method over the installation period if the arrangements require significant production or modification or customization of the software. Contracts accounted for through an input measure of progress method are generally measured based on the ratio of labor hours incurred to date to total estimated labor hours to be incurred. Software implementation fees are recognized as the work is performed or under the input method for perpetual software. Hardware revenues are generally recognized upon delivery. Maintenance is recognized ratably over the term of the agreement as passage of time represents a faithful depiction of the transfer of these services.

***Professional services***—The Joint Venture provides training and consulting services to its customers, and the services may be fixed fee or time and materials based. Consulting services that fall outside of the standard implementation services vary depending on the scope and complexity of the service requested by the customer. Consulting services are deemed to be capable of being distinct from other products and services, and the services are satisfied either at a point of time or over time based on delivery. Training services are usually provided as an optional service to enhance the customer's experience with a software product or provides additional education surrounding the general topic of the solution. Training services are capable of being distinct from other products and services. The Joint Venture treats training services as a distinct performance obligation, and they are satisfied at a point of time.

***Transaction processing services***—The Joint Venture provides transaction processing (such as claims processing) services to hospitals, pharmacies and health systems via a cloud-based (SaaS) platform. The promised service is to stand ready to process transactions for our customers over the contractual period on an as needed basis. The revenue related to these services is recognized over time as the transactions are processed, and the revenue is recognized over the individual days in which the services are performed. Any fixed annual fees and implementation fees are recognized ratably over the contract period.

***Hosted solutions and software as a service ("SaaS")***—The Joint Venture enters into arrangements whereby the Joint Venture provides the customer access to a Joint Venture-owned software solution, which are generally marketed under annual and multi-year arrangements. The customer is only provided "access" (not a license) to the software application. In these arrangements, the customer does not purchase equipment nor does the customer take physical possession of the software. The related revenue is recognized ratably over the contracted term. For fixed fee arrangements, revenue recognition begins after set-up and implementation are complete. For per-transaction fee arrangements, revenue is recognized as transactions are processed beginning on the service start date.

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### ***Contract Balances***

The Joint Venture's payment terms vary by customer and product type. For certain products or services, the Joint Venture requires upfront payments before control of the product or service has transferred to the customer. For other products and services, the Joint Venture invoices the customer in arrears after providing the products or services. In addition, for certain contingent fee services, customers are billed in arrears, typically based upon a percentage of collections the Joint Venture makes on the customer's behalf.

Under the new revenue standard, the Joint Venture generally recognizes a contract asset when revenue is recognized in advance of invoicing on a customer contract, unless the right to payment for that revenue is unconditional (i.e. requiring no further performance and only the passage of time). If a right to payment is determined to meet the criteria to be considered 'unconditional', then the Joint Venture will recognize a receivable.

There were no impairment losses recognized on accounts receivable or contract assets during the three and six months ended September 30, 2019.

The Joint Venture records deferred revenues when billings or payments are received from customers in advance of its performance. Deferred revenue is generally recognized when transfer of control to customers occurs. The deferred revenue balance is driven by multiple factors, including the frequency of renewals, invoice timing, and invoice duration. As of September 30, 2019, the Joint Venture expects 94% of the deferred revenue balance to be recognized in one year or less, and approximately \$328,000 of the beginning period balance was recognized during the first six months of fiscal 2020.

### ***Costs to Obtain or Fulfill a Contract***

Sales commissions and certain other incentive payments (e.g., bonuses that are contingent solely on obtaining a contract or a pool of contracts) earned by the Joint Venture's sales organization are capitalized as incremental costs to obtain a contract. The Joint Venture typically does not offer commissions on contract renewals. Decremental commissions upon renewal (i.e., non-commensurate with initial commissions) are offered to the Joint Venture's sales associates for certain customers and are not material. Under ASC 606, all commissions and other qualifying incentive payments capitalized are amortized over an expected period of benefit defined as the initial contract term plus anticipated renewals. In contrast, under ASC 605 these capitalized costs were amortized over the specific revenue contract terms, which are typically 12 to 60 months. In making the significant judgment in determining the appropriate period of benefit, the Joint Venture evaluated both qualitative and quantitative factors such as the expected customer relationship period and technology obsolescence. In addition, prior to solution go-live, the Joint Venture incurs certain contract fulfillment costs primarily related to SaaS setup for our clients. These costs are capitalized to the extent they are directly related to a contract, are recoverable, and create a resource used to deliver the Joint Venture's SaaS services. Capitalized costs to fulfill a contract are amortized over the expected period of benefit.

At September 30, 2019, the Joint Venture had capitalized costs to obtain a contract of \$12,407 in prepaid and other current assets and \$67,426 in other noncurrent assets. During the three and six months ended September 30, 2019, the Joint Venture recognized \$5,098 and \$9,207 of amortization expense related to such capitalized costs, respectively, which is included in the total operating expenses. At September 30, 2019, the Joint Venture had capitalized costs to fulfill a contract of \$1,383 in prepaid and other current assets and \$8,571 in other noncurrent assets. During the three and six months ended September 30, 2019, the Joint Venture recognized \$313 and \$609 of amortization expense, respectively, related to such capitalized costs, which is included in cost of operations.

### ***Postage Revenues***

Postage revenues are the result of providing delivery services to customers in the Joint Venture's payment and communication solutions. Postage revenues are generally billed as a pass-through cost to the Joint Venture's customers. The service is part of a combined performance obligation with the printing and handling services provided to the customer because the postage services are not distinct within the context of the contract. The Joint Venture presents Postage Revenue separately from Solutions Revenue on the consolidated statements of operation as it makes the financial statements more informative for the users. The revenue related to the combined performance obligation of the postage, printing, and handling service is recognized as the transactions are processed, and the revenue is recognized over the individual days in which the services are performed.

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### ***Arrangements with Multiple Performance Obligations***

The Joint Venture engages in customer arrangements which may include multiple performance obligations, such as any combination of software, hardware, implementation, SaaS-based offerings, consulting services, or maintenance services. For such arrangements, the Joint Venture allocates revenues to each performance obligation on a relative standalone selling price basis. A performance obligation's standalone selling price is determined based on the directly observable prices charged to customers, when available or estimated using other methods such as the adjusted market assessment approach, the expected cost plus a margin approach, or other approaches in cases where distinct performance obligations are not sold separately but instead sold at a bundled price. For performance obligations with historical pricing that is highly variable, the residual approach is used. Such instances primarily relate to the Joint Venture's perpetual software arrangements in which the Joint Venture sells the same products to different customers for a broad range of amounts.

### ***Remaining Performance Obligations***

The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for executed contracts includes deferred revenue and other revenue yet to be recognized from non-cancellable contracts. As of September 30, 2019, the Joint Venture's total remaining performance obligations approximated \$1,347,000, of which approximately 52% is expected to be recognized over the next twelve months, and the remaining 48% thereafter.

In this balance, the Joint Venture does not include the value of unsatisfied performance obligations related to those contracts for which it recognizes revenue at the amount for which it has the right to invoice for services performed. Additionally, this balance does not include revenue related to performance obligations that are part of a contract with an original expected duration of one year or less. Lastly, this balance does not include variable consideration allocated to the individual goods or services in a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Examples includes variable fees associated with transaction processing and contingent fee services.

### ***Disaggregated Revenue***

The Joint Venture disaggregates the revenue from contracts with customers by operating segment as it believes doing so best depicts how the nature, amount, timing and uncertainty of the Joint Venture's revenue are affected by economic factors. See Note 9, *Segment Reporting* for the total revenue disaggregated by operating segment for the three and six months ended September 30, 2019 and 2018.

The Joint Venture's total revenue by disaggregated revenue source was generally consistent for each reportable segment for the three and six months ended September 30, 2019 and 2018.

### ***Customer Incentives***

Certain customers, which include the Joint Venture's channel partners, may receive cash-based incentives or rebates based on actual sales and achievement of a cumulative level of sales, which are accounted for as variable consideration. The Joint Venture considers these amounts to be consideration payable to the customer, and therefore, the Joint Venture estimates these amounts based on the expected amount to be provided to customers and reduces the transaction price accordingly.

### ***Practical Expedients and Exemptions***

The Joint Venture has elected to utilize either the right to invoice practical expedient or the series-based variable consideration allocation framework for most transaction processing services not subject to contingencies. The Joint Venture also has elected to exclude sales taxes and other similar taxes from the measurement of the transaction price in contracts with customers. Therefore, revenue is recognized net of such taxes.

In certain customer arrangements with customers, the Joint Venture determined there are certain promised goods or services which are immaterial in the context of the contract from both a quantitative and qualitative perspective, and therefore, the goods and services are disregarded when assessing the performance obligations in the customer arrangement.

The Joint Venture has elected to apply the significant financing practical expedient, and as a result, the Joint Venture will not adjust the promised amount of consideration in a customer contract for the effects of a significant financing component when the period of time between when the Joint Venture transfers a promised good or service to a customer and when the customer pays for the good or service will be one year or less.



#### 4. Interest Rate Cap Agreements

##### *Risk Management Objective of Using Derivatives*

The Joint Venture is exposed to certain risks arising from both its business operations and economic conditions. The Joint Venture principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Joint Venture manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of its debt funding and the use of derivative financial instruments. Specifically, the Joint Venture enters into derivative financial instruments to manage differences in the amount, timing and duration of the Joint Venture's known or expected cash receipts and its known or expected cash payments principally related to the Joint Venture's borrowings.

##### *Cash Flow Hedges of Interest Rate Risk*

The Joint Venture's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Joint Venture primarily uses interest rate cap agreements as part of its interest rate risk management strategy.

In March 2016 and 2017, Legacy CHC and the Joint Venture, respectively, executed annuitized interest rate cap agreements with a combined notional amount of \$650,000 and \$750,000, respectively, to limit the exposure of the variable component of interest rates under the then existing term loan facility or future variable rate indebtedness, each beginning in March 2017 and expiring in March 2020.

In August 2018, the Joint Venture executed additional annuitized interest rate cap agreements with notional amounts of \$500,000 and \$1,500,000, respectively, to limit the exposure of the variable component of interest rates under the term loan facility or future variable rate indebtedness to a maximum of 1.0%. The \$500,000 interest rate cap agreement began effective August 31, 2018 and expires March 31, 2020. The \$1,500,000 interest rate cap agreement begins effective March 31, 2020 and expires December 31, 2021.

As of September 30, 2019, each of the Joint Venture's outstanding interest rate cap agreements was designated as a cash flow hedge of interest rate risk and was determined to be highly effective.

Following the adoption of ASU2017-12, all changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive income and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Joint Venture's variable-rate debt. During the twelve months subsequent to September 30, 2019, the Joint Venture estimates that \$16,009 will be reclassified as an increase to interest expense.

The following table summarizes the fair value of the Joint Venture's derivative instruments at September 30, 2019 and March 31, 2019:

Derivative financial instruments designated as hedging instruments:	Fair Values of Derivative Financial Instruments		
	Asset (Liability)		
	Balance Sheet Location	September 30, 2019	March 31, 2019
Interest rate cap agreements	Prepaid and other current assets	\$ 731	\$ 8,766
Interest rate cap agreements	Accrued expenses	(11,629)	(2,160)
Interest rate cap agreements	Other long-term liabilities	(23,066)	(16,846)
		<u>\$ (33,964)</u>	<u>\$ (10,240)</u>

### Tabular Disclosure of the Effect of Derivative Instruments on the Statement of Operations

The effect of the derivative instruments on the accompanying condensed consolidated statements of operations for the three and six months ended September 30, 2019 and 2018 is summarized in the following table:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Six Months Ended September 30, 2019	Six Months Ended September 30, 2018
<b>Derivative financial instruments in cash flow hedging relationships:</b>				
Gain/ (loss) related to effective portion of derivative financial instruments recognized in other comprehensive income (loss)	\$ (3,635)	\$ 6,218	\$ (20,686)	\$ 11,868
Gain/ (loss) related to portion of derivative financial instruments reclassified from accumulated other comprehensive income (loss) to interest expense	\$ 479	\$ 1,293	\$ (568)	\$ 2,705

### Credit Risk-related Contingent Features

The Joint Venture has agreements with each of its derivative counterparties providing that if the Joint Venture defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then the Joint Venture also could be declared in default on its derivative obligations.

As of September 30, 2019, the termination value of derivative financial instruments in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, was \$35,207. If the Joint Venture had breached any of these provisions at September 30, 2019, the Joint Venture could have been required to settle its obligations under the agreements at this termination value. The Joint Venture does not offset any derivative financial instruments, and the derivative financial instruments are not subject to collateral posting requirements.

## 5. Fair Value Measurements

### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Joint Venture's assets and liabilities that are measured at fair value on a recurring basis consist of the Joint Venture's derivative financial instruments and contingent consideration obligations. The tables below summarize these items as of September 30, 2019 and March 31, 2019, aggregated by the level in the fair value hierarchy within which those measurements fall.

Description	Balance at September 30, 2019	Quoted in Markets Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate cap agreements	\$ (33,964)	\$ —	\$ (33,964)	\$ —
Contingent consideration obligations	(4,000)	—	—	(4,000)
Total	\$ (37,964)	\$ —	\$ (33,964)	\$ (4,000)

Description	Balance at March 31, 2019	Quoted in Markets Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate cap agreements	\$ (10,240)	\$ —	\$ (10,240)	\$ —
Contingent consideration obligations	(3,091)	—	—	(3,091)
Total	\$ (13,331)	\$ —	\$ (10,240)	\$ (3,091)

The valuation of the Joint Venture's derivative financial instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair value of the interest rate cap agreements is determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments) using the overnight index swap rate as the discount rate.

The Joint Venture incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Joint Venture has considered the impact of netting and any applicable credit enhancements and measures the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Although the Joint Venture has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs to evaluate the likelihood of default by itself and by its counterparties. As of September 30, 2019, the Joint Venture determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Joint Venture determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The valuation of the Joint Venture's contingent consideration obligations was determined using a discounted cash flow method as applied to cash flows determined through a Monte Carlo Simulation. This analysis reflects the contractual terms of the purchase agreements (e.g., minimum and maximum payments, length of earn-out periods, manner of calculating any amounts due, etc.) and utilizes assumptions with regard to future cash flows, probabilities of achieving such future cash flows and a discount rate. Significant increases with respect to assumptions as to future revenue and probabilities of achieving such future revenue would have resulted in a higher fair value measurement while an increase in the discount rate would have resulted in a lower fair value measurement.

The table below presents a reconciliation of the fair value of the liabilities that use significant unobservable inputs (Level 3):

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Six Months Ended September 30, 2019	Six Months Ended September 30, 2018
Balance at beginning of period	\$ (2,300)	\$ (4,172)	\$ (3,091)	\$ (4,000)
Adjustment of provisional amounts	—	—	—	100
Gain/ (loss) included in contingent consideration	(1,700)	72	(909)	(200)
Balance at end of period	<u>\$ (4,000)</u>	<u>\$ (4,100)</u>	<u>\$ (4,000)</u>	<u>\$ (4,100)</u>

#### *Assets and Liabilities Measured at Fair Value upon Initial Recognition*

The carrying amount and the estimated fair value of financial instruments held by the Joint Venture at September 30, 2019 and March 31, 2019 were:

	September 30, 2019		March 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 72,992	\$ 72,992	\$ 47,718	\$ 47,718
Accounts receivable	\$ 675,306	\$ 675,306	\$ 759,502	\$ 759,502
Senior Credit Facilities (Level 2)	\$3,925,509	\$3,973,284	\$4,804,905	\$4,834,800
Senior Notes (Level 2)	\$ 981,335	\$1,015,000	\$ 979,905	\$ 990,000
Debt component of tangible equity units (Level 2)	\$ 42,069	\$ 43,896	\$ —	\$ —

The carrying amounts of cash equivalents and accounts receivable approximate fair value because of their short-term maturities. The fair value of the Senior Credit Facilities and Senior Notes is based upon market quotes and trades by investors in partial interests of these instruments. The fair value of the debt component of tangible equity units is based on a discounted cash flow analysis.

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### ***Investments in Businesses***

In December 2018, the Joint Venture purchased \$15,000 of preferred shares of a health care company and \$500 shares in a related company holding certain intellectual property, each of which is classified within Other noncurrent assets, net on the accompanying condensed consolidated balance sheets. Because this investment has no readily determinable fair value, the Joint Venture measures this investment at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Joint Venture recognized no changes in the value of this investment during the three and six months ended September 30, 2019.

### **6. Legal Proceedings**

The Joint Venture is subject to various claims with customers and vendors, pending and potential legal actions for damages, investigations relating to governmental laws and regulations and other matters arising out of the normal conduct of its business.

#### ***Government Subpoenas and Investigations***

From time to time, the Joint Venture receives subpoenas or requests for information from various government agencies. The Joint Venture generally responds to such subpoenas and requests in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Joint Venture. Such subpoenas and requests also can lead to the assertion of claims or the commencement of civil or criminal legal proceedings against the Joint Venture and other members of the health care industry, as well as to settlements.

#### ***Other Matters***

Additionally, in the normal course of business, the Joint Venture is involved in various claims and legal proceedings. While the ultimate resolution of ongoing matters has yet to be determined, the Joint Venture does not believe that their outcomes will have a material adverse effect on the Joint Venture's consolidated financial position, results of operations or liquidity.

### **7. Income Taxes**

The Joint Venture is treated as a partnership for income tax purposes and is therefore not subject to U.S. federal income taxes and not subject to most state and local income taxes. Legacy CHC and Change Healthcare Practice Management Solutions, Inc., both wholly owned subsidiaries of the Joint Venture, are subject to U.S. federal, state and local, and non-U.S. corporate income taxes.

The income tax expense for the three months ended September 30, 2019 and income tax benefit for the three months ended September 30, 2018 was \$998 and \$2,119, respectively, which represents an effective tax rate of 115.0% and (1.9%), respectively. The income tax expense for the six months ended September 30, 2019 and income tax benefit for the six months ended September 30, 2018 was \$2,563 and \$2,228, respectively, which represents an effective tax rate of 3.4% and (1.8%), respectively.

Fluctuations in the Joint Venture's reported income tax rates are primarily due to the earnings from partnerships that are passed through to the Members for which the Joint Venture is not subject to tax and benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures in both the US and Canada.

### **8. Tax Receivable Agreement Obligations to Related Parties**

Upon the consummation of the Transactions, the Joint Venture assumed obligations related to certain tax receivable agreements (collectively, the "Tax Receivable Agreements") with its current and former owners. Because the assets and obligations of the predecessor businesses were contributed to the Joint Venture at their historical carrying values, these Tax Receivable Agreements are subject to differing accounting models as explained below.

### 2009—2011 Tax Receivable Agreements

Under the 2009—2011 Tax Receivable Agreements assumed by the Joint Venture in connection with the Transactions, the Joint Venture is obligated to make payments to certain of the former Legacy CHC stockholders, equal to 85% of the applicable cash savings that the Joint Venture expects to realize as a result of tax attributes arising from certain previous transactions. As a result of the covered change of control with respect to the Tax Receivable Agreements that occurred in connection with the Transactions, payments the Joint Venture makes under the 2009—2011 Tax Receivable Agreements are required to be calculated using certain valuation assumptions, including that the Joint Venture will have sufficient taxable income to use the applicable tax attributes and that certain of such tax attributes will be used by the Joint Venture on a pro rata basis from the date of the Transactions (or in certain cases from the date of certain previous transactions) through the expiration of the applicable tax attribute. Because the 2009—2011 Tax Receivable Agreements were previously subject to fair value measurement in connection with a prior business combination transaction, it is recognized at its initial fair value plus recognized accretion to date.

### 2017 Tax Receivable Agreement

The 2017 Tax Receivable Agreement generally provides for the payment by Change Healthcare Performance, Inc. (a wholly owned subsidiary of the Joint Venture) to affiliates of Blackstone, Hellman & Friedman of 85% of the net cash tax savings realized (or, in certain circumstances, deemed to be realized) in periods ending on or after the Transactions as a result of certain net operating losses and certain other tax attributes of Change Healthcare Performance, Inc. as of the date of the Transactions. The 2017 Tax Receivable Agreement is considered a loss contingency under FASB ASC Topic 450 and is reflected on the accompanying condensed consolidated balance sheet at the amount that is both probable and reasonably estimable with future changes in this value being reflected within pretax income or loss.

### McKesson Tax Receivable Agreement

The McKesson Tax Receivable Agreement generally requires payment to affiliates of McKesson (the "McKesson TRA Parties") of 85% of certain cash tax savings realized (or, in certain circumstances, deemed to be realized) by Change Healthcare Performance, Inc. in periods ending on or after the date on which McKesson ceases to own at least 20% of the Joint Venture as a result of (i) certain amortizable tax basis in assets transferred to Joint Venture at the closing of the Transactions and (ii) imputed interest deductions and certain other tax attributes arising from payments under the McKesson Tax Receivable Agreement. Because payments under the McKesson Tax Receivable Agreement are contingent upon McKesson's ceasing to own at least 20% of the Joint Venture and such an event was not probable at inception of the McKesson Tax Receivable Agreement or as of September 30, 2019, no related obligation has been reflected on the accompanying condensed consolidated balance sheet.

Based on facts and circumstances at September 30, 2019, the Joint Venture estimates the aggregate payments due under these Tax Receivable Agreements to be as follows:

	2009 - 2011 Tax Receivable Agreements	2017 Tax Receivable Agreement	Total
2020 (remainder)	\$ —	\$ —	\$ —
2021	18,703	1,179	19,882
2022	19,756	1,179	20,935
2023	19,826	41,330	61,156
2024	19,096	19,650	38,746
Thereafter	119,498	52,393	171,891
Gross expected payments	196,879	115,731	312,610
Less: Amounts representing discount	(92,852)	—	(92,852)
Total tax receivable agreement obligations due to related parties	104,027	115,731	219,758
Less: Current portion due (included in due to related parties, net)	(18,703)	(1,179)	(19,882)
Tax receivable agreement long-term obligations due to related parties	<u>\$ 85,324</u>	<u>\$114,552</u>	<u>\$199,876</u>

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The timing and/or amount of aggregate payments due may vary based on a number of factors, including the amount of net operating losses and income tax rates.

## **9. Segment Reporting**

Management views the Joint Venture's operating results based on three reportable segments: (a) Software and Analytics, (b) Network Solutions and (c) Technology-enabled Services. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in Note 2 to the Joint Venture's audited consolidated financial statements for the year ended March 31, 2019.

In April 2019, the Joint Venture made certain changes in the way that it manages its business and allocates costs. Specifically, the Joint Venture made the following changes during the period:

- Moved its consumer payments solution from the Network Solutions reportable segment to the Technology-enabled Services reportable segment.
- Moved its consumer engagement solutions from the Software and Analytics reportable segment to the Network Solutions reportable segment.
- Made certain changes in the way that costs are assigned to the reportable segments.

The presentation in the tables that follow has been retrospectively adjusted to reflect the above described changes. The retrospective reclassifications resulted in an impact to revenue and Adjusted EBITDA of less than 2% for each reportable segment.

### ***Software and Analytics***

The Software and Analytics segment provides solutions for revenue cycle management, provider network management, payment accuracy, value-based payments, clinical decision support, consumer engagement, risk adjustment and quality performance, and imaging and clinical workflow.

### ***Network Solutions***

The Network Solutions segment provides solutions for financial, administrative and clinical transactions, electronic payments and aggregation and analytics of clinical and financial data.

### ***Technology-enabled Services***

The Technology-enabled Services segment provides solutions for revenue cycle and practice management, value-based care enablement, communications and payments, pharmacy benefits administration and consulting.

### ***Corporate and Eliminations***

Inter-segment revenue and expenses primarily represent claims management and payment and communication solutions provided between segments.

Corporate and eliminations includes pass-through postage costs, management, administrative and certain other shared corporate services costs that are not allocated to the respective reportable segments, as well as eliminations to remove inter-segment revenue and expenses and consolidating adjustments to classify certain rebates paid to channel partners as a reduction of revenue. These administrative costs are excluded from the adjusted EBITDA measure for each respective reportable segment.

Listed below are the revenue and adjusted EBITDA for each of the reportable segments for the three and six months ended September 30, 2019 and 2018. This information is reflected in the manner utilized by management to make operating decisions, assess performance and allocate resources. Such amounts include allocations of corporate shared services functions that are essential to the core operations of the reportable segments such as information technology, operations and product development functions. Segment assets and related depreciation expenses are not presented to management for purposes of operational decision making, and therefore are not included in the accompanying tables.

	Three Months Ended September 30, 2019				
	Software and Analytics	Network Solutions	Technology-enabled Services	Corporate and Eliminations	Consolidated
Revenue from external customers:					
Solutions revenue	\$ 375,789	\$ 124,368	\$ 243,685	\$ (5,141)	\$ 738,701
Postage revenue	—	—	—	57,110	57,110
Inter-segment revenue	339	19,908	439	(20,686)	—
Net revenue	<u>\$ 376,128</u>	<u>\$ 144,276</u>	<u>\$ 244,124</u>	<u>\$ 31,283</u>	<u>\$ 795,811</u>
Adjusted EBITDA	<u>\$ 140,078</u>	<u>\$ 86,500</u>	<u>\$ 44,841</u>	<u>\$ (53,726)</u>	<u>\$ 217,693</u>
Equity compensation					9,345
Acquisition accounting adjustments					553
Acquisition and divestiture-related costs					414
Integration and related costs					19,781
Management fees and related costs					2,413
Strategic initiatives, duplicative and transition costs					6,120
Severance costs					2,929
Accretion and changes in estimate with related parties, net					3,214
Impairment of long-lived assets and other exit related costs					—
Contingent consideration					1,700
Loss on Extinguishment of Debt					16,900
Other non-routine, net					2,858
EBITDA Adjustments					<u>66,227</u>
EBITDA					<u>151,466</u>
Interest expense					69,901
Depreciation and amortization					77,448
Amortization of capitalized software developed for sale					<u>3,249</u>
Income (loss) before income tax provision (benefit)					<u>\$ 868</u>

	Six Months Ended September 30, 2019				
	Software and Analytics	Network Solutions	Technology-enabled Services	Corporate and Eliminations	Consolidated
Revenue from external customers:					
Solutions revenue	\$ 812,904	\$ 246,121	\$ 487,293	\$ (10,545)	\$ 1,535,773
Postage revenue	—	—	—	115,594	115,594
Inter-segment revenue	568	39,767	821	(41,156)	—
Net revenue	<u>\$ 813,472</u>	<u>\$ 285,888</u>	<u>\$ 488,114</u>	<u>\$ 63,893</u>	<u>\$ 1,651,367</u>
Adjusted EBITDA	<u>\$ 342,393</u>	<u>\$ 171,472</u>	<u>\$ 89,992</u>	<u>\$ (105,108)</u>	<u>\$ 498,749</u>
Equity compensation					15,207
Acquisition accounting adjustments					927
Acquisition and divestiture-related costs					1,073
Integration and related costs					45,507
Management fees and related costs					5,060
Strategic initiatives, duplicative and transition costs					9,688
Severance costs					10,099
Accretion and changes in estimate with related parties, net					7,094
Impairment of long-lived assets and other exit related costs					(840)
Contingent consideration					909
Loss on Extinguishment of Debt					16,900
Other non-routine, net					4,008
EBITDA Adjustments					<u>115,632</u>
EBITDA					383,117
Interest expense					153,307
Depreciation and amortization					148,764
Amortization of capitalized software developed for sale					6,698
Income (loss) before income tax provision (benefit)					<u>\$ 74,348</u>



	Three Months Ended September 30, 2018				
	Software and Analytics	Network Solutions	Technology-enabled Services	Corporate and Eliminations	Consolidated
Revenue from external customers:					
Solutions revenue	\$ 379,998	\$ 121,302	\$ 242,408	\$ (5,922)	\$ 737,786
Postage revenue	—	—	—	62,404	62,404
Inter-segment revenue	3,512	15,020	935	(19,467)	—
Net revenue	<u>\$ 383,510</u>	<u>\$ 136,322</u>	<u>\$ 243,343</u>	<u>\$ 37,015</u>	<u>\$ 800,190</u>
Adjusted EBITDA	<u>\$ 139,419</u>	<u>\$ 83,612</u>	<u>\$ 39,181</u>	<u>\$ (46,261)</u>	<u>\$ 215,951</u>
Equity compensation					2,959
Acquisition accounting adjustments					555
Acquisition and divestiture-related costs					3,319
Integration and related costs					26,291
Strategic initiatives, duplicative and transition costs					8,348
Severance costs					2,339
Costs related to recently issued accounting standards					1,772
Accretion and changes in estimate with related parties, net					5,932
Management fees and related costs					2,607
Impairment of long-lived assets and other exit related costs					2,343
Gain on Sale of extended care business					(111,392)
Contingent consideration					—
Other non-routine, net					6,004
EBITDA Adjustments					<u>(48,923)</u>
EBITDA					264,874
Interest expense					80,677
Depreciation and amortization					69,258
Amortization of capitalized software developed for sale					3,618
Income (loss) before income tax provision (benefit)					<u>\$ 111,321</u>

	Six Months Ended September 30, 2018				
	Software and Analytics	Network Solutions	Technology- enabled Services	Corporate and Eliminations	Consolidated
Revenue from external customers:					
Solutions revenue	\$ 772,826	\$ 241,892	\$ 491,436	\$ (10,663)	\$ 1,495,491
Postage revenue	—	—	—	127,962	127,962
Inter-segment revenue	7,086	31,033	1,902	(40,021)	—
Net revenue	<u>\$ 779,912</u>	<u>\$ 272,925</u>	<u>\$ 493,338</u>	<u>\$ 77,278</u>	<u>\$ 1,623,453</u>
Adjusted EBITDA	<u>\$ 282,056</u>	<u>\$ 165,849</u>	<u>\$ 89,154</u>	<u>\$ (93,318)</u>	<u>\$ 443,741</u>
Equity compensation					8,259
Acquisition accounting adjustments					2,540
Acquisition and divestiture-related costs					7,507
Integration and related costs					47,242
Strategic initiatives, duplicative and transition costs					19,122
Severance costs					10,015
Costs related to recently issued accounting standards					5,513
Accretion and changes in estimate with related parties, net					9,756
Management fees and related costs					5,284
Impairment of long-lived assets and other exit related costs					3,360
Gain on Sale of extended care business					(111,392)
Contingent consideration					272
Other non-routine, net					8,156
EBITDA Adjustments					15,634
EBITDA					428,107
Interest expense					159,226
Depreciation and amortization					137,785
Amortization of capitalized software developed for sale					7,378
Income (loss) before income tax provision (benefit)					\$ 123,718

# 10. Accumulated Other Comprehensive Income (Loss)

The following is a summary of the accumulated other comprehensive income (loss) balances, net of taxes, and related changes for each of the quarterly periods in the three and six months ended September 30, 2019 and 2018.

	Foreign Currency Translation Adjustment	Cash Flow Hedge	Accumulated Other Comprehensive Income (Loss)
<b>Balance at March 31, 2018</b>	<u>\$ (14,823)</u>	<u>\$ 6,218</u>	<u>\$ (8,605)</u>
Cumulative effect of accounting change	—	1,633	1,633
Change associated with foreign currency translation	(8,638)	—	(8,638)
Change associated with current period hedging	—	4,016	4,016
Reclassification into earnings	—	(1,412)	(1,412)
<b>Balance at June 30, 2018</b>	<u>\$ (23,461)</u>	<u>\$ 10,455</u>	<u>\$ (13,006)</u>
Cumulative effect of accounting change	—	—	—
Change associated with foreign currency translation	1,886	—	1,886
Change associated with current period hedging	—	6,218	6,218
Reclassification into earnings	—	(1,293)	(1,293)
<b>Balance at September 30, 2018</b>	<u>\$ (21,575)</u>	<u>\$ 15,380</u>	<u>\$ (6,195)</u>
<b>Balance at March 31, 2019</b>	<u>\$ (24,263)</u>	<u>\$ (10,769)</u>	<u>\$ (35,032)</u>
Reclassification of stranded tax effects as a result of the Tax Legislation	—	(1,406)	(1,406)
Change associated with foreign currency translation	756	—	756
Change associated with current period hedging	—	(17,051)	(17,051)
Reclassification into earnings	—	(1,047)	(1,047)
<b>Balance at June 30, 2019</b>	<u>\$ (23,507)</u>	<u>\$ (30,273)</u>	<u>\$ (53,780)</u>
Change associated with foreign currency translation	3,812	—	3,812
Change associated with current period hedging	—	(3,635)	(3,635)
Reclassification into earnings	—	479	479
<b>Balance at September 30, 2019</b>	<u>\$ (19,695)</u>	<u>\$ (33,429)</u>	<u>\$ (53,124)</u>

## 11. Equity Based Compensation

Following Change Healthcare Inc.'s initial public offering, Change Healthcare Inc. adopted the Change Healthcare Inc. 2019 Omnibus Incentive Plan (the "Omnibus Incentive Plan") pursuant to which 25.0 million shares of the Change Healthcare Inc.'s stock have been reserved for issuance to employees, directors and consultants of Change Healthcare Inc., the Joint Venture and its affiliates.

In connection with the Omnibus Incentive Plan, Change Healthcare Inc., during the three months ended September 30, 2019, granted to the Joint Venture's employees and directors one or a combination of time-vesting restricted stock units (RSUs), time-vesting deferred stock units, performance stock units, and cash settled restricted stock units under vesting terms that generally vary from one to four years from the date of grant. Each of these instruments are described below.

*Restricted Stock Units ("RSUs")*—Change Healthcare Inc. granted 4,436,758 RSUs during the three months ended September 30, 2019. The RSUs are subject to either a graded vesting schedule over four years or a one or four year cliff vesting schedule, depending on the terms of the specific award. Upon vesting, the RSUs are exchanged for shares of the Change Healthcare Inc.'s common stock.

*Performance Stock Units ("PSUs")*—Change Healthcare Inc. granted 1,079,621 PSUs during the three months ended September 30, 2019. The PSUs consist of two tranches, one for which the quantity of awards expected to vest varies based on the Joint Venture's compound annual Revenue growth rate over a three year period in comparison to a target percentage and one for which the quantity of awards expected to vest varies based on the Joint Venture's compound annual Adjusted EBITDA growth rate over a three year period in comparison to a target percentage. The awards earned upon satisfaction of the performance conditions become vested on the fourth anniversary of the vesting commencement date of the award (i.e. continued service is required beyond the satisfaction of the performance condition prior to vesting). The Joint Venture recognizes compensation expense for the PSUs based on the number of awards that are considered probable to vest. Recognition of expense is based on the probability of achievement of performance targets and is periodically reevaluated.

*Cash Settled Restricted Stock Units ("CSRSUs")*—Change Healthcare Inc. granted 597,006 CSRSUs during the three months ended September 30, 2019. The CSRSUs are expected to vest ratably over three years. Upon vesting, however, Change Healthcare Inc. is required to pay cash in settlement of such CSRSUs based on their fair value at the date such CSRSUs vest.

*Deferred Stock Units ("DSUs")*—Change Healthcare Inc. granted 45,704 DSUs during the three months ended September 30, 2019. The DSUs vest 100% upon the one-year anniversary of the date of grant. Unlike the RSUs, however, the DSUs are exchanged for shares of the Change Healthcare Inc.'s common stock only following the participant's separation from service.

During the three and six months ended September 30, the Joint Venture recognized compensation expense of \$6,096 related to awards granted under the 2019 Plan. At September 30, 2019, aggregate unrecognized compensation expense of the Joint Venture related to awards granted under the 2019 Plan was \$87,211.

## 12. Tangible Equity Units

In July 2019, Change Healthcare Inc. completed its offering of 5,750,000 TEUs. Each TEU, which had a stated amount of \$50, was comprised of a prepaid stock purchase contract and a senior amortizing note due June 30, 2022. Change Healthcare Inc. allocated the proceeds from the issuance of the TEUs to equity and debt based on the relative fair values of the respective components of each TEU. Change Healthcare Inc. invested the net proceeds of each in a unit purchase contract and a debt instrument of the Joint Venture on terms that substantially mirror the economics of the TEUs, resulting in net proceeds to the Joint Venture of \$276,633 after consideration of underwriting discounts and third party costs that were allocated between the unit purchase contract and debt instrument consistent with the allocation utilized by Change Healthcare Inc. Under these mirrored arrangements, the Joint Venture is required to make cash payments or to transfer LLC Units to Change Healthcare Inc. concurrent with any cash payments or issuance of shares by Change Healthcare Inc. pursuant to the terms of its TEUs.

With respect to the mirrored debt arrangement, the Joint Venture agreed to pay Change Healthcare Inc. an aggregate principal amount of \$47,367 in quarterly installments of principal and interest (5.5% per year) on March 30, June 30, September 30, and December 30 of each year through June 30, 2022. Such amounts have been classified with debt on the accompanying consolidated balance sheets.

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With respect to the mirrored unit purchase contract, the Joint Venture agreed to issue LLC Units to Change Healthcare Inc. in an amount equal to the number of shares of common stock issued by Change Healthcare Inc. to holders of its purchase contract and at the time of delivery of such common stock to such holders. Such amounts have been classified within Member's deficit on the accompanying consolidated balance sheets.

Because the economics of the unit purchase contract are intended to mirror the purchase contracts issued by Change Healthcare Inc., the Joint Venture expects to deliver between 18,429,325 LLC Units and 22,115,075 LLC Units, subject to adjustment, based on the Applicable Market Value (as defined below) of Change Healthcare Inc.'s common stock as described below:

- If the Applicable Market Value of Change Healthcare Inc.'s common stock is greater than \$15.60 per share, holders will receive 3.2051 shares of common stock per purchase contract and the Joint Venture will issue an identical number of LLC units to Change Healthcare Inc.
- If the Applicable Market Value is less than or equal to \$15.60 per share but greater than or equal to \$13.00 per share, the holder will receive a number of shares of the Company's common stock per purchase contract equal to \$50, divided by the Applicable Market Value and the Joint Venture will issue an identical number of LLC units to Change Healthcare Inc.; and
- If the Applicable Market Value is less than \$13.00 per share, the holder will receive 3.8461 shares of common stock per purchase contract and the Joint Venture will issue an identical number of LLC units to Change Healthcare Inc.

The Applicable Market Value is defined as the arithmetic average of the volume weighted average price per share of the Company's common stock over the twenty consecutive trading day period immediately preceding the balance sheet date, or June 30, 2022, for settlement of the stock purchase contracts.

The unit purchase contract has a dilutive effect on the Change Healthcare Inc.'s net income (loss) per unit. The 18,429,325 minimum LLC Units to be issued are included in the calculation of basic net income (loss) per unit. The difference between the minimum LLC Units and the maximum LLC Units are potentially dilutive securities, and accordingly, will be included in the Joint Venture's diluted net income (loss) per unit on a pro rata basis to the extent the Applicable Market Value is higher than \$13.00 but is less than \$15.60 at period end.

### 13. Net Income (Loss) per Common Unit

The following table sets forth the computation of basic and diluted net income (loss) per common unit:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Basic net income per common unit:				
Numerator:				
Net income (loss)	\$ (130)	\$ 113,440	\$ 71,785	\$ 125,946
Denominator:				
Weighted average common units outstanding	299,789,703	251,501,744	275,892,383	251,550,892
Minimum units issuable under purchase contracts	18,429,325	—	9,214,663	—
	<u>318,219,028</u>	<u>251,501,744</u>	<u>285,107,046</u>	<u>251,550,892</u>
Basic net income (loss) per common unit	<u>\$ —</u>	<u>\$ 0.45</u>	<u>\$ 0.25</u>	<u>\$ 0.50</u>
Diluted net income per common unit:				
Numerator:				
Net income (loss)	\$ (130)	\$ 113,440	\$ 71,785	\$ 125,946
Denominator:				
Number of shares used in basic computation	318,219,028	251,501,744	285,107,046	251,550,892
Weighted average effect of dilutive securities	—	—	—	—
Add:				
Dilutive units issuable under unit purchase contracts	3,685,750	—	1,842,875	—
Reimbursement units issuable to Change Healthcare Inc.	2,065,255	1,832,196	1,859,929	1,839,878
	<u>323,970,033</u>	<u>253,333,940</u>	<u>288,809,850</u>	<u>253,390,770</u>
Diluted net income (loss) per common unit	<u>\$ —</u>	<u>\$ 0.45</u>	<u>\$ 0.25</u>	<u>\$ 0.50</u>

### 14. Asset Held for Sale

During the three months ended September 30, 2019, the Joint Venture committed to a plan to sell its Alpharetta, GA office property in an effort to reduce its real estate footprint. The Joint Venture expects to complete a sale of the property during its fiscal third quarter and recognize an immaterial gain on sale. As of September 30, 2019, the property had a carrying value of \$29,562. As a result of this contemplated sale transaction, the Joint Venture has classified the property as an asset held for sale on the accompanying condensed consolidated balance sheet at September 30, 2019.

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**15. Subsequent Events*****Agreement to Sell Office Building***

In October 2019, the Joint Venture executed an agreement for the sale of its Alpharetta, GA office property for proceeds of approximately \$31,500. The sale is expected to be completed during the third quarter of the Joint Venture's fiscal year. The Joint Venture expects to recognize a gain of an immaterial amount as a result of this sale.

The Joint Venture has evaluated subsequent events through November 14, 2019, the date the financial statements were available to be issued.



## Officers of Change Healthcare Technology Enabled Services

Change Healthcare Officers		
Officer	Title	Address
Neil E. de Crescenzo	President and Chief Executive Officer	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Thomas Laur	Vice President	275 Grove Street, Suite I-310 Newton, MA 02466
Dennis Robbins	Vice President, Finance	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Derrick Kirkwood	Vice President, Tax	3055 Lebanon Pike, Suite 1000 Nashville, TN 37214
Loretta Cecil	Secretary	5995 Windward Parkway Alpharetta, GA 30005
Carrie Ratliff	Assistant Secretary	3535 Piedmont Road Building 14 Suite 600 Atlanta, GA 30305
Joe Ashkouti	Assistant Secretary	3535 Piedmont Road Building 14 Suite 600 Atlanta, GA 30305



COUNTY OF NASSAU

CONSULTANT'S, CONTRACTOR'S AND VENDOR'S DISCLOSURE FORM

1. Name of the Entity: Change Healthcare Technology Enabled Services LLC

Address: 3055 Lebanon Pike

City: Nashville State: TN Zip Code: 37214

2. Entity's Vendor Identification Number: 581953146

3. Type of Business: Ltd. Liability Co (specify) \_\_\_\_\_

4. List names and addresses of all principals; that is, all individuals serving on the Board of Directors or comparable body, all partners and limited partners, all corporate officers, all parties of Joint Ventures, and all members and officers of limited liability companies (attach additional sheets if necessary):

2 File(s) uploaded

*No principals have been attached to this form.*

5. List names and addresses of all shareholders, members, or partners of the firm. If the shareholder is not an individual, list the individual shareholders/partners/members. If a Publicly held Corporation, include a copy of the 10K in lieu of completing this section.

If none, explain.

On June 27, 2019, Change Healthcare became a public company. Information related to this request is in the process of being updated. To check information on our financials, please visit the Financials link on our website: <https://ir.changehealthcare.com/financial-information>.

*No shareholders, members, or partners have been attached to this form.*

6. List all affiliated and related companies and their relationship to the firm entered on line 1. above (if none, enter "None"). Attach a separate disclosure form for each affiliated or subsidiary company that may take part in the performance of this contract. Such disclosure shall be updated to include affiliated or subsidiary companies not previously disclosed that participate in the performance of the contract.

Change Healthcare Technology Enabled Services LLC is a subsidiary of Change Healthcare, LLC.

7. List all lobbyists whose services were utilized at any stage in this matter (i.e., pre-bid, bid, post-bid, etc.). If none, enter "None." The term "lobbyist" means any and every person or organization retained, employed or designated by any client to influence - or promote a matter before - Nassau County, its agencies, boards, commissions, department heads, legislators or committees, including but not limited to the Open Space and Parks Advisory Committee and Planning Commission. Such matters include, but are not limited to, requests for proposals, development or improvement of real property subject to County regulation, procurements. The term "lobbyist" does not include any officer, director, trustee, employee, counsel or agent of the County of Nassau, or State of New York, when discharging his or her official duties.

Are there lobbyists involved in this matter?

YES ☐ NO ☒

(a) Name, title, business address and telephone number of lobbyist(s):

(b) Describe lobbying activity of each lobbyist. See below for a complete description of lobbying activities.

(c) List whether and where the person/organization is registered as a lobbyist (e.g., Nassau County, New York State):

--

8. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

Electronically signed and certified at the date and time indicated by:

Scott Schrader [SCOTT.SCHRADER@CHANGEHEALTHCARE.COM]

Dated: 01/02/2020 01:41:07 PM

Title: Chief Commercial Officer, TES

**The term lobbying shall mean any attempt to influence:** any determination made by the Nassau County Legislature, or any member thereof, with respect to the introduction, passage, defeat, or substance of any local legislation or resolution; any determination by the County Executive to support, oppose, approve or disapprove any local legislation or resolution, whether or not such legislation has been introduced in the County Legislature; any determination by an elected County official or an officer or employee of the County with respect to the procurement of goods, services or construction, including the preparation of contract specifications, including by not limited to the preparation of requests for proposals, or solicitation, award or administration of a contract or with respect to the solicitation, award or administration of a grant, loan, or agreement involving the disbursement of public monies; any determination made by the County Executive, County Legislature, or by the County of Nassau, its agencies, boards, commissions, department heads or committees, including but not limited to the Open Space and Parks Advisory Committee, the Planning Commission, with respect to the zoning, use, development or improvement of real property subject to County regulation, or any agencies, boards, commissions, department heads or committees with respect to requests for proposals, bidding, procurement or contracting for services for the County; any determination made by an elected county official or an officer or employee of the county with respect to the terms of the acquisition or disposition by the county of any interest in real property, with respect to a license or permit for the use of real property of or by the county, or with respect to a franchise, concession or revocable consent; the proposal, adoption, amendment or rejection by an agency of any rule having the force and effect of law; the decision to hold, timing or outcome of any rate making proceeding before an agency; the agenda or any determination of a board or commission; any determination regarding the calendaring or scope of any legislature oversight hearing; the issuance, repeal, modification or substance of a County Executive Order; or any determination made by an elected county official or an officer or employee of the county to support or oppose any state or federal legislation, rule or regulation, including any determination made to support or oppose that is contingent on any amendment of such legislation, rule or regulation, whether or not such legislation has been formally introduced and whether or not such rule or regulation has been formally proposed.



## Officers of Change Healthcare Technology Enabled Services

Change Healthcare Officers	
Officer	Title
Neil E. de Crescenzo	President and Chief Executive Officer
Thomas Laur	Vice President
Dennis Robbins	Vice President, Finance
Derrick Kirkwood	Vice President, Tax
Loretta Cecil	Secretary
Carrie Ratliff	Assistant Secretary
Joe Ashkouti	Assistant Secretary



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Carrie Ratliff	Assistant Secretary	3535 Piedmont Road Building 14 Suite 600 Atlanta, GA 30305
Joe Ashkoufi	Assistant Secretary	3535 Piedmont Road Building 14 Suite 600 Atlanta, GA 30305

#### **AMENDMENT NO. 4**

AMENDMENT (together with any appendices or exhibits hereto, this "Amendment") dated as of the date that this Amendment is executed by Nassau County (the "Effective Date"), between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York, 11501 (the "Department") and (ii) Change Healthcare Practice Management Solutions Inc., a corporation authorized to do business in the State of New York, having its principal office at 3055 Lebanon Pike, Suite 1000, Nashville, TN 37214 (the "Contractor").

#### **WITNESSETH:**

WHEREAS, pursuant to County contract number COPD13000013 between the County and the Contractor, executed on behalf of the County on November 12, 2013, as amended, and as assigned by MED3000, Inc. effective as of March 1, 2018 (the "Original Agreement"), the Contractor provides the recording and transmission of pre-hospital care reports and billing and fee collection services, which services are more fully described in the Original Agreement (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 until August 10, 2019 (the "Original Term"); and

WHEREAS, the County has issued RFP No. PD0215-1911 for Ambulance Billing Services, and is currently in the process of finalizing a new contract award for these Services; and

WHEREAS, the Department desires to extend the Term of the Original Agreement to avoid a disruption of the Services in connection with the termination of the Original Agreement and transition to a new contract; and

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Term. The Term of the Original Agreement shall be extended by four (4) months and twenty-one (21) days, so that the termination date of the Original Agreement, as amended by this Amendment (the "Amended Agreement") shall be December 31, 2019.

2. Full Force and Effect. All terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

[Remainder of Page Left Intentionally Blank.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

Change Healthcare Practice Management Solutions,  
Inc.

By: Chris R  
Name: Christine Bile  
Title: SVP CFO TCS  
Date: 10/11/19

NASSAU COUNTY

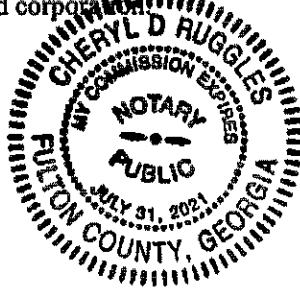
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Deputy County Executive  
Date: \_\_\_\_\_

PLEASE EXECUTE IN BLUE INK

GEORGIA  
STATE OF NEW YORK)  
FULTON )ss.:  
COUNTY OF NASSAU)

On the 11 day of OCTOBER in the year 2019 before me personally came  
CHRISTINE RICE to me personally known, who, being by me duly sworn, did depose and  
say that he or she resides in the County of CHEROKEE; that he or she is the  
SVP, CFO of CHANGE Healthcare TES, the corporation described herein and  
which executed the above instrument; and that he or she signed his or her name thereto by authority  
of the board of directors of said corporation.

Cheryl Duggles  
NOTARY PUBLIC



STATE OF NEW YORK)  
 )ss.:  
COUNTY OF NASSAU)

On the \_\_\_\_ day of \_\_\_\_\_ in the year 20\_\_ before me personally came  
\_\_\_\_\_ to me personally known, who, being by me duly sworn, did depose and  
say that he or she resides in the County of \_\_\_\_\_; that he or she is a Deputy County  
Executive of the County of Nassau, the municipal corporation described herein and which executed  
the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the  
County Government Law of Nassau County.

\_\_\_\_\_  
NOTARY PUBLIC





# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
03/01/2019

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> MARSH, INC. 1801 WEST END AVE., SUITE 1500 NASHVILLE, TN 37203 Attn: Tammy.A.Adcock@marsh.com	<b>CONTACT NAME:</b> Tammy Adcock <b>PHONE (A/C, No, Ext):</b> 615-340-2444 <b>FAX (A/C, No):</b> <b>E-MAIL ADDRESS:</b> Tammy.A.Adcock@marsh.com
<b>INSURER(S) AFFORDING COVERAGE</b>	<b>NAIC #</b>
INSURER A : Charter Oak Fire Insurance Company	25615
INSURER B : Travelers Property Casualty Company Of America	25674
INSURER C : Starr Indemnity & Liability Company	38318
INSURER D :	
INSURER E :	
INSURER F :	

**COVERAGES** **CERTIFICATE NUMBER:** ATL-004820742-03 **REVISION NUMBER:** 4

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> <b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER:		660-0J760255	03/01/2019	03/01/2020	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 \$
B	<b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY		BA 0J770120	03/01/2019	03/01/2020	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	<input checked="" type="checkbox"/> <b>UMBRELLA LIAB</b> <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 10,000		CUP 1J64882A	03/01/2019	03/01/2020	EACH OCCURRENCE \$ 20,000,000 AGGREGATE \$ 20,000,000 \$
C	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N N/A	1000002641 (AOS) 1000002642-TX,AZ, CT, IA, NJ, NY,VT 1000002643 (WI) 1000002644 (AK/FL/MA)	03/01/2019 03/01/2019 03/01/2019 03/01/2019	03/01/2020 03/01/2020 03/01/2020 03/01/2020	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Re: Operations: Billing related services contract with Nassau Police Department.

The Certificate Holder is Included as additional insured where required by written contract with respect to General Liability.

## CERTIFICATE HOLDER

Nassau County Police Department  
Attn: Commanding Officer  
1490 Franklin Ave  
Mineola, NY 11501

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE  
of Marsh USA Inc.

Stephen R. Earp

*Stephen R. Earp*

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E-113-19

**NIFS ID:CLPD19000008 Department: Police Dept.**

**Capital:**

SERVICE: Ambulance billing services

Contract ID #:CQPD13000013 NIFS Entry Date: 02-MAY-19 Term: from 11-FEB-19 to 10-AUG-19

Amendment
Time Extension: X
Addl. Funds:
Blanket Resolution:
RES#

1) Mandated Program:	N
2) Comptroller Approval Form Attached:	Y
3) CSEA Agmt. § 32 Compliance Attached:	N
4) Vendor Ownership & Mgmt. Disclosure Attached:	Y
5) Insurance Required	Y

<b>Vendor Info:</b>	
Name: Change Healthcare Practice Management Solutions, Inc.	Vendor ID#: 232939847
Address: 3055 Lebanon Pike, Suite 1000 Nashville, TN 37214	Contact Person: Morris Maybruch
	Phone: 845-368-4800

<b>Department:</b>
Contact Name: Jaclyn Delle, Legal Bureau
Address: 1 West St. Mineola, NY 11501
Phone: 516-571-3054

## Routing Slip

Department	NIFS Entry: X	03-MAY-19 -- JDELLEPD
Department	NIFS Approval: X	03-MAY-19 -- JDELLEPD
DPW	Capital Fund Approved:	
OMB	NIFA Approval: X	10-MAY-19 -- IQURESHI
OMB	NIFS Approval: X	07-MAY-19 -- JNOGID
County Atty.	Insurance Verification: X	03-MAY-19 -- AAMATO
County Atty.	Approval to Form: X	03-MAY-19 -- DMCDERMOTT

CPO	Approval: X	13-MAY-19 -- KOHAGENCE
DCEC	Approval: X	13-MAY-19 -- JCHIARA
Dep. CE	Approval: X	17-MAY-19 -- TFOX
Leg. Affairs	Approval/Review: X	23-MAY-19 -- JSCHANTZ
Legislature	Approval: X	05-JUN-19 -- LVOCATURA
Comptroller	Deputy: X	09-JUL-19 -- JSCHOEN
NIFA	NIFA Approval:	

## Contract Summary

<b>Purpose:</b> Amendment to existing contract to extend term by six (6) months.
<b>Method of Procurement:</b> Contract amendment. Please see procurement history below.
<b>Procurement History:</b> Request for Proposals ("RFP") issued on October 11, 2012. A new RFP was issued for these services, and the Department is currently in the process of reviewing responses. This extension is to ensure a smooth transition to a new contract, without a gap in these necessary services.
<b>Description of General Provisions:</b> As described above.
<b>Impact on Funding / Price Analysis:</b> 0.01 (revenue contract)
<b>Change in Contract from Prior Procurement:</b> N/A
<b>Recommendation:</b> (approve as submitted) Approve as submitted.

## Advisement Information

BUDGET CODES		FUNDING SOURCE	AMOUNT	LINE	INDEX/OBJECT CODE	AMOUNT
Fund:	PDH					
Control:	PD10	Revenue		6	PDPDH1484/DE500	\$ 0.01
Resp:	PDPDH1484	Contract:				\$ 0.00
Object:	DE500	County	\$ 0.01			\$ 0.00
Transaction:	109	Federal	\$ 0.00			\$ 0.00
Project #:		State	\$ 0.00			\$ 0.00
Detail:		Capital	\$ 0.00			\$ 0.00
		Other	\$ 0.00			\$ 0.00
		TOTAL	\$ 0.01		TOTAL	\$ 0.01

RENEWAL	
% Increase	
% Decrease	



E-113-19

**NIFS ID:CLPD19000008     Department: Police Dept.**

**Capital:**

SERVICE: Ambulance billing services

Contract ID #:CQPD13000013     NIFS Entry Date: 02-MAY-19     Term: from 11-FEB-19 to 10-AUG-19

Amendment
Time Extension: X
Addl. Funds:
Blanket Resolution:
RES#

1) Mandated Program:	N
2) Comptroller Approval Form Attached:	Y
3) CSEA Agmt. § 32 Compliance Attached:	N
4) Vendor Ownership & Mgmt. Disclosure Attached:	Y
5) Insurance Required	Y

<b>Vendor Info:</b>	
Name: <b>Change Healthcare Practice Management Solutions, Inc.</b>	Vendor ID#: <b>232939847</b>
Address: 3055 Lebanon Pike, Suite 1000 Nashville, TN 37214	Contact Person: Morris Maybrueh
	Phone: 845-368-4800

<b>Department:</b>	
Contact Name: Jaclyn Delle, Legal Bureau	
Address: 1 West St. Mineola, NY 11501	
Phone: 516-571-3054	

RECEIVED  
MAY 13 2019  
POLICE DEPT

## Routing Slip

Department	NIFS Entry: X	03-MAY-19 -- JDELLEPD
Department	NIFS Approval: X	03-MAY-19 -- JDELLEPD
DPW	Capital Fund Approved:	
OMB	NIFA Approval: X	10-MAY-19 -- JOURESHI
OMB	NIFS Approval: X	07-MAY-19 -- JNOGID
County Atty.	Insurance Verification: X	03-MAY-19 -- AAMATO
County Atty.	Approval to Form: X	03-MAY-19 -- DMCDERMOTT

CPO	Approval: X	13-MAY-19 -- KOHAGENCE *
DCEC	Approval: X	13-MAY-19 -- JCHIARA
Dep. CE	Approval: X	17-MAY-19 -- TFOX
Leg. Affairs	Approval/Review: X	23-MAY-19 -- JSCHANTZ
Legislature	Approval:	
Comptroller	Deputy:	
NIFA	NIFA Approval:	

## Contract Summary

<b>Purpose:</b> Amendment to existing contract to extend term by six (6) months.
<b>Method of Procurement:</b> Contract amendment. Please see procurement history below.
<b>Procurement History:</b> Request for Proposals ("RFP") issued on October 11, 2012. A new RFP was issued for these services, and the Department is currently in the process of reviewing responses. This extension is to ensure a smooth transition to a new contract, without a gap in these necessary services.
<b>Description of General Provisions:</b> As described above.
<b>Impact on Funding / Price Analysis:</b> 0.01 (revenue contract)
<b>Change in Contract from Prior Procurement:</b> N/A
<b>Recommendation:</b> (approve as submitted) Approve as submitted.

## Advisement Information

BUDGET CODES		FUNDING SOURCE	AMOUNT	LINE	INDEX/OBJECT CODE	AMOUNT
Fund:	PDH					
Control:	PD10	Revenue		6	PDPDH1484/DE500	\$ 0.01
Resp:	PDPDH1484	Contract:				\$ 0.00
Object:	DE500	County	\$ 0.01			\$ 0.00
Transaction:	109	Federal	\$ 0.00			\$ 0.00
Project #:		State	\$ 0.00			\$ 0.00
Detail:		Capital	\$ 0.00			\$ 0.00
		Other	\$ 0.00			\$ 0.00
		TOTAL	\$ 0.01		TOTAL	\$ 0.01

RENEWAL	
% Increase	
% Decrease	



# Nassau County Interim Finance Authority

## Contract Approval Request Form (As of January 1, 2015)

1. Vendor: Change Healthcare Practice Management Solutions, Inc.

2. Dollar amount requiring NIFA approval: \$.01

Amount to be encumbered: \$.01

This is a Amendment

If new contract - \$ amount should be full amount of contract

If advisement - NIFA only needs to review if it is increasing funds above the amount previously approved by NIFA

If amendment - \$ amount should be full amount of amendment only

3. Contract Term: 02/11/2019-08/10/2019

Has work or services on this contract commenced? Y \_\_\_\_\_

If yes, please explain: Services continuing as amendment is routed through approvals.

4. Funding Source:

X General Fund (GEN)

Grant Fund (GRT)

Capital Improvement Fund (CAP)

Other

Federal % 0

State % 0

County % 100

Is the cash available for the full amount of the contract?

Y

If not, will it require a future borrowing?

N

Has the County Legislature approved the borrowing?

N/A

Has NIFA approved the borrowing for this contract?

N/A

5. Provide a brief description (4 to 5 sentences) of the item for which this approval is requested:

Amendment to existing contract to extend term by six (6) months.

6. Has the item requested herein followed all proper procedures and thereby approved by the:

Nassau County Attorney as to form Y

Nassau County Committee and/or Legislature

Date of approval(s) and citation to the resolution where approval for this item was provided:

7. Identify all contracts (with dollar amounts) with this or an affiliated party within the prior 12 months:

Contract ID	Date	Amount

## AUTHORIZATION

To the best of my knowledge, I hereby certify that the information contained in this Contract Approval Request Form and any additional information submitted in connection with this request is true and accurate and that all expenditures that will be made in reliance on this authorization are in conformance with the Nassau County Approved Budget and not in conflict with the Nassau County Multi-Year Financial Plan. I understand that NIFA will rely upon this information in its official deliberations.

IQURESHI

10-MAY-19

Authenticated User

Date

## COMPTROLLER'S OFFICE

To the best of my knowledge, I hereby certify that the information listed is true and accurate and is in conformance with the Nassau County Approved Budget and not in conflict with the Nassau County Multi-Year Financial Plan.

Regarding funding, please check the correct response:

☐ I certify that the funds are available to be encumbered pending NIFA approval of this contract.

If this is a capital project:

☐ I certify that the bonding for this contract has been approved by NIFA.

☐ Budget is available and funds have been encumbered but the project requires NIFA bonding authorization

Authenticated User

Date

## NIFA

Amount being approved by NIFA:

Payment is not guaranteed for any work commenced prior to this approval.

Authenticated User

Date

NOTE: All contract submissions MUST include the County's own routing slip, current NIFS printouts for all relevant accounts and relevant Nassau County Legislature communication documents and relevant supplemental information pertaining to the item requested herein.

NIFA Contract Approval Request Form MUST be filled out in its entirety before being submitted to NIFA for review.

NIFA reserves the right to request additional information as needed.

E-113-19

RULES RESOLUTION NO. 155-2019

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES  
AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON  
BEHALF OF THE NASSAU COUNTY POLICE DEPARTMENT, AND  
CHANGE HEALTHCARE PRACTICE MANAGEMENT SOLUTIONS,  
INC. (FORMERLY MED3000, INC.)

Approved by the Rules Committee  
of the Nassau County Legislature  
by Resolution No. 6-3-19  
on 7-1-19  
7-1-19

WHEREAS, the County has negotiated an amendment to a personal  
services agreement with Change Healthcare Practice Management Solutions,  
Inc. (formerly Med3000, Inc.), extending the term of the Agreement, a copy  
of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County  
Legislature authorizes the County Executive to execute the said amended  
agreement with Change Healthcare Practice Management Solutions, Inc.  
(formerly Med3000, Inc.).



Jack Schnirman  
Comptroller



OFFICE OF THE COMPTROLLER  
240 Old Country Road  
Mineola, New York 11501

## COMPTROLLER APPROVAL FORM FOR PERSONAL, PROFESSIONAL OR HUMAN SERVICES CONTRACTS

*Attach this form along with all personal, professional or human services contracts, contract renewals, extensions and amendments.*

CONTRACTOR NAME: Change Healthcare Practice Management Solutions, Inc.

CONTRACTOR ADDRESS: 3055 Lebanon Pike, Suite 1000, Nashville Tennessee 37214

FEDERAL TAX ID #: 232939847

**Instructions:** Please check the appropriate box ("☑") after one of the following roman numerals, and provide all the requested information.

I. ☐ The contract was awarded to the lowest, responsible bidder after advertisement for sealed bids. The contract was awarded after a request for sealed bids was published in \_\_\_\_\_ [newspaper] on \_\_\_\_\_ [date]. The sealed bids were publicly opened on \_\_\_\_\_ [date], \_\_\_\_\_ [#] of sealed bids were received and opened.

II. ☐ The contractor was selected pursuant to a Request for Proposals.

The Contract was entered into after a written request for proposals was issued on \_\_\_\_\_ [date]. Potential proposers were made aware of the availability of the RFP by advertisement in \_\_\_\_\_ [newspaper], posting on industry websites, via email to interested parties and by publication on the County procurement website. Proposals were due on \_\_\_\_\_ [date]. \_\_\_\_\_ [state #] proposals were received and evaluated. The evaluation committee consisted of: \_\_\_\_\_

\_\_\_\_\_ (list # of persons on committee and their respective departments). The proposals were scored and ranked. As a result of the scoring and ranking, the highest-ranking proposer was selected.

**III. ☒ This is a renewal, extension or amendment of an existing contract.**

The contract was originally executed by Nassau County on November 12, 2013 [date]. This is a renewal or extension pursuant to the contract, or an amendment within the scope of the contract or RFP (copies of the relevant pages are attached). The original contract was entered into after a Request for Proposals was issued on October 11, 2012. Proposals were due on December 28, 2012. Six proposals were received and were scored and ranked. Change Healthcare (formerly known as "Med3000") was selected as the highest ranking proposer. The County issued

a new RFP for these services on February 16, 2013, & proposals are currently being evaluated. This extension is to ensure a smooth transition of services to a new contract. [describe procurement method, i.e., RFP, three proposals evaluated, etc.] Attach a copy of the most recent evaluation of the contractor's performance for any contract to be renewed or extended. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to continue to contract with the county.

**IV. ☐ Pursuant to Executive Order No. 1 of 1993, as amended, at least three proposals were solicited and received. The attached memorandum from the department head describes the proposals received, along with the cost of each proposal.**

- ☐ A. The contract has been awarded to the proposer offering the lowest cost proposal; OR:
- ☐ B. The attached memorandum contains a detailed explanation as to the reason(s) why the contract was awarded to other than the lowest-cost proposer. The attachment includes a specific delineation of the unique skills and experience, the specific reasons why a proposal is deemed superior, and/or why the proposer has been judged to be able to perform more quickly than other proposers.

**V. ☐ Pursuant to Executive Order No. 1 of 1993 as amended, the attached memorandum from the department head explains why the department did not obtain at least three proposals.**

- ☐ A. There are only one or two providers of the services sought or less than three providers submitted proposals. The memorandum describes how the contractor was determined to be the sole source provider of the personal service needed or explains why only two proposals could be obtained. If two proposals were obtained, the memorandum explains that the contract was awarded to the lowest cost proposer, or why the selected proposer offered the higher quality proposal, the proposer's unique and special experience, skill, or expertise, or its availability to perform in the most immediate and timely manner.
- ☐ B. The memorandum explains that the contractor's selection was dictated by the terms of a federal or New York State grant, by legislation or by a court order. (Copies of the relevant documents are attached).
- ☐ C. Pursuant to General Municipal Law Section 104, the department is purchasing the services required through a New York State Office of General Services contract no. \_\_\_\_\_, and the attached memorandum explains how the purchase is within the scope of the terms of that contract.

- ☐ D. Pursuant to General Municipal Law Section 119-o, the department is purchasing the services required through an inter-municipal agreement.

**VI. ☐ This is a human services contract with a not-for-profit agency for which a competitive process has not been initiated.** Attached is a memorandum that explains the reasons for entering into this contract without conducting a competitive process, and details when the department intends to initiate a competitive process for the future award of these services. For any such contract, where the vendor has previously provided services to the county, attach a copy of the most recent evaluation of the vendor's performance. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to contract with the county.

In certain limited circumstances, conducting a competitive process and/or completing performance evaluations may not be possible because of the nature of the human services program, or because of a compelling need to continue services through the same provider. In those circumstances, attach an explanation of why a competitive process and/or performance evaluation is inapplicable.

**VII. ☐ This is a public works contract for the provision of architectural, engineering or surveying services.** The attached memorandum provides details of the department's compliance with Board of Supervisors' Resolution No. 928 of 1993, including its receipt and evaluation of annual Statements of Qualifications & Performance Data, and its negotiations with the most highly qualified firms.

Instructions with respect to Sections VIII, IX and X: All Departments must check the box for VIII. Then, check the box for either IX or X, as applicable.

**VIII. ☒ Participation of Minority Group Members and Women in Nassau County Contracts.** The selected contractor has agreed that it has an obligation to utilize best efforts to hire MWBE sub-contractors. Proof of the contractual utilization of best efforts as outlined in Exhibit "EE" may be requested at any time, from time to time, by the Comptroller's Office prior to the approval of claim vouchers.

**IX. ☐ Department MWBE responsibilities.** To ensure compliance with MWBE requirements as outlined in Exhibit "EE", Department will require vendor to submit list of sub-contractor requirements prior to submission of the first claim voucher, for services under this contract being submitted to the Comptroller.

**X. ☒ Vendor will not require any sub-contractors.**

In addition, if this is a contract with an individual or with an entity that has only one or two employees: ☐ a review of the criteria set forth by the Internal Revenue Service, Revenue Ruling No. 87-41, 1987-1 C.B. 296, attached as Appendix A to the Comptroller's Memorandum, dated February 13, 2004, concerning independent contractors and employees indicates that the contractor would not be considered an employee for federal tax purposes.

  
Department Head Signature

6/2/2019  
Date

NOTE: Any information requested above, or in the exhibit below, may be included in the county's "staff summary" form in lieu of a separate memorandum.

### AMENDMENT NO. 3

AMENDMENT, (together with any appendices or exhibits hereto, this "Amendment") made as of the date this Amendment is last executed by the parties hereto, between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York 11501 (the "Department"), and (ii) Change Healthcare Practice Management Solutions Inc., a Delaware corporation having its principal office at 3055 Lebanon Pike, Suite 1000, Nashville TN 37214 (the "Contractor").

### WITNESSETH:

WHEREAS, pursuant to County contract number CQPD13000013 between the County and the Contractor, executed on behalf of the County on November 12, 2013, as amended and as assigned by MED3000, Inc., effective as of March 1, 2018 (the "Original Contract"), the Contractor provides the recording and transmission of pre-hospital care reports ("PCR") and billing and fee collection services, which services are more fully described in the Original Agreement (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 through February 10, 2019 (the "Term"), unless sooner terminated in accordance with the provisions of the Original Agreement; and

WHEREAS, the County has issued RFP No. PD0215-1911 for Ambulance Billing Services, and is currently reviewing proposals in anticipation of an award of a new contract for these Services; and

WHEREAS, the County desires to extend the Term of the Original Agreement to minimize disruption of the Services in connection with the termination of the Original Agreement and the transition to a new contract.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Term. The Term of the Original Agreement shall be extended by six (6) months, so that the termination date of the Original Agreement, as amended by this Amendment (the "Amended Agreement") shall be August 10, 2019.

2. Compliance with Law. Section 7 of the Original Agreement is hereby amended to add the following subsections:

(f) Prohibition of Gifts. In accordance with County Executive Order 2-2018, the Contractor shall not offer, give, or agree to give anything of value to any County employee, agent, consultant, construction manager, or other person or firm representing the County (a "County Representative"), including members of a County Representative's immediate family, in connection with the performance by such County Representative of duties involving transactions with the Contractor on behalf of the County, whether such duties are related to this Agreement or any other County contract or matter. As used herein,

"anything of value" shall include, but not be limited to, meals, holiday gifts, holiday baskets, gift cards, tickets to golf outings, tickets to sporting events, currency of any kind, or any other gifts, gratuities, favorable opportunities or preferences. For purposes of this subsection, an immediate family member shall include a spouse, child, parent, or sibling. The Contractor shall include the provisions of this subsection in each subcontract entered into under this Agreement.

(g) Disclosure of Conflicts of Interest. In accordance with County Executive Order 2-2018, the Contractor has disclosed as part of its response to the County's Business History Form, or other disclosure form(s), any and all instances where the Contractor employs any spouse, child, or parent of a County employee of the agency or department that contracted or procured the goods and/or services described under this Agreement. The Contractor shall have a continuing obligation, as circumstances arise, to update this disclosure throughout the term of this Agreement.

3. Full Force and Effect. All the terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first  
above written.

CHANGE HEALTHCARE PRACTICE  
MANAGEMENT SOLUTIONS INC.

By: Christine Rice  
Name: CHRISTINE RICE  
Title: SVP CFO  
Date: 4/11/19

NASSAU COUNTY

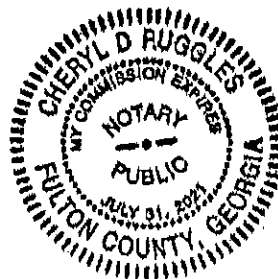
By: Tatum J. Fox  
Name: TATUM J. FOX  
Title: DCE  
Date: 4/12/19

PLEASE EXECUTE IN BLUE INK

GEORGIA  
STATE OF ~~NEW YORK~~  
FULTON ) ss.:  
COUNTY OF ~~NASSAU~~

On the 11 day of APRIL in the year 2019 before me personally came CHRISTINE RICE to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of CHEROKEE; that he or she is the SVP, CFO of CHANGE HEALTHCARE PRACTICE CORPORATION <sup>MANAGEMENT SOLUTIONS, INC.</sup> described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

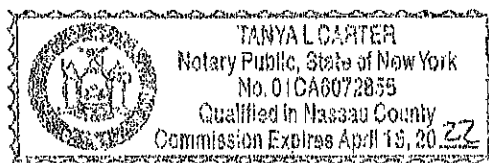
Cheryl D. Ruggles  
NOTARY PUBLIC



STATE OF NEW YORK  
COUNTY OF NASSAU ) ss.:

On the 12 day of JULY in the year 2019 before me personally came Tatum J. Fox to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Nassau; that he or she is a Deputy County Executive of the County of Nassau, the municipal corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of Nassau County.

[Signature]  
NOTARY PUBLIC





## CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
03/02/2020

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> MARSH, INC. 1801 WEST END AVE., SUITE 1400 NASHVILLE, TN 37203 Attn: Tammy.A.Adcock@marsh.com	<b>CONTACT</b> NAME: Tammy Adcock PHONE (A/C, No, Ext): 615-340-2444 FAX (A/C, No): E-MAIL: Tammy.A.Adcock@marsh.com ADDRESS:
<b>INSURED</b> Change Healthcare LLC 3055 Lebanon Pike, Ste 1000 Nashville, TN 37214	<b>INSURER(S) AFFORDING COVERAGE</b> INSURER A : Charter Oak Fire Insurance Company INSURER B : The Travelers Indemnity Company INSURER C : Starr Indemnity & Liability Company INSURER D : Travelers Property Casualty Company Of America INSURER E : INSURER F :
CN119046153-EMDEO-GAWU-20-	NAIC # 25616 25658 38318 25674

**COVERAGES**      **CERTIFICATE NUMBER:** ATL-004820742-05      **REVISION NUMBER:** 4

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:			660-0J60255	03/01/2020	03/01/2021	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 \$
B	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			BA 1P082893	03/01/2020	03/01/2021	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
D	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 10,000			CUP 1J64882A	03/01/2020	03/01/2021	EACH OCCURRENCE \$ 20,000,000 AGGREGATE \$ 20,000,000 \$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input checked="" type="checkbox"/> N	N/A	1000002641 (AOS) 1000002642-TX,AZ,CT,IA,NJ,NY,VT 1000002643 (WI) 1000002644 (FL,MA,AK)	03/01/2020 03/01/2020 03/01/2020 03/01/2020	03/01/2021 03/01/2021 03/01/2021 03/01/2021	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Re: Operations: Billing related services contract with Nassau Police Department.

The Certificate Holder is included as additional insured where required by written contract with respect to General Liability.

### CERTIFICATE HOLDER

Nassau County Police Department Attn: Commanding Officer 1490 Franklin Ave Mineola, NY 11501	<b>CANCELLATION</b>  SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE of Marsh USA Inc. Stephen R. Earp
---	--

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E-84-18

NIFS ID:CLPD18000003 Department: Police Dept.

Capital:

SERVICE: EMERGENCY AMBULANCE BILLING

Contract ID #:CQPD13000013

NIFS Entry Date: 05-JUN-18

Term: from 11-FEB-13 to 10-FEB-19

Amendment
Time Extension: X
Addl. Funds:X
Blanket Resolution:
RES#

1) Mandated Program:	N
2) Comptroller Approval Form Attached:	Y
3) CSEA Agmt. § 32 Compliance Attached:	N
4) Vendor Ownership & Mgmt. Disclosure Attached:	Y
5) Insurance Required	Y

Vendor Info:	
Name: Change Healthcare Practice Management Solutions Inc. (formerly Med3000 Inc)	Vendor ID#: 232939847
Address: 3055 Lebanon Pike, Suite 1000 Nashville, TN 37214	Contact Person: Morris Maybruch
	Phone: 845-368-4800

Department:
Contact Name: GAIL MCGRATH-GOUGH
Address: NASSAU COUNTY POLICE DEPARTMENT 1490 FRANKLIN AVE- ROOM 250 MINEOLA, NEW YORK 11501
Phone: 516-573-7150

## Routing Slip

Department	NIFS Entry: X	11-JUN-18 -- GCMCGRATHGOUGH
Department	NIFS Approval: X	11-JUN-18 -- GCMCGRATHGOUGH
DPW	Capital Fund Approved:	
OMB	NIFA Approval: X	13-JUN-18 -- APERSICH
OMB	NIFS Approval: X	11-JUN-18 -- WCOTE
County Atty.	Insurance Verification: X	15-JUN-18 -- NSARANDIS
County Atty.	Approval to Form: X	12-JUN-18 -- DMCDERMOTT

Dep. CE	Approval: X	11-JUL-18 -- TFOX
Leg. Affairs	Approval/Review: X	15-JUN-18 -- MREYNOLDS
Legislature	Approval: X	23-JUL-18 -- LVOCATURA
Comptroller	NIFS Approval: X	20-AUG-18 -- RBURKERT
NIFA	NIFA Approval:	

## Contract Summary

<b>Purpose:</b> To extend contract and encumber additional funds for Emergency Ambulance Billing
<b>Method of Procurement:</b> Request for proposals issued on October 11, 2012
<b>Procurement History:</b> Formerly MED3000 Inc - now -Change Healthcare Practice Management Solutions, Inc., has provided this service since February 11, 2013 when the contract was executed under CQPD13000013.
<b>Description of General Provisions:</b> Formerly MED3000 Inc - now -Change Healthcare Practice Management Solutions, Inc., will provide ambulance billing services for the Department as well as providing the Department with the ability to prepare electronic PCRs
<b>Impact on Funding / Price Analysis:</b> Emergency Ambulance billing is revenue generating, No maximum dollar amount ceiling. additional funds \$750,000. 2017 Revenue amount \$23,381,779. This contract earns approximately \$20 million annually.
<b>Change in Contract from Prior Procurement:</b> Formerly MED3000 Inc - now -Change Healthcare Practice Management Solutions, Inc.
<b>Recommendation:</b> (approve as submitted)

## Advisement Information

BUDGET CODES		FUNDING SOURCE	AMOUNT	LINE	INDEX/OBJECT CODE	AMOUNT
Fund:	PDH					
Control:	PD10	Revenue		3	PDPDH1484/DE500	\$ 750,000.00
Resp:	PDPDH1484	Contract:				\$ 0.00
Object:	DE500	County	\$ 750,000.00			\$ 0.00
Transaction:	109	Federal	\$ 0.00			\$ 0.00
Project #:		State	\$ 0.00			\$ 0.00
Detail:		Capital	\$ 0.00			\$ 0.00
		Other	\$ 0.00			\$ 0.00
		TOTAL	\$ 750,000.00		TOTAL	\$ 750,000.00

RENEWAL	
Increase	
Decrease	



E-84-18

NIFS ID:CLPD18000003 Department: Police Dept.

Capital:

SERVICE: EMERGENCY AMBULANCE BILLING

Contract ID #:CQPD13000013

NIFS Entry Date: 05-JUN-18

Term: from 11-FEB-13 to 10-FEB-19

Amendment
Time Extension: X
Addl. Funds: X
Blanket Resolution:
RES#

1) Mandated Program:	N
2) Comptroller Approval Form Attached:	Y
3) CSEA Agmt. § 32 Compliance Attached:	N
4) Vendor Ownership & Mgmt. Disclosure Attached:	Y
5) Insurance Required	Y

<b>Vendor Info:</b>	
Name: Change Healthcare Practice Management Solutions Inc. (formerly Med3000 Inc)	Vendor ID#: 232939847
Address: 3055 Lebanon Pike, Suite 1000 Nashville, TN 37214	Contact Person: Morris Maybruch
	Phone: 845-368-4800

<b>Department:</b>
Contact Name: GAIL MCGRATH-GOUGH
Address: NASSAU COUNTY POLICE DEPARTMENT 1490 FRANKLIN AVE- ROOM 250 MINEOLA, NEW YORK 11501
Phone: 516-573-7150

## Routing Slip

Department	NIFS Entry: X	11-JUN-18 -- GMCGRATHGOUGH
Department	NIFS Approval: X	11-JUN-18 -- GMCGRATHGOUGH
DPW	Capital Fund Approved:	
OMB	NIFA Approval: X	13-JUN-18 -- APERSICH
OMB	NIFS Approval: X	11-JUN-18 -- WCOTE
County Atty.	Insurance Verification: X	15-JUN-18 -- NSARANDIS
County Atty.	Approval to Form: X	12-JUN-18 -- DMCDERMOTT

Dep. CE	Approval: X	11-JUL-18 -- TFOX
Leg. Affairs	Approval/Review: X	15-JUN-18 -- MREYNOLDS
Legislature	Approval:	
Comptroller	NIFS Approval:	
NIFA	NIFA Approval:	

## Contract Summary

<b>Purpose:</b> To extend contract and encumber additional funds for Emergency Ambulance Billing
<b>Method of Procurement:</b> Request for proposals issued on October 11, 2012
<b>Procurement History:</b> Formerly MED3000 Inc - now -Change Healthcare Practice Management Solutions, Inc., has provided this service since February 11, 2013 when the contract was executed under CQPD13000013.
<b>Description of General Provisions:</b> Formerly MED3000 Inc - now -Change Healthcare Practice Management Solutions, Inc., will provide ambulance billing services for the Department as well as providing the Department with the ability to prepare electronic PCRs
<b>Impact on Funding / Price Analysis:</b> Emergency Ambulance billing is revenue generating, No maximum dollar amount ceiling. additional funds \$750,000. 2017 Revenue amount \$23,381,779. This contract earns approximately \$20 million annually.
<b>Change in Contract from Prior Procurement:</b> Formerly MED3000 Inc - now -Change Healthcare Practice Management Solutions, Inc.
<b>Recommendation:</b> (approve as submitted)

## Advisement Information

BUDGET CODES		FUNDING SOURCE	AMOUNT	LINE	INDEX/OBJECT CODE	AMOUNT
Fund:	PDH					
Control:	PD10	Revenue		3	PDPDH1484/DE500	\$ 750,000.00
Resp:	PDPDH1484	Contract:				\$ 0.00
Object:	DE500	County:	\$-750,000.00			\$ 0.00
Transaction:	109	Federal:	\$ 0.00			\$ 0.00
Project #:		State:	\$ 0.00			\$ 0.00
Detail:		Capital:	\$ 0.00			\$ 0.00
		Other:	\$ 0.00			\$ 0.00
		TOTAL:	\$ 750,000.00		TOTAL:	\$ 750,000.00
RENEWAL						
"u						
Increase						
"u						
Decrease						

RULES RESOLUTION NO. 115-2018

E-84-18

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICES  
AGREEMENT BETWEEN THE COUNTY OF NASSAU, ACTING ON  
BEHALF OF THE NASSAU COUNTY POLICE DEPARTMENT AND  
CHANGE HEALTHCARE PRACTICE MANAGEMENT SOLUTIONS,  
INC. (FORMERLY MED3000, INC.)

Passed by the Rules Committee  
Nassau County Legislature  
By Voice Vote on 7-23-18  
VOTING:  
AYES 7 NAYS 0 ABSTAINED 0 RECALLED 0  
7 Legislators present

WHEREAS, the County has negotiated an amendment to a personal  
services agreement with Change Healthcare Practice Management Solutions,  
Inc. (formerly Med3000, Inc.), extending the term of the Agreement, a copy  
of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County  
Legislature authorizes the County Executive to execute the said amended  
agreement with Change Healthcare Practice Management Solutions, Inc.  
(formerly Med3000, Inc.).

Jack Schnirman  
Comptroller



OFFICE OF THE COMPTROLLER  
240 Old Country Road  
Mineola, New York 11501

## COMPTROLLER APPROVAL FORM FOR PERSONAL, PROFESSIONAL OR HUMAN SERVICES CONTRACTS

*Attach this form along with all personal, professional or human services contracts, contract renewals, extensions and amendments.*

CONTRACTOR NAME: Change Healthcare Practice Solutions (formerly MED3000)

CONTRACTOR ADDRESS: 3055 Lebanon Pike, Suite 1000, Nashville, TN 37214

FEDERAL TAX ID #: 232939847

**Instructions:** Please check the appropriate box ("☒") after one of the following roman numerals, and provide all the requested information.

I. ☐ The contract was awarded to the lowest, responsible bidder after advertisement for sealed bids. The contract was awarded after a request for sealed bids was published in \_\_\_\_\_ [newspaper] on \_\_\_\_\_ [date]. The sealed bids were publicly opened on \_\_\_\_\_ [date]. \_\_\_\_\_ [#] of sealed bids were received and opened.

II. ☒ The contractor was selected pursuant to a Request for Proposals.

The Contract was entered into after a written request for proposals was issued on October 11, 2012 \_\_\_\_\_ [date]. Potential proposers were made aware of the availability of the RFP by advertisement in Newsday \_\_\_\_\_ [newspaper], posting on industry websites, via email to interested parties and by publication on the County procurement website. Proposals were due on 12/29/12 \_\_\_\_\_ [date]. 6 \_\_\_\_\_ [state #] proposals were received and evaluated. The evaluation committee consisted of: DI KENNETH HETTLER, SGT GREG STEPHANOFF, AND AMTC STEVE GERARDI AND AMT MARY QUEREN

\_\_\_\_\_ (list # of persons on committee and their respective departments). The proposals were scored and ranked. As a result of the scoring and ranking, the highest-ranking proposer was selected.

**III. ☒ This is a renewal, extension or amendment of an existing contract.**

The contract was originally executed by Nassau County on NOVEMBER 12, 2013 [date]. This is a renewal or extension pursuant to the contract, or an amendment within the scope of the contract or RFP (copies of the relevant pages are attached). The original contract was entered into after 2/12/13 -SEE II FOR DESCRIPTION

[describe procurement method, i.e., RFP, three proposals evaluated, etc.] Attach a copy of the most recent evaluation of the contractor's performance for any contract to be renewed or extended. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to continue to contract with the county.

**IV. ☐ Pursuant to Executive Order No. 1 of 1993, as amended, at least three proposals were solicited and received. The attached memorandum from the department head describes the proposals received, along with the cost of each proposal.**

- ☐ A. The contract has been awarded to the proposer offering the lowest cost proposal; OR:
- ☐ B. The attached memorandum contains a detailed explanation as to the reason(s) why the contract was awarded to other than the lowest-cost proposer. The attachment includes a specific delineation of the unique skills and experience, the specific reasons why a proposal is deemed superior, and/or why the proposer has been judged to be able to perform more quickly than other proposers.

**V. ☐ Pursuant to Executive Order No. 1 of 1993 as amended, the attached memorandum from the department head explains why the department did not obtain at least three proposals.**

- ☐ A. There are only one or two providers of the services sought or less than three providers submitted proposals. The memorandum describes how the contractor was determined to be the sole source provider of the personal service needed or explains why only two proposals could be obtained. If two proposals were obtained, the memorandum explains that the contract was awarded to the lowest cost proposer, or why the selected proposer offered the higher quality proposal, the proposer's unique and special experience, skill, or expertise, or its availability to perform in the most immediate and timely manner.
- ☐ B. The memorandum explains that the contractor's selection was dictated by the terms of a federal or New York State grant, by legislation or by a court order. (Copies of the relevant documents are attached).
- ☐ C. Pursuant to General Municipal Law Section 104, the department is purchasing the services required through a New York State Office of General Services contract no. \_\_\_\_\_, and the attached memorandum explains how the purchase is within the scope of the terms of that contract.

- ☐ D. Pursuant to General Municipal Law Section 119-o, the department is purchasing the services required through an inter-municipal agreement.

VI. ☐ This is a human services contract with a not-for-profit agency for which a competitive process has not been initiated. Attached is a memorandum that explains the reasons for entering into this contract without conducting a competitive process, and details when the department intends to initiate a competitive process for the future award of these services. For any such contract, where the vendor has previously provided services to the county, attach a copy of the most recent evaluation of the vendor's performance. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to contract with the county.

In certain limited circumstances, conducting a competitive process and/or completing performance evaluations may not be possible because of the nature of the human services program, or because of a compelling need to continue services through the same provider. In those circumstances, attach an explanation of why a competitive process and/or performance evaluation is inapplicable.

VII. ☐ This is a public works contract for the provision of architectural, engineering or surveying services. The attached memorandum provides details of the department's compliance with Board of Supervisors' Resolution No. 928 of 1993, including its receipt and evaluation of annual Statements of Qualifications & Performance Data, and its negotiations with the most highly qualified firms.

Instructions with respect to Sections VIII, IX and X: All Departments must check the box for VIII. Then, check the box for either IX or X, as applicable.

VIII. ☒ Participation of Minority Group Members and Women in Nassau County Contracts. The selected contractor has agreed that it has an obligation to utilize best efforts to hire MWBE sub-contractors. Proof of the contractual utilization of best efforts as outlined in Exhibit "EE" may be requested at any time, from time to time, by the Comptroller's Office prior to the approval of claim vouchers.

IX. ☐ Department MWBE responsibilities. To ensure compliance with MWBE requirements as outlined in Exhibit "EE", Department will require vendor to submit list of sub-contractor requirements prior to submission of the first claim voucher, for services under this contract being submitted to the Comptroller.

X. ☒ Vendor will not require any sub-contractors.

In addition, if this is a contract with an individual or with an entity that has only one or two employees: ☐ a review of the criteria set forth by the Internal Revenue Service, Revenue Ruling No. 87-41, 1987-1 C.B. 296, attached as Appendix A to the Comptroller's Memorandum, dated February 13, 2004, concerning independent contractors and employees indicates that the contractor would not be considered an employee for federal tax purposes.

  
Department Head Signature

June 4, 2018

Date

NOTE: Any information requested above, or in the exhibit below, may be included in the county's "staff summary" form in lieu of a separate memorandum.

Compt. form Pers./Prof. Services Contracts: Rev. 01/18 3



## AMENDMENT NO. 2

AMENDMENT, (together with the schedules, appendices, attachments and exhibits if any hereto, this "Amendment") made as of the date this Amendment is last executed by the parties hereto, between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York, 11501 (the "Department") and (ii) **Change Healthcare Practice Management Solutions Inc.**, a Delaware corporation having its principal office at 3055 Lebanon Pike, Suite 1000, Nashville TN 37214 (the "Contractor" and/or "Assignee").

### WITNESSETH:

WHEREAS, pursuant to County contract number **CQPD13-000013** between the County and the MED3000 Inc., executed on behalf of the County on November 12, 2013 as amended by Amendment One **CLPD14-000002** executed on behalf of the County on August 12, 2014 (the "Original Agreement"), MED3000, Inc. provided the recording and transmission of pre-hospital care reports ("PCR") and billing and fee collection services, which is more fully described in the Original Agreement (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 through February 10, 2018 (the "Original Term"); and

WHEREAS, the County is desirous of extending the term of the Original Agreement for one (1) year, so that the termination date shall be February 10, 2019;

WHEREAS, MED3000 was agreeable to such extension and from February 11, 2013 through February 28, 2018 provided the Services to the County; and

WHEREAS as of March 1, 2018, MED3000, Inc. has assigned all of its assets, receivables, and liabilities, including any and all rights, receivables, liabilities, extensions, and renewals of the Original Agreement, to Assignee with all services rendered and all pertinent personnel now employed by Assignee (the "Assignment"); and

WHEREAS, such Assignment was accepted and consented to by the County; and since such effective date of the Assignment, Change Healthcare Practice Management Solutions Inc. has provided the Services to the County; and

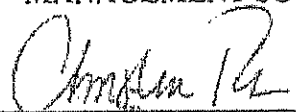
NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

1. Term Extension. The Original Agreement shall be extended for one (1) year, so that the termination date of the Original Agreement, as amended by this Amendment (the "Amended Agreement"), shall be February 10, 2019.

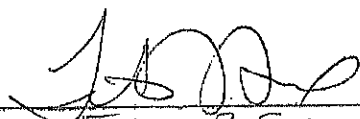
2. Full Force and Effect. All terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

CHANGE HEALTHCARE PRACTICE  
MANAGEMENT SOLUTIONS INC.

By:   
Name: Christine Rice  
Title: SVP CFO TES  
Date: 5/22/18

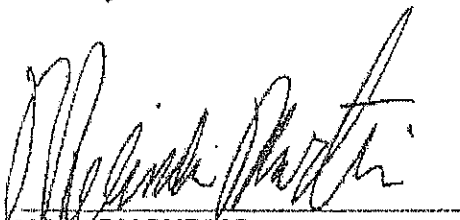
NASSAU COUNTY

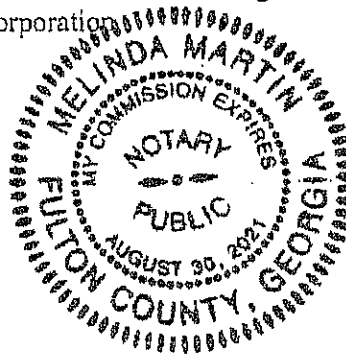
By:   
Name: Tatum G. Fox  
Title: Deputy County Executive  
Date: 8/22/18

PLEASE EXECUTE IN BLUE INK

STATE OF ~~NEW YORK~~ <sup>GEORGIA</sup>  
)ss.:  
COUNTY OF ~~NASSAU~~ <sup>FULTON</sup>

On the 22 day of MAY in the year 2018 before me personally came CHRISTINE RICE to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of FULTON; that he or she is the SVP, CEO of CHANGE HEALTHCARE the corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

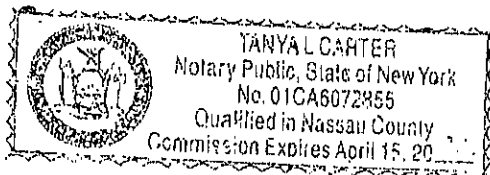
  
NOTARY PUBLIC



STATE OF NEW YORK)  
)ss.:  
COUNTY OF NASSAU )

On the 22 day of August in the year 2018 before me personally came Tatum J. Fox to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Nassau; that he or she is a Deputy County Executive of the County of Nassau, the municipal corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of Nassau County.

  
NOTARY PUBLIC





# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
05/09/2018

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER  
MARSH, INC.  
1801 WEST END AVE., SUITE 1500  
NASHVILLE, TN 37203  
Attn: Tammy.A.Adcock@marsh.com

CONTACT NAME: Tammy Adcock

PHONE (A/C No. Ext.): 615-340-2444

FAX (A/C No.):

E-MAIL ADDRESS: Tammy.A.Adcock@marsh.com

CN118528062-EMDEO-GAWU-18-

INSURED  
CHANGE HEALTHCARE LLC  
3055 LEBANON ROAD  
NASHVILLE, TN 37214

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A: Charter Oak Fire Insurance Company		25615
INSURER B: Travelers Property Casualty Company Of America		25674
INSURER C: Starr Indemnity & Liability Company		36318
INSURER D:		
INSURER E:		
INSURER F:		

## COVERAGES

CERTIFICATE NUMBER:

ATL-004820742-01

REVISION NUMBER: 3

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JOCT <input type="checkbox"/> LOC  OTHER:			660 QJ760255	03/01/2018	03/01/2019	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (EA occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMPROP AGG \$ 2,000,000
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			BA 0J770120	03/01/2018	03/01/2019	COMBINED SINGLE LIMIT (EA accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE  DED <input checked="" type="checkbox"/> RETENTIONS 10,000			CUP 1J64882A	03/01/2018	03/01/2019	EACH OCCURRENCE \$ 20,000,000 AGGREGATE \$ 20,000,000
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N	N/A	1000002641 (ADS) 1000002642 -TX,AZ,CT,IA,NJ,NY,NC,VT 1000002643 (FL, MA, AK) 1000002644 (WI)	03/01/2018 03/01/2018 03/01/2018 03/01/2018	03/01/2019 03/01/2019 03/01/2019 03/01/2019	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Re: Operations: Billing related services contract with Nassau Police Department.

The Certificate Holder is included as additional insured where required by written contract with respect to General Liability.

## CERTIFICATE HOLDER

Nassau County Police Department  
Attn: Commanding Officer  
1490 Franklin Ave  
Natlneola, NY 11501

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE  
of Marsh USA Inc.

Stephen R. Earp

*Stephen R. Earp*

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## ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (the "Assignment") is made as of the 1<sup>st</sup> day of March, 2018 by and between MED3000, Inc. ("Assignor") and Change Healthcare Practice Management Solutions Inc. ("Assignee").

### WITNESSETH:

WHEREAS, Assignor and the COUNTY OF NASSAU ("County") entered into an agreement on November 12, 2013 (No. CQPD13-000013) as amended by Amendment One (No. CLPD14-000002) executed on behalf of the County on August 12, 2014 (collectively the "Contract" or "Agreement") for the recording and transmission of pre-hospital care reports ("PCR") and billing and fee collection services for the Nassau County Police Department's ambulance bureau;

WHEREAS, as of March 1, 2018 Assignor has assigned all of its assets, receivables, and liabilities, including any and all rights, receivables, liabilities, extensions, and renewals of the Agreement, to Assignee with all services rendered and all pertinent personnel now employed by Assignee;

WHEREAS, Assignor desires to assign the Agreement to Assignee as more fully provided below.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Assignment. Assignor does hereby assign all of its right, title and interest, including any and all rights, receivables, liabilities, extensions, and renewals of and to the Agreement to Assignee.

2. Assumption. The Assignee hereby assumes all the obligations of the Assignor on its part to be performed under the Agreement.

3. Successors and Assigns. This Assignment shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective successors and assigns.

4. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements to be performed wholly therein.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date and year first above written.

ASSIGNOR: MED3000, Inc.

By: 

Name: Christine Rice

Title: SVP CFO TES

ASSIGNEE: Change Healthcare Practice Management Solutions Inc.

By: 

Name: Christine Rice

Title: SVP CFO TES

CONSENTED TO:

COUNTY OF NASSAU

By: 

Name: Patrick J. Ryder

Title: Commissioner NCPD

Date:

By: 

Name:

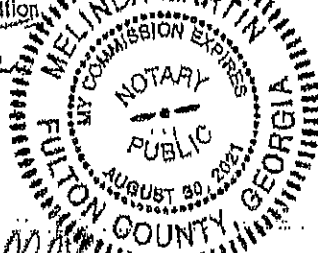
Title: Deputy County Executive

Date: 5/30/18

STATE OF GEORGIA  
COUNTY OF FULTON

On the 22 day of MAY in the year 2018 before me personally came CHRISTINE EPE to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of FULTON; that he or she is the CEO of MED3000, Inc. the corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

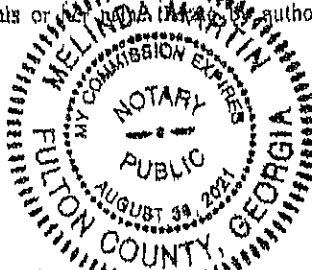
Melinda Martin  
NOTARY PUBLIC



STATE OF GEORGIA  
COUNTY OF FULTON

On the 22 day of MAY in the year 2018 before me personally came CHRISTINE EPE to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of FULTON; that he or she is the CEO of Change Healthcare Practice Management Solutions Inc. the corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

Melinda Martin  
NOTARY PUBLIC



STATE OF NEW YORK  
COUNTY OF NASSAU

On the 24 day of May in the year 2018 before me personally came Robert Ryder to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Nassau; that he or she is the Commissioner, NCO for the County of Nassau, the municipal corporation described herein and which executed the above instrument.

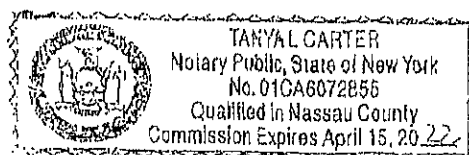
NOTARY PUBLIC

NATHALIE BELL  
Notary Public, State of New York  
No. 02BEE213288  
Qualified in Nassau County  
Commission Expires November 2, 20 21

STATE OF NEW YORK  
COUNTY OF NASSAU

On the 30 day of May in the year 2018 before me personally came Tatum J Fox to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Nassau; that he or she is a Deputy County Executive of the County of Nassau, the municipal corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of Nassau County.

Tatum J Fox  
NOTARY PUBLIC



**WILLIAM J. MULLER III**  
CLERK OF THE LEGISLATOR



PHONE: 516 571-4252  
FAX: 516 571-4217

**NASSAU COUNTY LEGISLATURE**  
1850 FRANKLIN AVENUE MINEOLA, NEW YORK 11501

August 14, 2014

MED3000, Inc.  
Attn: Morris Maybruch  
1 Blue Hill Plaza  
Pearl River New York 10965

Re: Contract # 14000002 \$.01

Dear Mr. Maybruch:

Enclosed please find a copy of an executed agreement concerning services rendered for Nassau County Office of, Police Department.

This agreement has been approved and is being forwarded to you for your records.

Very truly yours,

  
William J. Muller III  
Clerk of the Nassau County Legislature

WJM/bf





Contract ID#: COPD13-000013



Department: POLICE

E-155-14

## Contract Details

SERVICE Emergency Ambulance BillingNIFS ID #: CLPD14-000 002 NIFS Entry Date: 5-5-14 Term: from 2/1/13 to 2/10/16

New <input type="checkbox"/> Renewal <input type="checkbox"/>	1) Mandated Program:	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Amendment <input checked="" type="checkbox"/>	2) Comptroller Approval Form Attached:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Time Extension <input type="checkbox"/>	3) CSEA Agreement § 32 Compliance Attached:	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Addl. Funds <input type="checkbox"/>	4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Blanket Resolution RES#	5) Insurance Required	Yes <input checked="" type="checkbox"/> No <input checked="" type="checkbox"/>

## Agency Information

Vendor	
Name MED3000, Inc.	Vendor ID# 134181567
Address: 1 Blue Hill Plaza Pearl River, NY, 10965	Contact Person Morris Maybruch
	Phone 1-800-268-0251

County Department
Department Contact DSgt. T. Comiskey
Address Legal Bureau
Phone 573-7210

## Routing Slip

DATE Rec'd	DEPARTMENT	Internal Verification	DATE App'd	SIGNATURE	Leg. Approval Required
	Department	NIFS Entry (Dept) NIFS Appvl (Dept. Head) Contractor Registered	5-5-14	T. Comiskey	
5/29/14	OMB	NIFS Approval (Contractor Registered)	5/29/14	[Signature]	Yes <input type="checkbox"/> No <input type="checkbox"/> Not required if blanket resolution
6/3/14	County Attorney	CA RE & Insurance Verification	6/3/14	[Signature]	
	County Attorney	CA Approval as to form	6/16/14	[Signature]	
	Legislative Affairs	Fwd'd Original Contract to CA	6/19/14	[Signature]	
	County Attorney	NIFS Approval	6/19/14	[Signature]	
	Comptroller	NIFS Approval	6/19/14	[Signature]	
	County Executive	Notarization Filed with Clerk of the Leg.	6/19/14	[Signature]	

**III. ☒ This is a renewal, extension or amendment of an existing contract.**

The contract was originally executed by Nassau County on November 12, 2013[date]. This is a renewal or extension pursuant to the contract, or an amendment within the scope of the contract or RFP (copies of the relevant pages are attached).see II above. [describe procurement method, i.e., RFP, three proposals evaluated, etc.] Attach a copy of the most recent evaluation of the contractor's performance for any contract to be renewed or extended. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to continue to contract with the county.

**IV. ☐ Pursuant to Executive Order No. 1 of 1993, as amended, at least three proposals were solicited and received. The attached memorandum from the department head describes the proposals received, along with the cost of each proposal.**

☐ A. The contract has been awarded to the proposer offering the lowest cost proposal; OR:

☐ B. The attached memorandum contains a detailed explanation as to the reason(s) why the contract was awarded to other than the lowest-cost proposer. The attachment includes a specific delineation of the unique skills and experience, the specific reasons why a proposal is deemed superior, and/or why the proposer has been judged to be able to perform more quickly than other proposers.

**V. ☐ Pursuant to Executive Order No. 1 of 1993 as amended, the attached memorandum from the department head explains why the department did not obtain at least three proposals.**

☐ A. There are only one or two providers of the services sought or less than three providers submitted proposals. The memorandum describes how the contractor was determined to be the sole source provider of the personal service needed or explains why only two proposals could be obtained. If two proposals were obtained, the memorandum explains that the contract was awarded to the lowest cost proposer, or why the selected proposer offered the higher quality proposal, the proposer's unique and special experience, skill, or expertise, or its availability to perform in the most immediate and timely manner.

☐ B. The memorandum explains that the contractor's selection was dictated by the terms of a federal or New York State grant, by legislation or by a court order. (Copies of the relevant documents are attached).

☐ C. Pursuant to General Municipal Law Section 104, the department is purchasing the services required through a New York State Office of General Services contract no. \_\_\_\_\_, and the attached memorandum explains how the purchase is within the scope of the terms of that contract.

☐ D. Pursuant to General Municipal Law Section 119-o, the department is purchasing the services required through an inter-municipal agreement.

**VI. ☐ This is a human services contract with a not-for-profit agency for which a competitive process has not been initiated.** Attached is a memorandum that explains the reasons for entering into this contract without conducting a competitive process, and details when the department intends to initiate a competitive process for the future award of these services. For any such contract, where the vendor has previously provided services to the county, attach a copy of the most recent evaluation of the vendor's performance. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to contract with the county.

In certain limited circumstances, conducting a competitive process and/or completing performance evaluations may not be possible because of the nature of the human services program, or because of a compelling need to continue services through the same provider. In those circumstances, attach an explanation of why a competitive process and/or performance evaluation is inapplicable.

**VII. ☐ This is a public works contract for the provision of architectural, engineering or surveying services.** The attached memorandum provides details of the department's compliance with Board of Supervisors' Resolution No.928 of 1993, including its receipt and evaluation of annual Statements of Qualifications & Performance Data, and its negotiations with the most highly qualified firms.

**In addition, if this is a contract with an individual or with an entity that has only one or two employees:**

☐ a review of the criteria set forth by the Internal Revenue Service, *Revenue Ruling No. 87-41, 1987-1 C.B. 296*, attached as Appendix A to the Comptroller's Memorandum, dated February 13, 2004, concerning independent contractors and employees indicates that the contractor would not be considered an employee for federal tax purposes.

  
Department Head Signature

\_\_\_\_\_  
Date

**NOTE:** Any information requested above, or in the exhibit below, may be included in the county's "staff summary" form in lieu of a separate memorandum.

*Compt. form Pers./Prof. Services Contracts: Rev. 02/04*

E-155-14

RULES RESOLUTION NO. 185-2014

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICE AGREEMENT BETWEEN THE COUNTY OF NASSAU ACTING ON BEHALF OF THE NASSAU COUNTY POLICE DEPARTMENT AND MED3000, INC.

Passed by the Rules Committee  
Nassau County Legislature  
By Voice Vote on 6-20-14  
VOTING:  
ayes 7 nays 0 abstained 0 recused 0  
Legislators present: 7

WHEREAS, the County has negotiated an amendment to a personal services agreement with Med3000, Inc., to provide ambulance billing services and the necessary hardware to prepare Patient Care Reports (PCR's), a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the said amendment to an agreement with Med3000, Inc.

RULES RESOLUTION NO.     - 2014

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE TO EXECUTE AN AMENDMENT TO A PERSONAL SERVICE AGREEMENT BETWEEN THE COUNTY OF NASSAU ACTING ON BEHALF OF THE NASSAU COUNTY POLICE DEPARTMENT AND MED3000, INC.

WHEREAS, the County has negotiated an amendment to a personal services agreement with Med3000, Inc., to provide ambulance billing services and the necessary hardware to prepare Patient Care Reports (PCR's), a copy of which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County Legislature authorizes the County Executive to execute the said amendment to an agreement with Med3000, Inc.

AMENDMENT NO. 1

AMENDMENT, dated as of \_\_\_\_\_, 201\_\_\_\_ (together with the schedules, appendices, attachments and exhibits if any hereto, this "Amendment"), between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Avenue, Mineola, New York, 11501 (the "Department") and (ii) **MED3000, Inc.**, a Delaware corporation, having its principal office at 1 Blue Hill Plaza, Pearl River, New York 10965 (hereinafter referred to as "Contractor").

WITNESSETH:

WHEREAS, pursuant to County contract number COPD13-000013 between the County and the Contractor, executed on behalf of the County on November 12, 2013 (the "Original Agreement"), Contractor provides the recording and transmission of pre-hospital care reports ("PCR") and billing and fee collection services, which is more fully described in the Original Agreement (the services contemplated by the Original Agreement, the "Services"); and

WHEREAS, the term of the Original Agreement is from February 11, 2013 and shall expire three years thereafter, provided however, the Original Agreement shall automatically renew for two (2) additional one (1) year terms, unless sooner terminated in accordance with the terms of the Original Agreement; and

WHEREAS, the Department is desirous of amending the payment terms to clarify the terms provided under the Original Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Amendment, the parties agree as follows:

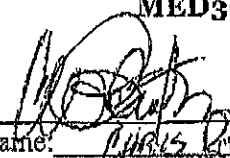
1. Payment. The Exhibit B' attached to the Original Agreement, as amended by this Amendment, (the "Amended Agreement") shall be amended and supplemented with the following language: "The 6.75% charge rate on collections is not to be charged on Medicaid receipts, but there is an additional charge to the County of \$7.50 per Medicaid claim processed."

2. Full Force and Effect. All terms and conditions of the Original Agreement not expressly amended by this Amendment shall remain in full force and effect and govern the relationship of the parties for the term of the Amended Agreement.


[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

MED3000, INC.

By:   
Name: CURTIS ROBERTSON  
Title: SVP  
Date: 8/16/14

NASSAU COUNTY

By:   
Name: Richard R. Walker  
Title: Deputy County Executive  
Date: 8/12/14


PLEASE EXECUTE IN BLUE INK

~~STATE OF TEXAS~~

~~STATE OF NEW YORK~~

~~DATAS COUNTY~~ )ss.:  
~~COUNTY OF NASSAU~~

On the 16 day of APRIL in the year 2014 before me personally came CHRIS RODRIGUEZ to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of ST. CHARLES; that he or she is the SENIOR VICE PRESIDENT of MOB 200, the corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto by authority of the board of directors of said corporation.

  
NOTARY PUBLIC 12/16/14



STATE OF NEW YORK)

)ss.:

COUNTY OF NASSAU)

On the 12 day of August in the year 2014 before me personally came Richard R. Walker to me personally known, who, being by me duly sworn, did depose and say that he or she resides in the County of Nassau; that he or she is a Deputy County Executive of the County of Nassau, the municipal corporation described herein and which executed the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of the County Government Law of Nassau County.

Concetta A. Petrucci

NOTARY PUBLIC

CONCETTA A. PETRUCCI  
Notary Public, State of New York  
No. 0116520020  
Qualified in Nassau County  
Commission Expires April 02, 2016



Contract ID#: COPD13-0000013Department: POLICE13 NOV 15 PM 1:17  
**E-175-13****Contract Details**SERVICE Emergency Ambulance BillingNIFS ID #: COPD13-000013 NIFS Entry Date: 6-18-13 Term: from 2-11-13 to 2-10-16

New X Renewal <input type="checkbox"/>	1) Mandated Program:	Yes <input type="checkbox"/>	No X
Amendment <input type="checkbox"/>	2) Comptroller Approval Form Attached:	Yes X	No <input type="checkbox"/>
Time Extension <input type="checkbox"/>	3) CSEA Agreement § 32 Compliance Attached:	Yes <input type="checkbox"/>	No X
Addl. Funds <input type="checkbox"/>	4) Vendor Ownership & Mgmt. Disclosure Attached:	Yes X	No <input type="checkbox"/>
Blanket Resolution <input type="checkbox"/>	5) Insurance Required	Yes X	No <input type="checkbox"/>
RES#			

**Agency Information**

Vendor		County Department	
Name Med3000, Inc.	Vendor ID# 13-4181567	Department Contact D/Sgt. Tara Comiskey	
Address 1 Blue Hill Plaza Pearl River, NY 10965	Contact Person Morris Maybrunch	Address 1490 Franklin Ave Mineola, NY 11501	
	Phone 1-800-268-0251	Phone (516) 573-7210	

**Routing Slip**

DATE Rec'd	DEPARTMENT	Internal Verification	DATE App'd	SIGNATURE	Leg. Approval Required
	Department	NIFS Entry (Dept) NIFS Appvl (Dept. Head) Contractor Registered		<i>[Signature]</i>	
	OMB	NIFS Approval (Contractor Registered)	8/26/13	<i>[Signature]</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Not required if blanket resolution
8/26/13	County Attorney	CA RE & Insurance Verification	8/26/13	<i>[Signature]</i>	
	County Attorney	CA Approval as to form	8/26/13	<i>[Signature]</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	Legislative Affairs	Fw'd Original Contract to CA	8/26/13	<i>[Signature]</i>	
	County Attorney	NIFS Approval	8/26/13	<i>[Signature]</i>	
	Comptroller	NIFS Approval	8/26/13	<i>[Signature]</i>	
	County Executive	Notarization Filed with Clerk of the Leg.	8/27/13	<i>[Signature]</i>	

Contract ID#: COPD13-000 013Department: POLICE

## Contract Summary

<b>Description:</b>
<b>Purpose:</b> MED3000 will provide to the Department ambulance billing services and the necessary hardware to prepare Patient Care Reports (PCRs).
<b>Method of Procurement:</b> A Request for Proposals was issued on October 11, 2012. Six proposals were submitted, all of which met the requirements of the Department.
<b>Procurement History:</b> Vendor has provided this service since March 4, 2002 when a predecessor agreement, CQPD07-000018, was executed as a result of the vendor winning a previous RFP.
<b>Description of General Provisions:</b> Vendor provides billing related services in connection with the Department's Emergency Ambulance Bureau. This encumbrance and all future encumbrances for this contract represent reimbursement of the contracted percentage of revenues collected.
<b>Impact on Funding / Price Analysis:</b> Emergency ambulance billing is revenue generating. No maximum dollar ceiling.
<b>Change in Contract from Prior Procurement:</b> None
<b>Recommendation:</b> Approve as submitted.

## Advisement Information

BUDGET CODES	
Fund:	PDH
Control:	PDH10
Resp:	PDH1484
Object: DE	500
Transaction:	103

RENEWAL	
% Increase	
% Decrease	

FUNDING SOURCE	AMOUNT
Revenue Contract <input type="checkbox"/>	XXXXXXXX
County	\$650,000
Federal	\$
State	\$
Capital	\$
Other	\$
<b>TOTAL</b>	<b>\$650,000</b>

LINE	INDEX/OBJECT CODE	AMOUNT
1	PDPDH1484/DE500	\$650,000
3		\$
4		\$
5		\$
<b>TOTAL</b>		<b>\$650,000</b>

Document Prepared By: M.J. Weyer, AIIIDate: 6/18/13

NIFS Certification	Comptroller Certification	County Executive Approval
I certify that this document was accepted into NIFS.	I certify that an unencumbered balance sufficient to cover this contract is present in the appropriation to be charged.	Name <u>[Signature]</u>
Name <u>Michael S. Cohen</u>	Name <u>John J. Schriber</u>	Date <u>Aug. 27, 2013</u>
Date <u>10/23/2013</u>	Date <u>10/23/13</u>	(For Office Use Only)
		E #:

EDWARD P. MANGANO  
County Executive



JOHN CIAMPOLI  
County Attorney

COUNTY OF NASSAU  
OFFICE OF THE COUNTY ATTORNEY  
One West Street  
Mineola, New York 11501-4820  
516-571-3056

MEMORANDUM

To: William Muller  
From: John Ciampoli  
Subject: Contract Deemed Approved Pursuant to Nassau County Charter § 103(8)(e)  
Date: October 17, 2013

The following personal service contract shall be deemed approved pursuant to Nassau County Charter § 103(8)(e):

MED3000, Inc., E-175-13

The contract was filed with the Clerk of the Legislature on August 27, 2013 and has not been acted upon by the Rules Committee within forty-five (45) days of filing. Therefore, this contract shall be deemed approved by the Rules Committee as of October 11, 2013.



JOHN CIAMPOLI  
COUNTY ATTORNEY

RULES RESOLUTION NO. - 2013

A RESOLUTION AUTHORIZING THE COUNTY EXECUTIVE  
TO EXECUTE A PERSONAL SERVICES AGREEMENT BETWEEN  
THE COUNTY OF NASSAU, ACTING ON BEHALF OF THE NASSAU  
COUNTY POLICE DEPARTMENT, AND MED3000, INC.

WHEREAS, the County has negotiated a personal services agreement  
with MED3000, Inc. to provide recording and transmission of pre-hospital  
care reports, and ambulance billing and fee collection services, a copy of  
which is on file with the Clerk of the Legislature; now, therefore, be it

RESOLVED, that the Rules Committee of the Nassau County  
Legislature authorizes the County Executive to execute the said agreement  
with MED3000, Inc.

George Marago  
Comptroller



OFFICE OF THE COMPTROLLER  
240 Old Country Road  
Mineola, New York 11501

## COMPTROLLER APPROVAL FORM FOR PERSONAL, PROFESSIONAL OR HUMAN SERVICES CONTRACTS

*Attach this form along with all personal, professional or human services contracts, contract renewals, extensions and amendments.*

CONTRACTOR NAME: MED3000, Inc.

CONTRACTOR ADDRESS: 1 Blue Hill Plaza  
Pearl River, NY 10965

FEDERAL TAX ID #: 134181567

**Instructions:** Please check the appropriate box ("☑") after one of the following roman numerals, and provide all the requested information.

I. ☐ The contract was awarded to the lowest, responsible bidder after advertisement for sealed bids. The contract was awarded after a request for sealed bids was published in \_\_\_\_\_ [newspaper] on \_\_\_\_\_ [date]. The sealed bids were publicly opened on \_\_\_\_\_ [date]. \_\_\_\_\_ [#] of sealed bids were received and opened.

II. ☒ The contractor was selected pursuant to a Request for Proposals.

The Contract was entered into after a written request for proposals was issued on October 11, 2012 [date]. Potential proposers were made aware of the availability of the RFP by a newspaper advertisement (Newsday) [newspaper advertisement, posting on website, mailing, etc.]. Eight [#] potential proposers requested copies of the RFP. Proposals were due on Friday, December 28, 2012 [date]. Six [#] proposals were received and evaluated. The evaluation committee consisted of: DI Kenneth Hettler, Sgt. Greg Stephanoff and AMTC Steve Gerardi and AMT Mary Queren [list members]. The proposals were scored and ranked. As a result of the scoring and ranking (attached), the highest-ranking proposer was selected.

**III. ☐ This is a renewal, extension or amendment of an existing contract.**

The contract was originally executed by Nassau County on \_\_\_\_\_[date]. This is a renewal or extension pursuant to the contract, or an amendment within the scope of the contract or RFP (copies of the relevant pages are attached).\_\_\_\_\_. [describe procurement method, i.e., RFP, three proposals evaluated, etc.] Attach a copy of the most recent evaluation of the contractor's performance for any contract to be renewed or extended. If the contractor has not received a satisfactory evaluation, the department must explain why the contractor should nevertheless be permitted to continue to contract with the county.

**IV. ☐ Pursuant to Executive Order No. 1 of 1993, as amended, at least three proposals were solicited and received. The attached memorandum from the department head describes the proposals received, along with the cost of each proposal.**

- ☐ A. The contract has been awarded to the proposer offering the lowest cost proposal; OR:
- ☐ B. The attached memorandum contains a detailed explanation as to the reason(s) why the contract was awarded to other than the lowest-cost proposer. The attachment includes a specific delineation of the unique skills and experience, the specific reasons why a proposal is deemed superior, and/or why the proposer has been judged to be able to perform more quickly than other proposers.

**V. ☐ Pursuant to Executive Order No. 1 of 1993 as amended, the attached memorandum from the department head explains why the department did not obtain at least three proposals.**

- ☐ A. There are only one or two providers of the services sought or less than three providers submitted proposals. The memorandum describes how the contractor was determined to be the sole source provider of the personal service needed or explains why only two proposals could be obtained. If two proposals were obtained, the memorandum explains that the contract was awarded to the lowest cost proposer, or why the selected proposer offered the higher quality proposal, the proposer's unique and special experience, skill, or expertise, or its availability to perform in the most immediate and timely manner.
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- ☐ C. Pursuant to General Municipal Law Section 104, the department is purchasing the services required through a New York State Office of General Services contract no.\_\_\_\_\_, and the attached memorandum explains how the purchase is within the scope of the terms of that contract.
- ☐ D. Pursuant to General Municipal Law Section 119-o, the department is purchasing the services required through an inter-municipal agreement.

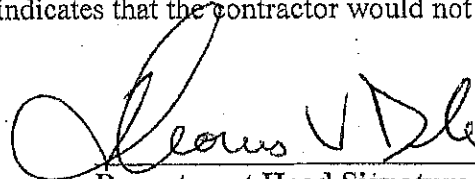
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***In addition, if this is a contract with an individual or with an entity that has only one or two employees:***

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\_\_\_\_\_  
Department Head Signature

6/19/13  
Date

***NOTE:*** Any information requested above, or in the exhibit below, may be included in the county's "staff summary" form in lieu of a separate memorandum.

*Compt. form Pers./Prof. Services Contracts: Rev. 02/04*

**NASSAU COUNTY  
RFP FOR AMBULANCE BILLING SERVICES  
PROPOSAL EVALUATION**

**General Instructions.** Before starting your evaluation

1. Review the RFP
2. Review the evaluations instructions
3. Review the evaluation forms

**After you have received copies of the proposals,** review each applicant's proposal to familiarize yourself with all the proposals. Do not complete the evaluation forms at this time.

**After all of the proposals have been reviewed,** select one and complete the attached evaluation sheets for that proposal. Determine the strength and weaknesses of the proposal using the evaluation factors provided and assign a numerical score for each factor. Once the evaluation sheets have been completed, select another proposal and continue until all of the proposals have been scored. Note that all members of the Evaluation Committee will be completing the same evaluation forms; an average score will then be calculated across all evaluators.

Each evaluator must score the evaluations independently. However, feel free to discuss the proposals with the other members of the Evaluation Committee.

After you have completed the last evaluation, you may return to any of the previously evaluated proposals and revise your earlier score(s) as desired. When you are finished, make copies of all the completed forms for your records.



# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #1** Contract Requirements and Proposed Solution (Weight: 25%).

Review the proposal as a whole, addressing the following questions:

- Overall responsiveness of the proposal; Does the Proposer demonstrate a clear understanding of the requirements portion of the RFP? Is the proposal concise?
- Is the proposal complete? Does it contain all elements identified in the RFP?
- Does the proposal clearly represent the vendor's capabilities?

Based on your assessment, assign a numerical rating to the proposal using the following scale:

"5" = The proposal contains all elements, is concise and clearly presents the vendor's capabilities.

"4"

"3" = The proposal is missing one or two elements, is mostly concise and mostly clear

"2"

"1" = The proposal is missing several elements, is not concise and does not clearly present the vendor's capabilities.

Evaluator's Name: Sgt Grey Sophomore

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street					
Caliber Point	X		X		
Digitech Computer, Inc.		X			
Intermedix			X		
Med3000				X	
Pinacle Practice Management			X		

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #2** The Vendors Profile: Organization, Capacity, Staffing (Weight: 25%)  
Review the proposal as a whole, addressing the following questions:

- Does the proposal demonstrate an ability to perform necessary service?
- Does the vendor's organization and personnel demonstrate the capacity to provide this service?
- Has the vendor described the resources available to perform the necessary services?

Based upon your review, does the vendor demonstrate the history and service background to successfully provide RFP services: Assign a numerical rating to the proposal using the following scale:

- "5" = The vendor's history and service background are more than adequate.  
 "4" = The vendor's history and service background are adequate.  
 "3" = The vendor's history and service background are less than adequate.  
 "2" =  
 "1" =

Evaluator's Name: Greg rough and

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street					
Caliber Point			X		
Digitech Computer, Inc.	X				
Intermedix			X		
Med3000		X			
Pinacle Practice Management	X				X

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #3** The Vendor's Related Experience / History and Service Background (Weight: 25%)

Review the proposal as a whole, addressing the following questions:

- Does the proposal demonstrate a successful service history?
- Does the vendor's organization and experience demonstrate the capacity to provide this service?
- Has the vendor performed successfully in the past on projects of similar size and scope?

Based upon your review, does the vendor demonstrate the history and service background to successfully provide RFP services: Assign a numerical rating to the proposal using the following scale:

"5" = The vendor's history and service background are more than adequate.

"4"

"3" = The vendor's history and service background are adequate.

"2"

"1" = The vendor's history and service background are less than adequate.

Evaluator's Name: Sgt Gray Goughan

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street			X		
Caliber Point	X				
Digitech Computer, Inc.			X		
Intermedix			X		
Med3000					X
Pinacle Practice Management	X				

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

### Factor #4 Program Cost (Weight: 25%)

In reviewing each proposal, consider whether the proposed budget is financially viable as well as cost effective. *Financial viability* means that the identified program costs are sufficient to allow for adequate and continued program functioning. *Cost effectiveness* means that program costs are sufficient to assure adequate program operations without being inordinately expensive.

Examine the proposal and score it using the following scale:

"5" = Program cost, including financial viability and cost effectiveness, is more than adequate.

"4"

"3" = Program cost, including financial viability and cost effectiveness, is adequate.

"2"

"1" = Program cost, including financial viability and cost effectiveness, is less than adequate.

Evaluator's Name: Greg Sophars

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street					
Caliber Point			X		
Digitech Computer, Inc.	X				
Intermedix	X				
Med3000	X				
Pinacle Practice Management	X				X

**NASSAU COUNTY**  
**RFP FOR AMBULANCE BILLING SERVICES**  
**PROPOSAL EVALUATION**

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# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #1** Contract Requirements and Proposed Solution (Weight: 25%).

Review the proposal as a whole, addressing the following questions:

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"4"

"3" = The proposal is missing one or two elements, is mostly concise and mostly clear

"2"

"1" = The proposal is missing several elements, is not concise and does not clearly present the vendor's capabilities.

Evaluator's Name: Mary Queen, Aunt

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street					
Caliber Point			✓		
Digitech Computer, Inc.	✓				
Intermedix			✓		
Med3000			✓		
Pinacle Practice Management			✓	✓	

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #2** The Vendors Profile: Organization, Capacity, Staffing (Weight: 25%)

Review the proposal as a whole, addressing the following questions:

- Does the proposal demonstrate an ability to perform necessary service?
- Does the vendor's organization and personnel demonstrate the capacity to provide this service?
- Has the vendor described the resources available to perform the necessary services?

Based upon your review, does the vendor demonstrate the history and service background to successfully provide RFP services: Assign a numerical rating to the proposal using the following scale:

"5" = The vendor's history and service background are more than adequate.

"4"

"3" = The vendor's history and service background are adequate.

"2"

"1" = The vendor's history and service background are less than adequate.

Evaluator's Name: Mary Dueran, Aunt

Agency Name	Low High				
	1	2	3	4	5
Apollo Health Street			✓		
Caliber Point	✓				
Digitech Computer, Inc.			✓		
Intermedix		✓			
Med3000					✓
Pinacle Practice Management	✓				

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

Factor #3 The Vendor's Related Experience / History and Service Background (Weight: 25%)

Review the proposal as a whole, addressing the following questions:

- Does the proposal demonstrate a successful service history?
- Does the vendor's organization and experience demonstrate the capacity to provide this service?
- Has the vendor performed successfully in the past on projects of similar size and scope?

Based upon your review, does the vendor demonstrate the history and service background to successfully provide RFP services: Assign a numerical rating to the proposal using the following scale:

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"4" = The vendor's history and service background are adequate.

"3" = The vendor's history and service background are less than adequate.

"2" = The vendor's history and service background are less than adequate.

Evaluator's Name: May Dusen Amt

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street					
Caliber Point			✓		
Digitech Computer, Inc.	✓				
Intermedix	✓				
Med3000			✓		
Pinacle Practice Management	✓				✓



# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

### Factor #4 Program Cost (Weight: 25%)

In reviewing each proposal, consider whether the proposed budget is financially viable as well as cost effective. *Financial viability* means that the identified program costs are sufficient to allow for adequate and continued program functioning. *Cost effectiveness* means that program costs are sufficient to assure adequate program operations without being inordinately expensive.

Examine the proposal and score it using the following scale:

"5" = Program cost, including financial viability and cost effectiveness, is more than adequate.

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"2" = Program cost, including financial viability and cost effectiveness, is less than adequate.

Evaluator's Name: May Queen, Ant

Agency Name	Low High				
	1	2	3	4	5
Apollo Health Street			✓		
Caliber Point	✓				
Digitech Computer, Inc.	✓				
Intermedix	✓				
Med3000					✓
Pinacle Practice Management	✓				

**NASSAU COUNTY  
RFP FOR AMBULANCE BILLING SERVICES**

**PROPOSAL EVALUATION**

**General Instructions.** Before starting your evaluation

1. Review the RFP
2. Review the evaluations instructions
3. Review the evaluation forms

After you have received copies of the proposals, review each applicant's proposal to familiarize yourself with all the proposals. Do not complete the evaluation forms at this time.

After all of the proposals have been reviewed, select one and complete the attached evaluation sheets for that proposal. Determine the strength and weaknesses of the proposal using the evaluation factors provided and assign a numerical score for each factor. Once the evaluation sheets have been completed, select another proposal and continue until all of the proposals have been scored. Note that all members of the Evaluation Committee will be completing the same evaluation forms; an average score will then be calculated across all evaluators.

Each evaluator must score the evaluations independently. However, feel free to discuss the proposals with the other members of the Evaluation Committee.

After you have completed the last evaluation, you may return to any of the previously evaluated proposals and revise your earlier score(s) as desired. When you are finished, make copies of all the completed forms for your records.

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

Factor #1 Contract Requirements and Proposed Solution (Weight: 25%).

Review the proposal as a whole, addressing the following questions:

- Overall responsiveness of the proposal; Does the Proposer demonstrate a clear understanding of the requirements portion of the RFP? Is the proposal concise?
- Is the proposal complete? Does it contain all elements identified in the RFP?
- Does the proposal clearly represent the vendor's capabilities?

Based on your assessment, assign a numerical rating to the proposal using the following scale:

"5" = The proposal contains all elements, is concise and clearly presents the vendor's capabilities.

"4"

"3" = The proposal is missing one or two elements, is mostly concise and mostly clear

"2"

"1" = The proposal is missing several elements, is not concise and does not clearly present the vendor's capabilities.

Evaluator's Name: DI KENNETH R. HETTLER

Agency Name	Low High				
	1	2	3	4	5
Apollo Health Street			X		
Caliber Point	X				
Digitech Computer, Inc.			X		
Intermedix	X				
Med3000				X	
Pinacle Practice Management			X		
~					

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #2** The Vendors Profile: Organization, Capacity, Staffing (Weight: 25%)  
Review the proposal as a whole, addressing the following questions:

- Does the proposal demonstrate an ability to perform necessary service?
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Evaluator's Name: DI KENNETH R. WETZLER

Agency Name	Low High				
	1	2	3	4	5
Apollo Health Street					
Caliber Point			X		
Digitech Computer, Inc.	X				
Intermedix			X		
Med3000		X			
Pinacle Practice Management	X				X
~					

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #3** The Vendor's Related Experience / History and Service Background (Weight: 25%)

Review the proposal as a whole, addressing the following questions:

- Does the proposal demonstrate a successful service history?
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Evaluator's Name: DI KENNETH R. HETLER

Agency Name	Low High				
	1	2	3	4	5
Apollo Health Street			X		
Caliber Point	X				
Digitech Computer, Inc.			X		
Intermedix			X		
Med3000					X
Pinacle Practice Management	X				
~					

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

### Factor #4 Program Cost (Weight: 25%)

In reviewing each proposal, consider whether the proposed budget is financially viable as well as cost effective. *Financial viability* means that the identified program costs are sufficient to allow for adequate and continued program functioning. *Cost effectiveness* means that program costs are sufficient to assure adequate program operations without being inordinately expensive.

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Evaluator's Name: DJ KENNETH R. HETTLER

Agency Name	Low High				
	1	2	3	4	5
Apollo Health Street					
Caliber Point			X		
Digitech Computer, Inc.	X				
Intermedix	X				
Med3000					
Pinacle Practice Management	X				X
IV					

**NASSAU COUNTY  
RFP FOR AMBULANCE BILLING SERVICES**

**PROPOSAL EVALUATION**

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2. Review the evaluations instructions
3. Review the evaluation forms

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# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #1** Contract Requirements and Proposed Solution (Weight: 25%).

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Evaluator's Name: Amir C. [Signature] #5

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street					
Caliber Point					
Digitech Computer, Inc.	X		X		
Intermedix			X		
Med3000	X				
Pinacle Practice Management			X		
			X		



# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #2** The Vendors Profile: Organization, Capacity, Staffing (Weight: 25%)

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"4"

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"2"

"1" = The vendor's history and service background are less than adequate.

Evaluator's Name: Am/c [Signature] #5

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street					
Caliber Point	X		X		
Digitech Computer, Inc.		X			
Intermedix		X			
Med3000				X	
Pinacle Practice Management		X			

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

**Factor #3** The Vendor's Related Experience / History and Service Background (Weight: 25%)

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"2" = The vendor's history and service background are less than adequate.

"1" = The vendor's history and service background are less than adequate.

Evaluator's Name: Am/c [Signature]

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street					
Caliber Point	X		X		
Digitech Computer, Inc.			X		
Intermedix			X		
Med3000			X		
Pinacle Practice Management		X		X	

# REQUEST FOR PROPOSAL FOR AMBULANCE BILLING SERVICES

## PROPOSAL EVALUATION

### Factor #4 Program Cost (Weight: 25%)

In reviewing each proposal, consider whether the proposed budget is financially viable as well as cost effective. *Financial viability* means that the identified program costs are sufficient to allow for adequate and continued program functioning. *Cost effectiveness* means that program costs are sufficient to assure adequate program operations without being inordinately expensive.

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Evaluator's Name:

*Am/c Jim M. Gumb* #5

Agency Name

Low

High

	1	2	3	4	5
Apollo Health Street			X		
Caliber Point	X				
Digitech Computer, Inc.	X				
Intermedix	X				
Med3000				X	
Pinacle Practice Management		X			



# CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)  
05/29/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed, if SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER  
Aon Risk Insurance Services West, Inc.  
Fresno CA Office  
5260 North Palm Avenue  
Suite 400  
Fresno CA 93704 USA

CONTACT  
NAME:  
PHONE  
[A/C No. Ext]: (559) 449-7200 FAX [A/C No.]: (559) 439-0863  
E-MAIL  
ADDRESS:

INSURED  
Med3000 Group Inc  
580 Anderson Drive, Foster Plaza 10  
Pittsburgh PA 15220 USA

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A:	Zurich American Ins Co	16535
INSURER B:	American Guarantee & Liability Ins Co	26247
INSURER C:		
INSURER D:		
INSURER E:		
INSURER F:		

## COVERAGES

CERTIFICATE NUMBER: 570050081265

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

Limits shown are as requested

INSR LTR	TYPE OF INSURANCE	ADD'L SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC <input type="checkbox"/>		CP0547719702 Package	07/31/2012	07/31/2013	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$1,000,000 MED EXP (Any one person) \$10,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMP/OP AGG \$2,000,000
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS		CP0547719702 Package	07/31/2012	07/31/2013	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION		AUC672405603 Commercial Umbrella	10/31/2012	07/31/2013	EACH OCCURRENCE \$20,000,000 AGGREGATE \$20,000,000
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N N/A	WC547719803 Workers' Compensation	07/31/2012	07/31/2013	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE-EA EMPLOYEE \$1,000,000 E.L. DISEASE-POLICY LIMIT \$1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)  
Operations: Billing related services contract with Nassau County Police Department. Certificate holder is included as additional insured with respect to General Liability where required by written contract per the provisions of the policy.

## CERTIFICATE HOLDER

Nassau County Police Dept.  
Attn: Commanding Officer  
Personnel & Accounting Bureau  
1490 Franklin Avenue  
Mineola NY 11501 USA

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

*Aon Risk Insurance Services West Inc.*



May 30, 2013

Tatum Fox Esq.  
Legal Bureau  
Police Department Nassau County  
1490 Franklin Avenue  
Mineola NY, 11501

MED3000 Inc. is a subsidiary of McKesson Corporation which is a publicly-held corporation.

Sincerely,

A handwritten signature in black ink, appearing to read "Drew Hurt".

Drew Hurt  
CFO

CONTRACT FOR SERVICES

13 MAY 30 PM 1:35

THIS AGREEMENT, dated as of \_\_\_\_\_ (together with the schedules, appendices, attachments and exhibits, if any, this "Agreement"), is entered into by and between (i) Nassau County, a municipal corporation having its principal office at 1550 Franklin Avenue, Mineola, New York 11501 (the "County"), acting for and on behalf of the Nassau County Police Department, having its principal office at 1490 Franklin Ave., Mineola, NY 11550 (the "Department") and (ii) MED3000, Inc., a Delaware corporation, having its principal office at 1 Blue Hill Plaza, Pearl River, New York 10965 (the "Contractor").

## WITNESSETH:

WHEREAS, the County requested proposals from firms, who are able to provide billing and fee collection for ambulance services;

WHEREAS, the County has chosen the Contractor, who is eminently qualified to render the services based upon its background and expertise;

WHEREAS, this is a personal service contract within the intent and purview of Section 2206 of the County Charter; and

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement, intending to be legally bound, the parties agree as follows:

1. Term. This Agreement shall commence on February 11, 2013 and shall expire three years thereafter, provided, however, this Agreement shall automatically renew for two additional one-year terms, unless terminated by the County or the Contractor pursuant to the provisions of this Agreement.
2. Services. Generally. The services to be provided by the Contractor under this Agreement shall consist of the recording and transmission of pre-hospital care reports ("PCR"), and billing and fee collection services for the Department's ambulance bureau ("Services"). Such services, set forth below, are further described in the Request for Proposal incorporated herein by reference and attached hereto as Exhibit A and the Contractor's Proposal, as amended by its Best and Final Offer (exclusive of any license agreement), both of which are incorporated herein by reference and attached as Exhibit B. In the event of a conflict or ambiguity between any term of this agreement, above the signature page, and any Exhibit, the Agreement above the signature page, shall take precedent followed by the County's Request for Proposal and then the Contractor's Proposal. It is expressly understood that due to the experience, knowledge and capability of Morris Maybruch and Ashley Peters, and so long as they are employed with MED3000, they shall be primarily responsible during the TERM of this Agreement for directing all activities of Contractor and devoting sufficient time to personally supervise the services hereunder.

(a) Recording and Transmission of Pre-Hospital Care Reports

- i. The Contractor shall provide the Department with the technological capabilities for Automated PCR Field Data Entry, which will provide the Department with the ability to collect patient information at the scene of an incident, en route to the hospital and /or while at the hospital. In support thereof the Contractor shall provide the Department with the items specified in Exhibit A, including but not limited to: Forty (40) Panasonic Toughbook CF-19 computers to be used by the Departments ambulance fleet for the electronic entering of information to PCRs. The Contractor shall ensure that each computer is protected by anti-virus and anti-spy ware software applications and "Fortes" or comparable software application. The Contractor shall also provide forty-one (41) printers and sufficient quantities of paper to satisfy the volume of work and all other hardware needed to perform all functions in the forty - one (41) vehicle docking, mounting and printing stations; the model of printer shall be determined by the Contractor subject to the Department's approval. Additionally, the Contractor shall provide each of the Department's ambulances with a wireless data communications router (with external antenna) that will (a) provide a high-speed wireless connection to the Internet via a common carrier, such as Verizon or Sprint; and (b) provide a local "Wifi" wireless connection for the laptop being used in each ambulance. This connection will operate at a data rate of 11Mbps (802.11b) with 54Mbps (802.11g) preferred. The Contractor shall utilize Wi-Fi Protected Access (WPA) or WPA2 to secure the system from unauthorized users. All data shall be 128 bit encrypted in addition to the protection provided by WPA or WPA2.
- ii. All hardware and software shall be installed by the Contractor and shall be supported and maintained by the Contractor. The Contractor acknowledges that all of the hardware and software provided under this Agreement shall operate as a stand alone system and shall not interface with the County or Department networks in any manner. The maintenance and support services shall be provided for normal wear and tear, component failures, data communication failures or issues and to correct any improper functioning or enhance the functionality with current issuances. In the event that there is a reduction in or loss of functionality or of use, the Contractor shall repair or replace any hardware or software.
- iii. All data included in any electronic PCR shall be stored on the Contractor's local server. The Department shall have complete access to all data, at any reasonable time during normal business hours, for the term of this Agreement. Upon termination of the Agreement, unless required by law, all data shall be returned to the Department and the Contractor shall not maintain any data or copies thereof upon termination of this Agreement.

(b) Medical Coding

The Contractor shall perform medical diagnostic coding using sources recognized as industry standards (e.g., current edition of ICD-9-CM Volume 1 – Tabular List of Diseases and Injuries, ICD-9-CM Volume 2 – Alphabetical Index of Diseases and Injuries, and the Diagnostic Coding guidelines for Ambulance Services as contained in the Coding Clinic ICD-9-CM Diagnostic and Reporting guidelines for outpatient Services, latest edition, or the new Medical diagnostic codes). Codes will be entered electronically in a manner/format developed by the Contractor and reasonably approved by the Department. The Contractor will then integrate this information into the patient record database. All medical coding shall be supervised by a certified coder,

(c) Billing Services

- i. Upon receipt of patient information, the Contractor shall use industry best practice to determine the authenticity of each patient's name and address and to verify whether the patient has provided a release to obtain medical and insurance information so as to facilitate third party payment.
- ii. The release of medical and insurance information required for billing may be acquired when the patient care report is generated. The Contractor shall also seek to make arrangements with local area hospitals to obtain the patient address and insurance information. The Contractor shall determine patient eligibility for medicare, Medicaid, primary and secondary insurance, Commercial insurance, or whether the claim should be billed directly to the patient. If no insurance information is available an invoice shall be forwarded directly to the patient and shall include a request for a medical release and insurance information.
- iii. All written and recorded communications between the Contractor and patients, other statement recipients, or representatives of insurance companies shall be subject to the review by and approval of the Department. The Contractor shall adhere to the following billing procedure:
  1. Initial Invoice. The Contractor shall issue an initial invoice for payment to the patient or, if applicable, to the insurance carrier within seven (7) days after receipt of the PCR information. The invoice shall include but not be limited to the following information: account number, name and address of the patient, date of the invoice, date of service, description of services rendered, name of the hospital receiving the patient, fees for each service provided, total of the fees listed on the invoice, patient care report number, payment due date, basic information regarding third party reimbursement procedures, telephone numbers and hours for customer service assistance.

The invoice shall include either a separate or perforated return voucher that will include but not be limited to: account number, date of the



invoice, date of the transport, patient information, return address information (to a County designated lockbox), payment due date, total amount of the bill, patient care report number, credit card type, number and expiration date (if applicable); terms of release of medical records. The reverse side of the statement shall include an area to allow patients to provide address correction, insurance information, and signature if a release signature was not provided with the patient care report. The invoice may also include a bar code line or other means of electronically tracking patient information. Contractor shall include a return envelope pre-printed with the return address.

2. Second Statement. The Contractor shall issue a statement thirty (30) days after the initial invoice if the payment or insurance information is not received by the bank lockbox by the printed due date. This statement shall be similar to the original invoice and shall also indicate that it is a second statement and may be disregarded if payment has already been remitted.
3. Third Statement. The Contractor shall issue a statement sixty (60) days after the initial invoice if payment or insurance information is not received by the bank lockbox by the second statement due date. This statement will be similar to prior statements, and will note if payment has been made to disregard the statement.
4. Collection Letter. The Contractor shall issue a "collection letter" statement ninety (90) days after the initial invoice, this statement shall constitute a warning notice to the patient stating that if the patient fails to pay the amount due to provide insurance information, the account will be forwarded for collection activity. Potential legal remedies may also be indicated on the letter.
5. Telephone calls. The Contractor shall place telephone calls to patients and insurance providers regarding account status, if necessary, after initial invoice and follow up statements.
6. Third party reimbursement. The Contractor shall use industry best practices to maximize receipt of legitimate third party reimbursements for the Department's services and to assist patients in obtaining such reimbursements with minimum inconvenience.

Contractor shall at a minimum process the following:

1. Medicare claims. The Contractor shall process all medicare claims as required by medicare law, in effect on date of process, using current common procedural terminology ("CPT") codes for ambulance service and accepted Internal Common Diagnostic

("ICD-9") codes for ambulance services for all Medicare claims. Billing of the co-payment fee to the patient after receipt of payment from Medicare shall be made, and if applicable, to a secondary insurance provider.

2. Medicaid claims. The Contractor shall process all Medicaid claims as required by New York State Law, using current CPT codes for ambulance service, and accepted ICD-9 codes for ambulance service.

3. Insurance claims. The Contractor shall (a) process all insurance claims (i) using current CPT codes for the ambulance services, and accepted ICD-9 codes for ambulance services upon receipt of notice of the appropriate primary insurance (insurance carriers may include Medicare HMO's or Medicaid HMOs); (ii) using either a statement format or an electronic format; (iii) providing information as required by the insurance company with all applicable supporting documentation, (b) make a determination as to the existence of a secondary insurance carrier, which may be billed for any remaining balances after payment is received from the primary insurance carrier, and, if so, generating an insurance claim to the second carrier including all standard insurance company claim information and acceptable proof of payment from the primary carrier, and (c) bill the patient for any co-payment or deductible due after receipt of payment(s) from the insurance carriers.

4. Refunds. The Contractor shall document overpayments or incorrect payments and forward that information, including copies of the overpayment or incorrect payment, to the Department for the processing of refunds.

5. Accounts not assigned to the Contractor. In the event the Contractor received correspondence, communication or payment relating to a claim that has not been assigned to the contractor, or that has been closed and returned, Contractor shall, at no charge, inform the correspondent to contact the Department and shall notify the Department of the correspondence, communication or payment and forward such, in accordance with the Department's instructions.

6. Returned checks. The Contractor shall follow-up and collect payment for returned checks.

(d) Customer Service via telephone and web site

- i. The Contractor shall maintain a multi-line telephone inquiry service to handle patient inquiries. The telephone number shall be toll - free in New York State. At a minimum it is expected the service shall be provided between the hours of 8:00 A.M. to 6:00 P.M. Eastern Time, Monday through Friday, excluding national holidays. Contractor is encouraged to provide additional days and times of services. Answering machines and telephone message services may

be used as a backup during the service window period, provided the inquiry is responded to within one (1) business day, and documented accordingly.

- ii. The Contractor shall perform the following functions by telephone:
  - 1. Process insurance information for patients;
  - 2. Elicit additional information from patients in order to re-submit claims which resulted in eligibility denials;
  - 3. Respond to correspondence from patients and payers;
  - 4. Receive and follow up on denials/requests for medical record documentation where appropriate and authorized; and
  - 5. Respond to and resolve all patients' inquiries and complaints regarding the billing and collection of ambulance fees, in a prompt and satisfactory manner.
- iii. The Contractor's employees responding to the Customer Service line must be proficient in English, and be skilled at navigating Contractor's database to access patient billing information. Contractor must also be able to provide above services in Spanish.
- iv. The Contractor shall maintain a database to document all calls to the inquiry line and shall track all problems, inquiries and resolutions. Contractor shall provide reports describing this database to the Department upon request. An interactive call processor or similar system shall be used to handle concurrent requests to the system for ninety (90) percent or more of all calls, the average delay from the time the call is received by the system to the time the call is answered by Contractor's representative shall not exceed one minute. The call processor shall provide periodic prompts and messages during the waiting periods, shall provide alternate options for each caller and shall estimate the wait until the caller is connected with a customer service representative.
- v. The Contractor shall maintain a secure website exclusively for patient inquiries and service information. This website must enable patients to perform the following functions within the purview of the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"):
  - 1. query outstanding bills by entering the patient name, or the statement number
  - 2. pay statements using a secure credit card payment method
  - 3. update accounts by entering insurance information, address corrections, or other required information via e-mail
  - 4. contact Contractor using electronic mail (e-mail).
- vi. The Contractor shall not make available patients medical history, condition,

diagnostic codes, etc., for viewing via the internet. The Contractor shall coordinate with designated Department personnel to establish links to the websites of the County and the Department.

(c) Computer hardware and software

- i. Contractor shall provide the County with Rescue Medic software pursuant to the end user license and maintenance agreements annexed hereto and incorporated herein as exhibit.
- ii. Contractor's information systems shall include the following features:
  1. "Real Time," interactive information on all transactions, i.e., data will be posted immediately rather than in batches
  2. ability to process partial payments
  3. ability to process payment adjustments such as returned checks and refunds
  4. computer hardware, software, and peripherals to enable the Department to perform the following functions: Locate and view electronically scanned patient care reports (through indexing provided by the Contractor)
  5. Access the Contractor's information management system for monitoring and auditing purposes
  6. generate pre-design reports from current data in the Contractor's information management system
  7. generate ad hoc reports and correspondence using the then current lease of Microsoft office suite software
  8. transmit patient care report information electronically to the Contractor from the Department

iii. Access to County data

Access to the County's data stored in the Contractor's database, for any purpose, shall be secured through a password-protected log-on procedure. Each user of the database must have a unique user identification (ID) and password. Only those employees of the Contractor specifically assigned to perform billing and debt collections services for County may be allowed access to the database of the Department's records. Employees of the Department, authorized in writing by the Department shall also be given IDs and passwords that allow authorized inquiry access to Contractor's database of patient accounts. The ability to edit database information will also be restricted to individuals designated by the Contractor and the County. Contractor shall notify the County immediately upon discovering any unauthorized access to either the County's data stored in Contractor's database and shall provide to the County all relevant available information regarding the unauthorized access. Data may be purged from the live information system and stored on CD-ROM based on age as determined by the Department.

- iv. Maintenance of Equipment: The Contractor shall maintain and repair all equipment provided under this Agreement. This equipment including all hardware, software, peripherals and associated service shall, meet or exceed industry standards. Equipment must be maintained and updated with sufficient frequency, subject to annual review, to remain consistent with industry standards and to maximize overall program effectiveness. Equipment shall remain the property of the Contractor. Contractor will be required to coordinate with the data processing units of the County and the Department to ensure appropriate levels of security with existing information technology systems as required. Nothing in this agreement shall prevent the County and the Department from installing additional software onto the computers provided by the Contractor.

(f) General Reporting Requirements

- i. Reporting. Contractor shall prepare reports addressing performance under this Agreement in a standard format provided to Contractor by the County. Contractor shall, as requested by the County, aid in the development of these reports. As required by the County, certain reports shall be available in real time via electronics access to Contractor's information systems. Contractor shall prepare other reports in written format on a routine monthly basis; Contractor shall send a dvd-r copy of any report documentation, forms, payments and zero EOB's at the request of the Department.
- ii. Monitoring. A Department representative will arrange for monitoring of the Services. The monitor will oversee ongoing quality to ensure that the Contractor is meeting the following levels of performance.
  - 1. all billing information is accurate, complete and reflects the appropriate source of information
  - 2. all required documentation is completed and submitted properly and in a timely manner
  - 3. Medicare, Medicaid, private insurance, worker's compensation insurances, no-fault insurance and patient payments are properly recorded
  - 4. secondary and follow up invoices and correspondence are issued
  - 5. additional carriers are located and billed with proof of primary payment
- iii. Auditing. The County, or its designee, shall conduct a review and audit of the billing process, collection procedures and practices of the Contractor on an annual basis. The audits shall be conducted to verify that submissions for reimbursement comply with all applicable federal health care program statutes, regulations, program and carrier directives relating to medical necessity determinations and medical diagnostic coding and to identify any and all instances where claims fail to meet these standards. The audits are intended to ensure that the programs are billed appropriately for services rendered. To the

extent that irregularities are uncovered in the course of the review, the nature and cost of the irregularity will be detailed with recommendations for corrective action.

- iv. Site inspection. At its sole discretion, the Department reserves the right to conduct an inspection of the Contractor's work site, its facilities and all personnel involved in contract activity at any time determined by the Department. Any facility used by the Contractor for work must be located within seventy five (75) miles of the Department (1490 Franklin Ave Mineola, NY 11501). If the Contractor intends on moving any facility which does work on the Department's account, Contractor shall notify the Department at least ninety (90) days prior to the anticipated move.

(g) Contractor Compliance and Quality Control

- i. The Contractor and its employees shall abide by and conduct themselves in a manner consistent with the Federal, state and local laws. The Contractor shall establish a comprehensive quality control program, including but not limited to the following:
  1. An inspection system covering all services furnished by the Contractor;
  2. A checklist for use in reviewing and inspecting performance during regularly scheduled or unscheduled inspections. The checklist will include every area of the Contractor's operation including but not limited to the development and maintenance of the database, backup capability, employee background review, training services, billing services, collection services, reporting services, customer services, and the performance of individuals responsible for conducting such review and inspection; and
  3. A system for identifying and correcting deficiencies in the quality of services.

(h) Confidentiality

- i. The Contractor shall maintain in strict confidence all records, information or data that it prepares, receives, possesses or delivers pursuant to this Agreement ("Confidential Information"). All Confidential Information shall become the property of the Department and shall not be published, circulated, shared with third parties, or used in any manner by Contractor or its officers, employees or agents. The Contractor is fully familiar with the PCR's insofar as they contain Confidential Information protected by HIPAA and other Federal, state and /or local laws and regulations. A breach of this section shall be deemed a material breach of this Agreement for which County shall

terminate this Agreement and exercise any and all remedies available at law and in equity.

- ii. Medical records and health data, including but not limited to PCR's, medical necessity determinations, and coded forms, shall be transmitted to and from the Contractor in a secure electronic format.
- iii. The Contractor has established and maintains a secure and protected transmission format for such exchanges of information which complies with all requirements and standards promulgated by United States Department of Health and Humans Services, public law and HIPAA. The format and medium of the electronic data transmission shall maintain the confidentiality of all records and conform to the standards promulgated by the Unites States Department of Health and Human Services, pursuant to the requirements of public law 104-191, the Health Insurance Portability and accountability Act of 1996, or other applicable governing jurisdictions.
- iv. The County reserves any and all other rights and remedies in the event of unauthorized disclosure.

3. Payment. (a) Amount of Consideration.

- i. The Contractor shall be compensated based upon a percentage of net revenues. Net revenues are defined as the total sum of all monies collected by the Contractor less amounts refunded or credited to a patient or a third party payer as a result of overpayments, Medicaid payments, erroneous payments or returned checks.
- ii. The Contractor shall be paid pursuant to the fee schedule detailed in the best and final offer which is affixed hereto as Exhibit B.
- iii. These fees shall include all expenses and costs related to billing services, correspondence and dunning service, telephone and website inquiry services, database development and maintenance, reporting, training, compliance, auditing and postage. Fees are further deemed to include all labor, material, equipment overhead, expenses taxes and profit necessary to provide the Services pursuant to the terms and conditions of this Agreement. All fees are capped for the term of the agreement and shall not be subject to increases or markups.
- iv. Contractor represents and warrants that the fee schedule herein (Exhibit B) is equal to or less than the fee schedule which are similar in scope and size. If during the term of the agreement, contractor agrees to a fee schedule with any other ambulance service for its services that is lower than the fee schedule herein. Contractor shall reduce the fees charged to county for the remaining term of this agreement in accordance with the lower fee schedule charged to that other entity.

(b) Vouchers: Voucher Review, Approval and Audit. Payments shall be made to the Contractor in

arrears and shall be contingent upon (i) the Contractor submitting a claim voucher (the "Voucher") in a form reasonably satisfactory to the County, that (a) states with reasonable specificity the services provided and the payment requested as consideration for such services, (b) certifies that the services rendered and the payment requested are in accordance with this Agreement, and (c) is accompanied by documentation reasonably satisfactory to the County supporting the amount claimed, and (ii) review, approval and audit of the Voucher by the Department and/or the County Comptroller or his or her duly designated representative (the "Comptroller").

(c) Timing of Payment Claims. The Contractor shall submit claims no later than three (3) months following the County's receipt of the services that are the subject of the claim and no more frequently than once a month. The County will use best efforts to pay the Contractor within thirty (30) days after receiving a proper invoice and County claim voucher.

(d) No Duplication of Payments. Payments under this Agreement shall not duplicate payments for any work performed or to be performed under other agreements between the Contractors and any funding source including the County.

(e) Payments in Connection with Termination or Notice of Termination. Unless a provision of this Agreement expressly states otherwise, payments to the Contractor following the termination of this Agreement shall not exceed payments made as consideration for services that were (i) performed prior to termination, (ii) authorized by this Agreement to be performed, and (iii) not performed after the Contractor received notice that the County did not desire to receive such services.

4. Independent Contractors. The Contractor is an independent contractor of the County. The Contractor shall not, nor shall any officer, director, employee, servant, agent or independent contractor of the Contractor (a "Contractors Agent"), be (i) deemed a County employee, (ii) commit the County to any obligation, or (iii) hold itself, himself, or herself out as a County employee or Person with the authority to commit the County to any obligation. As used in this Agreement the word "Person" means any individual person, entity (including partnerships, corporations and limited liability companies), and government or political subdivision thereof (including agencies, bureaus, offices and departments thereof).

5. Right to Works and Ownership of Data.

(a) Upon execution of this Agreement, any reports, document, data, designs, drawings, photographs and / or any other material produced pursuant to the Agreement, and any and all drafts and / or preliminary materials, in any format, to such items, shall become the exclusive property of the County.

(b) All original records, accounts receivable data and documentation pertaining to said data is, and shall, remain, the property of the County, and shall be delivered or returned to the County in such media form as existing on the County system, together with a hard copy, and any other documents necessary to utilize the tape, disk, or media in which the data may be stored. Such material shall be delivered within thirty (30) days of the expiration or termination (for any reason) of the Agreement.



6. No Arrears or Default. The Contractor is not in arrears to the County upon any debt or contract and it is not in default as surety, contractors, or otherwise upon any obligation to the County, including any obligation to pay taxes to, or perform services for or on behalf of, the County.

7. Compliance with Law.

(a) Generally. The Contractor shall comply with any and all applicable Federal, state and local Laws, including, but not limited to those relating to HIPAA\*, conflicts of interest, discrimination, a living wage, disclosure of information, and Contractor registration, in connection with its performance under this Agreement. In furtherance of the foregoing, the Contractor is bound by and shall comply with the terms of Appendices EE attached hereto and with the County's Contractor registration protocol. As used in this Agreement the word "Law" includes any and all statutes, local laws, ordinances, rules, regulations, applicable orders, and/or decrees, as the same may be amended from time to time, enacted, or adopted.

\* the Business Associate Addendum with hereto as Exh C, 056

(b) Nassau County Living Wage Law. Pursuant to LL 1-2006, as amended, and to the extent that a waiver has not been obtained in accordance with such law or any rules of the County Executive, the Contractor agrees as follows:

(i) The Contractor shall comply with the applicable requirements of the Living Wage Law, as amended.

(ii) Failure to comply with the Living Wage Law, as amended, may constitute a material breach of the Agreement the occurrence of which shall be determined solely by the County. The Contractor has the right to cure such breach within thirty days of receipt of notice of breach from the County. In the event that such breach is not timely cured, the County may terminate this Agreement as well as exercise any other rights available to the County under applicable law.

(iii) It shall be a continuing obligation of the Contractor to inform the County of any material changes in the content of its certification of compliance, attached to this Agreement as Appendix L, and shall provide to the County any information necessary to maintain the certification's accuracy.

(c) Records Access. The parties acknowledge and agree that all records, information, and data ("Information") acquired in connection with performance or administration of this Agreement shall be used and disclosed solely for the purpose of performance or administration of the contract or as required by law. The Contractor acknowledges that Contractor's Information in the County's possession may be subject to disclosure under Article 6 of the New York State Public Officer's Law ("Freedom of Information Law" or "FOIL"). In the event that such a request for disclosure is made, the County shall make reasonable efforts to notify the Contractor of such request prior to disclosure of the Information so that the Contractor may take such action as it deems appropriate.

(d) Ethical Standards. Contractor shall use diligent and timely billing and collection efforts. All of the Contractor's operations must be performed in accordance with the highest standards of legal ethics. Contractor shall comply strictly with any legal requirements or codes of

conduct with respect to the collection of debts, communication with debtors and collection agency procedures, made or issued by any governmental agency in any jurisdiction or location in which any attempt to collect the debts described herein is made. Such requirements will include but will not be limited to compliance with the following:

- Fair Debt Collection Practices Act, 15 U.S.C. § 1692
- New York State Judiciary Law Article 15, § 489
- New York State general Business Law Article 29-i-1, § 600 and 601 New York State Executive Law Article 5, § 63, subdivision 12.

(e) The Contractor shall monitor developments and changes in regulations and circumstances affecting billing and collection services, including changes in rates of Medicare reimbursements and reporting requirements. As soon as practical, Contractor shall communicate any such changes to the Department and adapt procedures as necessary to conform to regulations. Contractor shall periodically recommend administrative, procedural, technical and other improvements that will reflect industry best practices and improve revenue generation, customer service and /or other key areas of performance.

8. Minimum Service Standards. Regardless of whether required by Law: (a) The Contractor shall, and shall cause Contractor's Agents to, conduct its, his or her activities in connection with this Agreement so as not to endanger or harm any Person or property.

(b) The Contractor shall deliver services under this Agreement in a professional manner consistent with the best practices of the industry in which the Contractor operates. The Contractor shall take all actions reasonably necessary or appropriate to meet the obligation described in the immediately preceding sentence, including obtaining and maintaining, and causing all Contractor Agents to obtain and maintain, all approvals, licenses, and certifications ("Approvals") necessary or appropriate in connection with this Agreement.

(c) The Contractor shall dedicate a minimum of thirteen (13) employees to work on the Department's account.

9. Indemnification; Defense; Cooperation. (a) The Contractor shall be solely responsible for and shall indemnify and hold harmless the County, the Department and its officers, employees, and agents (the "Indemnified Parties") from and against any and all liabilities, losses, costs, expenses (including, without limitation, attorneys' fees and disbursements) and damages ("Losses"), arising out of or in connection with any acts or omissions of the Contractor or a Contractor Agent, under this Agreement, regardless of whether due to negligence, fault, or default, including Losses in connection with any threatened investigation, litigation or other proceeding or preparing a defense to or prosecuting the same; provided, however, that the Contractor shall not be responsible for that portion, if any, of a Loss that is caused by the negligence of the County.

(b) The Contractor shall indemnify and hold harmless the Indemnified Parties against any and all Losses arising out of or in connection with any claim for infringement by the Contractor of any copyright, trade secret, trademark or patent rights of design, systems, drawings, graphics, charts, methodologies, specifications or printed matter furnished or used by the Contractor in the

performance of this Agreement. The Contractor shall indemnify and hold harmless the Indemnified Parties regardless of whether or not the infringement arises out of compliance with the Services or work. Notwithstanding the foregoing, the Contractor shall have no liability for and third party claim of infringement based on (i) modification of the software to the extent that the modification was made without the Contractor's consent or (ii) the use of the software in connection with another product or services (the combination of which causes the infringement) if the Contractor did not approve, in writing, of such use.

(c) The Contractor shall, upon the County's demand and at the County's direction, promptly and diligently defend, at the Contractor's own risk and expense, any and all suits, actions, or proceedings which may be brought or instituted against one or more Indemnified Parties for which the Contractor is responsible under this Section, and, further to the Contractor's indemnification obligations, the Contractor shall pay and satisfy any judgment, decree, loss or settlement in connection therewith.

(d) The Contractor shall, and shall cause Contractor's Agents to, cooperate with the County and the Department in connection with the investigation, defense or prosecution of any action, suit or proceeding in connection with this Agreement, including the acts or omissions of the Contractor and/or a Contractor Agent in connection with this Agreement.

(e) The provisions of this Section shall survive the termination of this Agreement.

10. Insurance. (a) Types and Amounts. The Contractor shall obtain and maintain throughout the term of this Agreement, at its own expense: (i) one or more policies for commercial general liability insurance, which policy(ies) shall name "Nassau County" as an additional insured and have a minimum single combined limit of liability of not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate coverage, (ii) if contracting in whole or part to provide professional services, one or more policies for professional liability insurance, which policy(ies) shall have a minimum single combined limit liability of not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate coverage, (iii) compensation insurance for the benefit of the Contractor's employees ("Workers' Compensation Insurance"), which insurance is in compliance with the New York State Workers' Compensation Law, and (iv) such additional insurance as the County may from time to time specify. Contractor or Parent Corporation and its affiliates' use of self-insurance or captive insurance is deemed to satisfy all insurance requirements set forth under this entire Agreement.

(b) Acceptability; Deductibles; Subcontractors. All insurance obtained and maintained by the Contractor pursuant to this Agreement shall be (i) written by one or more commercial insurance carriers licensed to do business in New York State and acceptable to the County, and which is (ii) in form and substance acceptable to the County. The Contractor shall be solely responsible for the payment of all deductibles to which such policies are subject. The Contractor shall require any subcontractors hired in connection with this Agreement to carry insurance with the same limits and provisions required to be carried by the Contractor under this Agreement.

(c) Delivery; Coverage Change; No Inconsistent Action. Prior to the execution of this Agreement, copies of current certificates of insurance evidencing the insurance coverage required by this Agreement shall be delivered to the Department. Not less than thirty (30) days prior to the date of

any expiration or renewal of, or actual, proposed or threatened reduction or cancellation of coverage under, any insurance required hereunder, the Contractor shall provide written notice to the Department of the same and deliver to the Department renewal or replacement certificates of insurance. The Contractor shall cause all insurance to remain in full force and effect throughout the term of this Agreement and shall not take or omit to take any action that would suspend or invalidate any of the required coverages. The failure of the Contractor to maintain Workers' Compensation Insurance shall render this contract void and of no effect. The failure of the Contractor to maintain the other required coverages shall be deemed a material breach of this Agreement upon which the County reserves the right to consider this Agreement terminated as of the date of such failure.

11. Assignment; Amendment; Waiver; Subcontracting. This Agreement and the rights and obligations hereunder may not be in whole or part (i) assigned, transferred or disposed of, (ii) amended, (iii) waived, or (iv) subcontracted, without the prior written consent of the County Executive or his or her duly designated deputy (the "County Executive"), and any purported assignment, other disposal or modification without such prior written consent shall be null and void. The failure of a party to assert any of its rights under this Agreement, including the right to demand strict performance, shall not constitute a waiver of such rights.

12. Termination. (a) Generally. This Agreement may be terminated (i) for any reason by the County upon thirty (30) days' written notice to the Contractor, (ii) for "Cause" by the County immediately upon the receipt by the Contractor of written notice of termination, (iii) upon mutual written agreement of the County and the Contractor, and (iv) in accordance with any other provisions of this Agreement expressly addressing termination.

As used in this Agreement the word "Cause" includes: (i) a breach of this Agreement; (ii) the failure to obtain and maintain in full force and effect all Approvals required for the services described in this Agreement to be legally and professionally rendered; and (iii) the termination or impending termination of federal or state funding for the services to be provided under this Agreement.

(b) Notice of Termination by the County. Upon the receipt of a notice of termination of the Agreement by the Contractor pursuant to paragraph (a)(i) above, the Contractor shall not perform work on any new account received on or after the date of such notice and shall return to the County any and all new accounts. Contractor shall continue to work on any remaining accounts submitted by the County, prior to the receipt of the notice of termination for a period of six (6) months from the date of the initial invoice, and shall receive the then current fee for net revenue collected. Any and all accounts collected or uncollected, shall be returned to the County six (6) months from the date of original invoice for each patient account. No accounts shall be in Contractor's possession more than five (5) months after date of termination.

(c) By the Contractor. (i) This Agreement may be terminated by the Contractor upon notice to the County at least one hundred eighty (180) days prior to the end of the current contract term. Contractor must continue to provide all services up to, and including the termination data including billing on all accounts received via transmitted patient care reports. (ii) In the event of termination in whole or in part by the Contractor, the County may procure similar supplies or services, from other sources, in a manner and upon terms deemed appropriate by the County.

Contractor shall continue to perform under this Agreement to the extent it is not terminated and will be liable to the County for excess costs incurred in procuring similar goods or services.

(d) Termination under this subsection shall be effected by the Contractor delivering to the Commissioner or other Department head ("The Commissioner") , at least sixty (60) days prior to the termination date (or a shorter period if sixty days' notice is impossible), a notice stating (i) that the Contractor is terminating this Agreement in accordance with this subsection, (ii) the date as of which this Agreement will terminate, and (iii) the facts giving rise to the Contractor's right to terminate under this subsection. A copy of the notice given to the Commissioner shall be given to the Deputy County Executive who oversees the administration of the Department (the "Applicable DCE") on the same day that notice is given to the Commissioner.

(e) Contractors Assistance upon Termination. In connection with the termination or impending termination of this Agreement the Contractor shall, regardless of the reason for termination, take all actions reasonably requested by the County (including those set forth in other provisions of this Agreement) to assist the County in transitioning the Contractor's responsibilities under this Agreement. Further to the foregoing, the County, at its sole option, may choose to extend this Agreement, in whole or in part, for an additional ninety (90) days beyond the end of the then current contract term to minimize service disruption during transition. The provisions of this subsection shall survive the termination of this Agreement.

13. Accounting Procedures; Records. The Contractor shall maintain and retain, for a period of six (6) years following the later of termination of or final payment under this Agreement, complete and accurate records, documents, accounts and other evidence, whether maintained electronically or manually ("Records"), pertinent to performance under this Agreement. Records shall be maintained in accordance with Generally Accepted Accounting Principles and, if the Contractor is a non-profit entity, must comply with the accounting guidelines set forth in the federal Office of Management & Budget Circular A-122, "Cost Principles for Non-Profit Organizations." Such Records shall at all times be available for audit and inspection by the Comptroller, the Department, any other governmental authority with jurisdiction over the provision of services hereunder and/or the payment therefore, and any of their duly designated representatives. The provisions of this Section shall survive the termination of this Agreement.

14. Limitations on Actions and Special Proceedings against the County. No action or special proceeding shall lie or be prosecuted or maintained against the County upon any claims arising out of or in connection with this Agreement unless:

(a) Notice. At least thirty (30) days prior to seeking relief the Contractor shall have presented the demand or claim(s) upon which such action or special proceeding is based in writing to the Applicable DCE for adjustment and the County shall have neglected or refused to make an adjustment or payment on the demand or claim for thirty (30) days after presentment. The Contractor shall send or deliver copies of the documents presented to the Applicable DCE under this Section to each of (i) the Department and the (ii) the County Attorney (at the address specified above for the County) on the same day that documents are sent or delivered to the Applicable DCE. The complaint or necessary moving papers of the Contractors shall allege that the above-described actions and inactions preceded the Contractors' action or special proceeding against the County.

(b) Time Limitation. Such action or special proceeding is commenced within the earlier of (i) one (1) year of the first to occur of (A) final payment under or the termination of this Agreement, and (B) the accrual of the cause of action, and (ii) the time specified in any other provision of this Agreement.

15. Work Performance Liability. The Contractor is and shall remain primarily liable for the successful completion of all work in accordance this Agreement irrespective of whether the Contractor is using a Contractor Agent to perform some or all of the work contemplated by this Agreement, and irrespective of whether the use of such Contractor Agent has been approved by the County.

16. Consent to Jurisdiction and Venue; Governing Law. Unless otherwise specified in this Agreement or required by Law, exclusive original jurisdiction for all claims or actions with respect to this Agreement shall be in the Supreme Court in Nassau County in New York State and the parties expressly waive any objections to the same on any grounds, including venue and forum non conveniens. This Agreement is intended as a contract under, and shall be governed and construed in accordance with, the Laws of New York State, without regard to the conflict of laws provisions thereof.

17. Notices. Any notice, request, demand or other communication required to be given or made in connection with this Agreement shall be (a) in writing, (b) delivered or sent (i) by hand delivery, evidenced by a signed, dated receipt, (ii) postage prepaid via certified mail, return receipt requested, or (iii) overnight delivery via a nationally recognized courier service, (c) deemed given or made on the date the delivery receipt was signed by a County employee, three (3) business days after it is mailed or one (1) business day after it is released to a courier service, as applicable, and (d)(i) if to the Department, to the attention of the Commissioner at the address specified above for the Department, (ii) if to an Applicable DCE, to the attention of the Applicable DCE (whose name the Contractors shall obtain from the Department) at the address specified above for the County, (iii) if to the Comptroller, to the attention of the Comptroller at 240 Old Country Road, Mineola, NY 11501, and (iv) if to the Contractor, to the attention of the person who executed this Agreement on behalf of the Contractor at the address specified above for the Contractor, or in each case to such other persons or addresses as shall be designated by written notice.

18. All Legal Provisions Deemed Included; Severability; Supremacy. (a) Every provision required by Law to be inserted into or referenced by this Agreement is intended to be a part of this Agreement. If any such provision is not inserted or referenced or is not inserted or referenced in correct form then (i) such provision shall be deemed inserted into or referenced by this Agreement for purposes of interpretation and (ii) upon the application of either party this Agreement shall be formally amended to comply strictly with the Law, without prejudice to the rights of either party.

(b) In the event that any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(c) Unless the application of this subsection will cause a provision required by Law to be excluded

from this Agreement, in the event of an actual conflict between the terms and conditions set forth above the signature page to this Agreement and those contained in any schedule, exhibit, appendix, or attachment to this Agreement, the terms and conditions set forth above the signature page shall control. To the extent possible, all the terms of this Agreement should be read together as not conflicting.

(d) Each party has cooperated in the negotiation and preparation of this Agreement. Therefore, in the event that construction of this Agreement occurs, it shall not be construed against either party as drafter.

19. Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

20. Entire Agreement. This Agreement represents the full and entire understanding and agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements (whether written or oral) of the parties relating to the subject matter of this Agreement.

21. Administrative Service Charge. The Contractor agrees to pay the County an administrative service charge of ~~One Hundred and Sixty Dollars (\$160.00)~~ <sup>Five Hundred and Sixty Dollars (\$560.00)</sup> for the processing of this Agreement pursuant to Ordinance Number 74-1979, as amended by Ordinance Number 128-2006. The administrative service charge shall be due and payable to the County by the Contractors upon signing this Agreement. (037)

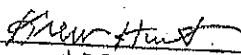
22. Executory Clause. Notwithstanding any other provision of this Agreement:

(a) Approval and Execution. The County shall have no liability under this Agreement (including any extension or other modification of this Agreement) to any Person unless (i) all County approvals have been obtained, including, if required, approval by the County Legislature, and (ii) this Agreement has been executed by the County Executive (as defined in this Agreement).

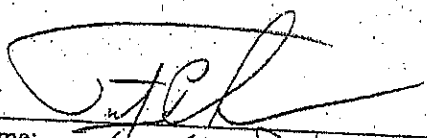
(b) Availability of Funds. The County shall have no liability under this Agreement (including any extension or other modification of this Agreement) to any Person beyond funds appropriated or otherwise lawfully available for this Agreement, and, if any portion of the funds for this Agreement are from the state and/or federal governments, then beyond funds available to the County from the state and/or federal governments.

IN WITNESS WHEREOF, Contractor and the County have executed this Agreement as of the date first above written.

MED3000, INC.

By:   
Name: DREW HURT  
Title: CFO  
Date: 5/28/13

NASSAU COUNTY

By:   
Name: Timothy Sullivan  
Title: Deputy County Executive  
Date: 7/12/13

PLEASE EXECUTE IN BLUE INK

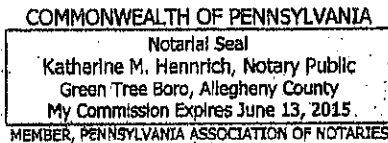


PENNSYLVANIA  
STATE OF NEW YORK)  
ALLEGHENY )ss.:  
COUNTY OF ~~NASSAU~~ )

On the 26<sup>th</sup> day of May in the year 2013 before me personally came  
Drew Hurt to me personally known, who, being by me duly sworn, did depose and  
say that he or she resides in the County of Allegheny; that he or she is the  
Chief Financial Officer of Med3000 Inc., the corporation described herein and  
which executed the above instrument; and that he or she signed his or her name thereto by authority  
of the board of directors of said corporation.

NOTARY PUBLIC

*Katherine M. Hennrich*



STATE OF NEW YORK)  
)ss.:  
COUNTY OF NASSAU )

On the 12<sup>th</sup> day of November in the year 2013 before me personally came  
Anthony Sullivan to me personally known, who, being by me duly sworn, did depose and  
say that he or she resides in the County of NASSAU; that he or she is a Deputy County  
Executive of the County of Nassau, the municipal corporation described herein and which executed  
the above instrument; and that he or she signed his or her name thereto pursuant to Section 205 of  
the County Government Law of Nassau County.

NOTARY PUBLIC

*Joseph Devito*

JOSEPH DEVITO  
Notary Public, State of New York  
No. 01DE4736393  
Qualified in Nassau County  
Commission Expires July 31, 2017

**Appendix EE**  
**Equal Employment Opportunities for Minorities and Women**

The provisions of this Appendix EE are hereby made a part of the document to which it is attached.

The Contractor shall comply with all federal, State and local statutory and constitutional anti-discrimination provisions. In addition, Local Law No. 14-2002, entitled "Participation by Minority Group Members and Women in Nassau County Contracts," governs all County Contracts as defined herein and solicitations for bids or proposals for County Contracts. In accordance with Local Law 14-2002:

(a) The Contractor shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status in recruitment, employment, job assignments, promotions, upgradings, demotions, transfers, layoffs, terminations, and rates of pay or other forms of compensation. The Contractor will undertake or continue existing programs related to recruitment, employment, job assignments, promotions, upgradings, transfers, and rates of pay or other forms of compensation to ensure that minority group members and women are afforded equal employment opportunities without discrimination.

(b) At the request of the County contracting agency, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, union, or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability, or marital status and that such employment agency, labor union, or representative will affirmatively cooperate in the implementation of the Contractor's obligations herein.

The Contractor shall state, in all solicitations or advertisements for employees, that, in the performance of the County Contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.

The Contractor shall make best efforts to solicit active participation by certified minority or women-owned business enterprises ("Certified M/WBEs") as defined in Section 101 of Local Law No. 14-2002, for the purpose of granting of Subcontracts.

The Contractor shall, in its advertisements and solicitations for Subcontractors, indicate its interest in receiving bids from Certified M/WBEs and the requirement that Subcontractors must be equal opportunity employers.

Contractors must notify and receive approval from the respective Department Head prior to issuing any Subcontracts and, at the time of requesting such authorization, must submit a signed Best Efforts Checklist.

Contractors for projects under the supervision of the County's Department of Public Works

shall also submit a utilization plan listing all proposed Subcontractors so that, to the greatest extent feasible, all Subcontractors will be approved prior to commencement of work. Any additions or changes to the list of subcontractors under the utilization plan shall be approved by the Commissioner of the Department of Public Works when made. A copy of the utilization plan any additions or changes thereto shall be submitted by the Contractor to the Office of Minority Affairs simultaneously with the submission to the Department of Public Works.

At any time after Subcontractor approval has been requested and prior to being granted, the contracting agency may require the Contractor to submit Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises. In addition, the contracting agency may require the Contractor to submit such documentation at any time after Subcontractor approval when the contracting agency has reasonable cause to believe that the existing Best Efforts Checklist may be inaccurate. Within ten working days (10) of any such request by the contracting agency, the Contractor must submit Documentation.

In the case where a request is made by the contracting agency or a Deputy County Executive acting on behalf of the contracting agency, the Contractor must, within two (2) working days of such request, submit evidence to demonstrate that it employed Best Efforts to obtain Certified M/WBE participation through proper documentation.

Award of a County Contract alone shall not be deemed or interpreted as approval of all Contractor's Subcontracts and Contractor's fulfillment of Best Efforts to obtain participation by Certified M/WBEs.

A Contractor shall maintain Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises for a period of six (6) years. Failure to maintain such records shall be deemed failure to make Best Efforts to comply with this Appendix EE, evidence of false certification as M/WBE compliant or considered breach of the County Contract.

The Contractor shall be bound by the provisions of Section 109 of Local Law No. 14-2002 providing for enforcement of violations as follows:

Upon receipt by the Executive Director of a complaint from a contracting agency that a County Contractor has failed to comply with the provisions of Local Law No. 14-2002, this Appendix EE or any other contractual provisions included in furtherance of Local Law No. 14-2002, the Executive Director will try to resolve the matter.

If efforts to resolve such matter to the satisfaction of all parties are unsuccessful, the Executive Director shall refer the matter, within thirty days (30) of receipt of the complaint, to the American Arbitration Association for proceeding thereon.

Upon conclusion of the arbitration proceedings, the arbitrator shall submit to the Executive Director his recommendations regarding the imposition of sanctions, fines or penalties. The Executive Director shall either (i) adopt the recommendation of the arbitrator (ii) determine that no sanctions, fines or penalties should be imposed or (iii) modify the recommendation of the arbitrator, provided that such modification shall not expand upon any sanction recommended or impose any

new sanction, or increase the amount of any recommended fine or penalty. The Executive Director, within ten days (10) of receipt of the arbitrators' award and recommendations, shall file a determination of such matter and shall cause a copy of such determination to be served upon the respondent by personal service or by certified mail return receipt requested. The award of the arbitrator, and the fines and penalties imposed by the Executive Director, shall be final determinations and may only be vacated or modified as provided in the civil practice law and rules ("CPLR").

(m) The Contractor shall provide contracting agency with information regarding all subcontracts awarded under any County Contract, including the amount of compensation paid to each Subcontractor and shall complete all forms provided by the Executive Director or the Department Head relating to subcontractor utilization and efforts to obtain M/WBE participation.

Failure to comply with provisions (a) through (m), above, as ultimately determined by the Executive Director, shall be a material breach of the contract constituting grounds for immediate termination. Once a final determination of failure to comply has been reached by the Executive Director, the determination of whether to terminate a contract shall rest with the Deputy County Executive with oversight responsibility for the contracting agency.

Provisions (a), (b) and (c) shall not be binding upon Contractors or Subcontractors in the performance of work or the provision of services or any other activity that are unrelated, separate, or distinct from the County Contract as expressed by its terms.

The requirements of the provisions (a), (b) and (c) shall not apply to any employment or application for employment outside of this County or solicitations or advertisements therefor or any existing programs of affirmative action regarding employment outside of this County and the effect of contract provisions required by these provisions (a), (b) and (c) shall be so limited.

The Contractor shall include provisions (a), (b) and (c) in every Subcontract in such a manner that these provisions shall be binding upon each Subcontractor as to work in connection with the County Contract.

As used in this Appendix EE the term "Best Efforts Checklist" shall mean a list signed by the Contractor, listing the procedures it has undertaken to procure Subcontractors in accordance with this Appendix EE.

As used in this Appendix EE the term "County Contract" shall mean (i) a written agreement or purchase order instrument, providing for a total expenditure in excess of twenty-five thousand dollars (\$25,000), whereby a County contracting agency is committed to expend or does expend funds in return for labor, services, supplies, equipment, materials or any combination of the foregoing, to be performed for, or rendered or furnished to the County; or (ii) a written agreement in excess of one hundred thousand dollars (\$100,000), whereby a County contracting agency is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon. However, the term "County Contract" does not include agreements or orders for the following services: banking services, insurance policies or contracts, or contracts with a County contracting agency for the sale

of bonds, notes or other securities.

As used in this Appendix EE the term "County Contractor" means an individual, business enterprise, including sole proprietorship, partnership, corporation, not-for-profit corporation, or any other person or entity other than the County, whether a contractor, licensor, licensee or any other party, that is (i) a party to a County Contract, (ii) a bidder in connection with the award of a County Contract, or (iii) a proposed party to a County Contract, but shall not include any Subcontractor.

As used in this Appendix EE the term "County Contractor" shall mean a person or firm who will manage and be responsible for an entire contracted project.

As used in this Appendix EE "Documentation Demonstrating Best Efforts to Obtain Certified Minority or Women-owned Business Enterprises" shall include, but is not limited to the following:

Proof of having advertised for bids, where appropriate, in minority publications, trade newspapers/notices and magazines, trade and union publications, and publications of general circulation in Nassau County and surrounding areas or having verbally solicited M/WBEs whom the County Contractor reasonably believed might have the qualifications to do the work. A copy of the advertisement, if used, shall be included to demonstrate that it contained language indicating that the County Contractor welcomed bids and quotes from M/WBE Subcontractors. In addition, proof of the date(s) any such advertisements appeared must be included in the Best Effort Documentation. If verbal solicitation is used, a County Contractor's affidavit with a notary's signature and stamp shall be required as part of the documentation.

Proof of having provided reasonable time for M/WBE Subcontractors to respond to bid opportunities according to industry norms and standards. A chart outlining the schedule/time frame used to obtain bids from M/WBEs is suggested to be included with the Best Effort Documentation. Proof or affidavit of follow-up of telephone calls with potential M/WBE subcontractors encouraging their participation. Telephone logs indicating such action can be included with the Best Effort Documentation.

Proof or affidavit that M/WBE Subcontractors were allowed to review bid specifications, blue prints and all other bid/RFP related items at no charge to the M/WBEs, other than reasonable documentation costs incurred by the County Contractor that are passed onto the M/WBE.

Proof or affidavit that sufficient time prior to making award was allowed for M/WBEs to participate effectively, to the extent practicable given the timeframe of the County Contract.

Proof or affidavit that negotiations were held in good faith with interested M/WBEs, and that M/WBEs were not rejected as unqualified or unacceptable without sound business reasons based on (1) a thorough investigation of M/WBE qualifications and capabilities reviewed against industry custom and standards and (2) cost of performance. The basis for rejecting any M/WBE deemed unqualified by the County Contractor shall be included in the Best Effort Documentation.

If an M/WBE is rejected based on cost, the County Contractor must submit a list of all sub-bidders for each item of work solicited and their bid prices for the work.

h. The conditions of performance expected of Subcontractors by the County Contractor must also be included with the Best Effort Documentation

i. County Contractors may include any other type of documentation they feel necessary to further demonstrate their Best Efforts regarding their bid documents.

As used in this Appendix EE the term "Executive Director" shall mean the Executive Director of the Nassau County Office of Minority Affairs; provided, however, that Executive Director shall include a designee of the Executive Director except in the case of final determinations issued pursuant to Section (a) through (l) of these rules.

As used in this Appendix EE the term "Subcontract" shall mean an agreement consisting of part or parts of the contracted work of the County Contractor.

As used in this Appendix EE, the term "Subcontractor" shall mean a person or firm who performs part or parts of the contracted work of a prime contractor providing services, including construction services, to the County pursuant to a County contract. Subcontractor shall include a person or firm that provides labor, professional or other services, materials or supplies to a prime contractor that are necessary for the prime contractor to fulfill its obligations to provide services to the County pursuant to a County contract. Subcontractor shall not include a supplier of materials to a contractor who has contracted to provide goods but no services to the County, nor a supplier of incidental materials to a contractor, such as office supplies, tools and other items of nominal cost that are utilized in the performance of a service contract.

Provisions requiring contractors to retain or submit documentation of best efforts to utilize certified subcontractors and requiring Department head approval prior to subcontracting shall not apply to inter-governmental agreements. In addition, the tracking of expenditures of County dollars by not-for-profit corporations, other municipalities, States, or the federal government is not required.

Appendix L

Certificate of Compliance

In compliance with Local Law 1-2006, as amended (the "Law"), the Contractor hereby certifies the following:

The chief executive officer of the Contractor is:

PATRICK HAMPSON

(Name)

680 ANDERSEN DR. FOSTER PLAZA 10 PITTSBURGH PA 15220

(Address)

412 937-8887

(Telephone Number)

The Contractor agrees to either (1) comply with the requirements of the Nassau County Living Wage Law or (2) as applicable, obtain a waiver of the requirements of the Law pursuant to section 9 of the Law. In the event that the Contractor does not comply with the requirements of the Law or obtain a waiver of the requirements of the Law, and such Contractor establishes to the satisfaction of the Department that at the time of execution of this agreement, it had a reasonable certainty that it would receive such waiver based on the Law and Rules pertaining to waivers, the County will agree to terminate the contract without imposing costs or seeking damages against the Contractor

In the past five years, Contractor \_\_\_\_\_ has ☒ has not been found by a court or a government agency to have violated federal, state, or local laws regulating payment of wages or benefits, labor relations, or occupational safety and health. If a violation has been assessed against the Contractor, describe below:

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\_\_\_\_\_

In the past five years, an administrative proceeding, investigation, or government body-initiated judicial action \_\_\_\_\_ has X has not been commenced against or relating to the Contractor in connection with federal, state, or local laws regulating payment of wages or benefits, labor relations, or occupational safety and health. If such a proceeding, action, or investigation has been commenced, describe below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Contractor agrees to permit access to work sites and relevant payroll records by authorized County representatives for the purpose of monitoring compliance with the Living Wage Law and investigating employee complaints of noncompliance.

I hereby certify that I have read the foregoing statement and, to the best of my knowledge and belief, it is true, correct and complete. Any statement or representation made herein shall be accurate and true as of the date stated below.

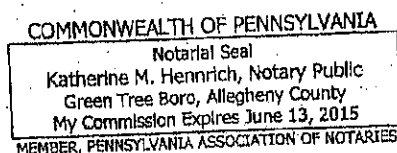
5/28/13  
Dated

*Drew Hurt*  
Signature of Chief Executive Officer  
FINANCIAL

DREW HURT  
Name of Chief Executive Officer  
FINANCIAL

Sworn to before me this

28<sup>th</sup> day of May, 2013.  
*Katherine M. Hennrich*  
Notary Public





# EXHIBIT A

**Details of requirements for Billing Vendor for  
NCPD Emergency Ambulance Bureau**

**RFP# PD1005-1236, October 2012**

The vendor will subcontract with a supplier of an electronic PCR (EPCR) program of the Bureau's choosing. The EPCR program will provide the following...

The vendor will supply forty (40) laptop computers with integrated aircards for use in the field to generate electronic PCRs. These will be used in all ambulances and supervisory vehicles. The vendor will provide for the potential additional laptop computers, up to a total of 48, to allow for expansion or creation of new ambulance posts. The specifications of the laptop computers will be determined by the Bureau.

Vendor will provide forty (40) wiring kits for hardwiring battery chargers to the vehicles. The vendor will provide for the potential of additional wiring kits, up to a total of 48, to allow for expansion or addition of ambulances.

Vendor will provide twelve (12) portable DC adapters for portable charging in vehicles.

Vendor will provide for replacement of field laptop computers, beginning at the 2 year in-service mark. At that time, field laptops with 2 years of service time will be replaced with new versions. The specifications of the field laptop computers will be determined by the Bureau.

The vendor will supply cell service for all laptops. Choice of cell provider(s) will be at the discretion of the Bureau, as dictated by local coverage areas.

Vendor will supply a stock of twelve (12) replacement batteries for field laptops for rotation and maintenance.

Vendor will provide three (3) battery chargers – each with a 3 battery capacity.

Vendor will provide paid subscription to current EPCR vendor – currently Emergidata's "RescueMedic" program.

Vendor will provide paid subscriptions to all necessary data storage programs to Emergidata, Log Me In, and MedMedia's "Webcur".

Vendor will provide paid subscriptions to all necessary anti-virus programs, necessary spyware programs, Fortres, etc. as determined by the Bureau.

Vendor will supply paid subscription and necessary support/hardware and supplies for Lightpath internet for EAB Billing Office.

Vendor will supply four (4) laptop computers, of the Bureau's specifications, with aircards and associated software/subscriptions for use by EAB Billing Tech Support Team. Vendor will provide up to 2 additional laptop computers, as needed, in the event of expansion of the Bureau's Tech Support Team.

Vendor will provide for replacement of same, at the Bureau's discretion, after two (2) years.

Vendor will supply and support three (3) desktop computers and associated software and hardware of EAB's specifications for administrative use by EAB Billing Office. Associated hardware will include, but not be limited to, 2 high speed scanners and 2 high speed printers. Specifications will be determined by the Bureau.

Vendor will provide for replacement of same, at the bureau's discretion, after two (2) years.

Vendor will provide, at no expense to the Bureau, training for the EAB Billing Office Tech Support Team - up to 6 people - in appropriate applications such as Networking, Windows, MS, etc.

Vendor will provide and maintain one (1) industrial capacity document shredder, specifications to be determined by the Bureau.

Vendor will provide for an open account with Panasonic, Inc. for replacement items for field computers - styluses, batteries, straps, etc.

Vendor will provide for in-house supply of parts and sundry items for repair and maintenance of field laptops.

Vendor will provide an open credit card account, with a pre-set monthly dollar amount, for purchase of said parts and supplies.

Vendor will maintain an open warranty and repair/replacement contract with computer manufacturer(s) for necessary repairs and/or replacement of computers that cannot be performed in-house.

Vendor will supply and maintain one (1) high speed printer of the Bureau's choosing for use in the emergency room patient receiving area.

All items specified reflect minimum requirements for daily operating of the Bureau's Billing and Electronic PCR program. All specifications are subject to revision at the Bureau's discretion prior to actual implementation of contract.

## EXHIBIT B

**Fox, Tatum**

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**From:** Maybruch, Morris <Morris\_Maybruch@med3000.com>  
**Sent:** Friday, February 01, 2013 10:58 AM  
**To:** Comiskey, Tara; Fox, Tatum  
**Subject:** MED3000 Best & Final Offer

As per our discussion yesterday, MED3000 is making our Best & Final Offer to reduce our charge rate to 6.75% of collections. We look forward to continuing our service to the Emergency Ambulance Bureau of the Police Department of Nassau County. Please let me know if you need anything else.

Best regards,

**Morris Maybruch | Vice President EMS**  
**MED3000, Inc. | Outcomes Matter**  
1 Blue Hill Plaza | PO Box 1542 | Pearl River, New York | 10965  
**OFFICE 845-368-4800 ext 8134 | FAX 845-920-0480**  
[morris\\_maybruch@med3000.com](mailto:morris_maybruch@med3000.com) | [www.med3000.com](http://www.med3000.com)

\*\*\*\*\*  
*This e-mail and any attachments are intended for the sole use of the addressee listed. It may contain confidential, proprietary and/or legally privileged information. If you are not the intended recipient please notify the sender by return e-mail or call our corporate office at (845) 368-4800 and delete the e-mail. Unauthorized use, dissemination, distribution or copying of this e-mail or attachments, in whole or in part is strictly prohibited and may be unlawful. We do not guarantee that the integrity of this e-mail has been maintained or that this e-mail is free of viruses, interception or interference.*

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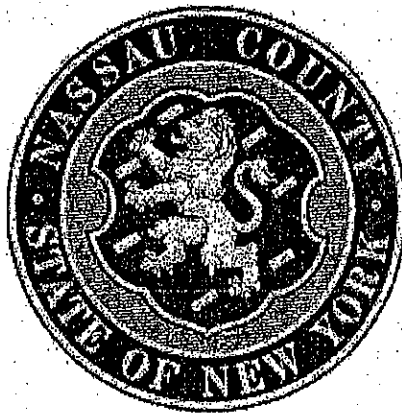
CONFIDENTIALITY NOTICE: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

Response to Request for RFP# PD1005-1236  
Nassau County, New York

*Ambulance Billing Services for the  
Nassau County Police Department*

MED3000, Inc.  
1 Blue Hill Plaza  
PO Box 1542  
Pearl River, NY 10965

Morris Maybruch; EMS Vice President  
(845) 368-4800  
December 28, 2012



**MED3000**

## Table of Contents

	Cover Letter	
Tab 1	Cost Proposal Form	1
Tab 2	Proposed Approach to Scope of Work	2-7
Tab 3	Certification Form	8
Tab 4	Principal Questionnaire	9
Tab 5	Living Wage Law Certificate of Compliance	10
Tab 6	Exceptions to the RFP Requirements	11
Tab 7	Additional Information	12-23
Tab 8	Executive Summary	24-28
Tab 9	Appendix	

- Statement of Redactions
- Addendum 1
- Addendum 2
- Addendum 3
- Appendix A - Cost Proposal
- Appendix B - Program Description and Staffing
- Appendix C - Certification
- Appendix D - Principal Questionnaire Form; MED3000
- Appendix D - Principal Questionnaire Form; Pat Hampson
- Appendix D - Principal Questionnaire Form; Robert Gallo, III
- Appendix D - Principal Questionnaire Form; Drew Hurt
- Appendix F - Certificate of Compliance
- MED3000 HIPAA Policies and Procedures
- MED3000 Fairfax County CMS Audit Press Release

# MED3000

December 28, 2012

Detective Sergeant Tara Comiskey  
Community Affairs  
Nassau County Police Department  
1490 Franklin Avenue  
Mineola, New York 11501

Dear Detective Sergeant Comiskey and Members of Nassau County Police Department's Ambulance Billing Services Selection Committee:

MED3000 is pleased to submit our proposal in response to RFP# PD1005-1236 *Ambulance Billing Services for the Nassau County Police Department*. Please accept our proposal. We provide our recommendations for you and our best ideas about continuing our relationship with you. Our Fire/EMS client base of over 150 accounts generates over 500,000 annual ambulance transport billables, making MED3000 one of the leading EMS revenue recovery companies in America.

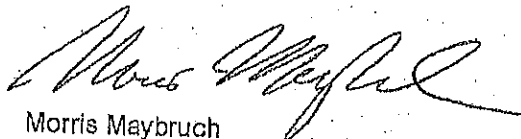
This proposal is a firm offer and will remain so for at least 180 days from its due date. MED3000 understands in full all requirements of your RFP; and our response specifically meets your requirements. We will comply with all provisions set forth in this response to the RFP. All persons, companies, and parties associated with this proposal are named in this proposal. Our EIN is 23-2939847.

MED3000, Inc., a Delaware Corporation, has over twenty years of EMS billing and medical billing experience with over ten years of experience with Nassau County. MED3000 is headquartered in Pittsburgh, PA, with seventeen regional offices in twelve states, including our EMS office in Pearl River, NY and West Lawn, PA.

We specialize in ambulance billing, municipality cost recovery, and medical revenue management. With over 2,100 employees and nearly \$150 million in annual revenue, MED3000 possesses both the trained personnel and expertise required to continue all aspects of EMS billing and claims management for Nassau County.

You can continue to expect the highest level of service and excellent billing results from MED3000. We welcome the opportunity to provide you with additional information in an oral interview with our experienced team. The following MED3000 executives are authorized to negotiate on our behalf: Pat Hampson, Robert Gallo, Glenn Goodpaster and me. Please contact me if you need further information or to schedule a time for oral presentations: 845-368-4800 or [morris\\_maybruch@MED3000.com](mailto:morris_maybruch@MED3000.com). I look forward to hearing from you.

Respectfully submitted,



Morris Maybruch  
Vice President EMS  
845-368-4800



**Tab 1: Cost Proposal Form**

We have included a completed and signed copy of Appendix A in the Appendix of this Response. Below is MED3000's Cost Proposal for the continuation of comprehensive billing services, electronic patient reporting (ePCR), and field hardware solutions for Nassau County as specified in this Response.

**Cost Proposal**

For Nassau County, MED3000 will offer pricing for all billing services and all other services related to billing detailed in this Response as follows:

For all EMS transports, MED3000 will provide all-inclusive services as outlined in this Response, *RescueMedic* ePCR software, and all hardware replacement detailed in this Response for 7% of net cash receipts for the duration of any Agreement between Nassau County and MED3000.

## Tab 2: Proposed Approach to Scope of Work

We have included a completed and signed copy of Appendix B in the Appendix of this Response. Following is a complete description of MED3000's approach to EMS billing which includes:

- Staffing
- Ambulance Billing Experience
- Prior Experience with Public Sector Clients of Size and Scope Similar to that of Nassau County
- Detailed Cover Letter
- EMS Billing Project Methodology

### MED3000 Staffing

MED3000's Executive Staff in our Fire/EMS Division has a unique composition to the billing industry: our leadership team includes CPAs and proven Fire/EMS leaders. The revenue and compliance strategies developed by our CPA tandem of Morris Maybruch and Glenn Goodpaster as well as substantial Fire/EMS experience from Pat Griffen and Ashley Peters have enabled our clients to rise to new levels of customer satisfaction and revenue.

**PATRICK HAMPSON**, MED3000's founder and President/CEO, has provided stability and vision in building a successful healthcare management and technology company in an era of practice management company failures. Pat's personal commitment to excellent customer service and to MED3000's employees has resulted in a strong culture and a profitable enterprise. Pat was previously on the Board of Medic Computer Systems (now Misys) and MedUnit. He now serves on the Boards of MED3000, A4 Health Systems, Pittsburgh Ear Foundation, and the MED3000 Foundation. Pat is an alumnus of Ohio Northern University.

**HILLARY HARLAN, J.D., R.N.**, Chief Compliance and Ethics Officer for MED3000, has experience working with physician practices, hospital systems, and long-term care facilities. Prior to joining MED3000, she served as Director of Compliance and Legal Services for Preferred Care Partners Management Group, LLP, where she filled the roles of Corporate Compliance Officer and HIPAA Privacy Officer and was responsible for licensure, regulatory, and risk management activities. Hillary earned a Bachelor of Arts degree from Southern Methodist University and her Bachelor of Science degree in Nursing and her Doctor of Jurisprudence degree from Texas Tech University. Hillary is responsible for the oversight of the company's corporate compliance and ethics program, with the goal of making MED3000 the standard for excellence in compliance.

## **MED3000** *Comprehensive Revenue Recovery Solutions*

**ROBERT GALLO, II, Esq.**, Executive Vice President and General Counsel for MED3000, has a considerable background in corporate legal work. Bob had provided outside legal counsel to MED3000 for over the past seven years and now represents the company's legal affairs in-house. While practicing at a large firm in Pittsburgh, he focused on corporate finance transactions, public and private company mergers and acquisitions, private equity transactions, venture capital finances, private placements of equity securities, federal and state securities law compliance, and equity incentive arrangements. Bob is a 1992 graduate of John Carroll University, where he obtained a B.S.B.A. in Accounting. In 1996, he graduated cum laude from Duquesne University Law School of Pittsburgh where he served as Managing Editor of Law Review. That same year, he earned an M.B.A. from Duquesne University School of Business.

**STEVE URA**, Chief Technology Officer and Senior Vice President, oversees the information systems strategy and infrastructure for MED3000's IT operations, as well as the R&D of MED3000's M3/IQ™ data warehouse and reporting technology. In addition, he directs the privacy and security initiatives related to all of the company's information systems and networks. Steve has 30 years of healthcare information systems and software development experience, including an extensive background in commercial software development from product definition through design, coding, implementation, installation, and support. Steve founded a healthcare-focused software development and consulting firm which was subsequently purchased by a healthcare software company in Houston, Texas. After seven years in Texas, Steve joined A4 Health Systems in Cary, North Carolina, to refocus the company on the development and delivery of clinical software products. He is known for his role in the development of the products known today as HealthMatics ED, EHR and Enterprise. Steve also served as Vice President of Development for the HealthMatics product line for Allscripts. In this role, he led the Product Management, Software Development, and Quality Assurance teams for HealthMatics.

**GLENN GOODPASTER, CPA**, Senior Vice President of EMS, is responsible for the overall development of business strategies with EMS and MVA operations for MED3000 EMS. Glenn serves on the Board of Directors for a surgery center located in Cincinnati, OH. Prior to joining MED3000 EMS, Glenn was President of Professional Management Services, a medical practice management firm. Glenn has a BSBA from the University of Cincinnati and received his CPA in 1985.

**MORRIS MAYBRUCH, CPA**, EMS Vice President, has over 20 years of experience in health care, including expertise in finance, administration, billing, and collections. Prior to joining MED3000, Morris was president of Medbill.com and managing partner of Madlin, Maybruch & Weingard, a certified public accounting firm in New York. Morris managed a large clientele of health care clients from 1986 through 1993 when he departed to form Shoreline Medical Billing Systems, Inc. (the predecessor firm to Medbill.com). Shoreline was one of the first companies to provide ambulance billing and collection services in New York State. He earned a B.S. in

## **MED3000** Comprehensive Revenue Recovery Solutions

Accounting and Business Administration as well as an M.B.A. from Long Island University. He is a member of the American and New York Institutes of Certified Public Accountants, a Certified Healthcare Consultant, a member of the National Association of Healthcare Consultants.

**PAT GRIFFEN**, MED3000 EMS Manager, has been supervising ambulance billing services since 1990. Pat is a Certified Professional Coder and is responsible for maintaining the coding integrity of all claims processed. She has managed multiple implementations successfully with seamless transition resulting in an ongoing revenue stream for municipalities. In addition to the overall management of the ambulance billing process, Pat is also the onsite compliance individual ensuring that all federal, state and local rules and regulations are strictly adhered to.

**ASHLEY PETERS**, Supervisor PDCN Ambulance Account, manages and supervises staff and all aspects of the billing process with maximum efficiency as well as emphasis on maximizing revenue reimbursement. Ashley also has played an important role to help increase reimbursements each year and is instrumental in negotiating with insurance carriers to attain full reimbursement of charge rates. Finally, Ashley works to insure that everyone is compliant with all governmental rules and regulations.

**JAIME BUCHEL**, Account Supervisor /Team Leader, manages and reviews the Nassau team's workload, charge entry, payment posting, insurance and patient follow-up, electronic billing, and insurance appeals for maximum payment.

### Ambulance Billing Experience

Currently, MED3000 provides Ambulance Billing Services for nearly 150 clients located in 10 states. Those 150 clients represent over 500,000 annual ambulance transports making MED3000 one of the largest companies in the United States providing ambulance billing services.

### Prior Experience with Public Sector Clients

99% of our current client portfolio of 148 clients is comprised of public sector clients; our client base ranges in transports from fire/EMS departments that transport as few as 500 patients annually to large departments such as Nassau County, the City of Columbus, and Fairfax County that annually transport as many as 55,000 patients.

Needless to say, our experience with public sector clients is extensive, exceeding the experience of virtually every other company providing ambulance billing services in America.

### Cover Letter

We have provided a Cover Letter for your review; this letter is located at the beginning of this Response immediately preceding Tab 1.

# **MED3000** Comprehensive Revenue Recovery Solutions

## Overview of MED3000/Nassau Project Methodology

### Financial and Technical Prowess

In 2011, MED3000 had gross revenues in excess of \$160 million. Additionally, we possess extensive experience as well as superior technical resources in the area of electronic integration with EMS ePCR companies. Presently, we use electronic interfaces with leading EMS ePCR companies such as ImageTrend, Open SafetyPAD, ESO, Emergdata, ZOLL RescueNet, and Firehouse Software.

**Our Pursuit of Excellence:** If you select us as the successful vendor, our management philosophy and program management with you will be the same as it always has been in Nassau County, a *consistent pursuit of excellence*. As agents of the customer, we pursue excellence in each and everything we do. Our continual pursuit of excellence results in positive outcomes for our clients including maximized revenues.

We do not settle for mediocrity; lives are on the line with EMS providers, and we know that giving our best in each and everything we do provides more dollars for EMS. More dollars translates into better services provided; *better services provided helps to save lives*.

Some companies do not share this philosophy, but, at MED3000, *we believe a consistent pursuit of excellence helps EMS providers such as you save lives*.

**A Personal Touch:** Secondly, we offer a personal touch at a level above and beyond our competition. Oversight of your program will be directed by Morris Maybruch, whom you know well and trust. Morris will continue to deliver personal, uninterrupted, and effective customer service to you at a level unmatched by our competition.

**Nassau County as a Showplace:** Nassau County already is "A Shining Star" in our EMS Division. You are far more than another line on a spreadsheet as might happen with some of our competition. In fact, we are extremely proud of the partnership we have enjoyed with you for the preceding ten years.

We have accomplished much to be proud of with you, and it sets us apart from the competition:

- Our entire staff (including managers and supervisors) are highly trained Certified Professional Coders, many of whom have worked with us for over twenty years. They have expertise in reviewing and assigning accurate medical codes for procedures, diagnoses, and they have a sound knowledge of medical coding regulations including compliance and medical necessity requirements.

## **MED3000** Comprehensive Revenue Recovery Solutions

- We are aggressive in our follow-up with insurance companies and patient balances and make multiple calls to patients inquiring about insurance information as well as any outstanding balances.
- Our staff appeals denials, re-appeals denials, and then arbitrates all claims until they are paid in full.
- MED3000 files claims with the State Insurance Dept. if insurance companies continuously fail to pay the claims in full.
- We have registered with Fair Health Inc. (an agency that determines that charge rates are reasonable and customary) and have used these findings to set maximum rates in the NY Metro region.

These findings have resulted in establishing defensible positions in arbitration and State Insurance Dept. hearings.

- We have never been cited by any governmental agencies for any reason unlike many of our competitors.
- Last, but not least, your ambulance billing program has achieved unparalleled financial success in partnership with us at MED3000.

When we took over your program in 2002, you were averaging \$186 per transport; today, that number has risen to approximately \$525 per transport. How significant is \$525 per transport?

*Nassau County's current revenue of \$525 per transport places it in the top 5% of all Mid-Atlantic 911 providers and is a full \$175 higher per transport than any other community in the Greater New York area providing billing for ambulance transports.*

In conclusion, by continuing the very best in customer service, compliance, and financial returns, we know that in our partnership with you, Nassau County is poised for continued excellence in its ambulance billing program.

**Transparency in Everything We Do:** By transparency, we pledge to continue our proprietary system designed exclusively for you whereby internal audits (of varying degrees and frequency) are performed on billing functions with the results forwarded to you for review. *We have always opened up our processes to you so that nothing is hidden from you.*

Trust is everything in a relationship, personal or business. We want your trust, but realize that trust isn't assigned; trust is earned. Transparency fosters trust.

At MED3000, we bridge the gap between operational knowledge and technology so that EMS providers can deliver the highest levels of operational and financial performance to their

## **MED3000** *Comprehensive Revenue Recovery Solutions*

communities and clients. Our comprehensive package of client services and programs including EMS billing and revenue management, data warehousing tools, comprehensive practice management, consulting services, operational oversight, and clinical performance measures are all outlined in this Response.

We have a clear focus on partnering with EMS service providers. Our substantial fire and EMS experience allows us to excel at providing quality training programs for our clients that include billing program education, documentation training, administrative training, HIPAA and privacy security training and, as needed, public relations and education programs.

We work closely with our clients to establish charge rates that maximize collections from health insurance carriers. We have even negotiated contract rates with insurance carriers on behalf of our clients. We are sensitive to the government healthcare provider such as Nassau County and recognize your unique relationship to each citizen.

Finally, we will continue to manage your billing operation within proper accounting standards so that there is never a risk or question related to insurance or financial auditing and/or program accountability.

**Tab 3: Certification Form**

We have included a completed and signed copy of Appendix C in the Appendix of this Response.



**Tab 4: Principal Questionnaire**

We have included four (4) copies of Appendix D in the Appendix of this Response. Each copy is distinct; four eligible parties as defined in Appendix 4 have been listed.

**Tab 5: Living Wage Certificate of Compliance**

We have included a completed and signed copy of Appendix F in the Appendix of this Response.

Tab 6: Exceptions to the RFP Requirements

MED3000 takes no exceptions to this RFP.

## Tab 7: Additional Information

### MED3000 Qualifications and Experience

MED3000, Inc. provides EMS and Motor Vehicle Accident (MVA) revenue recovery services to over 150 EMS and MVA clients in over ten states. Processing over 500,000 annual billables, MED3000 possesses the expert personnel and EMS revenue recovery experience required to maximize EMS revenue recovery for you.

*Since our founding in 1995, MED3000 has grown to become a national provider of healthcare management and technology services, with over 2,100 employees in 13 states.*

*In just four short years, the bottom line of our entire EMS client portfolio has increased by more than \$35 per transport. Our EMS division is one of the leading providers of EMS revenue recovery services in America and consistently returns the highest revenue per transport of any company providing EMS revenue recovery services across America.*

*Finally, our financial "horsepower" is unmatched. MED3000 was recently acquired by McKesson; McKesson achieved \$112B in sales in 2011 and is currently ranked #14 in the Fortune 500.*

### MED3000 Successes

In today's tough financial climate, every community across America that manages ambulance billing is constantly looking at ways to maximize revenues. As a partner with many such communities, we are privileged, on a constant basis, to experience many financial "success stories" with our clients. Earlier in this Response, we highlighted the substantial financial success that you have achieved in Nassau County. Following is another example of financial success: our partnership with Fairfax County, Virginia.

In late 2009, Fairfax County decided to put its EMS billing program up for competitive bid. After a national competitive bid process was initiated and concluded in early 2010, Fairfax County selected MED3000 over two other large national EMS billing companies to provide comprehensive EMS billing services beginning on July 1, 2010.

In FY08 and FY09 combined, the total income Fairfax County realized from EMS billing averaged \$286 per transport. In the twelve months ending March 2012, Fairfax County's average revenue per transport from EMS transports was \$349; an increase of over 20% compared to FY08/09.

By any measurement, Fairfax County and MED3000 have been extremely successful.

12

Nassau County, New York  
December 28, 2012

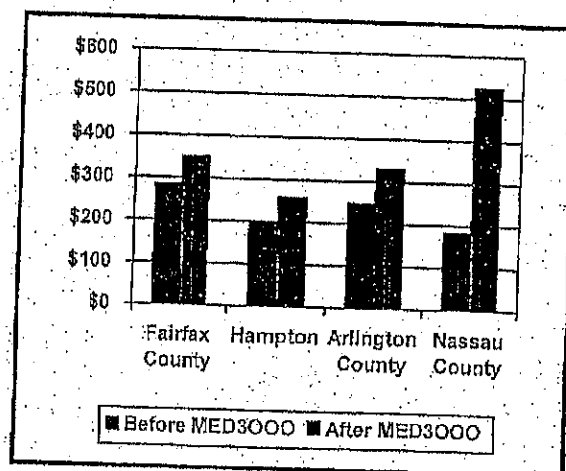
MED3000 Response to RFP #1005-1236

## **MED3000** Comprehensive Revenue Recovery Solutions

Another MED3000 success story is the City of Hampton, Virginia. In September of 2010, the City of Hampton contracted with MED3000 to manage its EMS billing program.

Our revenue history in Hampton has outperformed our success in Fairfax County; in calendar year 2009, the City of Hampton generated \$197 per transport. Contrast those results with these: *In the twelve months ending March 2012, the City of Hampton averaged \$258 per transport, an increase of 31% compared to 2009.*

Furthermore, we have had similar results in other jurisdictions such as Arlington County, Virginia. Before MED3000, Arlington County averaged \$248 per transport; in calendar year 2011, the County generated \$331 per transport (+33%). The table below illustrates our success in dollars per transport:



Our success to date in Fairfax County, the City of Hampton, Arlington County, and particularly with you in Nassau County has not been accidental. It is the result of hard work, innovative proprietary methods, on-site supervision, and the excellent team concept MED3000 has developed with our clients.

Furthermore, we offer a wide variety of billing and customer service tools for our customers. Those tools include:

- Acryness Intelligent Document Solutions to produce and mail all patient statements as well as to provide online patient access to update insurance information and to make payments on account balances
- Documentation/compliance procedures

## **MED3000** *Comprehensive Revenue Recovery Solutions*

- Substantial experience with establishing "electronic relationships" with hospitals
- Bank lockbox experience with numerous banks and financial institutions across America

### MED3000 Project Approach

#### Management Philosophy

MED3000 values its people as one of the greatest assets of our company:

- We continually strive for excellence in each and everything we do.
- We do not tolerate dishonesty.
- We demand accountability in our organization.
- When we make a mistake, we take full responsibility for that mistake and do everything we can do make sure that mistake is not repeated.
- We believe in positive reinforcement: when an employee achieves something special, he or she is rewarded.
- We believe employees work best when they report to supervisors and these supervisors report to their immediate superiors. When all work closely this way, we keep communication open and our clients' best interests first.
- We provide our employees with the best possible tools in order to allow them to succeed.
- We believe that training is the key to prevent recurring mistakes; we provide training opportunities for our employees as well as our client base.
- We view each and every MED3000 employee as extensions of our clients; when our personnel interact with your customers, we become an extension of your department.

#### Benchmarking

MED3000 organizes its EMS revenue recovery workforce with team supervisors working with billing specialists who manage all aspects of the clients they serve: call charge/bill, health insurance acquisition, posting, and accounts receivable follow-up.

## **MED3000** *Comprehensive Revenue Recovery Solutions*

Each billing team is assigned a block of MED3000 clients, and, within each team, specialists provide their expertise to each client assigned to their team. For example, supervisor Ashley Peters's team has billing specialists assigned to posting. Each specialist provides posting for all of Ashley's clients.

The team concept works well. Our Operations Director assigns charge and revenue benchmarks for each team. Each team supervisor is responsible for managing all aspects of her team in order to meet benchmark goals established by the Director. If these goals are met, each team is rewarded; if they do not, an analysis is made and problems are corrected if found.

Benchmark numbers are reviewed each week with a tighter analysis at the end of each month. Based on the outcome of an analysis, changes or modifications are made as needed.

Finally, the team concept sets up internal "competitions"; we provide proprietary rewards periodically for team successes.

### Quality Assurance

Our team concept with corresponding benchmark controls is designed to improve team efficiency. We also work with clients such as you to improve efficiency by conducting quarterly reviews. At the end of each quarter, we produce a quarterly report for each client.

Each quarterly report identifies key components of a client's billing process: total charges, total dollars billed, transports, payor mix, etc.

Each client is mailed a quarterly report; once you receive your report and have time to look it over, Morris will schedule a time to meet personally with you to review your quarterly report results.

### Customer Service

We are very aware of the customer service expectations you have with your citizens and will represent you and your citizens in a very sensitive, respectful way. Any inquiries that question patient care will be forwarded to County members for review.

We employ toll free telephone services for all customer service representatives. Customer service representatives will be available Monday through Friday (excluding holidays) from 8 a.m. Eastern to 5:00 p.m. Eastern to answer any incoming customer service inquiries. Based on input from you, we have the flexibility to extend those customer service hours if needed.

Additionally, all of our executive staff employees can be accessed virtually 24/7 by any of your key administrative personnel to respond to any issues or inquiries.

## **MED3000** *Comprehensive Revenue Recovery Solutions*

### Keys to Success

With annual billing in excess of 350 million dollars, we very much understand what it takes to be financially successful in the EMS revenue recovery industry.

Following are 7 "Keys to Success" that we will strongly work with you to implement and/or improve:

- Proper Documentation
- Charge Rates
- Signatures
- Technology
- Training
- Management of Accounts Receivable
- Compliance

### Proper Documentation

Proper documentation of patient treatment and patient demographic information is a significant factor in order for you to realize maximum reimbursements from EMS revenue recovery.

Our coding personnel apply stringent Medicare rules and regulations in determining whether or not a call is coded BLS, ALS, or ALS2.

### Charge Rates

We will continue to provide to you charge rate guidance and recommend to you any needed charge rates changes to give you the chance to capture maximum available revenue from the insurance providers.

Typically, we recommend charge rates be established that blend the Usual, Reasonable, and Customary charges as established by Medicare for the specific geographic region with the actual cost of providing the emergency medical service response.

Communities can estimate the actual cost of providing EMS services by considering budget allocations and the total number of emergency responses for services that EMS agencies respond to. It is not uncommon for these costs to range from \$1,200 to \$1,500.



Medicare and Medicaid obviously will pay their allowable rate for services provided; nothing more. Private Insurance providers will pay based on the individual policy provision which may be as much as 100% of the charge. We have been very successful in capturing the maximum revenue possible from a multitude of insurance providers while at the same time taking a very passive approach to resident collections for revenue recovery. This combination establishes a system that is very sensitive to all tax paying residents.

### Signatures

One of the key components for a successful EMS revenue recovery program is signature capture. Signature capture is comprised of two key elements:

- HIPAA privacy right notification signature
- Assignment of Benefits release signature

#### HIPAA Privacy Right Notification Signature

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) is a comprehensive federal law that regulates many aspects of personal and private health information. Many areas of HIPAA deal with health information outside the scope of public and private EMS; however, HIPAA does address and regulate several areas of EMS information security, maintenance, and transfer including proper notification of patient privacy rights.

Under HIPAA, each transported patient is required to be notified of his or her privacy rights under HIPAA and to sign a release that such notification has been presented to the patient.

We will provide you with HIPAA signature release language combined with assignment of benefits release information. We combine language that requires only one signature to satisfy both HIPAA and assignment of benefits signature requirements.

#### Assignment of Benefits Release Signature

An assignment of benefits release signature is an absolute requirement of all federal health insurance providers such as Medicare, Champus, and Railroad Medicare. Some minor and some major regional private insurance carriers such as Anthem, United Healthcare, Oxford, and Aetna require an assignment of benefits signature for payment.

We will send a signature release letter to each patient who fails to provide an assignment of benefits signature. It is extremely important for your EMS providers to attempt to capture a patient assignment of benefits release signature in the field. In the case of patients who are not physically or mentally able to sign a signature release, Medicare law

## **MED3000** Comprehensive Revenue Recovery Solutions

allows for field providers to sign in lieu of the patient *along with an acknowledgement signature from the receiving hospital.*

Either way, signatures are a must and the overall success of an EMS revenue recovery program can be greatly enhanced by proper signature capture.

### Training

We are very effective in our client training program. As a component of our service, we will continue to make available to you a training program that provides all patient care providers with the most up-to-date information on all components of your billing program and the key items necessary for success.

We use experienced EMS professionals who have been a part of successful EMS revenue recovery programs provide our field training. Our trainers also understand the financial challenges in providing a high quality EMS system. Our training program ties together today's financial challenges with the basic fundamentals of EMS revenue recovery to provide each attendee with a clear picture of how excellence in EMS revenue recovery can lead to higher revenues.

### Technology

We are committed to providing state-of-the-art electronic interfaces for each of our clients. At MED3000 EMS, we have a staff of ten employees who comprise our Information Technology (IT) team. This team of professionals takes the lead in providing interface bridges to our clients' EMS application software programs as well as interfaces that enable us to receive patient demographic and health insurance information from numerous individual hospitals and hospital systems.

Currently, we have interfaces for many ePCR platforms. *Should we be selected, it will be easy for us to continue our current relationship with you and RescueMedic or another ePCR platform should you desire to change.*

Furthermore, and perhaps most importantly, we will work with you to improve constantly our current methodologies in obtaining patient health insurance information from your current transport hospitals.

### Management of Accounts Receivable

EMS revenue maximization for you requires aggressive and disciplined AR management. To that end, we have devised our *SureReview* process for AR management. *SureReview* ensures each and every insurance due balance is worked on a 45 day cycle. This revolutionary process eliminates standard aging reports used by other billing vendors.

*SureReview* catches claims before they age with an insurance company, resulting in increased insurance payments for our clients.

We are fully confident that close cooperation between our staff and you will result in maximizing EMS revenue recovery revenues.

#### Compliance

Honesty, integrity, and transparency are of the utmost importance to all facets of MED3000's business operations and executive leadership. We have adopted and implemented, with full senior executive leadership support, MED3000's Compliance Program which serves as a valuable asset in complying with all applicable laws and regulations while continuously building a strong ethical culture.

The MED3000 Code of Conduct is a key document of our Compliance Program, providing guidance to MED3000 employees, contractors, and vendors as to appropriate professional and personal conduct required while carrying out daily activities. The Code of Conduct exceeds HIPAA and CMS requirements by:

- Clearly communicating our commitment to our policies and procedures, regulations, professional standards, ethical business practices, and workplace standards;
- Clearly conveying a message to all MED3000 colleagues their responsibility for maintaining full compliance with laws and regulations as well as the expectations that they act and represent MED3000 with the highest ethical standards;
- Informs all of our employees about their responsibilities in making MED3000 a successful organization.

Hillary Harlan is Chief Compliance and Ethics Officer. An attorney as well as a registered nurse, Ms. Harlan previously served as Director of Compliance and Legal Services for Preferred Care Partners Management Group, LP. She is responsible for overseeing MED3000's corporate compliance and ethics program as well as overseeing MED3000's operating units. Recognizing the importance of expertise in compliance leadership, MED3000 believes a CCO with direct healthcare experience, a law degree, and significant compliance experience provides appropriate leadership for our organization and clients.

As a foundation for our ethical and compliant business practices, MED3000 has several adopted and fully implemented policies; they are as follows:

- MED3000 HIPAA Policies and Procedures
- MED3000 Compliance Plan
- MED3000 Code of Conduct
- MED3000 Identity Theft ("Red Flag") Program

# MED3000 Comprehensive Revenue Recovery Solutions

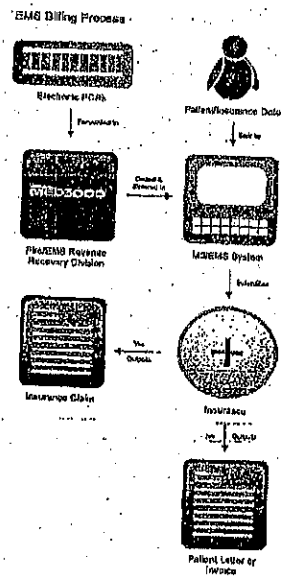
- Non-Employment of Sanctioned Individuals Policy
- Non-Retaliation Policy

## Operation of Electronic Billing

The M3/EMS interface engine allows our billing staff to measure more effectively and manage the data being received from hospitals. Measuring is always a prerequisite of managing and no other billing vendor doing business across America manages and reports on results so accurately.

Client PCRs are electronically (and by paper when required) received in our office, coded by our staff, entered into our system, and then automatically matched with the demographic/insurance data to create an insurance claim. Insurance claims are generated on a daily basis and forwarded to insurance companies electronically in the vast majority of cases.

When no insurance is identified, billing associates automatically check for Medicaid eligibility on behalf of the CLIENTNAME. If no insurance is identified, the patient will receive either a Request for Information (RFI) letter or a balance due invoice as specified by the client. Incomplete mailing addresses are programmatically forwarded to Accurint (the largest and most complete skip trace data base available). Updated addresses are automatically updated in the system and the patient communications process is initiated, as illustrated below:



## **MED3000** *Comprehensive Revenue Recovery Solutions*

We will provide, throughout the contract period, experienced industry professionals to work side-by-side with you to monitor continually all facets of its billing program. Finally, we will continue to manage your billing operation within proper accounting standards so that there is never a risk or question related to insurance or financial auditing and/or program accountability.

### **Billing Process Synopsis**

Should you continue to contract with us, your billing process will flow as it always has:

First of all, the entire process begins with patient treatment and demographic information that is captured by EMS personnel in the field. On each response and transport, your EMS personnel typically gather dozens of data points and enter that information as well as narrative documentation into an electronic patient care report (PCR) in *RescueMedic*.

Once a PCR is stored within *RescueMedic*, your EMS personnel will then upload that record with hundreds of others into a safe and secure MED3000 File Transfer Protocol (FTP) site.

After those files have been stored in our FTP, billing information is then entered electronically into our *Medical Manager* billing platform. Once entered into *Medical Manager*, each claim is tagged with a unique *Medical Manager* identifier and then coded. Assuming no patient treatment and/or demographic information is missing, the record is charged into *Medical Manager* and awaits health insurance information.

The acquisition of patient health insurance information is what sets MED3000 apart from any other vendor that may respond to this RFP, *regardless of vendor size. If selected, we will continue to use and improve the current patient health insurance acquisition system with your primary transport hospitals.*

*The acquisition of timely and complete patient health insurance information is critical to the success of any EMS transport billing program.*

Overall, our experience is that we receive *complete* patient treatment and demographic information within 2-3 days of the incident date as well as *complete* health insurance information from the transport hospital within 10-14 days of the incident day. As soon as we receive this information, we complete the charge and bill the claim to the provider or patient within 24 hours of receiving all information (within 10-14 days of incident date).

With few exceptions, all primary claims are billed electronically through our third party clearinghouse, WebMD. WebMD is one of the world's leading providers of healthcare management and technology solutions.

Examples of first claim providers are Medicare, Medicaid, Anthem Blue Cross, United Healthcare, and Oxford, although literally hundreds of providers are also billed electronically through WebMD.

## **MED3000** *Comprehensive Revenue Recovery Solutions*

WebMD is also used for secondary Medicare claims while the overwhelming majority of secondary providers are billed via paper claims as are individual patients without insurance or individual patients with an outstanding balance after insurance payments.

Should our billing personnel have incomplete patient treatment and/or demographic information, our personnel may need to contact fire department personnel for issues related to treatment or the patient for issues relating to missing patient demographic information. MED3000 personnel use a variety of tools such as Request for Information (RFI) letters, telephone calls, email, and skip tracing services such as *Accurant* to obtain as much information as possible before sending claims to insurance providers.

Once the initial claim is sent to primary and secondary providers, most programs work within a billing model that sends out subsequent bills on a 30-60 and sometimes 90 days billing cycle subsequent to the date of the initial bill. At the end of this billing cycle, any remaining balance is designated for write-off and is either written off in total per County directive or forwarded to a collection agency should you desire such action.

As far as payments are concerned, Medicare will remit payments on claims within two weeks of submittal while the overwhelming majority of private insurers will remit payments within three weeks of claim submittal. We prefer that you be in the position to receive payments electronically from as many providers as possible; electronic payment remittal accelerates payment time.

### Timeline

Should MED3000 be selected as the successful vendor, the timeline is simple.

We will continue business as usual providing you with comprehensive billing services and *RescueMedic* ePCR software. We will also continue our current replacement/upgrade program of Panasonic CF-19 laptop computers or equivalent on an as needed basis.

### MED3000 References

Currently, we process EMS revenue recovery claims for over 150 clients; our client portfolio ranges in size from communities generating as many as 55,000 annual transports (Columbus, OH) to individual cities as well as county departments that transport between 500 and 15,000 transports on an annual basis. No matter the size or structure of the client, MED3000 personnel provide consistent and comprehensive professional services to each and every client.

On the following page, we provide you a reference list. We encourage you to contact each reference.

## **MED3000** *Comprehensive Revenue Recovery Solutions*

### **City of Columbus**

3639 Parsons Ave.  
Columbus, OH 43207  
Battalion Chief Shawn Koser  
(614) 645-7384 x5337  
[kosers@columbus.gov](mailto:kosers@columbus.gov)

We manage over 55,000 annual transports for the City of Columbus. In addition to managing all aspects of the EMS billing program for Columbus, we financed the purchase of over 100 field laptop units as well as a new EMS ePCR platform for the Columbus Division of Fire.

### **Hampton Division of Fire/Rescue**

1300 Thomas St.  
Hampton, VA 23669  
Chief Bettie Reeves-Nobles  
(757) 727-6447  
[breeves@hampton.gov](mailto:breeves@hampton.gov)

MED3000 provides billing services for Hampton; in calendar year 2012, we will process over 15,000 transports for Hampton.

### **Fairfax County Division of Fire/Rescue**

4100 Chain Bridge Rd.  
Fairfax, VA 22030  
Katie Mangione, Program Manager  
(703) 246-2276  
[katie.mangione@fairfaxcounty.gov](mailto:katie.mangione@fairfaxcounty.gov)

MED3000 provides billing services for Fairfax County; in calendar year 2012, we will process over 43,000 transports for Fairfax County.

## Tab 8: Executive Summary

Your success in ambulance billing depends on excellence in these areas:

- Maximizing Revenues
- 100% Compliance
- Integration with *RescueMedic*
- Field Laptop Computers
- Phone System Sophistication
- Excellence in Customer Service

Following are summaries for each of these proposed enhancements:

- An EMS Transport Billing Program that Maximizes Revenues

We have been contracted with you since 2002; in 2002 your program generated approximately \$186 per transport.

Since 2002, our partnership with you has greatly increased the revenues for Nassau County resulting from ambulance billing. During the preceding five (5) years, you averaged or were above \$400 per transport. *Today Nassau County realizes nearly \$525 per transport.*

Given today's current economic landscape and especially the financial challenges facing communities such as Nassau County, \$525 per transport is better than excellent; *it is astounding.* As we highlighted earlier in this Response, *your current return of \$525 per transport is a full \$175 higher per transport than what is received by any other ambulance transport provider in the Greater New York City area.*

How did this happen? As we discussed earlier, numerous factors have helped us "drive" your high returns.



## **MED3000** Comprehensive Revenue Recovery Solutions

Here are some of those important factors:

- Our ability to **aggressively pursue** insurance companies for partial or non-existent payment.
- We arbitrate all claims until they are paid in full.
- Our registration and findings with Fair Health, Inc. have been instrumental in setting maximum rates in metro New York.
- Our staff is highly trained, experienced, and dedicated (many with over 20 years of ambulance billing experience); many are Certified Professional coders who assign and review all coding diagnosis to ensure 100% coding compliance.

*In conclusion, since 2002, the average revenue per transport in Nassau County has increased exponentially by nearly 300%.*

- **A System Which Is 100% Compliant**

Honesty, Integrity, and transparency are of the utmost importance to all facets of MED3000's business operations and executive leadership. We have adopted and implemented, with full senior executive leadership support, MED3000's Compliance Program which serves as a valuable asset in complying with all applicable laws and regulations while continuously building a strong ethical culture.

The MED3000 Code of Conduct is a key document of our Compliance Program, providing guidance to MED3000 employees, contractors, and vendors as to appropriate professional and personal conduct required while carrying out daily activities. The Code of Conduct exceeds HIPAA and CMC requirements by:

- Clearly communicating our commitment to our policies and procedures, regulations, professional standards, ethical business practices, and workplace standards;
- Clearly conveying a message to all MED3000 colleagues their responsibility for maintaining full compliance with laws and regulations as well as the expectations that they act and represent MED3000 with the highest ethical standards;
- Informs all of our employees about their responsibilities in making MED3000 a successful organization.

Hillary Harlan is Chief Compliance and Ethics Officer. An attorney as well as a registered nurse, Ms. Harlan previously served as Director of Compliance and Legal Services for

## **MED3000** Comprehensive Revenue Recovery Solutions

Preferred Care Partners Management Group, LP. She is responsible for overseeing MED3000's corporate compliance and ethics program as well as overseeing MED3000's operating units. Recognizing the importance of expertise in compliance leadership, MED3000 believes a CCO with direct healthcare experience, a law degree, and significant compliancy experience provides appropriate leadership for our organization and clients.

### • RescueMedic Integration

MED3000 has a strong history of integration with EMS record management systems platforms; we currently integrate with a multitude of EMS software companies throughout the United States and, as such, we acquire electronically patient treatment and demographic information. Nearly 100% of all MED3000 EMS transport billing clients electronically upload patient treatment and demographic information from EMS RMS platforms to MED3000.

As you are aware of, we are 100% electronically compliant with *RescueMedic* ePCR software; *most importantly, we have an operational interface with RescueMedic that provides exceptional service today. It will continue to provide excellent service into 2013 and beyond.*

*Finally, should you desire to replace your current RescueMedic ePCR solution with another solution that meets your needs, MED3000 will procure and pay for that solution.*

### • Field Laptop Computers

If we are so fortunate to continue our partnership with you, our plan is to continue the annual acquisition/replacement of approximately 20 Panasonic CF-19 laptops.

*Should you desire to replace more than 20 laptops annually, we will procure the number of laptops that satisfy your needs.*

### • Phone System Sophistication

The entire MED3000 "world" uses the latest in Cisco telephone technology; each of our billing offices has the following Cisco functions and capabilities:

- Each supervisor has the ability to monitor and report on call taker activity.
- Supervisors and administrators monitor the overall activity within the call center.
- Each supervisor can monitor the phone activity by employee.

## **MED3000** *Comprehensive Revenue Recovery Solutions*

- Each supervisor can monitor all phone activity related to a client activity.

Cisco reporting is critical in telephone management. Following are a few of the reporting options and administrative tools our administrators in order to manage telephone operations:

- A unique 800# is assigned to each client; when a MED3000 billing associate's telephone rings, he/she knows immediately the MED3000 client related to that telephone call. This unique telephone number is also printed on billing statements as well as Request for Information (RFI) letters.
- A report on the length of time to answer calls.
- A report on the time patients are put on hold (if applicable).
- A report on the time employees are on the phone with patients.
- A report that shows "on time" related sequences for all phone calls by incoming telephone numbers.

*Proper management of telephone operations is critical with customer service; our Cisco system is another example of how seriously we take customer service.*

### • Excellence in Customer Service

If you select us as the successful vendor, our management philosophy and program management with you will be the same as it has been. *As agents of the customer, we pursue excellence in each and everything we do.*

Should we so fortunate to continue our professional partnership with you, oversight of your program will continue to be directed by Morris Maybruch whose ambulance billing experience with your program as well as with other programs in the Greater New York City area is unmatched. Morris's professional touch, his keen understanding of all issues pertaining to ambulance billing, and *his unique familiarity with your revenue recovery program* will be critical in understanding and solving issues that develop within your agency pertaining to ambulance billing.

We have, and always will, place your customers first; our Executive Staff has extensive fire service and EMS experience; consequently, we understand the special bond that exists between you and the citizens of Nassau. Our communication with your customers on a day-to-day basis will continue to be professional and all interactions, whether verbal or written, are and will be held to the highest standards. Our EMS-transport billing unit has been blessed with solid growth and a large part of that growth can be attributed to the understanding we have of our customers and the professionalism we deliver.

Whether the task is acquiring health insurance information, interfacing with data management systems, or talking on the telephone with a transported patient, *we always*

## **MED3000** *Comprehensive Revenue Recovery Solutions*

*pursue excellence in every aspect of our business.* Our business is serving people by providing a service that ultimately helps to save lives.

We know your business and possess extensive knowledge and professional relationships with fire departments and EMS agencies across America. Furthermore, we are among the leaders in providing technology solutions to many facets of America's health system and fire service.

We are proud to have teamed with you; we hope to move that team effort into 2013 and beyond. We enjoy what we do and we believe in what we do. Most importantly, we believe in what you do.

*We know EMS. We know your desire to save lives.*

# Appendix

**Statement of Redaction/Exceptions**

In the event that copies of MED3000's response are requested by any party not directly employed by Nassau County, MED3000 requests that the following documents found in our Response be redacted (in their entirety) from all disseminated copies:

- MED3000 HIPAA Policies and Procedures
- MED3000 Fairfax County CMS Audit Press Release

RFP # PD1005-1236

TITLE: Ambulance Billing Services for the Nassau County Police Department

AMENDMENT # 1

Due to the impending inclement weather, the pre-bidders conference scheduled for Tuesday October 30, 2012 has been rescheduled to November 6, 2012.

Questions regarding the RFP will be due November 13, 2012.

All other terms and conditions remain the same.

RFP # PD1005-1236

TITLE: Ambulance Billing Services for the Nassau County Police Department

AMENDMENT # 2

Due to the aftermath of Hurricane Sandy, the pre-bidders conference scheduled for Tuesday, November 6, 2012 has been rescheduled to November 13, 2012.

Questions regarding the RFP will be due November 20, 2012.

Proposals will be due Tuesday, December 18, 2012.

All other terms and conditions remain the same.



RFP # PD1005 - 1236

TITLE: Ambulance Billing Services

AMENDMENT # 3

The purpose of this amendment is to provide responses to the questions regarding this proposal and a time extension for submission the RFP.

RFP Issue Date

October 11, 2012

Proposal Due Date

Friday, December 28, 2012 at 4:00p.m.

Award Date

On or about January 11, 2012

Dates indicated above are subject to change at the sole discretion of the County.

Proposers will submit all proposals and direct all responses, questions, and any other communications to the following authorized contact person:

Detective Sergeant Tara Comiskey  
Department Hearing Coordinator  
Legal Bureau  
Nassau County Police Department  
1490 Franklin Avenue  
Mineola, New York 11501

Email: [TComiskey@pcdn.org](mailto:TComiskey@pcdn.org)

All other terms and conditions remain unchanged.

Answers to Questions

Nassau County Police Department  
Ambulance Billing Services

1. Can the County provide the number of Billable transports conducted in 2009, 2010 and 2011?

2009: 43,353      2010: 45,514      2011: 45,726

2. Can the County provide the level of service mix for transports conducted in 2009, 2010 and 2011?

2009 BLS= 17.95%    2009 ALS= 80.66%    2009 ALS2= 1.39%

2010 BLS= 26.4%    2010 ALS= 72.2%    2010 ALS2= 1.4%

2011 BLS= 35.2%    2011 ALS= 63.31%    2011 ALS2= 1.48%

Please provide your average miles per transport? 3

3. What was the total net collected for 2009, 2010 & 2011?

2009: \$17,879,240.09

2010: \$19,196,970.41

2011: \$24,172,154.51

4. What were the total gross charges for 2009, 2010 and 2011?

2009: \$27,206,299.58

2010: \$31,873,572.54

2011: \$52,451,892.77

5. Please provide your 2009, 2010 and 2011 charge mix (dollars or percentage) for Total gross charges allocated to the payer groups:

2009 Medicare = \$8,120,731.30 (29.85%)

2009 Medicaid = \$1,527,382.76 (5.61%)

2009 Private Insurance = \$9,964,180.49 (36.62%)

2009 Self Pay = \$7,594,005.03 (27.91%)

2010 Medicare = \$10,132,786.80 (31.79%)

2010 Medicaid = \$2,181,500.90 (6.84%)

2010 Private Insurance = \$11,492,237.03 (36.06%)

2010 Self Pay = \$8,067,047.81 (25.31%)

2011 Medicare = \$16,256,836.44 (30.99%)

2011 Medicaid = \$3,698,757.81 (7.05%)

2011 Private Insurance = \$18,259,146.16 (34.81%)

2011 Self Pay = \$14,237,155.36 (27.14%)

6. Please provide your 2009, 2010 and 2011 payment mix (dollars or percentage)  
for total net collected:

2009 Medicare = \$5,454,018.02

2009 Medicaid = \$1,009,190.13

2009 Private Insurance = \$9,706,955.09

2009 Self Pay = \$1,709,076.85

=Total 2009 net collected \$17,879,240.09

2010 Medicare = \$5,495,365.07

2010 Medicaid = \$1,126,806.58

2010 Private Insurance = \$10,696,485.10

2010 Self Pay = \$1,878,313.66

=Total 2010 net collected \$19,196,970.41

2011 Medicare = \$5,440,019.20

2011 Medicaid = \$1,082,407.21

2011 Private Insurance = \$15,030,066.06

2011 Self Pay = \$2,619,662.04

=Total 2011 net collected \$24,172,154.51

7. Can you advise how much was written off for adjustments in 2009, 2010, and 2011? We anticipate only Medicare and Medicaid contractual adjustments, but please also advise if the County takes any other adjustments from your gross charges.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Medicare:	\$2,041,768.12	\$3,427,392.54	\$9,589,807.64
Medicaid:	\$2,370,300.02	\$3,603,427.84	\$8,313,843.09
Misc:	\$1,235,482.34	\$1,148,584.58	\$1,856,902.51
Collections:	\$3,775,115.11	\$4,530,271.43	\$7,478,710.41

8. Who currently provides Billing Services and what does the County pay for current billing services?

Med3000 is paid a commission on eligible receipts at a rate of 8.25% for billing services. This excludes Medicaid claims which are paid at a rate of \$7.50 per claim. This also excludes patient & insurance refunds.

9. Does the NCPD utilize a Fleet Management System to monitor their Ambulance Fleet? If so what is the name of system?

Clarification needed - is this a reference to a GPS system? Or fleet maintenance?

Fleet maintenance is managed internally by PDCN's Fleet Services Bureau.

10. Does the County have a preferred Collection Agency? If so, what is the name of that agency?

MSB

11. Has the County considered or will the selected vendor be responsible for collection of accounts greater than 90 days at the start of the contract?

To be determined.

12. Does the County utilize a Lockbox to receive payments? What is the name of the County's Financial Institution?

Yes, we utilize a lockbox for payment remittance. The County's Financial Institution is Bank of America.

13. per *Computer Hardware and Software* pg 9 *The Contractor to provide computer software, hardware, peripherals and accessories as needed by Bureau, in conformity with such Items and materials currently utilized by Bureau. Upgrades and/or expansion of equipment, software, hardware, peripherals and accessory needs as required by Bureau to be responsibility of vendor.*

Can the County provide an itemized list of the 'materials currently utilized by Bureau' (SKU, # of units etc) in order for proposer to price those items?

Please see attached list referencing the equipment we are currently utilizing.

14. Can the County provide the name of the CAD vendor, software and version along with the export specifications and mechanism utilized to export CAD information currently or as part of this contract? Please identify if there will be a cost from the CAD vendor to the contractor for the export and what that amount is?

CAD does not interface with our e-per or billing system.

15. Do the Ambulances utilize a Mobile Data Terminal? If so name of System?

Yes, but it does not interface with our e-per or billing system.

16. For Patient Care Report training, can the county provide # of Paramedics/EMTs to be included in classes? How is the structure of training to be completed i.e. by shifts regular Business hours etc?

There are currently 161 ALS providers in the EAB. While we do not currently anticipate a change in our e-per program, the structure of any training to be done would be determined at that time.

17. Please confirm that there is no MBE/WBE requirement or Bid Bond required in this solicitation.

No MBE/WBE requirement

18. Can the County provide the names/positions of Nassau County personnel as well as vendors who attended pre-Bid conference on 11/13/2012?

The RFP contact person is D/Sgt. Tara Comiskey.

19. Please provide a breakdown (either percentages or numbers) of claims billed by payer in the past year (Medicare, Medicaid, Commercial, Self-Pay)  
See answer to question #5.

20. Please provide the total number and dollars of claims paid in the past year by payer.  
See answer to question #1 & #3.

21. What is the current fee structure in place with the existing vendor?  
See answer to question #8.

22. Will the successful vendor assume responsibility for any backlog of unbilled and/or previously billed accounts? If so, is an aged trial balance report of this backlog available that identifies by payer the volume and dollar value.

See answer to #11 (tbd).

23. The RFP states the Bureau responded to over 60,000 calls in 2011. Are all calls dispatched from the same CAD software? What is the current CAD software being used?

Not applicable as there is no interface between the dispatch system, the vehicle MDT, and the e-per system or billing system.

24. Please confirm the Bureau is considered one provider. Or, are there numerous providers, utilizing various CAD systems, with numerous provider numbers?

Yes, the EAB is a single provider with a single provider number.

25. What type/brand of hardware is currently being used? What is the lifecycle of the hardware? Does the Bureau expect to have new hardware prior to implementation, or will the Bureau roll over hardware as devices expire? ...

At the implementation of the contract, all hardware (tough books, specifically) will be within the 1<sup>st</sup> year of use by us & therefore relatively new. Our plan is to continue to roll over hardware as they approach 2 years of service. Replacement of tough books is not expected before 2014. Office hardware & software which

supports the billing department will need to be replaced on an as-needed basis. A list of equipment we are currently utilizing is attached.

26. Is the contractor responsible for provision of connectivity, or will the new system utilize the existing available connectivity?

The billing vendor is responsible for maintaining connectivity. The cellular provider & internet provider are to be selected by the EAB.

27. What is the anticipated timeline/Go Live for implementation?

Unknown at this time

28. Will bidders be required to provide a list of equipment, data system and billing programs in the Bid Submission?

Clarification needed on 'equipment'.

29. Can Nassau Police Department and the Contractor work a system for fraud alerts... (these customers giving false information)?

Unknown at this time

30. Are the six County Employees that receive training be from the police department or scattered county departments?

Police Department.

31. Since the contractor's fee is based on a percentage of net revenues, will be there additional payments for tasks outside the Scope of work?

No, there are no additional payments. In addition to normal billing functions, the Scope of Work may include, but is not limited to, the vendor being required to generate data or build reports at the request of the Department.

32. Would the department be able to provide bidders with a breakdown of call volume, billed amount and revenue collections by payor category (e.g. Medicare, Medicaid, Commercial Insurance, Private Pay)?

See answers to #1 thru #7.

33. PPM has always been advised that billing companies are not allowed to charge based on a percentage of collections (see the below links for reference). However, it has come to our attention recently that this may only apply to Medicaid and may only apply to billing companies that actually receive the funds directly from the insurance companies (see attached email from our council). Does the

department want bidders to structure proposals on a percentage basis or should other methods of fee calculations be used?

<http://www.camlawblog.com/articles/inalpractice-and-risk-management/do-percentagebased-revenuesharing-arrangements-between-a-clinic-and-its-health-care-practitioners-violate-stark-antikickback-and-feesplitting-laws/>  
<http://insuranceclaimsinformation.blogspot.com/2012/03/are-you-and-your-providers-breaking-law.html>

34. Would the department prefer one all inclusive fee structure or would other structures that may be more cost effective (such as establishing a percentage/fee for billing and carving out/ passing through certain ancillary costs such as computers, toughbooks, epcr licenses) be acceptable? Note: this can be done by having the ancillary costs paid directly through the Department so there is no markup or profit made on these items by the billing company (billing company will still administer all aspects of the purchase and maintenance of such items) or they can be paid for by the billing company and itemized on invoices to the Department.

35. Would the Department entertain having the billing and EPCR software hosted by a third party vendor that provides such services for other ambulance agencies where such an arrangement would offer better security, backup of all data, and functionality/reliability for the EPCR laptops during power outages and natural disasters?

This question appears to be in contradiction to the requirements of the RFP.



APPENDIX A  
COST PROPOSAL

The undersigned hereby certifies his or her compliance with the following:

"NON-COLLUSIVE PROPOSAL CERTIFICATION"

By submission of this Proposal, each proposer and each person signing on behalf of any other proposer certifies, and in the case of a joint Proposal, each party thereto certifies as to its own organization, under penalty of perjury, that to the best of his or her knowledge and belief:

- A. The prices of this Proposal have been arrived at independently without collusion, consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such prices with any other proposer or with any competitor; and
- B. Unless otherwise required by law, the prices which have been quoted in this Proposal have not been knowingly disclosed by the proposer and will not knowingly be disclosed by the proposer prior to opening, directly or indirectly, to any other proposer or to any competitor; and
- C. No attempt has been made or will be made by the proposer to induce any other person, partnership or corporation to submit or not to submit a Proposal for the purpose of restricting competition.
- D. The undersigned has carefully examined the Proposal and Contract Documents and agrees to perform this contract and to provide all services, labor, material and equipment necessary for this contract.

SUBMITTED BY: \_\_\_\_\_

(Signature)

PRINT NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

10/31/12

**APPENDIX B**  
**Program Description and Staffing**

Please provide a complete written description of the Proposal, including the following information:

- a. Staffing: Bios of firm principals as well as staff expected to be assigned to this project.
- b. Detail prior experience in the area of Ambulance Billing Services.
- c. Detail prior experience with public sector clients (similar size and scope).
- d. Detailed cover letter on the firm's letterhead indicating EIN number and the name of the parties authorized to discuss and/or enter into negotiations with Nassau County with respect to this proposal.

(USE ADDITIONAL SHEETS IF NECESSARY)

APPROVED AND SUBMITTED BY: \_\_\_\_\_

PRINT NAME: \_\_\_\_\_

MOONIS MAYBACIT (Signature)

DATE: \_\_\_\_\_

10/31/12

APPENDIX C

CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

I, Morris Maybrich, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 12 day of December 2012

Patsy Jensen  
Notary Public



PATSY JENSEN  
Notary Public  
In and for the State of Ohio  
My Commission Expires  
June 28, 2017

Name of submitting business: MED 3000 INC.

By:

Morris Maybrich

Print name

Morris Maybrich  
Signature

Vice President  
Title

Date 1/1

## APPENDIX D

### PRINCIPAL QUESTIONNAIRE FORM

Any individual who holds ten percent or greater ownership interest in the proposer or who is an officer of the proposer shall complete and certify a Principal Questionnaire Form. All questions on the questionnaire must be answered and the answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

**COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD.**

1. Principal Name MED3000 Group, Inc.  
 Business address 680 Anderson Drive, Foster Plaza 10  
 City/state/zip Pittsburgh, PA 15220  
 Telephone 412-937-8887  
 Other present address(es) N/A  
 City/state/zip N/A  
 Telephone N/A  
 List of other addresses and telephone numbers attached \_\_\_\_\_
2. Positions held in submitting business and starting date of each (check all applicable)  
 President   /  /   Treasurer   /  /    
 Chairman of Board   /  /   Shareholder   /  /    
 Chief Exec. Officer   /  /   Secretary   /  /    
 Chief Financial Officer   /  /   Partner   /  /    
 Vice President   /  /    
 (Other) Stockholder (over 10%)
3. Do you have an equity interest in the business submitting the questionnaire?  
 NO    YES X If Yes, provide details. Own 100% of MED3000, Inc.
4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?  
 NO X YES    If Yes, provide details.
5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? NO X YES   ; If Yes, provide details.

#### APPENDIX D

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? NO ☒ YES \_\_\_\_ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:

- a. Been debarred by any government agency from entering into contracts with that agency? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
- b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
- c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
- d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)

- a. Is there any felony charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
- b. Is there any misdemeanor charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
- c. Is there any administrative charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
- d. In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related

APPENDIX D

to the conduct of business? NO ☒ YES \_\_\_\_ If Yes, provide details for each such conviction.

e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor? NO ☒ YES \_\_\_\_ If Yes, provide details for each such conviction.

f) In the past 5 years, have you been found in violation of any administrative or statutory charges? NO ☒ YES \_\_\_\_ If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? NO ☒ YES \_\_\_\_ If Yes, provide details for each such investigation.

10. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer? NO ☒ YES \_\_\_\_ If Yes, provide details for each such investigation.

11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES \_\_\_\_ If Yes, provide details for each such year.

APPENDIX D

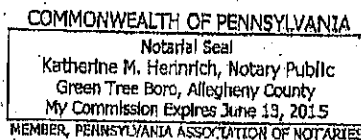
CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

I, Robert C. Gall, II, EVP, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 30<sup>th</sup> day of October, 2012.

Katherine M. Heinrich  
Notary Public



MEP 3000, Inc.  
Name of submitting business

Robert C. Gall, II  
Print name

[Signature]  
Signature

EVP  
Title

10 / 30 / 12  
Date

# APPENDIX D

## PRINCIPAL QUESTIONNAIRE FORM

Any individual who holds ten percent or greater ownership interest in the proposer or who is an officer of the proposer shall complete and certify a Principal Questionnaire Form. All questions on the questionnaire must be answered and the answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name Patrick V. Hampson  
 Business address 680 Anderson Drive, Foster Plaza 10  
 City/state/zip Pittsburgh, PA 15220  
 Telephone 412-937-8887  
 Other present address(es) N/A  
 City/state/zip N/A  
 Telephone N/A  
 List of other addresses and telephone numbers attached \_\_\_\_\_
2. Positions held in submitting business and starting date of each (check all applicable)  
 President 1 / 1 / 98 Treasurer \_\_\_\_\_  
 Chairman of Board \_\_\_\_\_ Shareholder \_\_\_\_\_  
 Chief Exec. Officer \_\_\_\_\_ Secretary \_\_\_\_\_  
 Chief Financial Officer \_\_\_\_\_ Partner \_\_\_\_\_  
 Vice President \_\_\_\_\_  
 (Other) \_\_\_\_\_
3. Do you have an equity interest in the business submitting the questionnaire?  
 NO ☒ YES \_\_\_\_\_ If Yes, provide details.
4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?  
 NO ☒ YES \_\_\_\_\_ If Yes, provide details.
5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? NO ☒ YES \_\_\_\_\_; If Yes, provide details.



#### APPENDIX D

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? NO ☒ YES \_\_\_\_ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:

- a. Been debarred by any government agency from entering into contracts with that agency? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
- b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
- c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
- d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)

- a) Is there any felony charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
- b) Is there any misdemeanor charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
- c) Is there any administrative charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
- d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related

APPENDIX D

to the conduct of business? NO ☒ YES \_\_\_\_ If Yes, provide details for each such conviction.

e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor? NO ☒ YES \_\_\_\_ If Yes, provide details for each such conviction.

f) In the past 5 years, have you been found in violation of any administrative or statutory charges? NO ☒ YES \_\_\_\_ If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? NO ☒ YES \_\_\_\_ If Yes, provide details for each such investigation.

10. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer? NO ☒ YES \_\_\_\_ If Yes; provide details for each such investigation.

11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? NO ☒ YES \_\_\_\_ If Yes; provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES \_\_\_\_ If Yes, provide details for each such year.

APPENDIX D

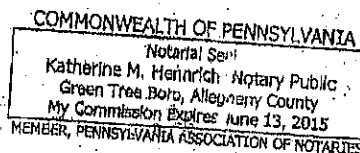
CERTIFICATION

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I, Patrick V. Hampton, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 30<sup>th</sup> day of October 2012.

Katherine M. Heinrich  
Notary Public



MED 2000, Inc.  
Name of submitting business

Patrick V. Hampton  
Print name

[Signature]  
Signature

President  
Title

10 / 30 / 12  
Date

## APPENDIX D

### PRINCIPAL QUESTIONNAIRE FORM

Any individual who holds ten percent or greater ownership interest in the proposer or who is an officer of the proposer shall complete and certify a Principal Questionnaire Form. All questions on the questionnaire must be answered and the answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name Robert C. Gallo II  
 Business address 680 Anderson Drive, Foster Plaza 10  
 City/state/zip Pittsburgh, PA 15220  
 Telephone 412-937-8887  
 Other present address(es) 1672 Gloucester Court  
 City/state/zip Sewickley, PA 15143  
 Telephone 412-389-2525  
 List of other addresses and telephone numbers attached \_\_\_\_\_

2. Positions held in submitting business and starting date of each (check all applicable)  
 President / / Treasurer / /  
 Chairman of Board / / Shareholder / /  
 Chief Exec. Officer / / Secretary / / 1/08  
 Chief Financial Officer / / Partner / /  
 Vice President / /  
 (Other) \_\_\_\_\_
3. Do you have an equity interest in the business submitting the questionnaire?  
 NO ☒ YES ☐ If Yes, provide details.
4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?  
 NO ☒ YES ☐ If Yes, provide details.
5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? NO ☒ YES ☐; If Yes, provide details.

APPENDIX D

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? NO ☒ YES \_\_\_\_ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:
- a. Been debarred by any government agency from entering into contracts with that agency? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
  - b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
  - c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
  - d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated? If 'Yes', provide details for each such instance. (Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.)
- a) Is there any felony charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
  - b) Is there any misdemeanor charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
  - c) Is there any administrative charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
  - d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related

APPENDIX D

to the conduct of business? NO ☒ YES \_\_\_\_ If Yes, provide details for each such conviction.

e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor? NO ☒ YES \_\_\_\_ If Yes, provide details for each such conviction.

f) In the past 5 years, have you been found in violation of any administrative or statutory charges? NO \_\_\_\_ YES \_\_\_\_ If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? NO ☒ YES \_\_\_\_ If Yes, provide details for each such investigation.

10. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer? NO ☒ YES \_\_\_\_ If Yes, provide details for each such investigation.

11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES \_\_\_\_ If Yes, provide details for each such year.

APPENDIX D

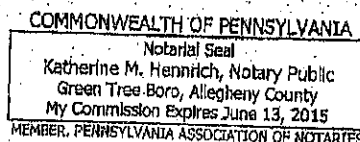
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I, Robert C. Gallo Jr., being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 30<sup>th</sup> day of October 2012.

Katherine M. Hennrich  
Notary Public



MED 3000, Inc.  
Name of submitting business

Robert C. Gallo Jr.  
Print name

[Signature]  
Signature

Secretary  
Title

10 / 30 / 12  
Date

## APPENDIX D

### PRINCIPAL QUESTIONNAIRE FORM

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1. Principal Name DREW HURT  
Business address 680 ANDERSEN DR FOSTER PLAZA 10  
City/state/zip PITTSBURGH PA 15220  
Telephone 412 587-4599  
Other present address(es) 8020 SADDLEWOOD DR  
City/state/zip BRIDGEVILLE PA 15017  
Telephone 412 257-8454

List of other addresses and telephone numbers attached

2. Positions held in submitting business and starting date of each (check all applicable)  
President / / Treasurer / / 08  
Chairman of Board / / Shareholder / /  
Chief Exec. Officer / / Secretary / /  
Chief Financial Officer / / Partner / /  
Vice President / /  
(Other)
3. Do you have an equity interest in the business submitting the questionnaire?  
NO ~~X~~ YES ~~X~~ If Yes, provide details.
4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?  
NO X YES    If Yes, provide details.
5. Within the past 3 years, have you been a principal owner or officer of any business or not-for-profit organization other than the one submitting the questionnaire? NO X YES   ; If Yes, provide details.



#### APPENDIX D

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer? NO ☒ YES \_\_\_\_ If Yes, provide details.

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

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  - b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
  - c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
  - d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.
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  - b) Is there any misdemeanor charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
  - c) Is there any administrative charge pending against you? NO ☒ YES \_\_\_\_ If Yes, provide details for each such charge.
  - d) In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related

APPENDIX D

to the conduct of business? NO ☒ YES \_\_\_\_ If Yes, provide details for each such conviction.

e) In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor? NO ☒ YES \_\_\_\_ If Yes, provide details for each such conviction.

f) In the past 5 years, have you been found in violation of any administrative or statutory charges? NO ☒ YES \_\_\_\_ If Yes, provide details for each such occurrence.

9. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5? NO ☒ YES \_\_\_\_ If Yes, provide details for each such investigation.

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11. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held? NO ☒ YES \_\_\_\_ If Yes, provide details for each such instance.

12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES \_\_\_\_ If Yes, provide details for each such year.

APPENDIX D

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12. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges? NO ☒ YES \_\_\_\_ If Yes, provide details for each such year.

APPENDIX D

CERTIFICATION

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I, DREW HURT, being duly sworn, state that I have read and understand all the items contained in the foregoing pages of this questionnaire and the following pages of attachments; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this questionnaire and before the execution of the contract; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this questionnaire as additional inducement to enter into a contract with the submitting business entity.

Sworn to before me this 30<sup>th</sup> day of October 2012.

Katherine M. Hennrich

Notary Public

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal

Katherine M. Hennrich, Notary Public

Green Tree Boro, Allegheny County

My Commission Expires June 13, 2015

MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

MED3000 INC.

Name of submitting business

DREW HURT

Print name

Drew Hurt

Signature

TREASURER

Title

10 / 30 / 2012

Date

APPENDIX F

Certificate of Compliance  
Nassau County Living Wage Law.

In compliance with Local Law 1-2006, as amended, the County Lessee hereby certifies the following:

1. The chief executive officer of the County Contractor is:

Patrick V. Hampson (Name)  
680 Andersen Drive, Forten Plaza 10, Pittsburgh, PA 15220 (Address)  
412-937-8887 (Telephone Number)

2. The County Contractor agrees to comply with all applicable requirements of the Nassau County Living Wage Law, and with all applicable federal, state and local laws.
3. In the past five years, County Contractor \_\_\_\_\_ has ☒ has not been found by a court or a government agency to have violated federal, state, or local laws regulating payment of wages or benefits, labor relations, or occupational safety and health. If a violation has been assessed by the County Contractor, describe below:

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4. In the past five years, an administrative proceeding, investigation, or government body-initiated judicial action \_\_\_\_\_ has ☒ has not been commenced against or relating to the County Contractor. If such a proceeding, action, or investigation has been commenced, describe below:

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5. County Contractor agrees to permit access to work sites and relevant payroll records by authorized County representatives for the purpose of monitoring compliance with the Living Wage Law and investigating employee complaints of noncompliance.

The Remainder of this Page Intentionally Left Blank

I hereby certify that I have read the foregoing Certificate of Compliance and, to the best of my knowledge and belief, it is true, correct and complete. Any statement or representation made herein shall be accurate and true as of the date stated below.

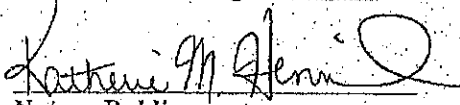
10/30/12  
Dated

  
Signature of Chief Executive Officer

Patrick V. Hampson  
Name of Chief Executive Officer

Sworn to before me this

30<sup>th</sup> day of October, 2012.

  
Notary Public

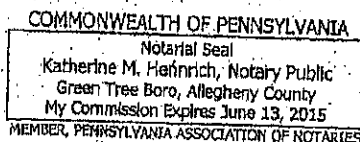


Exhibit A c

BUSINESS ASSOCIATE ADDENDUM

This addendum ("Addendum") is effective as of \_\_\_\_\_, and amends and is made part of an agreement dated as of \_\_\_\_\_ (as the same may be amended, modified, or supplemented, including, without limitation, by this Addendum, the "Agreement") by and between MED3000, Inc., a Delaware corporation (the "Contractor") and Nassau County, a New York municipal corporation, acting on behalf of the Nassau County Police Department (collectively, the "County"). The County, and the Contractor mutually agree to modify the Agreement to incorporate the terms and conditions of this Addendum to comply with the requirements of: (i) the Health Insurance Portability and Accountability Act of 1996, as amended, and its implementing regulations (45 C.F.R. Parts 160-164) (collectively, "HIPAA") (ii) Subtitle D of the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), also known as Title XIII of Division A and Title IV of Division B of the American Recovery and Reinvestment Act of 2009, Public Law No. 111-005 ("ARRA"); and (iii) regulations promulgated thereunder by the U.S. Department of Health and Human Services, including the HIPAA Omnibus Final Rule, which amended the HIPAA Privacy and Security Rules (as those terms are defined below) and implemented a number of provisions of the HITECH Act (the "HIPAA Final Rule"), extending certain HIPAA obligations to McKesson and their subcontractors.

WITNESSETH:

**WHEREAS**, the County wishes to allow the Contractor to have access to Protected Health Information ("PHI"), including but not limited to, Electronic Protected Health Information ("EPHI") which is either provided to the Contractor by the County, or received, viewed, or created by the Contractor on behalf of the County in the course of performing the Services hereinafter set forth;

**WHEREAS**, the Contractor requires access to such PHI and EPHI to effectively perform the Services;

**WHEREAS**, the County is required by the Privacy and Security Rules promulgated pursuant to HIPAA to have a written agreement with the Contractor with respect to the use and disclosure of PHI and EPHI; and

**WHEREAS**, the parties desire to enter into this Addendum to set forth the terms and conditions pursuant to which PHI and EPHI will be handled by the Contractor and certain third parties, as applicable, during the duration of the Agreement of which it is a part, and upon that Agreement's termination, cancellation, expiration, or other conclusion.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged, the parties hereby agree as follows:

**1. DEFINITIONS**

Capitalized terms used, but not otherwise defined, in this Addendum shall have the meaning set forth in HIPAA at 45 CFR §§160.103, 164.103 and 164.501; the Privacy Rule, the Security Rule, and the HIPAA Final Rule, which definitions are incorporated herein by reference.



1.1 **"BREACH"** WILL HAVE THE SAME MEANING GIVEN TO SUCH TERM IN 45 C.F.R. § 164.402. Designated Record Set. "Designated Record Set" shall have the meaning set forth in 45 C.F.R. § 164.501.

1.2 Electronic Protected Health Information. "Electronic Protected Health Information" or "EPHI" shall have the meaning set forth in 45 C.F.R. § 160.103.

1.3 HHS. "HHS" shall mean the U.S. Department of Health and Human Services, or any successor agency thereto.

1.4 Individual. "Individual" shall have the same meaning as the term "individual" set forth in 45 CFR § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 CFR § 164.502(g).

1.5 Privacy Officer. "Privacy Officer" shall have the meaning set forth in 45 C.F.R. § 164.530(a)(1).

1.6 Privacy Rule. "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information provided at 45 CFR Part 160, Part 162 and Part 164.

1.7 Protected Health Information or PHI. "Protected Health Information," or "PHI" shall have the same meaning as the term "protected health information" set forth in 45 CFR § 160.103.

1.8 Unsecured PHI. "Unsecured PHI" shall have the same meaning given to such term under 45 C.F.R. § 164.402, and guidance promulgated thereunder.

1.9 Required by Law. "Required by Law" shall have the same meaning as the term "required by law" in 45 CFR § 164.103.

1.10 Secretary. "Secretary" shall mean the Secretary of the Department of Health and Human Services or his or her designee, or their respective successors.

1.11 Security Incident. "Security Incident" shall mean the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with systems operations in an information system as provided in 45 C.F.R. § 164.304.

1.12 Security Rule. "Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 C.F.R. Part 160, Part 162 and Part 164.

## **2. PERMITTED USES AND DISCLOSURES OF PROTECTED HEALTH INFORMATION BY THE CONTRACTOR**

2.1 Use and Disclosure to Provide the Services to the Contractor. The Contractor provides or will provide to, for, or on behalf of the County certain services (the "Services"), which Services require the use and/or disclosure of PHI pursuant to and as described in the Agreement, of which this Addendum is made a part. Except as otherwise expressly provided herein, the Contractor may use or disclose PHI in relation to such Services only as necessary to comply with applicable state and federal laws and to satisfy its obligations hereunder, as long as such use or disclosure of PHI would not violate (a) the Privacy Rule if done by the County and (b) any other applicable federal or state law which imposes requirements of confidentiality on the use and/or disclosure of PHI more stringent than those imposed by the Privacy Rule ("Other Legal Requirements"). If there shall exist any conflict between the requirements of the Privacy

Rule and the Other Legal Requirements, the Contractor shall comply with both, to the extent possible, and otherwise with the more stringent requirements. All other uses or disclosures of the PHI not expressly authorized herein are strictly prohibited.

2.2 Use and Disclosure for Management and Administration Purposes. In addition to the uses and disclosures described above, the Contractor may:

a) use PHI for management and administration purposes and to satisfy any present or future legal responsibilities of the Contractor provided that such uses are permitted under applicable state and federal laws;

b) disclose PHI in its possession to third parties for management and administration purposes and to satisfy any present or future legal responsibilities of the Contractor, provided that the Contractor shall represent to the County, promptly in writing, that: (i) the disclosures are Required by Law; or (ii) the Contractor has obtained from the third party written assurances regarding its confidential handling of such PHI as required under 45 C.F.R. §164.504(e)(4). For such written assurances to be satisfactory, they must require the third party to:

i) maintain the confidentiality of PHI in its possession and limit the use and/or disclosure of such PHI to the purposes for which the Contractor disclosed the PHI to the third party, unless otherwise Required by Law; and

ii) promptly notify the Contractor (who shall immediately notify the County) of any instance in which the third party learns of any unauthorized use and/or disclosure of such PHI.

### 3. **RESPONSIBILITIES OF THE CONTRACTOR WITH RESPECT TO PHI**

3.1 Contractor's Responsibilities. With respect to any use and/or disclosure of PHI, the Contractor hereby agrees that it shall:

a) use and/or disclose PHI only as permitted or required by this Addendum or the Agreement, as required by the Privacy Rule, or as otherwise Required by Law;

b) implement comprehensive procedures for mitigating any harmful effects from any unauthorized use and/or disclosure of PHI by the Contractor, its agents or subcontractors;

c) report to the County's designated Privacy Officer, in writing, any use and/or disclosure of PHI which is not authorized hereunder of which the Contractor becomes aware or has knowledge within three (3) business days of the Contractor's discovery of such unauthorized use and/or disclosure. The Contractor's report of such unauthorized use and/or disclosure shall specify at least: (i) the nature of the unauthorized use and/or disclosure; (ii) the specific PHI that was disclosed; (iii) what, if any, actions the Contractor has taken or will take to limit the extent of the unauthorized use(s) and/or disclosure(s), and to mitigate the damage resulting therefrom; (v) what, if any, corrective actions the Contractor has or will take to prevent further unauthorized uses and/or disclosures; (vi) when such corrective measures will be taken (if they have not already been completed), and, as applicable, an explanation of why they have not already been completed; and (vii) provide the County with any other information it reasonably requests and any particulars regarding the unauthorized use and/or disclosure that County would need to include in its notification, as such particulars are identified in 42 U.S.C. § 17932 and 45 C.F.R. § 164.404.

d) develop, implement, maintain and utilize appropriate administrative, technical, and physical safeguards, in compliance with the Social Security Act § 1173(d) (42 U.S.C. § 1320d-2(d)), the Privacy Rule, and any other regulations now in effect or later issued by HHS which implement HIPAA, to preserve the integrity and confidentiality, and to prevent unauthorized use and/or disclosure, of PHI, including the HIPAA Final Rule.

e) require any of its subcontractors and/or agents that receive, use, or have any access to PHI, as authorized by this Addendum, to enter into a written agreement, which agreement shall contain provisions substantially similar to this Addendum, to comply with the same obligations and restrictions as are required of the Contractor hereunder;

f) provide the Secretary of HHS with access to all records, books, agreements, policies, and procedures relating to the use and/or disclosure of PHI for compliance investigations;

g) within ten (10) days of receipt of a written request, provide the County with access to all records, books, agreements, policies, and procedures relating to the use and/or disclosure of PHI and/or EPHI for purposes of enabling the County to determine the Contractor's compliance with the terms of this Addendum. Such access shall be at the Contractor's place of business during normal operating hours;

h) within five (5) days of receipt of a written request from the County, provide the County with such information as is requested to permit it to respond to a request by an Individual for an accounting of disclosures of all PHI related to the Individual;

i) subject to Section 7.4 below, within thirty (30) days of the earlier of the termination of the Agreement or this Addendum, return to the County or destroy all PHI in its possession. The Contractor shall not retain any copies of such information in any form; and

j) cooperate with County's efforts to mitigate a harmful effect that is known to Contractor of a use or disclosure of PHI not provided for in this Addendum; and

k) request, use and disclose the minimum amount of PHI necessary to accomplish the purpose of the request, use or disclosure, in accordance with 42 U.S.C. § 17935(b) and regulations promulgated thereunder; and

l) use and disclose PHI for marketing purposes only as expressly directed by County, and in accordance with 42 U.S.C. § 17936(a). Contractor will not use or disclose PHI for fundraising purposes; and

m) comply with the prohibition on the sale of Electronic Health Records and PHI set forth in 42 U.S.C. § 17935(d); and

n) acknowledges that enactment of the HITECH Act, as implemented by the HIPAA Final Rule, amended certain provisions of HIPAA in ways that now directly regulate, or will on future dates directly regulate, the Contractor under the Privacy Rule and Security Rule. To the extent not referenced or incorporated herein, requirements applicable to Contractor the HITECH Act are hereby incorporated by reference into this Addendum. Contractor agrees, as of the compliance date of the HIPAA Final Rule, to comply with applicable requirements imposed under the HIPAA Final Rule, including any amendments thereto.

3.2 Responsibilities of the Contractor with Respect to Access, Amendment, Restrictions, and Accounting of Disclosures of PHI. The Contractor hereby agrees to do the following with respect to providing access to PHI, amending inaccuracies contained in PHI, restrictions regarding PHI, and accounting for disclosures of PHI in its possession:

a) within 10 business days of receipt of a written request by the County, , provide access to any PHI contained in a Designated Record Set to the County or to the Individual who is the subject of such PHI or his or her authorized representative, as applicable, to satisfy a request for inspection and/or copying under 45 C.F.R. § 164.524;

b) within 20 business days of receipt of a written request by the County, make any amendment(s) that the County so directs, or permit the County access to amend, any portion of the PHI pursuant to 45 C.F.R. § 164.526 to allow the County to comply with the Privacy Rule;

c) within 10 business days of receipt of a written request by the County, comply with any restrictions that the County has agreed to adhere to with regard to the use and disclosure of PHI of any Individual that materially affects and/or limits the uses and disclosures which are otherwise permitted; and

d) record each disclosure of PHI that the Contractor makes for the County to respond to an Individual's request for an accounting in accordance with 45 C.F.R. § 164.528, and 42 U.S.C. § 17935(c), as applicable. Such record shall include, but not be limited to: (i) the date of disclosure; (ii) the name and address of the Individual or organization to whom the disclosure was made; (iii) a description of the PHI disclosed; and (iv) a statement of the purpose for the disclosure (collectively the "disclosure information"). If the Contractor makes multiple disclosures of PHI to the same person or entity for a single purpose, the Contractor may provide: (i) the disclosure information for the first disclosure; (ii) the frequency, periodicity, or number of these repetitive disclosures; and (iii) the date of the last of these repetitive disclosures. Such disclosure information must be kept by the Contractor for a period of not less than six (6) years from the date of disclosure.

#### 4. RESPONSIBILITIES OF THE COUNTY WITH RESPECT TO PHI

4.1 Responsibilities of the County. With respect to any use and/or disclosure of PHI, the County hereby undertakes to do the following to the extent material to the PHI held by the Contractor:

a) inform the Contractor of any changes in the County's Notice of Privacy Practices (the "Notice"), which the County provides to Individuals pursuant to 45 C.F.R. §164.520, and provide the Contractor a current copy of such Notice and a copy of all updated versions thereof prior to their effective date;

b) inform the Contractor of any changes in, or withdrawal of, any relevant authorization provided to the County by Individuals pursuant to 45 C.F.R. §164.508, which impact the Contractor under the Agreement;

c) inform the Contractor of any applicable decisions made by any Individual to opt-out of allowing his or her PHI to be used for fundraising activities of the County pursuant to 45 C.F.R. §164.514(f), which impact the Contractor under the Agreement; and

d) notify the Contractor, in writing, of any arrangements permitted or required under 45 C.F.R. parts 160 and 164, which impact the use and/or disclosure of PHI by the Contractor under the Agreement, including, but not limited to, restrictions on use and/or disclosure of PHI as provided for in 45 C.F.R. §164.522 agreed to by the County.

4.2 Responsibilities of the County with Respect to Access, Amendment, Restrictions and Accounting of Disclosures of PHI. The County hereby agrees to do the following regarding access to PHI, amendments to inaccuracies contained in PHI, and restrictions regarding PHI in the Contractor's possession, to the extent material to the PHI held by the Contractor:

a) notify the Contractor, in writing, of any PHI that the County seeks to make available to an Individual pursuant to 45 C.F.R. § 164.524 and the time, manner, and form which the Contractor shall provide such access;

b) notify the Contractor, in writing, of any amendment(s) to PHI in the possession of the Contractor that the Contractor shall make and inform the Contractor of the time, form, and manner in which such amendment(s) shall be made; and

c) notify the Contractor, in writing, of any restrictions that the County has agreed to adhere to with regard to the use and disclosure of PHI of any Individual that materially affects and/or limits the uses and disclosures which are otherwise permitted.

## 5. RESPONSIBILITIES OF THE CONTRACTOR WITH RESPECT TO EPHI

5.1 The Contractor's Responsibilities. With respect to any use and/or disclosure of EPHI, Contractor agrees that it shall:

a) comply with the provisions of 45 C.F.R. §§ 164.308, 164.310, 164.312 and 164.316 relating to implementation of administrative, physical and technical safeguards with respect to Electronic PHI in the same manner that such provisions apply to a HIPAA covered entity. Contractor will also comply with any additional security requirements contained in the HITECH Act that are applicable to a business associate.

b) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of EPHI that Contractor creates, receives, maintains, or transmits on behalf of the County. Contractor shall be responsible for ensuring that such safeguards are adequate to comply with the requirements of the Security Rule.

c) ensure that any agent to whom it provides EPHI, including a subcontractor, agrees to implement reasonable and appropriate safeguards to protect such EPHI.

d) report to the County, in writing, any Security Incident within three (3) business days of becoming aware of such Security Incident; provided, however, that the Parties acknowledge and agree that this Section constitutes notice by McKesson to Customer of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below).

"Unsuccessful Security Incidents" will include, but not be limited to, pings and other broadcast attacks on McKesson's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of PHI. Without limiting the foregoing, the Contractor shall report to the County regarding whether such Security Incident has resulted in a breach of the Security Rule.

e) upon the County's request, provide the County with immediate access to the Contractor's security systems and programs in order for the County to investigate any Security Incident or to audit the Contractor's security systems and programs. The Contractor acknowledges that the County has the right, but not the obligation, to access and audit the Contractor's security systems and programs.

f) provide the Secretary of HHS with access to all records, books, agreements, policies and procedures relating to the use and/or disclosure of EPHI for compliance investigations.

## 7. TERMS AND TERMINATION

7.1 Term. This Addendum shall become effective as of the date first indicated above, and shall continue in effect until all of the PHI provided by the County to the Contractor, or created or received by the Contractor on behalf of the County, is destroyed or returned to the County, and all other obligations of the parties have been met. If it is infeasible to return or destroy such PHI, then such PHI shall continue to be protected as set forth in Section 7.4.

7.2 Termination by the County. As provided for under 45 C.F.R. §§ 164.504(e)(2)(iii) and 164.314(a)(2)(i), the County may (a) exercise its rights under Section 7.3 below or (b) immediately terminate the Agreement if the County, in its sole discretion, determines that the Contractor has breached a material term of this Addendum and cure is not possible. The County may exercise such right to terminate the Agreement by providing the Contractor with written notice of its intent to terminate specifying the material breach of the Agreement that provides the basis for termination. Such termination will be effective immediately, unless another date is specified in such notice.

7.3 Opportunity to Cure. As provided for under 45 C.F.R. § 164.504(e)(2)(iii) and notwithstanding Section 7.2 hereof, the County may terminate the Agreement, after notice and opportunity to cure as herein provided, if the County, in its sole discretion, determines that the Contractor has unintentionally breached a material term of this Addendum. If the County decides to provide an opportunity to cure in such case, it shall: (a) provide the Contractor with written notice of the existence of an alleged material breach; and (b) afford the Contractor an opportunity to cure the alleged material breach. Failure to cure within fourteen (30) days shall constitute grounds for the immediate termination of the Agreement by the County.

7.4 Effect of Termination. Upon the termination, cancellation, or any other conclusion of the Agreement, the Contractor shall, if feasible, return to the County or destroy all PHI, in whatever form or

medium, pursuant to 45 C.F.R. § 164.504(e)(2)(ii)(J), including, but not limited to, PHI in the possession of its subcontractors and/or agents, within thirty (30) days of the effective date of the termination, cancellation, or other conclusion of the Agreement.

a) Once all PHI in the Contractor's possession or control, including, but not limited to, PHI in the possession or control of its subcontractors and/or agents, has been returned to the County or destroyed, the Contractor shall provide a written certification to the County regarding the return or destruction of such PHI within such thirty (30) day period. Such certification shall be relied upon by the County as a binding representation; and

b) if the Contractor believes that return or destruction of PHI in its possession and/or in the possession of its subcontractors or agents is infeasible, the Contractor shall notify the County of such infeasibility in writing. Said notification shall include, but not be limited to: (i) a statement that the Contractor has, in good faith, determined that it is infeasible to return or destroy the PHI in its possession and/or in the possession of its subcontractors or agents, as applicable, (ii) identification of the PHI that the Contractor believes it is infeasible to return or destroy, and (iii) the specific reasons for such determination. In addition to providing such notification, the Contractor shall certify within such thirty (30) day period that it will and will require its subcontractors or agents, as applicable, to limit any further uses and/or disclosures of such PHI to the purposes that make the return or destruction of the PHI infeasible; and

c) If it is infeasible for the Contractor to return or destroy the PHI upon termination of the Agreement (including this Addendum), the Contractor will: (a) extend the protections of this Addendum to such PHI; (b) limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as the Contractor maintains such PHI; and (c) never disclose such PHI to another Contractor client or third party unless such information has been de-identified in accordance with the standards set forth in 45 C.F.R. § 164.514(b).

## **8. INDEMNIFICATION**

8.1 Indemnity. The Contractor agrees to indemnify and hold harmless the County and any of its affiliates, officers, directors, employees, attorneys, or agents (collectively, "Indemnitees") from and against any direct damages finally awarded as a result of a claim or cause of action, including attorneys' fees and court or proceeding costs arising out of or in connection with any non-permitted or violating use or disclosure of PHI or other breach of this Addendum by the Contractor or any subcontractor, agent, person, or entity under the Contractor's control.

8.2 Control of Defense. If any Indemnitees are named a party in any judicial, administrative, or other proceeding arising out of or in connection with any use or disclosure of PHI by the Contractor or any subcontractor, agent, Individual, or organization under the Contractor's control, and such use or disclosure of PHI was not permitted by this Addendum, then any Indemnitee shall have the option at any time either: (i) to tender defense to the Contractor, in which case the Contractor shall provide qualified attorneys, consultants, and other appropriate professionals to represent the Indemnitee's interests at the Contractor's expense, or (ii) undertake its own defense, choosing the attorneys, consultants, and other appropriate professionals to represent its interests, in which case the Contractor shall be responsible for and pay the fees and expenses of such attorneys, consultants, and other professionals.

8.3 Control of Resolution. The Indemnitees shall have the sole right and discretion to settle, compromise, or otherwise resolve any and all claims, causes of actions, liabilities, or damages against them, notwithstanding that the Indemnitees may have tendered their defense to the Contractor. Any such resolution will not relieve the Contractor of its obligation to indemnify the Indemnitees under this Section

## 9. CONFIDENTIALITY

This Addendum does not affect any other obligations in the Agreement to the extent not inconsistent herewith or not involving the confidentiality, use, or disclosure of PHI. This Addendum, however, does supercede all other obligations in the Agreement to the extent they are inconsistent herewith and involve the confidentiality, use, or disclosure of PHI.

## 10. MISCELLANEOUS

10.1 Survival. The respective rights and obligations of the Contractor and the County under the provisions of Sections 3, 4, 5, 7.4, and 8, solely with respect to PHI the Contractor retains in accordance with Section 7.4 because it is not feasible to return or destroy such PHI, shall survive the termination of the Agreement indefinitely. In addition, Section 9 shall survive termination of this Addendum indefinitely, notwithstanding whether the Contractor retains PHI in accordance with Section 7.4 hereto.

10.2 Amendments. The Agreement (including the terms of this Addendum) may not be modified, nor shall any provision of the Agreement be waived or amended, except in a writing duly signed by authorized representatives of the parties and expressly referencing the Agreement. Notwithstanding anything in the Agreement to the contrary, to the extent that the Privacy Rule or Security Rule, or any other applicable law related to the privacy or security of health information is materially amended, updated, or revised following the execution of this Addendum, the parties agree to take such action as is necessary to amend this Addendum from time to time as is necessary for the County to comply with the requirements of HIPAA.

10.3 No Third Party Beneficiaries. Nothing contained in the Agreement (including, but not limited to, this Addendum), whether express or implied, is intended to confer, nor shall anything herein confer, upon any person other than the parties and their respective successors or assigns of the parties, any rights, remedies, obligations, or liabilities whatsoever in relation to the disclosure or use of PHI.

10.4 Cooperation and Disputes. Each party will reasonably cooperate with the other in the performance of the mutual obligations under this Addendum. If any controversy, dispute, or claim arises between the parties with respect to the Agreement (including, but not limited to, this Addendum), the parties shall make reasonable good faith efforts to resolve such matters informally.

10.5 Regulatory References. Any reference to any part or section of the CFR shall include such part or section as drafted upon the effective date of this Addendum and as it is subsequently updated, amended, supplemented, superceded, or revised.

10.6 Conflicts. Any conflicts or inconsistencies between the terms in this Addendum and terms in other parts of the Agreement shall be resolved in favor of the terms in this Addendum.



10.7 Interpretation. Any ambiguity in the Agreement (including, but not limited to, this Addendum) shall be resolved in favor of a meaning that permits the County to comply to the greatest extent possible with the Privacy Rule, the Security Rule and Other Legal Requirements.

## 11. HITECH ACT

### 11.1

- a) Contractor will make a report to the County of any Breach of Unsecured protected health information, as required by 45 C.F.R. § 164.410, within five business days of Contractor's discovery of the Breach, and
- b) In the event of a Breach caused solely by Contractor, reimburse County for any reasonable and substantiated expenses County incurs in notifying individuals of a breach, as required under HIPAA, caused by Contractor or its subcontractors or agents.
- c) Contractor understands it is not in compliance with the HIPAA standards set forth in Sections 164.502(e) and 164.504(e) if the Contractor knows of a pattern of activity or practice that the County engages in which constitutes a material breach or violation of the County's obligation under a contract or other business arrangement, unless the Contractor takes reasonable steps to cure the breach or end the violation, as applicable, and if in taking steps to cure or end the breach it is unsuccessful, the Contractor must terminate the contract or arrangement if feasible, and if not feasible, the Contractor must report the problem to the Secretary.

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IN WITNESS WHEREOF, each of the undersigned has caused this Addendum to be duly executed in its name and on its behalf effective as of the date first indicated above.

NASSAU COUNTY

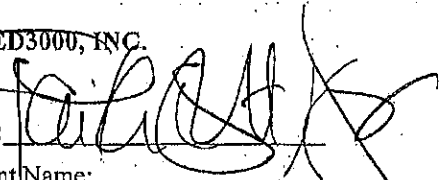
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~~MED3000, INC.~~

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

Print Name: \_\_\_\_\_

Title: **Faith Knight Myers**  
Chief Regulatory Operations Counsel

Date: \_\_\_\_\_

Approved  
BY  
McKesson Legal