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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

For the transition period from _____ to _____

Commission file number 001-41428

R1 RCM Inc.

(Exact name of registrant as specified in its charter)

Delaware	**87-4340782**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
433 W. Ascension Way **Suite 200** **Murray**	
Utah	**84123**
(Address of principal executive offices)	(Zip Code)

(312) 324-7820

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 $0.01 per share	RCM	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the last sale price for such stock on June 30, 2023: $2,855,117,556

As of February 23, 2024, the registrant had 420,280,234 shares of common stock, par value $0.01 per share, outstanding.

Portions of the registrant's definitive proxy statement for its 2024 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

R1 RCM INC.
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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical facts, included in this Annual Report on Form 10-K are forward-looking statements. The words "anticipate," "believe," "contemplate," "designed," "estimate," "expect," "forecast," "goal," "intend," "may," "outlook," "plan," "predict," "project," "see," "seek," "target," "would" and similar expressions or variations or negatives of these words are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such forward-looking statements include, among other things, statements about our strategy, our future operations, our future financial position, our projected costs, our prospects, our plans, objectives of management, our ability to successfully deliver on our commitments to our customers, our ability to deploy new business as planned, our ability to successfully implement new technologies, our ability to complete or integrate acquisitions as planned and to realize the expected benefits from acquisitions, the expected outcome or impact of pending or threatened litigation, and expected market growth. Such forward-looking statements are based on management's current expectations about future events as of the date hereof and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Subsequent events and developments, including actual results or changes in our assumptions, may cause our views to change. We do not undertake to update our forward-looking statements except to the extent required by applicable law. Readers are cautioned not to place undue reliance on such forward-looking statements. All forward-looking statements included herein are expressly qualified in their entirety by these cautionary statements. Our actual results and outcomes could differ materially from those included in these forward-looking statements as a result of various factors, including, but not limited to, economic downturns and market conditions beyond our control, including high inflation; the quality of global financial markets; our ability to timely and successfully achieve the anticipated benefits and potential synergies of the acquisitions of Cloudmed and Acclara (each as defined below); our ability to retain existing customers or acquire new customers; the development of markets for our revenue cycle management offering; variability in the lead time of prospective customers; competition within the market; breaches or failures of our information security measures or unauthorized access to a customer's data; delayed or unsuccessful implementation of our technologies or services, or unexpected implementation costs; disruptions in or damages to our global business services centers and third-party operated data centers; the volatility of our stock price; the impact of the recent restatements of the financial statements for the applicable periods on the price of our common stock, our reputation, our relationships with our investors, suppliers, customers, employees and other parties; our substantial indebtedness; and the factors set forth in Part I, Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission (the "SEC").

Actual results or events could differ materially from the plans, intentions, and expectations disclosed in the forward-looking statements we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Annual Report on Form 10-K and the documents that we have filed as exhibits to the Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Unless the context indicates otherwise, references in this Annual Report to "R1 RCM," "R1," the "Company" or "company," "we," "our," and "us" mean R1 RCM Holdco Inc. (f/k/a R1 RCM Inc.) ("Old R1 RCM") and its subsidiaries prior to the holding company reorganization completed on June 21, 2022 in connection with the acquisition of Cloudmed, and R1 RCM Inc. (f/k/a Project Roadrunner Parent Inc.) and its subsidiaries, including Old R1 RCM following such holding company reorganization.

Item 1. *Business*

Overview

R1 RCM is a leading provider of technology-driven solutions that transform the financial performance and patient experience for health systems, hospitals, and physician groups. Our scalable operating models complement a healthcare organization's infrastructure, driving sustainable improvements to net patient revenue ("NPR") and cash flows while driving revenue yield, reducing operating costs, and enhancing the patient experience.

R1 serves over 3,700 hospitals, including 93 of the top 100 health systems, and over 30,000 physicians, and covers more than $1 trillion of NPR as of December 31, 2023. R1's dedicated focus on optimizing revenue cycle performance enables our customers to focus on their patients and communities. R1 offers a comprehensive suite of solutions that covers all areas of the revenue cycle and employs a large team of revenue cycle experts.

Differentiated Capabilities Driving Impact for Healthcare Providers

R1 delivers solutions to customers through leading-edge technology, proprietary expertise, intellectual property ("IP"), global scale, and operational excellence – key elements to driving durable financial performance across the revenue cycle.

- **Technology Platform**: R1's platform synthesizes complex clinical and financial data into actionable insights and applies automation and artificial intelligence ("AI") to lower costs, accelerate cash collection, and identify missed revenue. Developed and maintained by engineers, data scientists and revenue cycle experts, our platform enables our operators to deliver results for our customers, such as improved reimbursement rates and process and cost efficiency, leveraging access to data from 93 of the top 100 health systems and more than 550 million patient records annually. R1 Intelligent Automation modernizes processes, removes friction, and simplifies revenue cycle management ("RCM"). It encompasses a library of automations that collectively automate more than 200 million tasks each year, unlocking the equivalent of more than 5,000 full-time employees in operational capacity, as of December 31, 2023. R1 Embedded AI uses real-time data and several forms of AI, including machine learning, natural language processing, and generative AI, to deliver productivity improvements, greater accuracy and improved patient satisfaction. Our platform also creates efficiencies for R1, with lower costs and improved margins, and enables us to scale economically while delivering more value to our growing customer base. Our use of AI in our platform depends on the availability and pricing of equipment and technical infrastructure from third parties, including Microsoft Azure.

- **Proprietary Expertise and IP**: R1 brings proprietary revenue cycle expertise and extensive IP derived from work with over 95% of U.S. health insurance companies ("payers") and every major electronic medical record ("EMR") system, as of December 31, 2023. Encompassing more than 20,000 algorithms, R1 has a rules engine that prioritizes workflow between users and robotic process automation, designed to drive optimal efficiency and maximize revenue opportunities. Acting as the revenue cycle's "central nervous system," R1's workflow engine orchestrates the steps in handling a claim, maximizing efficiency by routing work to blend automated and human-centric workflows. R1 has contract and pricing models that validate reimbursement accuracy, simplify contract management, help recover underpayments, and streamline workflow. These models monitor health plans' compliance with their contract terms and the receipt of appropriate reimbursements. Based on our experience with hundreds of health systems and physician group customers, R1 has developed configurable interfaces and integrations with every major EMR, payer, clearinghouse, and bank. This enables the transfer of data among all parties, facilitates data synchronization between R1 and host systems, and simplifies implementation.

- **Global Scale**: R1 has a global employee footprint that enables us to scale our solutions to a diverse range of customers, regardless of size or complexity. With approximately 30,000 employees across the U.S., India and the Philippines, our access to a global team of R1 employees is not only cost-effective, but also provides scalability and flexibility to respond timely to customer needs and evolving market conditions. Our strategic workforce model brings experienced talent with global employees, onsite management, and a purpose-built technology platform. Our centralized analytics and dedicated performance management team, which closely monitors onshore and offshore performance, enable us to make our services available around the clock and deliver accurate, timely, and compliant revenue cycle performance.

- **Operational Execution**: R1 has a multifaceted approach to operational execution with the aim to deliver enduring value to our customers. Our over 20-year history of serving diverse and sophisticated customers has enabled us to develop standardization methods and centers of excellence to optimize processes, mitigate risks, and deliver a positive experience for our customers and revenue cycle experts. Our holistic approach to generating financial success for our customers involves a dedicated cross-functional team of onboarding experts, performance management personnel, and leadership, along with a partnership governance framework.

Our extensive revenue cycle expertise and investment in technology, global scale and operational capabilities equip us to directly address financial and operational challenges and generate sustainable improvements in operating margins and cash flows for our customers.

Comprehensive and Flexible Offerings for Healthcare Providers

R1's flexible partnership models are intentionally designed to meet the unique needs of the providers we serve. Our commitment as an accountability partner with the ability to deliver multiple integrated solutions at scale allows us to engage with customers in a manner that aligns with their objectives. We understand that one size does not fit all within healthcare. Our commitment to serving a diverse range of healthcare providers is demonstrated in our flexible partnership models, from modular solutions to full end-to-end revenue cycle operating partnerships.

- **Operating Partnership/End-to-End Solutions**: For organizations seeking comprehensive support across the entire revenue cycle, R1's operating partnership model manages multiple aspects of the revenue cycle, enabling hospital and physician customers to realize financial leverage and revenue improvement. Under this partnership model, R1 assumes full responsibility of all or select revenue cycle phases to deliver scalable, accelerated, and sustainable financial results across all settings of care and payment models, customized for health systems and physician groups.

- **Modular Solutions**: For organizations looking to accelerate, optimize, and navigate revenue recovery, R1 offers modular solutions, which can be purchased individually or bundled and are designed to deliver results in key revenue cycle areas. Under this focused and flexible partnership approach, R1 addresses specific challenges of the revenue cycle. This customized approach promotes cost reduction and enhanced revenue performance in areas that matter most for health systems, hospitals, and physician groups. These solutions are grouped into five categories that address unique healthcare provider challenges and drive value in specific areas of the revenue cycle:
    - **Functional Partnership**: Functional outsourcing solutions drive improvements across targeted revenue cycle areas for hospital and physician group customers. These modular solutions are for organizations requiring focused support in specific areas.
    - **Revenue Recovery**: Modular solutions to fast-track payer and patient cash collections with proprietary technology backed by R1's experience in aged, complex and clinically challenged claims and denials. For these modular solutions related to back-end payment collections, we apply automation and AI to an otherwise labor-intensive process.
    - **Revenue Optimization:** Modular solutions to uncover missed or underreported revenue with our comprehensive payment review expertise designed to identify areas that may be missed by other internal processes.
    - **Clinical Integrity:** Modular solutions to improve documentation and coding accuracy to maximize earned revenue for the services provided. Our clinical and auditing experts support these modular solutions.
    - **Regulatory Navigation:** Modular, compliance-first solutions to optimize government reimbursement accuracy, maximize pharmacy savings, and ensure compliance with the help of our elite team of industry specialists.

End-to-End Solutions Contract Pricing Model

R1's end-to-end RCM agreements typically span seven to 10 years (subject to the parties' respective termination rights) and generally provide us with the opportunity to earn both net operating fees and incentive fees. Net operating fees include gross base fees we charge our customers for operating the revenue cycle processes included in our agreements less corresponding costs of customers' revenue cycle operations which we undertake to pay pursuant to our RCM agreements. We believe R1's flexible, performance-based partnership models are a key differentiator for our customers, incentivizing us to deliver tangible improvements in specified key performance areas. The direct cost of our services is comprised of R1 employees across our global locations and third-party vendors that contract directly with R1 or through our assumption of a customer's vendor contracts. As a result, under the operating partner model, we record higher expenses as well as higher revenues related to the contracted cost-to-collect. This risk-bearing arrangement fosters a results-driven partnership where financial and operational success are critical for long-term partnership.

Incentive fees are performance-based fees related to agreed-upon improvements in our customers' financial or operating metrics. When calculating improvements, we typically utilize metrics that are already being tracked based on a defined prior period or can be calculated from our or the customers' respective information systems. For the years ended December 31, 2023, 2022, and 2021, substantially all net operating and incentive fees from end-to-end RCM services were generated under the operating partner model.

R1 Modular Solutions Contract Pricing Model

R1 modular solution agreements typically have initial terms of up to three years. Our modular solutions that assist customers in optimizing revenue, reducing costs or improving performance are contracted using a contingency-based model, aligning performance outcomes to fees. Our modular solutions that provide outsourced resources to customers typically have a fixed fee that is generally correlated to a transaction volume metric.

Drivers of RCM Impact Delivered by End-to-End and Modular Solutions

Across our end-to-end and modular solutions, we seek to improve our customers' revenue cycles and processes using a variety of techniques including:

- ***Deploying proprietary technology and algorithms:*** We improve efficiency and accuracy across the revenue cycle by deploying a variety of proprietary data analytics and algorithms. Our systems are designed to streamline work processes through use of proprietary algorithms that focus revenue cycle staff efforts on those accounts deemed to have the greatest potential for improving net revenue yield. We adjust our proprietary, predictive algorithms to reflect changes in payer and patient behavior based upon our cumulative knowledge and experience gained from servicing our customer base. As new customers are added and payer and patient behavior changes, the information we use to create our algorithms expands, increasing the accuracy, reliability, and value of such algorithms.

- ***Deploying analytical and operational excellence:*** We draw on the experience that we have gained from working with some of the top healthcare provider systems in the U.S. to train our customers' staff about new and innovative RCM practices. In addition to core key performance indicators that provide visibility into revenue cycle performance, we provide value-added analytics that expose notable changes in payer behavior and accounts requiring escalation, as well as provide visibility into performance variances. Our deep analytical insights allow us to run predictive modeling and trend analysis in order to anticipate potential challenges, identify areas for improvement and guide strategic decision-making that impact revenue cycle performance.

- ***Increasing revenue capture and preventing future losses:*** Our robust platform integrates with provider systems to identify revenue optimization areas, while exposing root cause issues requiring intervention. Our platform not only accelerates the revenue cycle, but can also serve as a proactive tool for mitigating denials, reducing errors, and ensuring compliance across the revenue cycle.

- ***Leveraging our global business services operations:*** We help our customers increase their revenue cycle efficiency by implementing improved practices, streamlining workflow processes, and outsourcing aspects of their revenue cycle operations to our global business services operations. Examples of services that can be completed at our global business services operations include financial clearance functions like pre-registration and insurance verification, coding and charge compliance, cash posting, reconciliation of payments to billing records, and patient and payer follow-up. By leveraging the economies of scale and experience of our global business services operations, we believe that we offer our customers better quality services at a lower cost.

In addition, certain other techniques are specific to our end-to-end solutions or modular solutions. Additional techniques utilized in delivering our end-to-end solutions include the following:

- ***Sophisticated and comprehensive onboarding process:*** Anchored by over 100 dedicated experts, our cross-functional onboarding team collaboratively works with our customers to stabilize and elevate overall performance. Our onboarding experience includes change management, employee transition, operational and compliance assessment, as well as technology deployment – elements to assist in a seamless transition and set the stage for sustained revenue cycle success.

- ***Comprehensive patient and payer information collection:*** We focus on gathering comprehensive patient information and validating insurance eligibility and benefits so patient care services can be recorded and billed to the appropriate parties. For scheduled healthcare services, we educate patients as to their potential financial responsibilities before receiving care. Through our systems, we maintain an automated electronic scorecard which measures the efficiency of up-front data capture, authorization, billing, and collections throughout the life cycle of any given patient account. Our dedicated performance management team analyzes these scorecards in the aggregate, and the results are used to help improve workflow processes and operational decisions for our customers.

- ***Improving claim filings and collections:*** Through our proprietary technology and process expertise, we identify, for each patient encounter, the estimated amount due from the patient and the amount our customer should receive from a payer based on the customer's contracts with payers or the patient's policy. Over time, we compare these amounts with the actual payments collected to help identify which payers, types of medical treatments, and patients represent various levels of payment risk for a customer. Using proprietary algorithms and analytics, we consider actual reimbursement patterns to predict the payment risk associated with a customer's claims to its payers, and we then direct increased attention and time to the riskiest accounts.

- ***Alternative payment sources identification and patient balance resolution:*** We use various methods to find payment sources for uninsured patients and reimbursement for services not covered by payers. Our patient financial screening technology and methodologies often identify federal, state, or private grant sources to help pay for healthcare services. These techniques are designed to ease the financial burden on uninsured or underinsured patients, increase the percentage of patient bills that are actually paid, and improve the total amount of reimbursement received by our customers. For balances that remain due from patients, we provide financing and payment options tailored to the patients' unique circumstances, minimizing their financial burden and increasing yield for our customers.

Additional techniques utilized in delivering our modular solutions include the following:

- ***Auditors accelerate revenue capture and ensure compliance through the application of automation and AI***: With our collective experience across the financial and clinical side of healthcare, our revenue cycle experts bring a wealth of industry knowledge to our engagements. Leveraging proprietary technology to rapidly identify revenue opportunities, our auditors help to ensure that revenue is captured accurately and in compliance with the latest regulations. They serve as strategic partners, identifying opportunities for optimization, while guiding our customers toward sustained financial success.

- ***Comprehensive dataset to expose and prioritize revenue opportunities***: Our approach to a standardized data specification across all customers promotes consistency, interoperability and efficiency in data and revenue cycle performance. By collecting comprehensive patient billing and reimbursement data of 93 of the top 100 health systems, we are not only able to identify macro-trends that impact healthcare providers across the nation, but we can also identify rapid revenue collection opportunities for our customers. This unified approach to data fosters collaboration, supports scalability and effectively adapts to evolving business needs and technological advancements.

Segment

R1's deep revenue cycle expertise, combined with our experience serving a diverse range of customers, allows us to create tailored solutions that address customers' goals today and prepare them for where they need to go in the future.

We view our operations and manage our business as one operating and reportable segment. All of our net services revenue and trade accounts receivable are derived from healthcare providers domiciled in the U.S. The information about our business should be read together with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. See Note 20, Segments and Customer Concentrations, to our consolidated financial statements for information regarding our segment and customer concentrations.

Customers

Our customers typically are healthcare providers, including health systems, hospitals, and physician groups. We seek to develop strategic, long-term relationships with our customers and focus on providers that we believe understand the value of our operating model and have demonstrated success in both the provision of healthcare services and the ability to achieve financial and operational results.

Hospital systems affiliated with Ascension Health ("Ascension") have accounted for a significant portion of our net services revenue each year since our formation. For the years ended December 31, 2023, 2022 and 2021, net services revenue from healthcare providers affiliated with Ascension represented 40%, 49%, and 61% of our total net services revenue, respectively.

Sales and Marketing

New business opportunities for R1 are generated by our commercial sales and marketing teams with strategic support from our executive leadership. Our customer acquisition process leverages traditional and non-traditional techniques to inform the marketplace of our complete range of solutions and our ability to meet customers where they are on their RCM journey. For new customer acquisitions, broad outreach and interest are transitioned into selling opportunities through a highly targeted sales and marketing pipeline management process backed by demand generation programs that communicate our differentiation of purpose-built technology and deep expertise. Initial interaction with a prospective health system typically begins with a key decision maker and includes a comparison of the potential customer's historical and projected results versus a standardized improvement model. Existing customer expansion sales opportunities are initiated through regular communications related to existing operations or general dialogue around business challenges the customer is facing. For both new and existing customer acquisitions, the next step in the sales process is a detailed assessment of the prospect's existing operations versus our model and a review of the potential opportunities to improve revenue cycle performance. Notably, our modular sales process typically is positioned as a service that operates behind existing in-house processes or processes led by other third parties with the objective of finding opportunities to optimize revenue recoveries. We begin negotiations with a standardized contract that is customized, as necessary, after collaborative discussions of operational and management issues and our proposed working relationship.

- **Operating Partnership**: Our sales process for RCM managed services partnership agreements typically lasts from six to 18 months from the introductory meeting to the agreement's execution. Significant due diligence is necessary over the course of this period to identify the highest value and service that can be delivered. It includes an establishment of baseline performance through an impact assessment, evaluation of cost and procedural standards, employee transition plans, and projections within the R1 model.

- **Modular Solutions**: Our sales process for our modular solutions typically lasts two to six months. Because our modular solutions act as both comprehensive and complementary options in various stages of the revenue cycle, customers have the freedom to selectively consider any of R1's offerings on a standalone basis or in conjunction with one another, taking advantage of like datasets and grouping implementation efforts to create a customized deployment.

Technology and Products

Technology and Product Development

Our technology and product development process begins with interaction with the marketplace and understanding of healthcare providers' and patients' needs and challenges. Our product management team, working closely with our operations teams, leads these efforts with product development operations facilities in the U.S. and India. We continue to invest in the improvement of our technology and products in order to enhance the services that we provide our customers. We devote substantial resources to our development efforts and employ a structured process to assess the impact that potential new technologies, products, or enhancements will have on net services revenue, costs, efficiency, and customer satisfaction. The results of this analysis are evaluated in conjunction with our overall corporate goals when making development decisions. In addition to our technology and products development team, our operations personnel play an integral role in setting technology and product priorities in support of their objective of keeping our software operating 24 hours a day, seven days a week.

A component for continued evolution of our technology is our R1 Technology & Innovation Center, where new RCM technologies are designed, evaluated, and tested. We use this hub to foster innovation in cutting-edge areas such as the use of robotic process automation to help address high-value and currently unsolved RCM challenges associated with the cost to collect, denials management, and improving the patient's financial experience. It also serves as a customer experience center.

Another way we have accumulated valuable IP that extends our value proposition and competitive advantage is through business acquisitions. Over the past five years, we acquired SCHEDULING.COM, INC. d/b/a SCI Solutions, Inc. and iVinci Partners, LLC d/b/a VisitPay, and have combined their technology capabilities with ours to create a more comprehensive patient and provider self-service platform. In 2022, we acquired Revint Holdings, LLC ("Cloudmed") and its cloud-based platform that identifies and delivers additional revenue to health system customers. We will continue to assess what new capabilities could be of value to our customers, and plan to regularly evaluate whether we are best suited to develop those capabilities internally, or to obtain them through acquisition of other market-leading technology solution companies.

Proprietary Software Suite

Our integrated suite of RCM technology provides a layer of analytics, rules processing, and workflow capabilities that interface with provider systems to optimize process efficiency and effectiveness. These technologies power the detection of defects on patient accounts and enable staff workflow at point of service areas, customer sites, and our global business services operations. Our technology suite includes, but is not limited to, the following capabilities:

- Our cloud-based platform has the architecture and ability to process large volumes of demographic, clinical, and financial data from over 550 million patient encounters annually and the flexibility to ingest different types of data from numerous disparate sources and customers. The platform applies machine learning algorithms that analyze data and identify revenue cycle inaccuracies and opportunities, then prices those opportunities in accordance with customer-payer contracts. It includes task automation capabilities to enable our operators to efficiently complete their workflow and reporting capabilities to provide customer insights.

- Our workflow platform is used in customer central business offices and at our scaled global business services centers for pre-registration, financial clearance, and financial counseling. The platform processes patient accounts through proprietary rules engines tuned to identify defects in demographic data, authorization processes, insurance benefits and eligibility, and medical necessity. The rules engines are also used to calculate patient cost estimates and prior balance accounts receivables. For the uninsured, the platform helps staff triage patients to find coverage for their visit. Our technology enables staff to work on an exception basis eliminating the need for manual intervention on accounts with no exceptions identified.

- Our patient contact application provides the workflow and data for patient contact center representatives. It enables effective financial discussions with patients on outstanding balances. The platform is integrated into our call center, call-routing and auto-dialer capabilities, and facilitates improved outcomes through propriety process and technology approaches.

- Our proprietary contract modeling platform is used to accurately calculate the maximum allowed reimbursement for each claim based upon models of our customer's contract with each payer. This platform is used to provide insight into the health of payer contracts and to power portions of the workflow tools described above.

- Our web-based reporting and analytics platform produces over 300 proprietary reports derived from the financial, process, and productivity data that we accumulate as a result of our services, which enable us to monitor and identify areas for improvement in the efficacy of our RCM services.

- Our application platform classifies defects in a proprietary nomenclature and distributes data to back-end teams for follow up and resolution according to standard operating processes. Defects are identified and noted on accounts as they occur. The platform, along with our "Yield-Based Follow Up" application, is designed to power customer patient financial services departments and our global business services.

- Our Physician Advisory Services ("PAS") portal allows for the electronic submission, tracking, reviewing, and auditing of patient cases referred to the PAS team. The PAS portal environment is established as a secure site that enables us to receive patient records from customer case managers and route them to our physicians for review. This workflow is supported by an analytics engine within the web portal that provides our customers the ability to improve their compliance and workflow with our real-time reporting, dashboards, and worklists.

- Our web-based, mobile responsive application streamlines the interface for patients and physicians within the revenue cycle across all settings of care. It includes enterprise scheduling, self-service appointment management, patient out-of-pocket cost estimation, online pre-registration, financial clearance, authorization automation, and patient payment. The applications for patient and provider self-service are also connected to R1's proprietary rules engines. These rules engines automate the complex tasks necessary to prevent revenue cycle defects and automate the matching of appropriate provider appointment capacity with specific patient needs under any variety of clinical and administrative circumstances.

- R1 leverages a platform that combines robotic process automation, computer vision/optical character recognition, natural language processing, expert rules/machine learning, workflow integration, and analytics to automate processes across the revenue cycle and manage the digital workforce. This platform allows us to bring off-the-shelf automation to solve many of the common revenue cycle workflows, while providing the flexibility to efficiently address customer-specific processes. With this technology platform, repetitive transactional processes are automated, delivering operating efficiency and freeing up staff members to focus on higher-order problem solving and higher value-added work. The platform targets a wide range of functions including prior authorization, coding, accounts receivable follow-up, payment posting, and credit balances, among others.

- Our chart manager supports patient medical record deficiency management, by evaluating record completeness and optimizing the chart completion workflow. The application creates an intuitive user experience, queuing work by defect and providing visibility to work in process. It allows hand-offs across departments, and tracking of accountability for chart completion, in order to drive velocity and accuracy of the medical record management and coding processes. Customers generally experience improved unbilled accounts receivable days and faster cash collection by utilizing the technology.

- We offer a solution that supports the end-to-end cash posting function through automation, including the matching of bank deposits to remittance advices, initiating the posting of the remittance advices within a customer's patient accounting system, balancing these transactions, and providing financial reporting. With this technology, unmatched deposits/remittances or unbalanced transactions are able to be worked on an exception-basis.

- We offer a standardized technology solution for performing quality assurance across the various operational verticals. The technology provides audit workflow, statistically-driven sampling, domain-specific audit templates, and staff feedback gathering and alerting functionality.

- We offer a host billing and coding system for hospital-based physicians to facilitate coding, insurance billing, accounts receivable and denials management, patient statements, and cash posting functions.

These proprietary technology applications run on an integrated platform built on a modern, event-driven architecture and rules engines that enhance integration of systems and operational workflows. Our applications are deployed on a highly-scalable architecture based upon Microsoft and other industry leading platforms. We offer a common experience for end-users and believe the consistent look and feel of our applications allows our customers and staff to use our software suite quickly and easily.

Technology Operations

Our software interacts with our customers' software through a series of real-time and batch interfaces. We do not require changes to the customer's core patient care delivery or financial systems. Instead of installing hardware or software in customer locations or data centers, we specify the information that a customer needs to extract from its existing systems in order to interface with our systems. This methodology enables our systems to operate with many combinations of customer systems, including custom and industry-standard implementations.

When these interfaces are in place, we provide a holistic application suite across the healthcare provider's revenue cycle. For our purposes, the revenue cycle starts when a patient registers for future service or arrives at a hospital or clinic for unscheduled service, and ends when the healthcare organization has collected all the appropriate revenue from all possible sources. Thus, we provide eligibility, address validation, skip tracing, charge capture, patient and payer follow-up, analytics and tracking, charge master management, contract modeling, contract "what if" analysis, collections, and other functions throughout the customer's revenue cycle.

Our core RCM and PAS applications are hosted within enterprise-class, industry-leading, third-party data centers located in Dallas, Texas and Ashburn, Virginia. Our internal financial application suite is hosted in various locations in a U.S.-based cloud model. The third-party partners we use for hosting are compliant with the Statement on Standards for Attestation Engagements, or SSAE, No. 16, Reporting on Controls at a Service Organization (Service Organization Controls 1). We have agreements with our hardware and system software suppliers for support 24 hours a day, seven days a week.

Data and information regarding our customers' patients reside within the continental U.S. data centers and are encrypted both when transmitted over the internet and at-rest. We have dedicated links for data replication between our primary and secondary production data centers for resiliency and redundancy. We also have data backups that occur at appropriate intervals.

If a combination of events were to cause a system failure, we would follow our IT incident management and IT disaster-recovery processes to isolate the failure and restore services. We believe that no combination of failures by our systems would impact a customer's ability to deliver patient care because our systems run parallel to a customer's host system, which is the system of record for all patient-related information.

Our third-party data centers are designed to withstand many catastrophic events such as blizzards, hurricanes, and power grid anomalies. To protect against a catastrophic event where our primary data center is destroyed and service cannot be completely restored within a few days, we continuously replicate our data from our primary data center to our secondary data center. In addition, we store backups of our virtual servers, applications, and databases off-site, which would be utilized to make our systems and IT infrastructure operational. We would re-establish operations by pointing to secondary data-center servers and, where appropriate, restoring data from the off-site backups and re-establishing connectivity with our customers' host systems. Our system is designed to minimize or eliminate changes needed on the customer host systems and on customer workstations to reconnect to our systems.

Competition

The market for our solutions is competitive across offerings. We believe that we have a competitive advantage based on the following factors:

- deep knowledge of healthcare payment and reimbursement system complexities in the U.S.;

- a proven track record of delivering revenue improvements and efficiency gains for healthcare organizations while enhancing patient satisfaction;
- predictable and measurable results;
- the ability to deliver solutions to optimize a healthcare organization's revenue cycle operations;
- cost-effectiveness created by our global operations and integrated suite of RCM technology;
- reliability, simplicity, and flexibility of technology platforms;
- understanding of the healthcare industry’s regulatory environment; and
- scalable infrastructure and financial stability.

We face competition from various sources, including other end-to-end or functional RCM providers, modular solution companies, and internal RCM departments of healthcare organizations. Healthcare providers may choose to rely on their own internal RCM operations and technology versus utilizing solutions from external partners.

We also compete with several categories of external market participants, most of which focus on specific components of the healthcare revenue cycle. External market participants include:

- software vendors and other technology-supported RCM business process improvement companies;
- global operations companies that provide staffing or technology solutions;
- consulting organizations; and
- information technology outsourcers.

Government Regulation

The customers we serve are subject to a complex array of federal and state laws and regulations. These laws and regulations may change rapidly and unpredictably, and it frequently is unclear how they apply to our business. We devote significant efforts through continuous review, analysis, monitoring, and training of personnel to establish and maintain compliance with all regulatory requirements that we believe are applicable to our business and the solutions we offer.

Government Regulation of Health Information

Privacy and Security Regulations. The Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act (“HIPAA”) and its implementing regulations include substantial restrictions and requirements with respect to the use and disclosure of a subset of individually identifiable health information, referred to as protected health information (“PHI”), and require covered entities, including health plans, healthcare clearinghouses, and most healthcare providers, to implement administrative, physical, and technical safeguards to protect the confidentiality, integrity, and availability of electronic PHI maintained or transmitted by them or by others on their behalf.

Certain provisions of the privacy and security regulations promulgated pursuant to HIPAA apply to business associates (i.e., entities that perform functions on behalf of, or provide services to, covered entities involving the handling of PHI), and business associates are subject to direct liability for violation of these provisions. Violations of the HIPAA privacy and security regulations may result in criminal penalties and in substantial civil penalties per violation. The civil penalties are adjusted annually based on updates to the consumer price index. In addition, a covered entity may be subject to penalties as a result of a business associate violating HIPAA if the business associate is found to be an agent of the covered entity. Most of our customers are covered entities and we are a business associate to many such customers under HIPAA as a result of our contractual obligations to perform certain functions on behalf of, and provide certain services to, those customers. As a business associate, we sometimes also act as a clearinghouse in performing certain functions for our customers.

In order to provide our covered entity customers with services that involve the use or disclosure of PHI, HIPAA requires our customers to enter into business associate agreements with us. Among other things, such business associate agreements (i) dictate how we may use and disclose PHI, (ii) require us to implement reasonable administrative, physical, and technical safeguards to protect PHI from misuse, (iii) report security incidents and other improper uses or disclosures of PHI, and (iv) impose these same obligations through agreements with our agents and subcontractors that have access to PHI.

Transaction Requirements. In addition to privacy and security requirements, HIPAA requires that certain electronic transactions related to healthcare billing be conducted using uniform electronic data transmission standards and code sets for certain healthcare claims and payment transactions submitted or received electronically. We are contractually required to structure and provide our services in a way that supports our customers' HIPAA compliance obligations.

Data Security and Breaches. Covered entities must report breaches of unsecured PHI to affected individuals without unreasonable delay but not to exceed 60 days after discovery of the breach by a covered entity or its agents. Notification also must be made to the U.S. Department of Health & Human Services ("HHS") and, in certain situations involving large breaches, to the media. HHS is required to publish on its website a list of all covered entities that report a breach involving more than 500 individuals. Impermissible uses or disclosures of unsecured PHI are presumed to be breaches unless the covered entity or business associate establishes that there is a low probability that the unsecured PHI has been compromised. Various state laws and regulations also may require us to notify affected individuals in the event of a data breach involving individually identifiable information. In many cases, these state laws are limited to electronic data, but states increasingly are enacting or considering stricter and broader requirements. In addition, the U.S. Federal Trade Commission ("FTC") uses its consumer protection authority to initiate enforcement actions in response to data breaches. We have implemented and maintain physical, technical, and administrative safeguards intended to protect all personal data, and have processes in place to assist us in complying with applicable laws and regulations regarding the protection of this data and properly responding to any security incidents and data breaches.

State Laws. In addition to HIPAA, many states have enacted patient confidentiality laws that protect against the unauthorized disclosure of confidential medical information, with many others adopting or considering further legislation in this area, including privacy safeguards, security standards, and data security breach notification requirements. Such state laws, if more stringent than HIPAA requirements, are not preempted by the federal requirements, and we must comply with them even though they may be subject to different interpretations by various courts and other governmental authorities. For example, the California Confidentiality of Medical Information Act has several standards that go beyond those set forth under HIPAA and its regulations.

Other Requirements. In addition to HIPAA and its state counterparts, there are numerous laws and legislative and regulatory initiatives at the federal and state levels addressing privacy and security concerns. For example, the California Consumer Privacy Act of 2018 ("CCPA"), as amended by the California Privacy Rights Act and its implementing regulations, affords California residents broad rights over their "personal information" and imposes attendant obligations on covered "businesses" and their "service providers." The CCPA provides for civil penalties for violations, as well as a private right of action for negligent data breaches. Although HIPAA covered data is exempt from the scope of the CCPA, many business associates and covered entities collect personal information from California residents that may fall outside of HIPAA and therefore trigger the CCPA's requirements. Likewise, Virginia, Colorado, Connecticut, and Utah each have broad privacy laws that went into effect in 2023. Under those laws, however, business associates are exempt as an entity. It is anticipated that more states will adopt similar legislation in the near future. Finally, several states, including Washington, Connecticut, and Nevada, may impose additional privacy obligations relating to the collection and processing of health data that is not covered under HIPAA.

We and our customers may be subject to federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These laws vary and could impose additional penalties. In addition, the FTC increasingly is enforcing the Federal Trade Commission Act, and actively regulating companies to ensure their security policies and controls adequately protect the personal information the organizations collect and maintain against unauthorized access, acquisition, and disclosure. The FTC has issued guidance for, and several states have issued or are considering new regulations to require, holders of certain types of personally identifiable information to implement formal policies and programs to prevent, detect, and mitigate the risk of identity theft and other unauthorized access to or use of such information. Further, federal and state legislation has been proposed, and through rule making or executive action, several states have taken action, to restrict or discourage the disclosure of medical or other personally identifiable information to individuals or entities located outside of the U.S.

There are also increased risks from private lawsuits relating to data privacy. There have been recent lawsuits against website owners alleging violations of decades-old surveillance laws and arguing that features such as chat bots, session replay software, tracking pixels, and use of voice prints may violate these laws. These cases may impact our business as we operate websites that utilize certain tools that may be the subject of a lawsuit. These cases and their underlying theories may impact our business.

In addition to data privacy laws and increased regulatory enforcement, the federal government and a number of states are increasingly focused on regulating the use of AI in the context of preventing discriminatory outcomes in the use of AI, as well as the need to use AI in a responsible and trustworthy manner. Due to the nature of our business, and the increased regulatory and enforcement environment concerning the use of AI, we may face unique compliance and business challenges as our technology partners, providers, and customers all face additional pressures as it relates to the regulation and use of AI. Should we introduce solutions that generate content that is misleading, biased, harmful, or controversial due to perceived or actual societal impact, we may face potential harm to our brand and reputation, competitive disadvantages, or even legal liabilities.

International Laws. In addition to data privacy and security statutes in the U.S., privacy laws outside of the U.S., including those in the European Union via its General Data Protection Regulation 2016/679 ("GDPR"), data privacy laws in India, and other foreign data privacy and protection legal regimes, such as the Philippines Data Privacy Act, may apply to certain of our activities. The GDPR and similar laws throughout the world impose a number of compliance obligations, including those related to privacy notices, legal bases for processing data, data retention, data security, and the rights of individuals. Violations of these global privacy laws can result in significant penalties and, in some cases, criminal sanctions. For example, under the GDPR, fines can be up to 4% of global annual turnover for the preceding financial year or €20 million (whichever is higher) for the most serious infringements. The extent to which our activities and business are subject to the GDPR, or similar laws such as those in the Philippines and in India, depends on the nature of our customers, scope of work and our operational needs and employees in any given jurisdiction.

Government Regulation of Reimbursement

Our customers are subject to regulation by a number of governmental agencies, including those that administer the Medicare and Medicaid programs. Accordingly, our customers are sensitive to legislative and regulatory changes in, and limitations on, government healthcare programs and changes in reimbursement policies, processes, and payment rates. During recent years, there have been numerous federal legislative and administrative actions that have affected government programs, including adjustments that have reduced or increased payments to physicians and other healthcare providers and adjustments that have affected the complexity of our work. For example, the Medicare Access and CHIP Reauthorization Act of 2015 established a Quality Payment Program that requires physicians and other health care clinicians to track and report a multitude of data relating to quality, clinical practice improvement activities, use of an electronic health record, and cost. Success or failure with respect to these measures in any particular year impacts reimbursement in future years. Similarly, hospitals participating in the Medicare Hospital Value-Based Purchasing Program, which requires the reporting of quality and cost measures, may receive a net decrease in inpatient payments depending on the hospital's quality performance standards. It is possible that the federal or state governments will implement additional reductions, increases, or changes in reimbursement under government programs that will adversely affect our customer base or increase the cost of providing our services. Any such changes could adversely affect our own financial condition by reducing the reimbursement rates of our customers.

The COVID-19 national emergency and public health emergency ("PHE") ended on May 11, 2023. The PHE had been in place since January 31, 2020. Our customers continue to work through transition issues as a result of changes in a number of healthcare policies that they relied upon during the PHE. Relatedly, growth in Medicaid enrollment during the PHE as a result of the enrollment provision of the Families First Coronavirus Response Act has been impacted by states beginning to redetermine the eligibility of Medicaid recipients, which has resulted in fewer eligible Medicaid recipients. These developments may cause a reduction in the amounts received by our customers and may have an indirect adverse effect on our business.

Under Medicare's managed care program, commonly referred to as Medicare Part C or Medicare Advantage ("MA"), the Centers for Medicare & Medicaid Services ("CMS") contract with private insurers to provide Medicare beneficiaries with Medicare Part A and Part B benefits. Over the past 10 years, the percentage of Medicare beneficiaries who obtain their benefits through MA plans, and not through Medicare's traditional fee-for-service program, has grown substantially. In 2013, approximately 29 percent of Medicare beneficiaries were enrolled in MA plans; in 2023, approximately 51 percent of Medicare beneficiaries were enrolled in MA plans. If MA organizations impose MA program regulatory requirements on our customers or negotiate lower reimbursement rates with them, our customers could become subject to additional regulatory requirements or reduced reimbursement rates, each of which could adversely affect our financial and operational results.

No Surprises Act. Other health reform initiatives, such as the No Surprises Act, enacted as part of the Consolidated Appropriations Act, 2021, may impact our customers and procedures surrounding claims processing. The No Surprises Act is intended to address unexpected gaps in insurance coverage that result in "surprise medical bills" when patients unknowingly obtain medical services (such as emergency services) from out-of-network providers. Effective January 1, 2022, the No Surprises Act created additional price transparency requirements, including the requirement that providers send patients and health plans a good faith estimate of the expected charges for furnishing certain items or services. If the actual charges are substantially higher than the estimate, the patient can invoke a dispute resolution process to challenge the higher amount. Further, subject to limited exceptions, the No Surprises Act also prohibits out-of-network providers from charging patients more than the relevant in-network cost sharing amount. Our customers will need to ensure that they have adequate workflows in place to detect and prevent violations of No Surprises Act requirements, or they could face enforcement actions by state or federal agencies for noncompliance with the rules.

Fraud and Abuse Laws

A number of healthcare fraud and abuse laws apply to hospitals, physicians, and others who (i) furnish healthcare services to patients and submit claims for reimbursement to government programs or commercial insurers, and (ii) refer patients to one another. Given the breadth of these laws, they may affect our business, either directly or because they apply to our customers. These laws and regulations include:

False Claims Laws. There are numerous federal and state laws that prohibit (i) submitting a false claim, (ii) causing the submission of a false claim, (iii) retaining a known overpayment, or (iv) engaging in similar types of conduct. The federal civil False Claims Act ("FCA"), for example, prohibits (i) knowingly presenting, or causing to be presented, a false or fraudulent claim for payment or approval, or (ii) knowingly making, using, or causing to be made or used, a false record or statement material to a false or fraudulent claim. Further, under its so-called "reverse false clams" provision, the FCA imposes liability on any person who knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the government. An obligation to pay or transmit money or property to the government, in turn, may arise if a person identifies an overpayment and fails to report and return the overpayment to the government within 60 days. Violations of the FCA may result in treble damages and per claim fines ranging from $13,508 to $27,018. The FCA may be enforced by the government or by private whistleblowers under the "qui tam" provisions of the statute. Whistleblowers are entitled to a share of any recovery in an FCA case. Other federal laws, such as those governing the imposition of civil monetary penalties, prohibit similar conduct, as do many state laws.

Anti-Kickback Laws. There are numerous federal and state laws that prohibit one person from providing anything of value to another person if one purpose of the arrangement is to induce the payee to refer patients or other business to the payer for services that are covered by a government program (or, in the case of some state laws, a commercial insurer). For example, the federal healthcare program anti-kickback statute ("AKS") prohibits one person from "knowingly and willfully" offering or paying any "remuneration" to another person to induce the recipient to (i) refer an individual for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part under Medicare, Medicaid, or any other federal healthcare program, or (ii) purchase, lease, order, or arrange for or recommend purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in part under a federal healthcare program. The AKS also prohibits a person from soliciting or receiving remuneration in exchange for engaging in any of these activities. Violation of the AKS can result in imprisonment, fines, exclusion from participation in federal healthcare programs ("program exclusion"), and exposure under the FCA. Many states have adopted anti-inducement laws similar to the AKS. In some cases, these state laws are narrower than the federal AKS (applying only to certain categories of persons, such as physicians). In other cases, the state laws are broader than the federal AKS (covering inducements to refer not only government program patients and business but commercially insured patients and business as well).

Physician Self-Referral Laws. Under the federal physician self-referral law (or "Stark Law"), if a physician (or one of his or her immediate family members) has a financial relationship with a healthcare provider (such as a hospital), then, in the absence of an applicable exception (i) the physician may not refer Medicare beneficiaries to that provider for certain so-called "designated health services," and (ii) in the event of such a referral, the provider may not bill Medicare, the beneficiary, or any other person for those services. Violations of the referral and billing prohibitions of the Stark Law can result in civil monetary penalties, program exclusion, and exposure under the FCA. Many states have their own physician self-referral laws. These state laws vary widely, in some cases being narrower, and in other cases broader, than the Stark Law.

Healthcare fraud and abuse laws, such as those described above, apply to many of our customers and, under some circumstances, could apply to us. Although we believe that our practices and our customers' practices are generally in compliance with these laws, we cannot be certain that governmental officials or others will not assert otherwise.

Emergency Medical Treatment and Labor Act

The federal Emergency Medical Treatment and Labor Act ("EMTALA") was enacted to ensure public access to emergency services regardless of a patient's insurance status or ability to pay. Specifically, EMTALA requires Medicare-participating hospitals to conduct an appropriate medical screening examination of every individual who presents to the hospital's emergency room for treatment. If the individual is suffering from an emergency medical condition, the hospital must either stabilize the condition or make an appropriate transfer of the individual to a facility able to handle the condition. The obligation to screen and stabilize emergency medical conditions exists regardless of an individual's ability to pay for treatment. There are severe penalties under EMTALA if a hospital fails to screen or appropriately stabilize or transfer an individual or if the hospital delays appropriate treatment in order to first inquire about the individual's ability to pay. Sanctions for violating EMTALA include program exclusion and civil monetary penalties. These civil monetary penalties are adjusted annually based on updates to the consumer price index. In addition, the law creates a private right of action for any individual who suffers personal harm as a direct result of a violation of the law. A hospital that suffers a financial loss as a direct result of another hospital's violation of the law also has a similar right.

EMTALA generally applies to our customers that are Medicare-participating hospitals, and we assist our customers with the intake of their patients. Although we believe that our customers' practices generally are in compliance with the law and applicable regulations, we cannot be certain that governmental officials or others will not assert that we or our customers are in violation of EMTALA, nor can we predict what obligations may be imposed by regulations to be issued in the future.

Laws Limiting Assignment of Reimbursement Claims

Various federal and state laws limit whether and the extent to which claims for reimbursement from a government program can be assigned (by a patient to a provider) or reassigned (by one provider to another person). We do not believe that our customers reassign their claims for Medicare or Medicaid reimbursement to us. Any determination to the contrary, however, could adversely affect our ability to be paid for the services we provide to our customers, require us to restructure the manner in which we are paid, or have further regulatory consequences.

Regulation of Debt Collection Activities

The federal Fair Debt Collection Practices Act ("FDCPA") regulates persons who regularly collect or attempt to collect, directly or indirectly, consumer debts owed or asserted to be owed to another person. Certain of our accounts receivable activities may be deemed to be subject to the FDCPA. The FDCPA establishes specific guidelines and procedures that debt collectors must follow in communicating with consumer debtors, including the time, place, and manner of such communications. Further, it prohibits harassment or abuse by debt collectors, including the threat of violence or criminal prosecution, obscene language, or repeated telephone calls made with the intent to abuse or harass. The FDCPA also places restrictions on communications with individuals other than consumer debtors in connection with the collection of any consumer debt and sets forth specific procedures to be followed when communicating with such third parties for purposes of obtaining location information about the consumer. In addition, the FDCPA contains various notice and disclosure requirements and prohibits unfair or misleading representations by debt collectors. Finally, the FDCPA imposes certain limitations on lawsuits to collect debts against consumers.

Debt collection activities are also regulated at the state level. Most states have laws regulating debt collection activities in ways that are similar to, and in some cases more stringent than, the FDCPA. In addition, some states require companies engaged in the collection of consumer debt to be licensed. In all states where we operate, we believe that we (1) currently hold all required licenses, (2) are in the process of requesting and retaining all applicable licenses, or (3) are exempt from licensing.

Certain of our activities also may be subject to the Telephone Consumer Protection Act ("TCPA"). In the process of communicating with our customers' patients, we use a variety of communications methods. The TCPA may, depending on the nature of the communication, place certain restrictions on companies that place telephone calls to consumers.

The FTC has the authority to investigate consumer complaints relating to the FDCPA and the TCPA, and to initiate or recommend enforcement actions, including actions to seek monetary penalties. State officials typically have authority to enforce corresponding state laws. In addition, affected consumers may bring suits, including class action suits, to seek monetary remedies (including statutory damages) for violations of the federal and state provisions discussed above.

Regulation of Credit Card Activities

We process, on behalf of our customers, credit card payments from their patients. Various federal and state laws impose privacy and information security laws and regulations with respect to the use of credit cards. If we fail to comply with these laws and regulations or experience a credit card security breach, our reputation could be damaged, possibly resulting in lost future business, and we could be subjected to additional legal or financial risk as a result of non-compliance.

Foreign Regulations

Our international operations are subject to additional regulations that govern the creation, continuation, and winding up of companies, as well as the relationships between the shareholders, the company, the public, and the government.

Compliance with government regulations is not expected to have a material effect on our capital expenditures, earnings and competitive position in 2024.

Intellectual Property

We rely upon a combination of patent, trademark, copyright, and trade secret laws and contractual terms and conditions to protect our IP rights, and have sought patent protection for aspects of our key innovations.

We have been issued eight U.S. patents which expire between 2028 and 2036, upon payment of U.S. Patent maintenance fees. We have two additional allowed patents (awaiting issuance) and four additional pending U.S. patent applications. Legal standards relating to the validity, enforceability, and scope of protection of patents can be uncertain. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. Our patent applications may not result in the grant of patents with the scope of the claims that we seek, if at all, or the scope of the granted claims may not be sufficiently broad to protect our products and technology. Our eight granted patents or any patents that may be granted in the future from pending or future applications may be opposed, contested, circumvented, designed around by a third party, or found to be invalid or unenforceable. Third parties may develop technologies that are similar or superior to our proprietary technologies, duplicate, or otherwise obtain and use our proprietary technologies or design around patents owned or licensed by us. If our technology is found to infringe any patent or other IP right held by a third party, we could be prevented from providing our service offerings or subjected to significant damage awards.

We also rely, in some circumstances, on trade secrets to protect our technology. We control access to and the use of our application capabilities through a combination of internal and external controls, including contractual protections with employees, customers, contractors, and business partners. We license some of our software through agreements that impose specific restrictions on our customers' ability to use the software, such as prohibiting reverse engineering and limiting the use of copies. We also require employees and contractors to sign non-disclosure agreements and invention assignment agreements to give us ownership of IP developed in the course of working for us.

Consistent with common industry practices, we occasionally utilize open source software or third-party software products to meet our customers' needs.

Human Capital Management

As of December 31, 2023, we had approximately 30,000 employees. Of these employees, approximately 11,800 full-time and 500 part-time employees were located in the U.S., and approximately 17,600 full-time employees were located internationally. Our employees are not represented by a labor union, and we consider our current employee relations to be strong.

R1 recognizes that attracting, motivating and retaining diverse talent at all levels is vital to continuing our success. By fostering a talent focused and inclusive culture, we believe we will have more engaged associates, which will further enhance our ability to support R1's customers and protect the long-term interests of our stakeholders and stockholders. We invest in our employees through high-quality benefits and various health and wellness initiatives, and offer competitive compensation packages, which are also designed to ensure fairness in internal compensation practices. We adhere to our Code of Integrity, which emphasizes our four guiding compliance principles of integrity, accountability, collaboration, and vigilance.

To further engage and incentivize our workforce, we provide a wide range of career development opportunities to support and motivate our employees to operate at their best and succeed. These opportunities include but are not limited to a role-based R1 Certification Program for our hourly staff and R1 Leadership Experience programs for high potential associates at each level of the organization, designed to develop their leadership capabilities. For example, our Launch program is designed to accelerate the development of recent college graduates. Launch participants rotate across our business as a cohort group with opportunities for mentoring and leadership interaction. In 2021, we launched R1 Aspire, an immersive eLearning catalog that provides engaging and easy to use content, technology, and programs for all our associates. For professional recognition of our associates, our R1 Stars program provides leaders and fellow associates the opportunity to recognize one another for their contributions. In 2023, over 80,000 recognition awards were given to associates globally through R1 Stars.

R1 is committed to being a company where everyone is included and valued for their unique strengths, afforded an opportunity to grow and develop, and empowered to bring their full selves to work. Our Inclusion and Diversity ("I&D") strategy focuses on three key areas: Leadership Accountability & Pipeline, Inclusive Culture, and Associate Involvement in our programs. In 2023, we continued to publish our quarterly internal I&D scorecard to create more transparency around our strategy and progress for all of our associates. We also continued our I&D keynote speaker sessions, which feature external subject matter experts on a variety of I&D topics. Finally, we received a 100% score on the Human Rights Campaign's Corporate Equality Index for the second year in a row. The Corporate Equality Index is a national benchmarking tool on corporate policies, practices and benefits pertinent to lesbian, gay, bisexual, transgender, and queer employees.

Each year, we gauge our employees' level of engagement and satisfaction by conducting engagement surveys with the assistance of a third-party. In 2023, a new monthly engagement survey was rolled out mid-year. With six months of data, we have an aggregated 91% response rate to our monthly engagement surveys and we are utilizing employee feedback from the survey to enhance career development and employee growth opportunities. As a part of this process, we solicit feedback from employees on career and development opportunities, benefits, well-being, and comfort in reporting behavior that does not align to our Code of Integrity. We also ask for feedback about their people leader's effectiveness and ability to foster a more inclusive and diverse workplace.

At R1, we are committed to making a meaningful impact in our communities by focusing on community service and volunteerism related to health, education, and human services. Our Helping Hands program demonstrates our commitment to continue being a good corporate citizen everywhere we operate, serve, and live. We empower our employees to look beyond themselves and reach out to identify and address social issues in their communities. As a part of that commitment, we provide full-time U.S. employees with 16 hours and part-time U.S. employees with 8 hours of paid time off to participate in volunteer activities during normal business hours. In 2023, we supported over 835 community organizations and contributed over 17,400 volunteer hours.

Corporate Information

We were incorporated in Delaware in 2003 as Healthcare Services, Inc. and were named Healthcare Services, Inc. from July 2003 until August 2009, when we changed our name to Accretive Health, Inc. We operated under the name Accretive Health until January 5, 2017, when we changed our name to R1 RCM Inc. Our principal executive offices are located at 433 W. Ascension Way, Suite 200, Murray, Utah 84123, and our telephone number is (312) 324-7820.

Information Availability

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and all amendments and exhibits to those reports are available free of charge on our website at www.r1rcm.com under the "Investor Relations" page as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this report, unless expressly noted otherwise. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our reports filed with the SEC are also made available on its website.

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

Risks Related to Our Operations and Service Offering

We operate in a highly competitive industry, and our current or future competitors may be able to compete more effectively than we do, which could have a material adverse effect on our operating results, growth rates and market share.

The market for our solutions is and will continue to be highly competitive. The rapid changes in the U.S. healthcare market resulting from pressures to reduce healthcare cost inflation and regulatory and legislative initiatives are increasing the level of competition. We face competition from healthcare systems' internal RCM departments and external participants. External participants that are our competitors include end-to-end RCM providers, software vendors and other technology-supported RCM business process outsourcing companies, traditional consultants, and information technology outsourcers. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, regulations, or customer requirements. We may not be able to compete successfully with these companies, and these or other competitors may introduce technologies or services that render our technologies or services obsolete or less marketable. Even if our technologies and services are more effective than the offerings of our competitors, our competitors may offer similar solutions at a lower price, which may cause our customers to choose our competitors' solutions over ours. Increased competition is likely to result in pricing pressures, which could adversely affect our operating results, growth rate, or market share. Even if we have a good relationship and strong performance history with a customer, open and competitive bidding practices mean we may not be awarded renewal business or may have to aggressively price our services to be successful.

The markets for our RCM service offering may develop more slowly than we expect.

Our success depends, in part, on the willingness of healthcare organizations to implement integrated solutions for the areas in which we provide services. Some organizations may be reluctant or unwilling to implement our solutions for a number of reasons, including failure to perceive the need for improved revenue cycle operations, lack of knowledge about the potential benefits our solutions provide, concerns over the cost of using an external solution, or as a result of investments or planned investments in internally developed solutions, choosing to continue to rely on their own internal resources.

Delayed or unsuccessful implementation of our technologies or services with our customers or implementation costs that exceed our expectations may adversely affect our operating results.

In periods during which we add new customers, our operating costs are typically higher because we incur expenses to integrate our solutions with our customers' existing patient accounting and clinical systems. The implementation process varies from customer to customer, and we may face unanticipated challenges, including failure to obtain approvals or access rights from our customers' vendors in a timely manner or at all. If the implementation process is not executed successfully or is delayed, as we have experienced from time to time, our relationships with our customers and our operating results may be adversely affected. Implementation of certain of our solutions also requires us to integrate our employees into customer's operations. Depending on our customers' implementation needs, we may be required to devote a larger number of our employees than anticipated, which may increase our costs and adversely affect operating results.

Errors may occur during the provision of our services, which could result in liabilities to our customers or third parties, or we may earn lower net services revenue due to failure to maintain service levels.

The services we offer are complex and involve numerous manual and automated touchpoints with patients, providers and payers, which inherently creates a higher error risk. Errors can result from the interface of our proprietary technology applications and a customer's existing technologies, or we may make human errors in any aspect of our service offerings. The costs incurred in correcting any significant errors may be substantial and could adversely affect our operating results. Our customers, or third parties such as our customers' patients, may assert claims against us alleging that they suffered damages due to our errors, and such claims could subject us to significant legal defense costs in excess of our existing insurance coverage and adverse publicity regardless of the merits or eventual outcome of such claims. In addition, if we are unable to maintain high service levels and our customers fail to achieve agreed upon improvement in financial or operating metrics, the incentive fee payments to us from such customers may be lower than anticipated.

The development and use of AI in connection with our products may result in reputational harm or liability, which could adversely affect our business and operating results.

R1 employs machine learning and AI technologies, including generative AI, in our offerings, and research into and continued development of such technologies remains ongoing. As AI represents a rapidly evolving field, it inherently carries a spectrum of risks typical to emerging technologies. We anticipate the enactment of new regulations and laws pertaining to AI usage, potentially placing us under increased regulatory oversight, escalating litigation risks, and augmenting our existing obligations regarding confidentiality and privacy. Such developments could negatively impact our business operations. Moreover, AI technologies introduce heightened cybersecurity risks and ethical considerations, potentially affecting our reputation and operational performance. Should we introduce solutions that generate content that is misleading, biased, harmful or controversial due to perceived or actual societal impact, we may face potential harm to our brand and reputation, competitive disadvantages, or even legal liabilities. AI algorithms and training methodologies may be flawed. ineffective or inadequate. AI development or deployment practices by us or others could result in incidents that impair the acceptance of AI solutions or cause harm to individuals or society.

Further, the legal landscape regarding IP rights in AI technologies remains unsettled in the U.S., both in legislation and judicial precedent. Consequently, our engagement with AI technologies and features might lead to allegations of infringement or misappropriation of third-party IP rights. This risk is intensified by the current trend of entities swiftly seeking patents and other IP protections in AI to gain a competitive edge. Additionally, generative AI has the capacity to yield inaccurate or misleading results, promote discriminatory outcomes, or perpetuate unintended biases. Despite our efforts to implement measures and develop our AI tools in a manner that enhances security and fairness, these issues may arise due to the direct interaction of users with generative AI models and the inherent unpredictability and power of these technologies. Litigation or government regulation related to the use of AI may also adversely impact our ability to develop and offer products that use AI, as well as increase the cost and complexity of doing so. If we enable or offer solutions that draw controversy due to their perceived or actual impact on society, we may experience brand or reputational harm, competitive harm, or legal liability. Potential government regulation related to AI use and ethics may also increase the burden and cost in this area, and failure to properly remediate AI usage or ethics issues may cause public confidence in AI to be undermined. Such outcomes can result in reputational damage, legal liabilities, and adverse effects on our operational results.

Negative public perception, customer policies, and proposed legislation in the U.S. regarding offshore outsourcing may increase the cost of delivering our services or prevent us from realizing cost savings in the future.

Offshore outsourcing is a politically sensitive topic in the U.S. For example, various organizations and public figures in the U.S. have expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in the U.S. Current or prospective customers may elect to perform such RCM services themselves or may be discouraged from transferring these services from onshore to offshore providers to avoid negative perceptions that may be associated with using an offshore provider or may have internal policies restricting use of offshore resources. Any slowdown or reversal of existing industry trends towards offshore outsourcing, and the resulting need to relocate aspects of our services from our global business services operations to the U.S. where operating costs are higher, would increase the cost of delivering our services.

In the U.S., federal and state legislation has been proposed, and in several states enacted, to restrict or discourage U.S. companies from outsourcing their services to companies outside the U.S. Further, through rule making or executive action, some states have imposed limitations on offshore outsourcing of administrative services for the Medicaid program. It is possible that additional legislation be enacted or regulatory guidance issued that would restrict U.S. private sector companies that have federal or state government contracts, or that receive government funding or reimbursement, such as Medicare or Medicaid payments, from outsourcing their services to offshore service providers. Any changes to existing laws or the enactment of new legislation restricting offshore outsourcing in the U.S. may adversely affect our ability to do business, particularly if these changes are widespread, and could have a material adverse effect on our business, operating results, financial condition, and cash flows.

Risks Related to Our Customers

If we are unable to retain our existing customers or acquire new customers, our operating results could be adversely affected.

Our future financial performance depends upon the retention of our customers and our ability to acquire new customers. We earn net services revenue primarily from managed services agreements pursuant to which we receive performance-based fees. Our profitability on customer agreements increases over time, as we integrate our systems, processes, and procedures with our customers. Customers can elect not to renew their managed services agreements with us upon expiration. Certain customer agreements permit early termination for convenience, subject to a notice period. If a customer does not renew or terminates a managed services agreement for any reason, we may not recognize sufficient revenue from that customer prior to the non-renewal or termination to offset the implementation costs associated with that customer.

Some of our managed services agreements require us to adhere to extensive, complex data security, network access, and other institutional procedures and requirements of our customers, and customers may in the future allege that we have not complied with all such procedures and requirements. Factors external to us and beyond our control, including but not limited to cyber attacks, failures of a contracted vendor, or regulatory changes, may cause a failure to perform under a contract. If a breach of a managed services agreement occurs or if there is an actual or perceived service level performance failure, we may be liable to the customer for damages or may need to allocate additional resources or incur additional costs to resolve the breach. Further, we or the customer may generally terminate an agreement for a material uncured breach by the other.

If consolidation or divestitures (including as a result of increased financial pressure) increase within the healthcare provider industry, it may also make it more difficult for us to acquire new customers, retain existing customers, or grow service revenues from existing customers, as consolidated healthcare systems may be more likely to have incumbent RCM providers or significant internal revenue cycle capabilities. For example, certain of our smaller customers ceased to be customers after being acquired by larger healthcare systems with an existing RCM program. In addition, if our customers with operating partnership agreements divest facilities within their hospital systems, our service revenues may be reduced and our opportunity to grow profitability based on scale may be diluted.

We face a selling cycle of variable length to secure new agreements, making it difficult to predict the timing of specific new customer relationships and related revenue.

We face a selling cycle of variable length, typically spanning six to 18 months or longer, to secure a new managed services agreement, and two to six months for modular solutions. Even if we succeed in developing a relationship with a potential new customer, we may not be successful in entering into an agreement with that customer within our anticipated timeframe or at all. In addition, we cannot accurately predict the timing of entering into agreements with new customers due to the complex procurement decision processes of most healthcare providers, which often involve high-level management or board committee approvals. Due to our variable selling cycle length, we have only a limited ability to predict the timing of specific new customer relationships, which affects our ability to predict future revenues and cash flows.

Risks Related to Our Cybersecurity and Technology

If our information technology security measures are breached or fail, including as a result of a successful ransomware attack, resulting in unauthorized access to customer or proprietary data, our service may be perceived as not being secure, which could impact our ability to attract new customers, cause a loss of revenues from current customers due to penalties or contract termination, or cause us to incur significant liabilities.

Our services involve the storage and transmission of our and our customers' proprietary information and protected health, financial, payment, and other personal information of patients. We rely on proprietary and commercially available systems, software, tools, and monitoring, as well as other processes, to provide the security for processing, transmission, and storage of such information. Due to the sensitivity of this information, the effectiveness of such security efforts is very important. The breach of our systems or failure of our security measures, including as a result of third-party action, employee error, malfeasance, defective design, or otherwise, may lead to unauthorized access to customer or patient data or our proprietary data. Improper activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries, and other events or developments may facilitate or result in a compromise or breach of our information technology systems. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, and we may be unable to anticipate these techniques or to implement adequate preventive measures. Our security measures may not be effective in preventing these types of activities, and the information technology security measures of our third-party data centers and service providers may not be adequate.

In 2023, the healthcare industry suffered its highest occurrence of cyber incidents, with an average of 52 organizations each month impacted by one or more incidents, according to an October 2023 report by Atlas VPN, which utilized publicly available healthcare security incident data from the HHS. The Atlas VPN report reveals there were 480 healthcare data breaches through September 2023, with over 87 million Americans impacted, compared to 37 million in 2022.

To date, cyber attacks have not had a material impact on our business, operating results, or financial condition; however, we could suffer material losses in the future as a result of cyber attacks. We may not be able to predict the timing or severity of these attacks. Our exposure to cyber attacks remains heightened because of, among other things, the evolving nature of cyber threats, the ongoing shortage of qualified cybersecurity professionals, and connectivity and interdependence among our systems and those of third parties. In addition, ransomware attacks are a common threat impacting healthcare organizations. The occurrence of a cyber attack, breach, ransomware attack, unauthorized access, misuse, computer virus or other malicious code, or other cybersecurity event could jeopardize or result in the unauthorized disclosure, gathering, monitoring, misuse, corruption, loss, or destruction of confidential information that belongs to us or our customers or PHI that is processed and stored in, and transmitted through, our computer systems and networks. The occurrence of a cybersecurity event could also result in damage to our software, computers, or systems, or otherwise cause interruptions or malfunctions in our, our customers', or third parties' operations.

If a breach of our information technology security occurs, we could face damages for contract breach, penalties for violation of applicable laws or regulations, possible lawsuits by individuals affected by the breach, and significant remediation costs and efforts to prevent future occurrences. Although we currently carry insurance coverage to protect ourselves against some of these risks, our inability to continue to obtain such insurance coverage at a reasonable cost, or the lack of coverage for particular cybersecurity incidents under the terms of the applicable insurance policies, could also have a material adverse effect on us. In addition, if there is an actual or a perceived breach of our information technology security, the market perception of the effectiveness of our security measures could be harmed, and we could lose current or potential customers.

Additionally, cybersecurity has become a top priority for regulators around the world, and every state in the U.S. has laws in place requiring companies to notify users if there is a security breach that compromises certain categories of their personal identifiable information ("PII"). In addition, in the U.S., the SEC adopted rules in 2023 for mandatory disclosure of material cybersecurity incidents suffered by public companies, as well as cybersecurity governance and risk management. Any failure or perceived failure by us to comply with these laws and regulations may subject us to enforcement action or litigation, which could harm our business.

Disruptions in service, including failure of business continuity plans, or damage to our global business services centers or third-party operated data centers, could adversely affect our business.

Our global business services centers and third-party operated data centers are essential to our business. Our operations depend on the availability of our global business service centers and their operating effectiveness in maintaining and protecting our applications, which are located in data centers that are operated and controlled by third parties. In addition, our information technologies and systems, as well as our data centers and global business services centers, are vulnerable to damage or interruption from various causes, including natural disasters, war, acts of terrorism, public health events, (including pandemics), power losses, computer systems failures, internet and telecommunications or data network failures, operator error, loss or corruption of data, and other events. We have a global business resiliency program and maintain insurance against fires, floods, other natural disasters, and general business interruptions to mitigate the adverse effects of a disruption, relocation, or change in operating environment at one of our data centers or global business services centers, but the situations we plan for and the amount of insurance coverage we maintain may not be adequate in every case. In addition, the occurrence of any of these events could result in interruptions, delays, or cessations in service to our customers, or in the direct connections we establish between our customers and payers. Any of these events could impair or inhibit our ability to provide our services, reduce the attractiveness of our services to current or potential customers, and adversely affect our financial condition and operating results.

In addition, despite the implementation of security measures, our infrastructure, data centers, global business services centers, or systems that we interface with, including the internet and related systems, may be vulnerable to intrusion, improper employee or contractor access, programming errors, computer viruses, malicious code, phishing attacks, denial-of-service attacks, or other cyber attacks and information security threats by third parties seeking to disrupt operations or misappropriate information or similar physical or electronic breaches of security. Any such attack could cause system failure, including network, software, or hardware failure, and could result in service disruptions. Further, our network and information systems are subject to various risks related to third parties and other parties we may not fully control. We use encryption and authentication technology licensed from third parties to provide secure transmission of confidential information, including our business data and customer information. In addition, we rely on employees in our data centers and global business services centers to follow our procedures when handling sensitive information. While we select our employees and third-party business partners carefully, we do not control their actions, which could expose us to cybersecurity and other risks. As a result, we may be required to expend significant capital and other resources to protect against security breaches and hackers or to alleviate problems caused by such breaches.

We rely on third-party providers, such as Microsoft Azure, for cloud infrastructure and other technology services, and any disruptions in or interference with our use of such services could adversely affect our business, operating results, and financial condition.

We face risks associated with utilizing cloud-based infrastructure. Failure of third-party providers to provide adequate cloud-based data infrastructure and other technology-related services to us, or frequent or prolonged interruptions of these services, could result in significant loss of revenue. Interruptions could also cause users to perceive our services as not functioning properly. While we manage and track third-party risks, we have limited control over third parties and cannot guarantee that we will be able to maintain satisfactory relationships with such third parties on acceptable commercial terms or that the quality of their services and offerings will enable us to continue to conduct our business effectively, which could adversely affect our business, operating results, and financial condition.

Moreover, our cloud infrastructure providers and other providers of services, systems and technologies have no obligations to renew their agreements with us on commercially reasonable terms, or at all, and it is possible that we will not be able to switch our operations to another provider in a timely and cost-effective manner should the need arise. If we are unable to renew our agreements with these providers on commercially reasonable terms, or if in the future we add new data center facility or other providers, we may face additional costs, expenses or downtime, which could adversely impact our business, operating results, and financial condition.

In addition, we invest in and deploy automation and technology capabilities, including the expansion of our collaboration with Microsoft to accelerate the development and integration of generative AI into our RCM platform. We also delivered our first large language model application, integrating tools from Azure AI Studio. Our ability to deploy certain AI technologies critical for our products and services and for our business strategy depends on the availability and pricing of third-party equipment and technical infrastructure.

Risks Related to Our Employees

If we are unable to attract, hire, integrate, and retain key personnel and other necessary employees, our business could be harmed.

Our future success depends in part on the continued contributions of our executive officers and other key personnel, each of whom may be difficult to replace. The loss of services of any of our executive officers or key personnel, or the inability to continue to attract qualified personnel, could have a material adverse effect on our business.

To manage potential future growth, we will need to hire, integrate, and retain highly skilled and motivated employees, and will need to work effectively with a growing number of customer employees engaged in revenue cycle operations. Competition for the caliber and number of employees we require is intense. We may face difficulty identifying and hiring qualified personnel at compensation levels consistent with our existing compensation and salary structure. In addition, we invest significant time and expense in training each of our employees, which increases their value to competitors who may seek to recruit them. Under the terms of our operating partner model agreements, we expect to transition a significant number of our customers' RCM employees to our employment. We may experience difficulties in integrating and retaining these employees. In addition, we employ a significant number of personnel internationally and expect continued international growth. Significant growth in the technology sector in India has increased competition to attract and retain skilled employees and has led to a commensurate increase in compensation expense arising from our India operations. As we expand our patient entry workforce in the Philippines, there is risk regarding the technical, cultural and U.S. healthcare system training at an appropriate pace to match the hiring requirements aligned to growth. For all locations, if we fail to retain our employees, we could incur significant expenses in hiring, integrating, and training their replacements, and the quality of our services and our ability to serve our customers could diminish, resulting in a material adverse effect on our business.

Our growing global business services operations expose us to risks that could have a material adverse effect on our operating costs.

Our reliance on an international workforce exposes us to business disruptions caused by the political and economic environment in those regions. Terrorist attacks, acts of violence or war, and climate-related disasters may directly affect our facilities and workforce or contribute to general instability. Our global business services operations require us to comply with local laws and regulatory requirements, which are complex, and expose us to foreign currency exchange rate risk. Our global business services operations may also subject us to trade restrictions, reduced or inadequate protection for IP rights, increased risk of physical or electronic security breaches, and public health events (including pandemics), and other factors that may adversely affect our business. Negative developments in any of these areas could increase our operating costs or otherwise harm our business.

Risks Related to Ascension

Healthcare providers affiliated with Ascension are currently our largest customer group by net services revenue. The early termination of our A&R MPSA with Ascension would have a material adverse effect on our business, operating results, and financial condition.

As part of the ten-year Master Professional Services Agreement ("A&R MPSA") with Ascension effective February 16, 2016, we are the exclusive provider of RCM services and PAS with respect to acute care services provided by the hospitals affiliated with Ascension. Healthcare providers affiliated with Ascension have been our largest customer group in terms of net services revenue each year since our formation. In 2023, 2022, and 2021, net services revenue from healthcare providers affiliated with Ascension represented 40%, 49%, and 61% of our total net services revenue, respectively. The early termination of the A&R MPSA or a reduction in our fees due to reduced business at Ascension could have a material adverse effect on our business, operating results, and financial condition.

Our agreement with Ascension requires us to offer to Ascension service fees that are at least as low as the fees we charge any other customer receiving comparable services at comparable or lower volumes.

Our A&R MPSA with Ascension requires us to offer to Ascension's affiliated healthcare providers fees for our services that are at least as low as the fees we charge any other customer receiving comparable services at lower volumes. If we were to charge lower service fees to any other customer receiving comparable services at lower volumes, we would be obligated to charge such lower fees to the hospital systems affiliated with Ascension effective as of the date such lower charges were first implemented for such other customer. If we offer customers lower rates as discussed above, it could have a material adverse effect on our operating results and financial condition.

Risks Related to Ownership of Our Common Stock

TCP-ASC and New Mountain Capital are significant shareholders in R1 and may have conflicts of interest with us or other stockholders in the future.

TCP-ASC ACHI Series LLLP ("TCP-ASC") and certain entities affiliated with New Mountain Capital, L.L.C. (collectively, the "Principal Stockholders") beneficially own approximately 62% of our common stock as of February 23, 2024, which means that the Principal Stockholders control the vote of all matters submitted to a vote of our Board of Directors (the "Board") or stockholders, which will enable them to control the election of the members of the Board and certain significant corporate decisions. Even when the Principal Stockholders cease to own shares of our common stock representing a majority of the total voting power, for so long as the Principal Stockholders continue to own a significant portion of our common stock, they will have significant influence with respect to our management, business plans and policies, including the appointment and removal of our officers, raising capital and amending our charter and bylaws, which govern the rights attached to our common stock. The concentration of ownership could deprive our other stockholders of an opportunity to receive a premium for their shares of common stock as part of a sale of us and ultimately might affect the market price of our common stock.

The interests of the Principal Stockholders and their affiliates may differ from our other stockholders in material respects. For example, the Principal Stockholders may have an interest in pursuing acquisitions, divestitures, financings, or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to other stockholders. Additionally, Ascension is an affiliate of TCP-ASC and as our largest customer Ascension's interests may differ from other stockholders' interests. The Principal Stockholders, their affiliates, and their advisors are also in the business of making or advising on investments in companies, and may from time to time acquire interests in, or provide advice to, companies that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. They may pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Due to the Principal Stockholders' ownership level, certain actions of the Principal Stockholders or their affiliates could negatively impact our stock price. Other stockholders should consider that the interests of the Principal Stockholders or their affiliates may differ from theirs in material respects.

The trading price of our common stock has been and may continue to be highly volatile.

During 2023, our common stock has traded at a price per share as high as $18.71 and as low as $9.55. The trading price of our common stock may be highly volatile in the future and could be subject to wide fluctuations in response to various factors. In addition to the risks described in this section, factors that have caused, and may in the future cause, the market price of our common stock to fluctuate include: fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us; changes in estimates of our financial results or recommendations by securities analysts, if any, who cover our common stock, or failure to meet expectations of such securities analysts; the loss of service agreements with customers; lawsuits filed against us by governmental authorities or stockholders; unfavorable publicity concerning our operations or business practices; investors' general perception of us; changes in local, regional or national economic conditions; changes in demographic trends; increased labor costs, including healthcare, unemployment insurance, and minimum wage requirements; the entry into, or termination of, material agreements; changes in general economic, industry, regulatory, and market conditions not related to us or our business; the availability of experienced management and hourly-paid employees; issues in operating the company; future sales of our securities, including sales by our significant stockholders; and other potentially negative financial announcements, including delisting of our common stock from The Nasdaq Global Select Market, changes in accounting treatment or restatement of previously reported financial results, delays in our filings with the SEC or failure to maintain effective internal control over financial reporting.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected, and continue to affect, the market prices of equity securities of many companies. In the past, stockholders have instituted securities class action litigation or launched activist campaigns following periods of market volatility. If we were involved in securities litigation or an activist campaign, we could incur substantial costs, and our resources and the attention of management could be diverted from our business.

Risks Related to Our Business

Our business is significantly impacted by general macroeconomic conditions, and as a result, our business, results of operations and financial condition could be materially affected by further deterioration or a protracted extension of current macroeconomic challenges.

Geopolitical instability, actual and potential shifts in U.S. and foreign, trade, economic and other policies, and other global events, have significantly increased macroeconomic uncertainty at a global level. Such economic volatility could adversely affect our business, financial condition, results of operations and cash flows, and future market disruptions could negatively impact us. Further, adverse macroeconomic conditions may affect our customers' and prospective customers' operations and financial condition and make it difficult for our customers and prospective customers to accurately forecast and plan future business activities, which may in turn cause our customers to elect not to renew their managed services agreements or affect their ability to pay amounts owed to us in a timely manner or at all, or adversely affect prospective customers' ability or willingness to enter into managed services agreements with us.

An economic downturn or increased uncertainty may also lead to increased credit and collectability risks, higher borrowing costs or reduced availability of capital and credit markets, reduced liquidity, adverse impacts on our suppliers, failures of counterparties including financial institutions and insurers, asset impairments, and declines in the value of our financial instruments.

In 2023, we worked closely with our provider partners to address revenue optimization and workforce management needs more effectively. Such needs continue to impact our provider partners' performance because of changes to payer timeframes, increased coding complexity, regulatory shifts, and macroeconomic pressures. On the modular side, we continued to see positive booking trends in 2023 because of macroeconomic pressures and the same performance-related pressures noted above.

In 2023, we also increased the allowance for credit losses as a result of a few specific customers that have been experiencing financial challenges. As inflation and high interest rates continue, along with the industry dynamics described above, we will continue to monitor the financial health of our customers, we may be required to continue to increase our allowance for credit losses.

Significant disruptions and volatility in the global capital markets could increase the cost of capital and adversely impact our ability to access capital.

We may fail to realize the success of acquisitions, strategic initiatives and other investments.

The benefits we achieve from acquisitions, including the acquisition of the RCM business ("Acclara") of Providence Health & Services – Washington ("Providence") and certain of its affiliates (the "Acclara Acquisition"), strategic initiatives, and other investments depend on, among other things, our ability to realize anticipated synergies, cost savings, and operational benefits of corresponding activity, which benefits are subject to, among others, the following risks:

- the incurrence of additional indebtedness in connection with the financing of an acquisition may have an adverse effect on our liquidity;
- we may fail to retain key employees of the acquired company;
- we may be unable to successfully integrate personnel from acquired companies, while at the same time attempting to provide consistent, high-quality services;
- we may fail to realize the anticipated synergies and cost savings we expect from an acquisition;
- future developments may impair the value of our purchased goodwill or intangible assets;
- we may face difficulties establishing, integrating, or combining operations and systems;
- we may face challenges retaining the customers of an acquired business;
- we may encounter unforeseen internal control, regulatory or compliance issues; and
- we may face other additional risks related to regulatory matters, legal proceedings, or tax laws or positions.

If any of these risks occurs, we may not be able to realize the anticipated benefits of an acquisition, or they may take longer to realize than expected. The integration process could result in the distraction of our management, the disruption of our ongoing business, or inconsistencies in our services, standards, controls, procedures, and policies, any of which could adversely affect our ability to maintain relationships with customers, vendors, and employees or to achieve the anticipated benefits of an acquisition, or could otherwise adversely affect our business and operating results.

If we do not realize the anticipated benefits from the Acclara Acquisition, which closed on January 17, 2024, and commercial agreements with Providence, our business could suffer materially and our stock price could decline.

We expect the Acclara Acquisition, and 10-year commercial agreements with Providence, to result in financial and operational benefits, including enhanced revenue, earnings, and cash flows. If we are unable to achieve these objectives within the anticipated timeframe or at all, the anticipated benefits may not be realized in full or at all, our financial results may differ from our expectations or the expectations of the investment community, and the value of our common stock may decline as a result.

We have a substantial amount of indebtedness, which could adversely affect us, including by decreasing our business flexibility. The agreement that governs our indebtedness contains covenants that could impact our ability to perform certain transactions without obtaining pre-approval from our lenders.

Our consolidated indebtedness as of December 31, 2023 was approximately $1.7 billion. In conjunction with the Acclara Acquisition on January 17, 2024, we entered into Amendment No. 2 (the "Second Amendment") to the Second Amended and Restated Credit Agreement, dated as of June 21, 2022, by and among the Company and certain of its subsidiaries, Bank of America, N.A., as administrative agent, and the lenders named therein (the "Second A&R Credit Agreement"), which, combined with borrowings of $80 million under our senior secured revolving credit facility (the "Senior Revolver") to finance the acquisition, increased our consolidated indebtedness by $655.0 million.

The loan agreement for this indebtedness contains certain customary representations and warranties, affirmative and negative financial covenants, indemnity obligations, and events of default. The amount of debt and related covenants could have significant consequences to us, including:

- affecting our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions, share repurchases and dividends, or other purposes may be impaired or such financing may not be available on favorable terms, or at all;
- negative financial covenants contained in the debt agreement require us to meet financial tests that may affect our flexibility in planning for, and reacting to, changes in our business, including possible acquisition opportunities;
- a substantial portion of our cash flow is required to make principal and interest payments on our indebtedness, reducing the funds that would otherwise be available for operations and future business opportunities; and
- level of indebtedness makes us more vulnerable than our less leveraged competitors to competitive pressures or a downturn in our business or the economy generally.

Our ability to comply with the provisions of the debt agreement may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our debt repayment obligations.

Litigation could materially adversely affect our business, financial condition, operating results, and cash flows and cause reputational damage from the view of current and potential customers and shareholders.

We have been and in the future may become subject to lawsuits, claims, audits, and investigations related to our business, which may lead to unfavorable publicity for us and could materially adversely affect our business, financial condition, operating results, and cash flows in various ways, including subjecting us to significant liability, resulting in significant settlement payments, or having a disruptive effect upon the operation of our business and consuming the time and attention of our senior management. In addition, we may incur substantial expenses in connection with these litigation matters, including substantial fees for attorneys. Although we maintain insurance that may provide coverage for some or all of these expenses, our insurers have rights under the policies to deny coverage under various policy exclusions. There is risk that the insurers will rescind the policies, that some or all claims will not be covered by such policies, or that, even if covered, our ultimate liability will exceed the available insurance. For further details on our litigation matters, refer to Note 18, Commitments and Contingencies, to our consolidated financial statements included in this Annual Report on Form 10-K.

We are unable to predict the outcome of pending legal actions. The ultimate resolutions of our pending litigation could have a material adverse effect on our operating results, financial condition or liquidity, and on the trading price of our common stock.

Regulatory Risks

The healthcare industry is heavily regulated. Our failure to comply with regulatory requirements could create liability for us, result in adverse publicity, and adversely affect our business.

The healthcare industry is heavily regulated and is subject to changing political, legislative, regulatory, and other influences. Many healthcare laws are complex, and their application to specific services and relationships may be unclear. In particular, many existing healthcare laws and regulations, when enacted, did not anticipate the services we provide. There can be no assurance that our operations will not be challenged or adversely affected by enforcement initiatives. Our failure to anticipate the application of these laws and regulations to our business, or any other failure to comply with regulatory requirements, could create liability for us, result in adverse publicity, and adversely affect the attractiveness of our services to existing customers and our ability to market new services. We are unable to predict what changes to laws or regulations might be made in the future or how those changes could affect our business or our operating costs.

If we violate HIPAA, the HITECH Act or state or foreign health information privacy laws, we may incur significant liabilities, and any such violations could make it more difficult to retain existing customers or attract new customers, extend the time it takes to enter into service agreements with new customers, or result in a material adverse effect on our business, operating results, and financial condition.

As described in Item 1 above, HIPAA contains substantial restrictions and requirements with respect to the use and disclosure of individuals' PHI. Since the passage of the HITECH Act in 2009, enforcement of HIPAA violations has increased, as reflected by the announcement of a number of significant settlement agreements and sanctions by federal authorities, the pursuit of HIPAA violations by state attorneys general, and the roll-out of a federal audit program for covered entities and business associates. HHS may resolve HIPAA violations through informal means, such as allowing a covered entity to implement a corrective action plan, but HHS also has the discretion to move directly to impose monetary penalties and is required to impose penalties for violations resulting from willful neglect. In addition to enforcement by HHS, state attorneys general may bring civil actions in response to violations of HIPAA privacy and security regulations or state privacy and security laws that threaten the privacy of state residents.

We and our customers also are subject to federal and state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These laws vary and could impose additional penalties and subject us to additional privacy and security restrictions. In addition, legislation has been proposed or implemented at various times at both the federal and the state levels that would limit, forbid, or regulate the use or transmission of medical information pertaining to U.S. patients outside of the U.S. In addition, various states recently have enacted, and other states are considering, new laws and regulations concerning the privacy and security of consumer and other personal information, such as health data. To the extent we are subject to such requirements, these laws and regulations often have far-reaching effects, may require us to modify our data processing practices and policies, may require us to incur substantial costs and expenses to comply, and may render our international operations impracticable or make them substantially more expensive. These laws and regulations often provide for civil penalties for violations, as well as a private right of action for data breaches, which may increase the likelihood or impact of data breach litigation.

Along with state and federal laws, international laws may impact our operations. The GDPR, for example, imposes obligations on us as well as our customers, depending on the operations at issue. The GDPR and related international laws also may restrict how we can store, transfer, and process personal information of our customers' patients and other data subjects. These laws are constantly changing, and may impact how we may transfer or store information in the U.S. or abroad.

We have implemented and maintain commercially reasonable physical, technical, and administrative safeguards intended to protect all personal data and have processes in place to assist us in complying with applicable laws and regulations regarding the protection of this data and properly responding to any security incidents or breaches. Nonetheless, a knowing breach of HIPAA's requirements could expose us to criminal liability, and a breach of our safeguards and processes that is not due to reasonable cause or involves willful neglect could expose us to significant civil penalties and the possibility of civil litigation under HIPAA and applicable state law.

In addition, given the omnipresent threat of potential cybersecurity incidents or security breaches, we, or our customers, could be required to report such breaches to affected consumers or regulatory authorities, leading to disclosures that could damage our reputation or harm our business, financial position, and operating results. We have been the victim of theft of company property containing patient data in the past, and we may face similar incidents in the future. During the current COVID-19 pandemic, we shifted many employees to work from home environments, which involves additional risk surrounding theft of company property and access to PHI. Cybersecurity incidents or allegations of deficiencies regarding our data security practices could require us to change aspects of our business practices, make it more difficult to retain existing customers or attract new customers, extend the time it takes to enter into service agreements with new customers, or result in a material adverse effect on our business, operating results, and financial condition.

Developments in the healthcare industry, including national healthcare reform, could adversely affect our business.

The healthcare industry has changed significantly in recent years, and we expect this to continue. We are unable to predict each healthcare initiative that will be implemented at the federal or state level, or what the ultimate effect these initiatives may have on us. For example, changes to Medicare and Medicaid reimbursement are implemented periodically and may cause a reduction in the amounts received by our customers and may have an indirect adverse effect on our business. The ongoing implementation of the No Surprises Act, which took effect on January 1, 2022, also may result in a reduction in the amounts received by our customers and may have an adverse effect on our business and operating results.

In addition, healthcare reform is causing some payers to transition from volume to value-based reimbursement models, which can include risk-sharing, bundled payment, and other innovative approaches. While these models may provide us with opportunities to provide new or additional services (e.g., our value-based reimbursement capabilities within our RCM service offering) and to participate in incentive-based payment arrangements, there can be no assurance that such new models and approaches will prove to be profitable to our customers or us. Further, new models and approaches may require investment by us to develop technology or expertise to offer necessary and appropriate services or support to our customers, and the amount of such investment and the timing for return of such investment are not fully known at this time. In addition, some of these new models are being offered as pilot programs and there is no assurance that they will continue or be renewed. Further, adoption of such new models and approaches may require compliance with a range of federal and state laws relating to fraud and abuse, insurance, reinsurance and managed care regulation, billing and collection, corporate practice of medicine, and licensing, among others. Many states in which these new value-based structures are being developed lack regulatory guidance or a well-developed body of law for these new models and approaches, or may not have updated their laws or enacted legislation yet to reflect the new healthcare reform models. As a result, although we have attempted to structure and conduct our operations in accordance with our interpretation of current laws and regulations, new and existing laws, regulations, or guidance could have a material adverse effect on our current and future operations and could subject us to the risk of restructuring or terminating our customer agreements and arrangements, as well as the risk of regulatory enforcement, penalties, and sanctions if state enforcement agencies disagree with our interpretation of state laws.

If we fail to comply with federal and state laws governing submission of false or fraudulent claims to government healthcare programs and financial relationships among healthcare providers, we may be subject to civil and criminal penalties or loss of eligibility to participate in government healthcare programs.

Healthcare is one of the largest industries in the country and one of the costliest line items in the federal budget. As a result, the healthcare industry continues to attract attention from legislators and regulators. As described in Item 1 above, a number of healthcare fraud and abuse laws, including but not limited to the AKS, FCA, Stark Law, and EMTALA, and their state counterparts, apply to hospitals, physicians, and others who (i) furnish healthcare services to patients and submit claims for reimbursement to government programs or commercial insurers, and (ii) refer patients to one another. Federal and state regulatory and law enforcement authorities continue to focus on enforcement activities with respect to Medicare and Medicaid fraud and abuse regulations and other healthcare reimbursement laws and rules in an effort to reduce overall healthcare spending.

These laws are complex, may change rapidly, and their application to our specific services and relationships may not be clear and may be applied to our business in ways we do not anticipate. New and evolving payment structures, for example, such as accountable care organizations, value-based enterprises, and other arrangements involving combinations of healthcare providers who share savings, potentially implicate anti-kickback and other fraud and abuse laws. In addition, errors created by our proprietary applications or services that relate to entry, formatting, preparation, or transmission of claims, reporting of quality or other data pursuant to value-based purchasing initiatives, or cost report information may be alleged or determined to cause the submission of false claims or otherwise be in violation of these laws. Further, the continued growth of our coding and billing services provided from a global business services environment necessitates comprehensive monitoring and oversight of these services to promote quality control and regulatory compliance.

While we seek to structure our business relationships and activities to avoid any activity that could be construed to implicate federal and state fraud and abuse laws, we cannot assure you that our arrangements and activities will be deemed outside the scope of these laws or that increased enforcement activities will not directly or indirectly have a material adverse effect on our business, financial condition, or operating results. Any determination that we have violated any of these laws could, for example (i) subject us to civil or criminal penalties (ii) require us to change or terminate some portions of our operations or business (iii) disqualify us from providing services to healthcare providers doing business with government programs, (iv) give our customers the right to terminate our managed services agreements with them, and/or (v) require us to refund portions of our revenues, any of which could have a material adverse effect on our business and operating results. Moreover, any violations by, and resulting penalties or exclusions imposed upon, our customers could adversely affect their financial condition and, in turn, have a material adverse effect on our business and operating results. Finally, even absent an alleged violation of the law by us, participants in the healthcare industry receive inquiries, demands, or subpoenas to produce documents and provide testimony in connection with government investigations. We could be required to expend significant time and resources to comply with these requests, and the attention of our management team could be diverted by these efforts.

Our failure to comply with debt collection and other consumer protection laws and regulations could subject us to fines and other liabilities, which could harm our reputation and business, and could make it more difficult to retain existing customers or attract new customers, extend the time it takes to enter into service agreements with new customers, or result in a material adverse effect on our business, operating results, and financial condition.

Our business practices involve collecting or assisting our customers in collecting non-defaulted amounts owed by patients for current and prior services activities, which may subject us to the FDCPA. The FDCPA and the TCPA restrict the methods that we may use to contact and seek payment from consumer debtors regarding past due accounts. Many states impose additional requirements on debt collection practices, and some of those requirements may be more stringent than the federal requirements. Moreover, regulations governing debt collection are subject to changing interpretations that may be inconsistent among different jurisdictions. We could incur costs or could be subject to fines or other penalties under the TCPA, the FDCPA and the FTC Act if we are determined to have violated the provisions of those authorities during the course of conducting our operations. Any perceived breach of the FDCPA could result in us being required to change aspects of our business practices, make it more difficult to retain existing customers or attract new customers, extend the time it takes to enter into service agreements with new customers, or result in a material adverse effect on our business, operating results, and financial condition.

We cannot be certain that governmental officials responsible for enforcing EMTALA, or other parties, will not assert that our customers are in violation of EMTALA, and defending and settling allegations of EMTALA violations could have a material adverse effect on our business even if we are ultimately not found to have contributed to such violations.

Although EMTALA is not directly applicable to us because we are not a Medicare participating hospital, we cannot be certain that governmental officials responsible for enforcing EMTALA, or other parties, will not assert that our customers are in violation of EMTALA. If our customers are found to have violated EMTALA, they may assert claims that our management practices contributed to the violation. Defending and settling allegations of EMTALA violations could have a material adverse effect on our business even if we ultimately are not found guilty of a violation.

Risks Related to Our Control Environment

If we fail to maintain proper and effective internal control and remediate any future material weaknesses or significant deficiencies, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and our reputation with investors.

In 2023, we identified a material weakness in the design and operating effectiveness of our internal controls over financial reporting relating to the controls over business combinations impacting the accounting for acquiree compensation arrangements, and also determined that our disclosure controls and procedures were not effective, as of December 31, 2022 and 2021. Although such material weakness has been remediated at December 31, 2023, there can be no assurance that similar internal control issues will not be identified in the future. If we cannot remediate future material weaknesses or significant deficiencies in a timely manner, or if we identify additional control deficiencies that individually or together constitute significant deficiencies or material weaknesses, our ability to accurately record, process, and report financial information, and our ability to prepare financial statements within required time periods, could be adversely affected. Failure to maintain effective internal controls could result in violations of applicable securities laws, stock exchange listing requirements, and the covenants under our debt agreements, subject us to litigation and investigations, negatively affect investor confidence in our financial statements, and adversely impact our stock price and our ability to access capital markets.

As a result of the delayed filing of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, we face limitations in registering securities for a public offering or acquisitions, which could adversely affect our business.

Due to our inability to file our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 on or prior to its due date, we generally are ineligible to use "short-form" registration statements, or Form S-3, that would allow us to incorporate by reference our SEC reports into our registration statements, or to use automatic shelf registration statements, until we have filed all of our periodic reports in a timely manner for a period of 12 months. Our inability to register our securities on Form S-3 could increase the costs of selling securities publicly, significantly delay such sales and adversely affect our business.

We face risks related to the restatement of our previously issued financial statements.

In December 2023, we restated certain information in our previously issued consolidated financial statements for the years ended December 31, 2022 and 2021, for each of the quarters within 2022 and 2021, and for the quarters ended June 30, 2023 and March 31, 2023. As a result, we could be subject to additional risks and uncertainties, which could affect investor confidence in the accuracy of our financial disclosures. We could face litigation under the federal and state securities laws or other claims arising from the restatements. The cost of defending against any such claims and the ultimate outcome of any such litigation could materially affect our results of operations. In addition, we could discover additional material or immaterial errors in our financial statements, and our financial statements remain subject to the risk of future restatement.

Risks Related to Intellectual Property

We may be unable to adequately protect our IP.

Our success depends, in part, upon our ability to establish, protect and enforce our IP and other proprietary rights. If we fail to establish or protect our IP rights, we may lose an important advantage in the market in which we compete. We rely upon a combination of patent, trademark, copyright and trade secret law and contractual terms and conditions to protect our IP rights, all of which provide only limited protection. We cannot assure you that our IP rights are sufficient to protect our competitive advantages. We cannot assure you that any patents issued or that will be issued from current or future applications will provide us with the protection that we seek or that any current or future patents issued to us will not be challenged, invalidated or circumvented. Legal standards relating to the validity, enforceability and scope of protection of patents are uncertain. Also, we cannot assure you that any trademark registrations will be issued for pending or future applications or that any of our trademarks will be enforceable or provide adequate protection of our proprietary rights.

We also rely in some circumstances on trade secrets to protect our technology. Trade secrets may lose their value if not properly protected. We endeavor to enter into non-disclosure agreements with our employees, customers, contractors, and business partners to limit access to and disclosure of our proprietary information. The steps we have taken, however, may not prevent unauthorized use of our technology, and adequate remedies may not be available in the event of unauthorized use or disclosure of our trade secrets and proprietary technology. Moreover, others may reverse engineer or independently develop technologies that are competitive to ours or infringe our IP.

Accordingly, despite our efforts, we may be unable to prevent third parties from infringing or misappropriating our IP and using our technology for their competitive advantage. Any such infringement or misappropriation could have a material adverse effect on our business, operating results, and financial condition. Monitoring infringement of our IP rights can be difficult and costly, and enforcement of our IP rights may require us to bring legal actions against infringers. Infringement actions are inherently uncertain and therefore may not be successful, even when our rights have been infringed, and even if successful, may require a substantial amount of resources and divert our management's attention.

Claims by others that we infringe their IP could force us to incur significant costs or revise the way we conduct our business.

Our competitors protect their IP rights by means such as patents, trade secrets, copyrights, and trademarks. We have not conducted an independent review of patents issued to third parties. Additionally, because patent applications in the U.S. and many other jurisdictions are kept confidential for 18 months before they are published, we may be unaware of pending patent applications that relate to our proprietary technology. Any party asserting that we infringe its proprietary rights would force us to defend ourselves, and possibly our customers, against the alleged infringement. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights; cause interruption or cessation of our operations; require us to enter into royalty or licensing agreements with third parties; and consume time which would otherwise be spent on our core business. Even if we prevail, the cost of such litigation could deplete our financial resources. Furthermore, during the course of litigation, confidential information may be disclosed in the form of documents or testimony in connection with discovery requests, depositions, or trial testimony. The software and technology industries are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by frequent litigation based on allegations of infringement or other violations of IP rights. Moreover, the risk of such a lawsuit will likely increase as our size and scope of our services and technology platforms increase, as our geographic presence and market share expand and as the number of competitors in our market increases. Any of the foregoing could disrupt our business and have a material adverse effect on our operating results and financial condition.

Item 1B. ***Unresolved Staff Comments***

None.

Item 1C. ***Cybersecurity***

Risk Management and Strategy

Our Cybersecurity Program ("Program") is designed from a risk- and compliance-based approach to achieve systemwide resilience and protection across our operations and to ensure the appropriate acquisition, access, use, and/or disclosure of PHI, PII, and payment card information ("PCI"). Our Program employs the National Institute of Standards Technology (NIST) cybersecurity framework and strategy to deliver clear and proactive processes, multi-layered defenses, and relevant technologies that are designed to control, audit, monitor, and protect access to sensitive information. In concert with our Program, the Company's Enterprise Risk Management program builds resiliency in our operations to support continuous delivery of services and considers cybersecurity risks alongside other company risks.

Our Program includes the following elements: (i) internet and perimeter security; (ii) endpoint and email security; (iii) threat intelligence, monitoring and management; (iv) data security for PHI, PII, and PCI; (v) personal accountability, which includes comprehensive training for our employees and third party-contractors (including onboarding and annual training), exercises (including advanced phishing exercises), and awareness for our employees to promote vigilance of cybersecurity risks and opportunities; (vi) access management; (vii) application and cloud security; and (viii) compliance audits and assessments, which include routine technical and non-technical audits and assessments internally and in collaboration with independent third parties at least annually.

As a company managing the use and disclosure of PHI and PII, our Program incorporates annual independent Systems and Organization Control 2 (SOC 2) Type 2 audits that are conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, which provide an independent evaluation of the design and operating effectiveness of our controls. We also annually undergo independent HIPAA Security Rule risk assessments of our administrative, physical, and technical safeguards for protecting the confidentiality, integrity, and availability of data; independent attestations of compliance with the Payment Card Industry Data Security Standard (PCI-DSS); and Health Information Trust Alliance (HITRUST) certification. In addition, external assessors periodically evaluate our safeguards against multiple frameworks, including NIST.

The R1 Security Program Policy delineates responsibilities and initiatives to maintain our comprehensive Program. It includes frequent reviews and development of our security policies and standards, monitoring to detect potential threats or disruptions, testing of protocols to verify the effectiveness of our defense systems, and training for our workforce. Our teams continuously and proactively monitor our information systems for potential risks, threats, and disruptions, including at our U.S.-based third-party data centers. Through the use of our rapid response and incident management processes, which include our IT incident management and IT disaster recovery processes, we assess potential incidents and determine a course of action. This may involve risk mitigation, resolution plan development, and process improvements.

In parallel with our Code of Integrity, we have created and posted publicly, and incorporate into vendor contracting, our Third-Party Code of Conduct for our contractors, subcontractors, and other vendors and suppliers, which holds R1's third parties to the same applicable data and privacy standards as R1. We request Attestations of Compliance and execute HIPAA-compliant Business Associate Agreements in these contexts as appropriate.

In 2023, we did not identify risks from cybersecurity threats that have materially affected or are currently reasonably likely to materially affect our business strategy, results of operations, or financial condition. While prior incidents have not had a material impact on us, future incidents could have a material impact on our business, operations, and reputation. See Part I, Item 1A "Risk Factors—Risks Related to Our Cybersecurity and Technology" for more information.

Governance

The Board, as a whole and through its committees, has responsibility for the oversight of risk management, including cybersecurity. The Board has delegated primary oversight of risk to the Compliance & Risk Management Committee, which partners with our Audit Committee to oversee risks related to the prevention, timely detection, and mitigation of the effects of cybersecurity threats or incidents on us. The Audit Committee monitors our Program, including as it relates to financial and reporting systems and controls. The Information Security Team, described below, communicates quarterly with the Audit and/or Compliance & Risk Management Committees to keep them informed about the state of our Program, current and evolving threats, compliance with regulations, and other strategic initiatives. Both committees regularly brief the entire Board on cybersecurity matters discussed during committee meetings.

Our Information Security Team is responsible for the oversight and operation of our Program. Our Chief Information Security Officer oversees our Information Security Team and works in close collaboration with our Chief Technology Officer, Chief Compliance Officer, General Counsel, and Chief Privacy Officer. This group works hand in hand with our Privacy Team in the protection of data. The Privacy Team is a team of senior leaders that identifies and addresses issues related to the use and disclosure of data. The Information Security Team, on the other hand, controls our security standards and operating procedures. In particular, they and their teams provide guidance and support to each of our business segments, coordinate internal reviews, including those conducted by our internal auditors, and monitor and evaluate the security assessments from our internal and external parties.

Cecil Pineda is our Chief Information Security Officer. Mr. Pineda has nearly 20 years of experience in the cybersecurity industry, having held senior IT security-related roles at nationally recognized companies and organizations. Mr. Pineda holds a degree in Electronics and Communications Engineering. He reports directly to Brian Gambs, our Chief Technology Officer. Mr. Gambs is an experienced leader with over two decades of expertise in managing cybersecurity risk for HIPAA-regulated entities, including payers and providers, and an extensive background in technology leadership for a publicly traded healthcare and financial services company. The other members of our Information Security Team have substantial cybersecurity experience, including cybersecurity incident response, mitigation and remediation; information security program design; and regulatory compliance.

Item 2. *Properties*

We lease all of our existing facilities that we use for service delivery and corporate support functions.

Our principal executive office is in Murray, Utah. We occupy leased office space of approximately 240,000 square feet throughout 13 offices domestically, and approximately 640,000 square feet throughout 9 offices internationally. Pursuant to our managed services agreements with customers, we occupy space on-site at healthcare providers where we provide our RCM services. We generally do not pay customers for our use of space provided by them for our use in the provision of RCM services to that customer.

We believe that our facilities are sufficient for our current needs. We intend to add new facilities or expand existing facilities as we add employees or expand or change our geographic markets and office locations, and we believe that suitable additional or substitute space will be available as needed to accommodate any such expansion of our operations.

Item 3. *Legal Proceedings*

Other than the litigation described in Note 18, Commitments and Contingencies, to our consolidated financial statements included in this Annual Report on Form 10-K, we are presently not a party to any material litigation or regulatory proceeding and are not aware of any pending or threatened litigation or regulatory proceeding against us which, individually or in the aggregate, could have a material adverse effect on our business, operating results, financial condition, or cash flows.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is listed on the NASDAQ Stock Market under the symbol "RCM."

Holders of Record

As of February 16, 2024, there were approximately 19 stockholders of record of our common stock and approximately 30,000 beneficial holders.

Dividends

We did not pay any dividends on our common stock during the years ended December 31, 2023, 2022, and 2021. We currently intend to retain earnings, if any, principally to finance the growth and development of our business, and we do not expect to pay any cash dividends on our common stock in the foreseeable future. Payment of future dividends, if any, will be at the discretion of the Board and will depend on, among other things, our financial condition, results of operations, capital expenditure requirements, contractual restrictions, provisions of applicable law, and other factors that the Board deems relevant. The Second A&R Credit Agreement also restricts our ability to pay dividends on our common stock.

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the year ended December 31, 2023, except as otherwise previously reported in a Current Report on Form 8-K.

Issuer Purchases of Equity Securities

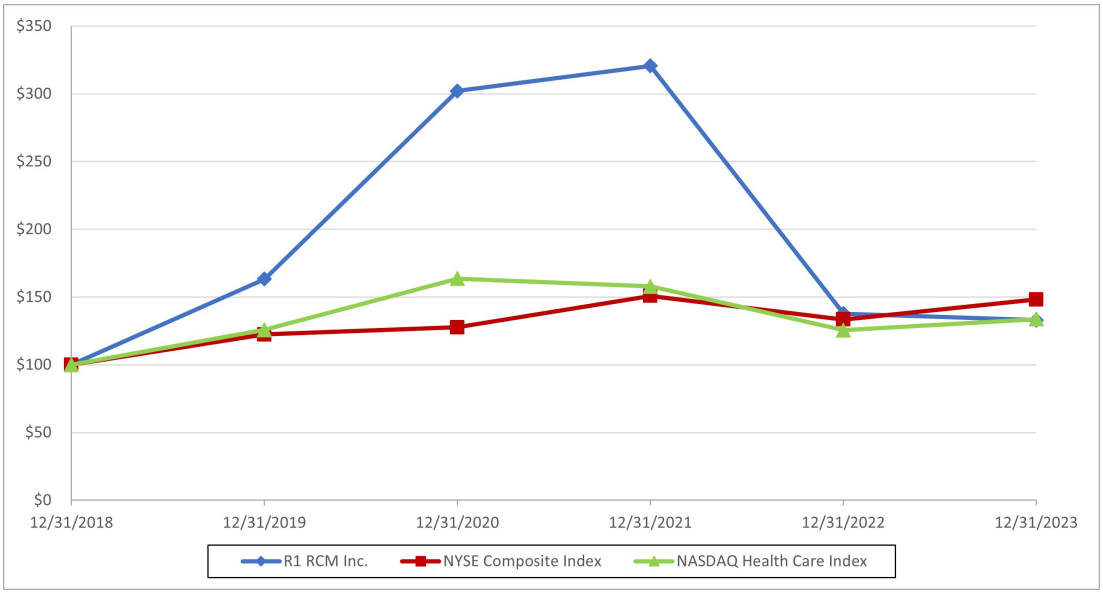
The following table provides information about our repurchases of common stock during the periods indicated (in thousands, except share and per share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet be Purchased Under Publicly Announced Plans or Programs (in millions) (1)
October 1, 2023 through October 31, 2023	—	$ —	—	$ 453.2
November 1, 2023 through November 30, 2023	—	—	—	$ 453.2
December 1, 2023 through December 31, 2023	—	—	—	$ 453.2

(1) On October 22, 2021, the Board adopted a repurchase program and authorized the repurchase of up to $200.0 million of our common stock from time to time in the open market or in privately negotiated transactions (the "2021 Repurchase Program"). On January 9, 2022, the Board increased the authorization under the 2021 Repurchase Program to an aggregate amount of up to $500.0 million. The average price paid per share of common stock repurchased under the 2021 Repurchase Program is the execution price, including commissions paid to brokers. The timing and amount of any shares repurchased under the 2021 Repurchase Program will be determined by our management based on its evaluation of market conditions and other factors. The 2021 Repurchase Program may be suspended or discontinued at any time. See Note 12, Stockholders' Equity, to our consolidated financial statements included in this Annual Report on Form 10-K.

Stock Price Performance Graph

The following graph compares the change in the cumulative total return (including the reinvestment of dividends) on our common stock to the change in the cumulative total return on the stocks included in the NYSE Composite Index and NASDAQ Health Care Index over the period from December 31, 2018 through December 31, 2023. The graph assumes an investment of $100 made in our common stock on December 31, 2018. We did not pay any dividends during the period reflected in the graph.



COMPARISON OF CUMULATIVE TOTAL RETURN

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
R1 RCM Inc.	$100.00	$163.27	$302.14	$320.63	$137.74	$132.96
NYSE Composite Index	$100.00	$122.32	$127.70	$150.90	$133.50	$148.17
NASDAQ Health Care Index	$100.00	$125.83	$163.63	$157.82	$125.58	$133.80

The comparisons shown in the graph above are based on historical data, and we caution that the stock price performance shown in the graph above is not indicative of, and is not intended to forecast, the potential future performance of our common stock. The information in this "Stock Price Performance Graph" section shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

Item 6. ***[Reserved]***

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our consolidated financial statements and the related notes and other financial information included elsewhere in this Annual Report on Form 10-K. Some of the information contained in this MD&A or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. Please review Part I, Item 1A "Risk Factors" of this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following MD&A.

Overview

R1 RCM is a leading provider of technology-driven solutions that transform the financial performance and patient experience for health systems, hospitals, and physician groups. Our scalable operating models complement a healthcare organization's infrastructure, driving sustainable improvements to NPR and cash flows while driving revenue yield, reducing operating costs, and enhancing the patient experience.

While we cannot control the changes in the regulatory environment imposed on our customers, we believe that our role becomes increasingly more important to our customers as macroeconomic, regulatory, and healthcare industry conditions continue to impose financial pressure on healthcare providers to manage their operations effectively and efficiently.

R1's flexible partnership models are intentionally designed to meet the unique needs of the providers we serve. Our commitment as an accountability partner with the ability to deliver multiple integrated solutions at scale allows us to engage with customers in a manner that aligns with their objectives. We understand that one size does not fit all within healthcare. Our commitment to serving a diverse range of healthcare providers is demonstrated in our flexible partnership models, from modular solutions to full end-to-end revenue cycle operating partnerships.

- **Operating Partnership/End-to-End Solutions**: For organizations seeking comprehensive support across the entire revenue cycle, R1's operating partnership model manages multiple aspects of the revenue cycle, enabling hospital and physician customers to realize financial leverage and revenue improvement. Under this partnership model, R1 assumes full responsibility of all or select revenue cycle phases to deliver scalable, accelerated, and sustainable financial results across all settings of care and payment models, customized for health systems and physician groups.

- **Modular Solutions**: For organizations looking to accelerate, optimize, and navigate revenue recovery, R1 offers modular solutions, which can be purchased individually or bundled and are designed to deliver results in key revenue cycle areas. Under this focused and flexible partnership approach, R1 addresses specific challenges of the revenue cycle. This customized approach promotes cost reduction and enhanced revenue performance in areas that matter most for health systems, hospitals, and physician groups. These solutions are grouped into five categories that address unique healthcare provider challenges and drive value in specific areas of the revenue cycle:
    - **Functional Partnership**: Functional outsourcing solutions drive improvements across targeted revenue cycle areas for hospital and physician group customers. These modular solutions are for organizations requiring focused support in specific areas.
    - **Revenue Recovery**: Modular solutions to fast-track payer and patient cash collections with proprietary technology backed by R1's experience in aged, complex and clinically challenged claims and denials. For these modular solutions related to back-end payment collections, we apply automation and AI to an otherwise labor-intensive process.

- **Revenue Optimization:** Modular solutions to uncover missed or underreported revenue with our comprehensive payment review expertise designed to identify areas that may be missed by other internal processes.
- **Clinical Integrity:** Modular solutions to improve documentation and coding accuracy to maximize earned revenue for the services provided. Our clinical and auditing experts support these modular solutions.
- **Regulatory Navigation:** Modular, compliance-first solutions to optimize government reimbursement accuracy, maximize pharmacy savings, and ensure compliance with the help of our elite team of industry specialists.

We operate and manage our business as a single segment, with our offerings organized around the business of providing various RCM solutions to healthcare providers.

Recent Developments

Acclara Acquisition

On January 17, 2024, we completed the Acclara Acquisition in exchange for $675.0 million cash and a warrant to acquire up to 12,192,000 shares of common stock of the Company to Providence, subject to customary adjustments for working capital, cash, and debt. We acquired 100% of the equity interests in Acclara. The Company funded the cash consideration for the Acclara Acquisition and related fees and expenses with cash on hand, borrowings of $80 million under our Senior Revolver, and additional borrowings of $575.0 million from our senior secured term loan B facility (such additional borrowings, the "Incremental Term B Loans").

Summary of Operations

In 2023, R1 made considerable progress on its strategic initiatives - stabilizing and improving our key performance metrics, advancing our technology roadmap, achieving certain Cloudmed acquisition-related synergy targets, and delivering new business wins to support future revenue growth. Our key accomplishments include:

- Revenue growth of 24.8%, with adjusted EBITDA growth of 45.0% and net income of $3.3 million compared to net loss of $63.3 million in 2022, driven by strong operational execution, the full-year contribution of Cloudmed, implementation of new business wins and existing customer expansions, and underlying growth in patient volumes. Net income growth was also driven by lower acquisition and integration spend in 2023 compared to 2022.

- Continued investments and deployment of automation and technology capabilities including the expansion of R1's collaboration with Microsoft to accelerate the development and integration of generative AI into R1's industry-leading healthcare revenue cycle management platform. R1 delivered its first large language model application, which is designed to increase the productivity of physician coding quality assurance, integrating tools from Azure AI Studio. The application evaluates complex unstructured medical records to predict physician evaluation and management (E/M) codes and improve coding quality across patient charts.

- Realization of synergies from the Cloudmed acquisition of approximately $30.0 million primarily through rationalization of general and administrative functions, facilities, and vendor consolidation.

Trends and Uncertainties

Revenue cycle is a critical function for healthcare providers as they seek to increase process efficiency and maximize cash collected from payers and patients. Healthcare providers operate their revenue cycle with a combination of labor, software, and services vendors. Third-party vendors offer various solutions including consulting services, software, and other services, including point solutions that cover one or multiple components of the revenue cycle and full outsourcing services, among others. The CMS projects hospital care and physician care expenditures in the U.S. to amount to $1.5 trillion and $977.7 billion in 2024, respectively. We estimate the cost of hospital and physician revenue cycle operations to be approximately 5% of revenue, resulting in a market size of approximately $120 billion. According to Research and Markets data as of June 2023, revenue cycle spend is projected to grow at a compounded annual growth rate of 11.1% through 2028.

Health systems are currently facing challenges in their revenue cycle operations based on several factors including: (1) more complex and clinical outcomes based reimbursement, (2) industry consolidation amongst hospitals and across the continuum of care, (3) increasing patient responsibility for their medical bills, (4) healthcare labor shortage, and (5) capital constraints to invest in the revenue cycle given financial difficulties and requirements to invest in improving clinical care. We believe these trends provide opportunities for external RCM vendors that will result in further growth for the industry and our Company. However, these factors could also result in lower healthcare volumes and extended timelines for customer collections.

In 2023, we worked closely with our provider partners to address revenue optimization and workforce management needs more effectively. Such needs continue to impact our provider partners' performance because of changes to payer timeframes, increased coding complexity, regulatory shifts, and macroeconomic pressures. We anticipate incremental improvement over the next several years as normal cycles return following COVID. Similarly, patient volumes have continued to stabilize, and as a result, we believe there will be a constructive environment in 2024 for our ability to collect cash on behalf of our customers. On the modular side, we continued to see positive booking trends in 2023 because of macroeconomic pressures and the same performance-related pressures noted above.

In 2023, we also increased the allowance for credit losses as a result of a few specific customers that have been experiencing financial challenges. As inflation and high interest rates continue, along with the industry dynamics described above, we will continue to monitor the financial health of our customers, and even though we expect improvements in 2024, we may be required to continue to increase our allowance for credit losses if future events and circumstances are more adverse than currently anticipated.

Global economies experienced historically high levels of inflation in 2022 and 2023. To the extent inflation persists in 2024, it could negatively impact our costs for wages and other materials. Inflation may also impact the economic health of our customers, including their ability to pay amounts owed to us. In response to high inflation, the Federal Reserve Board raised interest rates and there is uncertainty as to its future actions with respect to rates. Our credit facility interest, in part, is based on a variable interest rate structure which can result in increased cost of capital in periods of rising interest rates. To date, rising interest rates have not had a material impact on our results of operations.

Other adverse macroeconomic conditions, including but not limited to changes to fiscal and monetary policy and currency fluctuations, could impact macro-level consumer spending trends, which could affect the volumes processed on our platform and result in fluctuations to our revenue streams. Certain of our customers may be negatively impacted by these events. In addition, our business and customers continue to face challenges relating to a tight labor market and increased turnover rates. In particular, the current labor market combined with heightened inflation across the globe may increase cost of labor for both us and our customers in 2024 and over time. We plan to continue to invest in technology to help us offset these costs and expect to continue hiring talented employees and providing competitive compensation. The extent to which these macroeconomic conditions will affect our business is uncertain and will depend on political, social, economic, and regulatory forces that are outside of our control. We continue to assess fluctuating macroeconomic events to manage our response.

Components of Our Results of Operations

Net Services Revenue

We generate revenue in the form of net operating fees and incentive fees primarily from our operating partnership agreements under our end-to-end solutions offering. We also generate revenue from our modular solutions, which we offer to assist customers in optimizing revenue, reducing costs or improving performance, and for which fees are determined under a contingency-based model to align to performance outcomes or on a fixed fee that is correlated to usage or other volumetric basis.

Cost of Services

Our cost of services includes:

- ***On-site personnel costs and technology expenses.*** We incur costs related to our management and staff employees who are devoted to customer operations. These expenses consist primarily of the wages, bonuses, benefits, share-based compensation, travel and other costs associated with our employees who are assigned to specific customer sites related to our customers' revenue cycle operations. The employees assigned to customer sites typically have significant experience in revenue cycle operations, care coordination, technology, quality control, or other management disciplines. Included in these expenses is an allocation of the costs associated with maintaining, improving, and deploying our integrated proprietary technology suite.

- ***Global business services center costs.*** We incur expenses related to the operation of our global business services centers in the U.S., India and the Philippines, which includes employee compensation costs and non-payroll costs, such as facility charges, IT equipment, and software license and maintenance costs.

- ***Other costs.*** These costs primarily relate to the amortization of intangible assets and internally developed software used in operations. We also incur vendor costs for contracts assigned from our customers or for support services that are outsourced. Other costs also include compensation costs for employees that directly support customer onboarding efforts and employees serving customers.

Estimates of Cost of Customers' Revenue Cycle Operations

Cost of customers' revenue cycle operations consist of payroll and third-party non-payroll costs. Customers' payroll costs are reasonably estimable; however, third-party non-payroll costs are comprised of invoices from customer vendors and estimated costs not yet invoiced. We are at times dependent upon information generated from our customers' records to determine the amount of third-party non-payroll costs. We estimate the amount of non-payroll costs incurred but not invoiced in order to properly calculate net operating fees at the end of each reporting period. Such estimated costs are based on contractually allowable expenses, historical reimbursed costs, and estimated lag in the timing of receipt of information for third-party non-payroll costs. The timing difference includes the lag between the services rendered by third-party vendors and their billings to our customers. The liabilities for such costs are included in accrued service costs and are part of the customer liabilities balance in the consolidated balance sheet. These estimates are based on the best available information and are subject to future adjustments based on additional information received from our customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of salary and benefit expenses for executives, sales, corporate IT, legal, regulatory compliance, finance, and human resources personnel, and professional service fees related to external legal, tax, audit, and advisory services. It also includes corporate insurance premiums, facility charges, and other corporate expenses, such as expenses related to our customer credit loss allowance.

Other Expenses

Other expenses include expenses related to evaluating and pursuing acquisition opportunities and integrating completed acquisitions as part of our inorganic growth strategy, large-scale technology projects that transform how we operate the business, reorganization-related expenses, capital structure related costs, certain litigation costs, and expenses incurred related to the COVID-19 pandemic. For more information, refer to Note 14, Other Expenses.

Net Interest Expense

Net interest expense reflects interest on debt arrangements and the amortization of certain debt discounts and costs, which is offset by interest earned on cash and short-term investments.

Income Taxes

Income tax provision (benefit) consists of federal and state income taxes in the U.S. and other foreign jurisdictions.

Application of Critical Accounting Estimates

Our consolidated financial statements reflect the assets, liabilities and results of operations of R1 RCM Inc. and our wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP").

The preparation of financial statements in conformity with GAAP requires us to make estimates and judgments that affect the amounts reported in our consolidated financial statements and the accompanying notes. We regularly evaluate the accounting policies and estimates we use. In general, we base estimates on historical experience and on assumptions that we believe to be reasonable given our operating environment. Estimates are based on our best knowledge of current events and the actions we may undertake in the future. Although we believe all adjustments considered necessary for fair presentation have been included, our actual results may differ materially from our estimates.

We believe that the accounting policies described below involve our more significant judgments, assumptions, and estimates, and therefore, could have the greatest potential impact on our consolidated financial statements. In addition, we believe that a discussion of these policies is necessary to understand and evaluate the consolidated financial statements contained in this Annual Report on Form 10-K. For further information on our critical and other significant accounting policies, see Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements included in this Annual Report on Form 10-K.

Contract Assets

The contract assets balances represent estimated revenue related to certain modular revenue services transferred to a customer where the Company's right to consideration is conditioned on something other than the passage of time. Revenues and contract assets are recognized when control of the promised services is transferred to the customer and reflects the estimated amount of consideration to which the Company expects to be entitled in exchange for transferring those services. The consideration for these services is variable and contingent based upon amounts collected by our customers. We estimate the variable consideration for which we expect to be entitled from our service arrangements with each customer using assumptions based on historical information at the customer and service line level, which are regularly reviewed and updated. We also apply our best judgment at the time based on available internal and customer-specific information.

The estimate of variable consideration included in the transaction price typically involves the application of an assumption regarding the expected realization rate to estimate the total amount that the Company's customers are likely to collect from their payers after the services have been provided. The assumptions are developed using historic incremental reimbursements collected by customers, a portfolio of similar contracts, or the service line level. We allocate variable consideration to each distinct period to which it relates since this reflects the consideration to which we expect to be entitled in exchange for the services we have performed to date.

Business Combinations

We account for business combinations using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at fair value, with limited exceptions. Any excess of the purchase price over the fair value of acquired identified assets and liabilities is recorded as goodwill.

Significant judgment is required in estimating the fair value of intangible assets. Our typical intangible assets acquired include developed technology, trade names, and customer relationships. There are several methods that can be used to determine the fair value of intangible assets. We typically use an income approach to value the specifically identifiable intangible assets which is based on forecasts of expected future cash flows. Under the income approach, we utilize a multi-period excess earnings methodology to value the primary intangible asset of a business combination. Fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management but are inherently uncertain. We typically consult with an independent advisor to assist in the valuation of intangible assets. Significant estimates and assumptions inherent in valuations include discount rates, revenue and cost growth rates, and technology obsolescence curves. We consider marketplace participant assumptions in determining the amount and timing of future cash flows along with technology life cycles, barriers to entry, and risks associated with cash flows in concluding upon our discount rates. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition dates, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, we may record adjustments to the purchase accounting. In addition, unanticipated market or macroeconomic events and circumstances may occur that could affect the accuracy or validity of the estimates and assumptions. If the estimates do not reflect future results or assumptions utilized in the valuation are inaccurate, then our recorded intangible assets and goodwill could be misstated, or could result in future impairment.

New Accounting Standards

For additional information regarding new accounting guidance, see Note 2, Summary of Significant Accounting Policies, to our consolidated financial statements included in this Annual Report on Form 10-K, which provides a summary of recently adopted accounting standards and disclosures.

Results of Operations

The following table provides consolidated operating results and other operating data for the periods indicated:

	Year Ended December 31,			2023 vs. 2022 Change		2022 vs. 2021 Change	
	2023	2022	2021	Amount	%	Amount	%
	(In millions, except percentages)						
Consolidated Statement of Operations Data:							
Net operating fees	$ 1,455.9	$ 1,309.7	$ 1,211.8	$ 146.2	11.2 %	$ 97.9	8.1 %
Incentive fees	108.4	106.8	143.8	1.6	1.5 %	(37.0)	(25.7)%
Modular and other fees	689.9	389.9	119.0	300.0	76.9 %	270.9	227.6 %
Total net services revenue	2,254.2	1,806.4	1,474.6	447.8	24.8 %	331.8	22.5 %
Operating expenses:							
Cost of services	1,769.7	1,446.9	1,160.9	322.8	22.3 %	286.0	24.6 %
Selling, general and administrative	220.0	172.5	122.0	47.5	27.5 %	50.5	41.4 %
Other expenses	116.6	189.8	55.5	(73.2)	(38.6)%	134.3	242.0 %
Total operating expenses	2,106.3	1,809.2	1,338.4	297.1	16.4 %	470.8	35.2 %
Income (loss) from operations	147.9	(2.8)	136.2	150.7	5,382.1 %	(139.0)	(102.1)%
Net interest expense	126.9	64.0	18.9	62.9	98.3 %	45.1	238.6 %
Net income (loss) before income tax provision (benefit)	21.0	(66.8)	117.3	87.8	131.4 %	(184.1)	(156.9)%
Income tax provision (benefit)	17.7	(3.5)	30.0	21.2	605.7 %	(33.5)	(111.7)%
Net income (loss)	$ 3.3	$ (63.3)	$ 87.3	$ 66.6	105.2 %	$ (150.6)	(172.5)%
Adjusted EBITDA (1)	$ 614.3	$ 423.8	$ 345.8	$ 190.5	45.0 %	$ 78.0	22.6 %

(1) Refer to the Non-GAAP Financial Measures section below for a reconciliation of our financial results reported in accordance with GAAP to non-GAAP financial results.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Net Services Revenue

Net services revenue increased by $447.8 million, or 24.8%, from $1,806.4 million for the year ended December 31, 2022 to $2,254.2 million for the year ended December 31, 2023. The increase was primarily driven by a full year of revenue contributed from the Cloudmed acquisition, which is reported in Modular and other fees, as compared to six months in the prior year. The increase in net operating fees of $146.2 million is primarily driven from increased revenue earned from end-to-end customers that were onboarded in 2022.

Cost of Services

Cost of services increased by $322.8 million, or 22.3%, from $1,446.9 million for the year ended December 31, 2022, to $1,769.7 million for the year ended December 31, 2023. The increase in the cost of services was primarily driven by an increase of $211.5 million in compensation expense, including share-based compensation, related to the full-year impact of Cloudmed employees and increased headcount driven by growth in the business. Additionally, cost of services for the year ended December 31, 2023 includes increased depreciation and amortization expense of $106.3 million primarily due to Cloudmed intangibles amortization.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $47.5 million, or 27.5%, from $172.5 million for the year ended December 31, 2022 to $220.0 million for the year ended December 31, 2023. The increase was driven by a $22.9 million increase in bad debt expense primarily due to certain customers with financial challenges and an increase of $10.9 million in compensation expense, including share-based compensation, related to the growth of the business, along with the full-year impact of Cloudmed.

Other Expenses

Other expenses decreased by $73.2 million, or 38.6%, from $189.8 million for the year ended December 31, 2022, to $116.6 million for the year ended December 31, 2023. See Note 14, Other Expenses, to the consolidated financial statements included in this Annual Report on Form 10-K for the details of the costs included in this total for the comparative periods.

Income Taxes

Income tax expense increased by $21.2 million from a $3.5 million income tax benefit for the year ended December 31, 2022 to a $17.7 million income tax expense for the year ended December 31, 2023. This was primarily due to increased federal and state taxes due to an increased level of profitability, as our pretax income for the year ended December 31, 2023 was $21.0 million compared to a pretax loss of $66.8 million for the year ended December 31, 2022. The increase was also due to certain non-deductible expenses for stock compensation, non-deductible legal costs, and an increase in foreign taxes due to higher income generated in our foreign operations.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

For a comparison of our results of operations for the year ended December 31, 2022 to the year ended December 31, 2021, refer to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Annual Report on Form 10-K for the year ended December 31, 2022 filed on February 16, 2023, as amended by Amendment No. 1 filed on December 4, 2023 (collectively, the "2022 Form 10-K").

Non-GAAP Financial Measures

In order to provide a more comprehensive understanding of the information used by our management team in financial and operational decision-making, we supplement our consolidated financial statements that have been prepared in accordance with GAAP with the non-GAAP financial measure of adjusted EBITDA. Adjusted EBITDA is utilized by the Board and management team as (i) one of the primary methods for planning and forecasting overall expectations and for evaluating actual results against such expectations; and (ii) as a performance evaluation metric in determining achievement of certain executive incentive compensation programs, as well as for incentive compensation plans for employees.

Adjusted EBITDA

We define adjusted EBITDA as net income (loss) before net interest income/expense, income tax provision/benefit, depreciation and amortization expense, share-based compensation expense, CoyCo 2, L.P. ("CoyCo 2") share-based compensation expense, strategic initiatives costs, customer employee transition and restructuring expense, and other items which are detailed in Note 14, Other Expenses, to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

We understand that, although non-GAAP measures are frequently used by investors, securities analysts, and others in their evaluation of companies, these measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect:
    - Changes in, or cash requirements for, our working capital needs;
    - Share-based compensation expense (including CoyCo 2 share-based compensation expense);
    - Income tax expenses or cash requirements to pay taxes;
    - Interest expenses or cash required to pay interest;
    - Certain other expenses which may require cash payments;
- Although depreciation and amortization charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect cash requirements for such replacements or other purchase commitments, including lease commitments; and
- Other companies in our industry may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Reconciliation of GAAP and Non-GAAP Measures

The following table presents a reconciliation of adjusted EBITDA to net income (loss), the most closely comparable GAAP measure, for each of the periods indicated:

	Year End December 31,		
	2023	2022	2021
		(In millions)	
Net income (loss) (GAAP)	$ 3.3	$ (63.3)	$ 87.3
Net interest expense	126.9	64.0	18.9
Income tax provision (benefit)	17.7	(3.5)	30.0
Depreciation and amortization expense	278.3	172.0	77.5
Share-based compensation expense (1)	64.2	59.7	76.6
CoyCo 2 share-based compensation expense (2)	7.3	5.1	—
Other expenses (3)	116.6	189.8	55.5
Adjusted EBITDA (Non-GAAP)	$ 614.3	$ 423.8	$ 345.8

(1) Share-based compensation expense represents the expense associated with stock options, restricted stock units ("RSUs"), and performance-based RSUs ("PBRSUs"), as reflected in our Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 13, Share-Based Compensation, to the Consolidated Financial Statements included in this Annual Report on Form 10-K for the detail of the amounts of share-based compensation expense.

(2) CoyCo 2 share-based compensation expense represents the expense associated with CoyCo 2 limited partnership units, as reflected in our Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 13, Share-Based Compensation, to the Consolidated Financial Statements included in this Annual Report on Form 10-K for the detail of the amounts of CoyCo 2 share-based compensation expense.

(3) Other expenses are incurred in connection with acquisition and integration costs, various exit activities, transformation initiatives, and organizational changes to improve our business alignment and cost structure. See Note 14, Other Expenses, to the Consolidated Financial Statements included in this Annual Report on Form 10-K for the detail of the amounts included in other expenses.

Liquidity and Capital Resources

Our primary sources of liquidity include our cash flows from operations and borrowings under the Second A&R Credit Agreement. As of December 31, 2023, we had total liquidity of $772.4 million reflecting our cash and cash equivalents and our remaining availability under the Senior Revolver.

Our liquidity is influenced by many factors, including timing of revenue and corresponding cash collections, customer onboarding costs, the amount and timing of investments in strategic initiatives, transaction costs related to business acquisitions, our technology investments, and the use of cash to pay tax withholding obligations upon surrender of shares upon vesting of equity awards. We continue to invest capital in order to achieve our strategic initiatives and successfully integrate acquired companies. As part of our strategic initiatives, we plan to continue to invest in technology to increase the capabilities, scalability, and resiliency of our systems.

We plan to continue to deploy resources to strengthen our information technology infrastructure, including automation, in order to drive additional value for our customers. We also expect to continue to invest in our global business services infrastructure and capabilities, including further expansion in the Philippines and India, and selectively pursue acquisitions and/or strategic relationships that will enable us to broaden or further enhance our offerings. New business development remains a priority as we plan to continue to boost our sales and marketing efforts. Additionally, we expect to continue to incur costs associated with implementation and transition costs to onboard new customers.

We expect our cash and cash equivalents, cash flows from operations, and our availability under the Senior Revolver to continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities, including debt maturities and material capital expenditures, for the next 12 months and beyond. Similar to previous acquisitions and the Acclara Acquisition noted above, future potential acquisitions may be funded through the incurrence of additional debt if our current credit facilities do not have the required capacity.

Our material cash requirements include the following contractual and other obligations:

Debt

As of December 31, 2023, we had outstanding debt of $1.7 billion with contractual payments extending through 2029, with $67.0 million payable within 12 months. As of December 31, 2023, future interest payments associated with our debt totaled $448.9 million, with $119.0 million payable within the next 12 months, based on the floating rates as of December 31, 2023.

Concurrently with the close of the Acclara Acquisition on January 17, 2024, we entered into the Second Amendment to the Second A&R Credit Agreement whereby we borrowed Incremental Term B Loans under the Second A&R Credit Agreement in an aggregate principal amount equal to $575.0 million. We used the proceeds of the Incremental Term B Loans, together with cash on hand and borrowings of $80 million under the Senior Revolver, to finance (i) the cash consideration for the Acclara Acquisition and (ii) fees and costs incurred in connection with the acquisition and related transactions.

Following the incurrence of the Incremental Term B Loans, as of January 17, 2024, future interest payments associated with the Senior Term Loans and Incremental Terms B Loans are estimated to be $706.3 million, with $165.5 million payable through December 31, 2024, based on the floating rates as of December 31, 2023. Additionally, we estimate future interest payments of $6.0 million in 2024 associated with our Senior Revolver borrowings, based on the floating rates as of December 31, 2023 and assuming no principal payments on the Senior Revolver during 2024 and that we do not otherwise refinance or issue additional debt.

Leases

Our significant leasing activity encompasses leases for real estate, including corporate offices, operational facilities, and global business services centers. As of December 31, 2023, we had fixed future lease payments of $119.1 million, with $25.1 million payable within 12 months.

Software purchase and services obligations

Our primary purchase obligations relate to contracts entered into with vendors that supply various software services and products. As of December 31, 2023, we had purchase obligations related to software and service contracts of $225.9 million, with $56.4 million payable within 12 months.

As of December 31, 2023 and 2022, we had cash and cash equivalents of $173.6 million and $110.1 million, respectively. Cash flows from operating, investing and financing activities, as reflected in our Consolidated Statements of Cash Flows, are summarized in the following table:

	Year Ended December 31,		
	2023	2022	2021
	(In millions)		
Net cash provided by (used in) operating activities	$ 340.1	$ (9.9)	$ 256.5
Net cash used in investing activities	(102.8)	(949.5)	(332.1)
Net cash (used in) provided by financing activities	(173.9)	943.0	31.4
Effect of exchange rate changes in cash	0.1	(3.6)	(0.5)
Net increase (decrease) in cash, cash equivalents, and restricted cash	63.5	(20.0)	(44.7)

Cash Flows from Operating Activities

Cash provided by operating activities increased by $350.0 million from cash used of $9.9 million for the year ended December 31, 2022, to cash provided of $340.1 million for the year ended December 31, 2023. Cash used in operating activities for the year ended December 31, 2022 included over $100 million of the costs related to the Cloudmed acquisition and the opening of a global business services center in the Philippines. See Note 14, Other Expenses, for additional information. The increase in cash provided by operating activities for the year ended December 31, 2023 can also be attributed to the increase in net services revenue and the cost synergies related to the Cloudmed acquisition that helped offset increased operating expenses.

For a comparison of our cash flows from operating activities for the year ended December 31, 2022 to the year ended December 31, 2021, refer to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2022 Form 10-K.

Cash Used in Investing Activities

Cash used in investing activities primarily includes our inorganic growth initiatives and investments in property, equipment and software. Outflows for significant acquisitions are typically offset by cash inflows from financing activities related to obtaining new debt.

Cash used in investing activities decreased by $846.7 million from $949.5 million for the year ended December 31, 2022, to $102.8 million for the year ended December 31, 2023. The decrease is primarily due to the $847.7 million cash payment for the Cloudmed acquisition in 2022. See Note 3, Acquisitions, to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

For a comparison of our cash flows used in investing activities for the year ended December 31, 2022 to the year ended December 31, 2021, refer to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2022 Form 10-K.

Cash Flows from Financing Activities

Cash flows from financing activities primarily relate to borrowings and repayments of debt. In conjunction with acquisitions, we typically borrow additional debt to fund the consideration, either by increasing our existing facilities or refinancing with new facilities. We utilize our revolver to ensure we have sufficient cash on hand to support the needs of the business at any given point in time. Cash flows from financing activities also include cash received from exercises of stock options and the use of cash to pay tax withholding obligations upon surrender of shares upon vesting of equity awards, as well as other financing activities.

Cash used in financing activities for the year ended December 31, 2023 was $173.9 million, which is primarily attributable to repayments on the Senior Secured Credit Facilities (as defined below). For the year ended December 31, 2022, cash provided by financing activities was $943.0 million, which is primarily due to the borrowings made under the Second A&R Credit Agreement in 2022 to fund the Cloudmed acquisition.

For a comparison of our cash flows from financing activities for the year ended December 31, 2022 to the year ended December 31, 2021, refer to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2022 Form 10-K.

Debt and Financing Arrangements

On June 21, 2022, we entered into the Second A&R Credit Agreement, governing the Company's second amended and restated senior secured credit facilities (the "Senior Secured Credit Facilities"), consisting of the $691.3 million existing senior secured term loan A facility (the "Existing Term A Loan"), a $540.0 million senior secured incremental term loan A facility (the "Incremental Term A Loan," and together with the Existing Term A Loan, the "Term A Loans"), a $500.0 million senior secured term loan B facility (the "Term B Loan," and together with the Term A Loans, the "Senior Term Loans"), and our $600.0 million Senior Revolver. The Existing Term A Loan requires quarterly payments. Commencing December 31, 2022, we are also required to repay the Incremental Term A Loan and Term B Loan in quarterly principal installments. The Senior Secured Credit Facilities bear interest at a floating rate, which was 7.61% for the Term A Loans and Senior Revolver and 8.36% for the Term B Loan as of December 31, 2023. See Note 11, Derivative Financial Instruments, to our consolidated financial statements included in this Annual Report on Form 10-K for discussion on our interest rate hedging transactions.

As of December 31, 2023, we had no outstanding borrowings and had $598.8 million remaining on our Senior Revolver. As of December 31, 2022, we had drawn $100.0 million and had $499.1 million remaining on our Senior Revolver.

The proceeds from the new Senior Secured Credit Facilities were used, in addition to cash on hand, (1) to refinance, in full, all existing indebtedness under the Amended and Restated Credit Agreement, dated as of July 1, 2021, by and among Old R1 RCM and certain of its subsidiaries, Bank of America, N.A., as administrative agent, and the lenders named therein, and amend and restate all commitments thereunder (the "Refinancing"), (2) to pay certain fees and expenses incurred in connection with the entry into the Second A&R Credit Agreement and the Refinancing, (3) to fund the Cloudmed acquisition and a holding company reorganization, and to pay the fees, premiums, expenses and other transaction costs incurred in connection therewith, and (4) to finance our working capital needs for general corporate purposes.

The Second A&R Credit Agreement contains a number of financial and non-financial covenants. We are required to maintain minimum consolidated total net leverage and consolidated interest coverage ratios. The Company was in compliance with all of the covenants in the Second A&R Credit Agreement as of December 31, 2023.

Concurrently with the close of the Acclara Acquisition on January 17, 2024, we entered into the Second Amendment to the Second A&R Credit Agreement. See Note 23, Subsequent Events, to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

See Note 10, Debt, to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate Sensitivity. Our results of operations and cash flows are subject to fluctuations due to changes in interest rates in connection with our debt and banking arrangements, which can result in fluctuations in our interest income and expense. As of December 31, 2023, we have hedged $500.0 million of our $1.7 billion outstanding floating rate debt to a fixed rate of 3.01% plus the applicable spread defined in the Second A&R Credit Agreement. The remaining $1.2 billion outstanding, as of December 31, 2023, was subject to average variable rates of 7.61% for the Term A Loans and Senior Revolver and 8.36% for the Term B Loan as of that date. Assuming the current level of borrowings, a one percentage point increase or decrease in interest rates would increase or decrease our annual interest expense on the $1.2 billion subject to variable rates by approximately $11.6 million.

Our interest income is primarily generated from variable rate interest earned on operating cash accounts.

Foreign Currency Exchange Risk. Our results of operations and cash flows are subject to fluctuations due to changes in the Indian rupee and Philippine peso because a portion of our operating expenses are incurred by our subsidiaries in India and the Philippines. We do not generate net services revenue outside of the U.S. For the years ended December 31, 2023, 2022 and 2021, 9%, 8%, and 9% of our expenses were denominated in foreign currencies, respectively. As of December 31, 2023 and 2022, we had net assets of $104.8 million and $81.5 million in foreign entities, respectively. Before the impact of our foreign currency hedging activities discussed below, the reduction in earnings from a 10% change in foreign currency spot rates would have been $21.9 million and $16.7 million at December 31, 2023 and 2022, respectively.

We have hedge positions that are designated cash flow hedges of certain intercompany charges which have maturities not exceeding December 31, 2024 and are intended to partially offset the impact of foreign currency movements on future costs relating to our global business services centers. For additional information, see Note 11, Derivative Financial Instruments to our Consolidated Financial Statements included in this Annual Report on Form 10-K. These instruments are subject to fluctuations in foreign currency exchange rates and credit risk. Credit risk is managed through careful selection and ongoing evaluation of the financial institutions utilized as counterparties.

For designated cash flow hedges, gains and losses currently recorded in accumulated other comprehensive loss will be reclassified into earnings at the time when certain anticipated intercompany charges are accrued as cost of services. As of December 31, 2023, it was anticipated that approximately $1.4 million of gains, net of tax, currently recorded in accumulated other comprehensive loss will be reclassified into cost of services within the next 12 months. As of December 31, 2023, the notional value of the outstanding derivative contracts totaled 8.7 billion Indian rupees and 1.4 billion Philippine pesos.

We use sensitivity analysis to determine the effects that market foreign currency exchange rate fluctuations may have on the fair value of our hedge portfolio. The sensitivity of the hedge portfolio is computed based on the market value of future cash flows as affected by changes in exchange rates. This sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the offsetting gain or loss on the underlying exposure. A 10% change in the levels of foreign currency exchange rates against the U.S. dollar with all other variables held constant would have resulted in a change in the fair value of our hedge instruments of approximately $11.7 million as of December 31, 2023.

We continually monitor our exposure to foreign currency fluctuations and may use additional derivative financial instruments and hedging transactions in the future if, in our judgment, circumstances warrant. There can be no guarantee that the impact of foreign currency fluctuations in the future will not be significant and will not have a material impact on our financial position or results of operations.

Item 8. ***Financial Statements and Supplementary Data***

The financial statements required by this Item are located beginning on page F-1 of this report.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

This Item 9A includes information concerning the controls and controls evaluation referred to in the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Exchange Act included in this Annual Report as Exhibits 31.1 and 31.2.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management including our principal executive officer and principal financial officer to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2023. Our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting (as defined by Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making its assessment, management has utilized the criteria set forth by the COSO of the Treadway Commission in Internal Control-Integrated Framework (2013). Management concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2023.

We have set forth the attestation report of Ernst & Young LLP, our independent registered public accounting firm, on our internal control over financial reporting in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K, and we incorporate such report herein by reference.

Remediation of Material Weakness

To address the previously reported material weakness in internal control over financial reporting described in Part I, Item 4 of our Form 10-Q for the quarter ended September 30, 2023, management designed and implemented new controls and enhanced existing controls related to the accounting for business combinations and related transactions to identify arrangements that should be considered for recording outside of the business combination transaction purchase accounting, including all acquiree-related or similar compensation arrangements. These changes are consistent with the remediation plan that was disclosed in Item 9A of Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on December 4, 2023. Based on the actions taken, as well as the evaluation of the design and operating effectiveness of the Company's new and updated internal controls, management, with the participation of our Chief Executive Officer and Chief Financial Officer, determined that the material weakness noted above had been remediated as of December 31, 2023.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of 2023, we adopted and tested changes to our internal control over financial reporting related to our remediation efforts described above. We also completed and implemented the process and system integration with respect to Cloudmed's operations and completed the design and implementation of new controls over Cloudmed's systems and processes involved in estimating revenue and customer billing. Other than as described herein, there have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of R1 RCM Inc.

Opinion on Internal Control Over Financial Reporting

We have audited R1 RCM Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, R1 RCM Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated February 27, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois
February 27, 2024

Item 9B. ***Other Information***

Insider Trading Arrangements

During the fiscal quarter ended December 31, 2023, none of our directors or officers (as defined in Section 16 of the Exchange Act), adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (each as defined in Item 408 of Regulation S-K).

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item with respect to our directors and executive officers will be contained in our 2024 Proxy Statement under the caption "Information About Our Directors, Officers and 5% Stockholders" and is incorporated in this report by reference.

The information required by this item with respect to corporate governance matters will be contained in our 2024 Proxy Statement under the caption "Corporate Governance" and is incorporated in this report by reference.

Item 11. ***Executive Compensation***

Information required to be furnished by Item 402 of Regulation S-K and paragraphs (e)(4) and (e)(5) of Item 407 of Regulation S-K regarding executive compensation will be included in our 2024 Proxy Statement under the caption "Executive Compensation" and is herein incorporated by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

We maintain an Amended and Restated Stock Option Plan ("2006 Plan"), and a Fourth Amended and Restated 2010 Stock Incentive Plan (the "2010 Amended Plan" and together with the 2006 Plan, the "Plans"). Under the 2010 Amended Plan, we may issue up to a maximum of 59,974,756 shares of common stock, including any shares that remained available for issuance under the 2006 Plan as of the date of the initial public offering of our common stock (the "IPO") and any shares subject to awards that were outstanding under the 2006 Plan as of the date of the IPO that expire, terminate or are otherwise surrendered, canceled, forfeited, or repurchased by us without the issuance of shares thereunder. We will not make any further grants under the 2006 Plan. The 2010 Amended Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, RSUs, and other share-based awards. As of December 31, 2023, 7,456,142 shares were available for future grants of awards under the 2010 Amended Plan. However, to the extent that previously granted awards under the 2006 Plan or 2010 Amended Plan expire, terminate or are otherwise surrendered, canceled or forfeited, the number of shares available for future awards under the 2010 Amended Plan will increase.

On June 21, 2022, the Board adopted the R1 RCM Inc. 2022 Inducement Plan (the "Inducement Plan") to accommodate equity grants to new employees hired in connection with the Cloudmed acquisition. Under the Inducement Plan, we may grant RSUs (including PBRSUs) with respect to up to a total of 6,225,000 shares of common stock to new employees. Pursuant to Rule 5635(c)(4) of the NASDAQ Listing Rules, the Inducement Plan was adopted without stockholder approval. The Inducement Plan only provides for the grant of RSUs (including PBRSUs), and its terms are otherwise substantially similar to the 2010 Amended Plan, including with respect to treatment of equity awards in the event of a "change in control" as defined under the Inducement Plan. In accordance with Rule 5635(c)(4) of the NASDAQ Listing Rules, awards under the Inducement Plan can only be made to individuals not previously employees or non-employee directors of the Company (or following such individuals' bona fide period of non-employment with the Company), as an inducement material to the individuals' entry into employment with the Company or in connection with a merger or acquisition, to the extent permitted by Rule 5635(c)(3) of the NASDAQ Listing Rules. As of December 31, 2023, 519,830 shares were available for future grants of awards under the Inducement Plan. However, to the extent that previously granted awards under the Inducement Plan expire, terminate or are otherwise surrendered, canceled or forfeited, the number of shares available for future awards under the Inducement Plan will increase.

The following table summarizes information about the securities authorized for issuance under our equity compensation plans as of December 31, 2023:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Restricted Stock Units	(b) Weighted-Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities reflected in Column (a))
Equity compensation plans approved by stockholders (1)	12,580,339	$ 3.41	7,456,142
Equity compensation plans not approved by stockholders (2)	5,654,741	$ —	519,830
Total	18,235,080		7,975,972

(1) Includes 2,647,202 outstanding stock options, 3,254,593 RSUs, and 6,678,544 PBRSUs awarded under the Plans. The number of shares included for PBRSUs represents the maximum shares that could vest. Since the RSUs and PBRSUs have no exercise price, they are not included in the weighted-average exercise price calculation in column b.
(2) Represents RSU and PBRSU inducement awards made in conjunction with the Cloudmed acquisition. The number of shares included for PBRSUs represents the maximum shares that could vest. Since the RSUs and PBRSUs have no exercise price, there is no weighted-average exercise price calculation in column b.

The information required by this item with regard to security ownership of certain beneficial owners and management will be contained in our 2024 Proxy Statement under the caption “Information About Our Directors, Officers and 5% Stockholders - Security Ownership of Certain Beneficial Owners and Management” and is incorporated in this report by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item will be contained in our 2024 Proxy Statement under the captions “Related Party Transactions” and “Corporate Governance” and is incorporated in this report by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item will be contained in our 2024 Proxy Statement under the caption “The Auditor Ratification Proposal” and is incorporated in this report by reference.

PART IV

Item 15. ***Exhibit and Financial Statement Schedules***

a) The following documents are filed as a part of this report:

(1) *Financial Statements:* The financial statements and notes thereto annexed to this report beginning on page F-1.

(2) *Financial Statement Schedules:* Schedule II - Valuation and Qualifying Accounts Disclosure schedules have been omitted because they are not required or because the required information is in the Consolidated Financial Statements and notes thereto.

(3) *Exhibits:*

Exhibit Number	Description
2.1+	Agreement and Plan of Merger by and among Intermedix Holdings, Inc., Old R1 RCM, Project Links Parent, Inc., Project Links Merger Sub, Inc. and solely in its capacity as Securityholder Representative, Thomas H. Lee Equity Fund VI, L.P. dated as of February 23, 2018 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K (File No. 001-34746) filed on February 26, 2018)
2.2+	Stock Purchase Agreement, dated as of January 9, 2020, by and among Old R1 RCM, Clearsight Intermediate Holdings, Inc. and Clearsight Group Holdings, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K (File No. 001-34746) filed on January 13, 2020)
2.3+	Transaction Agreement and Plan of Merger, dated as of January 9, 2022 among Old R1 RCM, Project Roadrunner Parent Inc., Project Roadrunner Merger Sub Inc., Coyco 1, L.P., and Coyco 2, L.P. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K/A (File No. 001-34746) filed on January 11, 2022)
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
4.1	Description of Securities (filed herewith)
4.2	Second Amended and Restated Registration Rights Agreement, dated as of June 21, 2022, by and among the Company, Old R1 RCM, TCP-ASC ACHI Series LLLP, IHC Health Services, Inc., Shared Business Services, LLC and the Sellers (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
4.3	Amended and Restated Investor Rights Agreement, dated June 21, 2022, by and among the Company, Old R1 RCM and TCP-ASC ACHI Series LLLP (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
4.4	Investor Rights Agreement, dated June 21, 2022, by and among the Company and the Sellers (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
4.5	Warrant Assignment and Assumption Agreement, dated June 21, 2022, by and between the Company and IHC Health Services, Inc. (incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
4.6	Warrant, dated January 23, 2018, by and between Old R1 RCM and IHC Health Services, Inc. (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-34746) filed on January 24, 2018)
4.7	Warrant Assignment and Assumption Agreement, dated June 21, 2022, by and between the Company and TCP ASC ACHI Series LLLP (incorporated by reference to Exhibit 4.6 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
4.8	Warrant, dated February 16, 2016, by and between Old R1 RCM and TCP-ASC ACHI Series LLLP (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 001-34746) filed on May 10, 2016)

4.9	Warrant, dated as of January 17, 2024, by and between R1 RCM Inc. and Providence Health & Services – Washington (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-41428) filed on January 17, 2024)
10.1*	Amended and Restated Stock Option Plan, as amended (incorporated by reference to Exhibit 10.1 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
10.2*	Form of Acknowledgment of Grant, used to evidence option grants under the Amended and Restated Stock Option Plan (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1 (File No. 333-162186) filed on September 29, 2009)
10.3*	Restricted Stock Plan, as amended (incorporated by reference to Exhibit 10.3 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
10.4*	Form of Restricted Stock Award Agreement under the Restricted Stock Plan, as amended (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on September 29, 2009)
10.5*	Form of Indemnification Agreement, entered into between Old R1 RCM and each director and executive officer (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K (File No. 001-34746) filed on February 16, 2016)
10.6*	Form of Incentive Stock Option Agreement under the 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.24 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
10.7*	Form of Restricted Stock Unit Grant Agreement under the Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34746) filed on November 2, 2016)
10.8*	Form of Performance Based Restricted Stock Unit Grant Agreement under the Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34746) filed on November 2, 2016)
10.9*	Form of Nonstatutory Stock Option Agreement under the Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34746) filed on November 2, 2016)
10.10*	Accretive Health, Inc. Second Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on December 12, 2016)
10.11*	Form of Grant of Performance Based Restricted Stock Unit Awards pursuant to the Second Amended and Restated 2010 Stock Incentive Plan (to be used for awards to a senior vice president or executive vice president) (incorporated by reference to Exhibit 10.2 to the Quarterly Report on 10-Q (File No. 001-34746) filed on October 31, 2017)
10.12*	Form of Grant of Performance Based Restricted Stock Unit Awards pursuant to the Second Amended and Restated 2010 Stock Incentive Plan (to be used for awards to a vice president or director-level employee) (incorporated by reference to Exhibit 10.3 to the Quarterly Report on 10-Q (File No. 001-34746) filed on October 31, 2017)
10.13*	Form of Letter Agreement (to be used for executive vice presidents) (incorporated by reference to Exhibit 10.4 to the Quarterly Report on 10-Q (File No. 001-34746) filed on October 31, 2017)
10.14	Third Amended and Restated Stockholders' Agreement, dated as of February 22, 2009, among Old R1 RCM and the parties named therein, as amended (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1 (File No. 333-172707) filed on March 9, 2011)
10.15*	Form of Nonstatutory Stock Option Agreement under the 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
10.16^	Amended and Restated Master Professional Services Agreement by and between Ascension Health and Old R1 RCM effective as of February 16, 2016 (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 001-34746) filed on May 10, 2016)
10.17^	Amendment No. 1 to the Amended and Restated Master Professional Services Agreement by and between Old R1 RCM and Ascension Health, dated May 4, 2017 (incorporated by reference to Exhibit 10.1 to Quarterly Report on 10-Q for the quarter ended June 30, 2017 (File No. 001-34746) filed on August 2, 2017)

10.18*	Offer Letter, dated April 27, 2013, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.18 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.19*	Restricted Stock Award, dated June 3, 2013, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.19 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.20*	Nonstatutory Stock Option Award Agreement, dated June 3, 2013, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.20 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.21*	Amendment to Offer Letter, dated April 29, 2014, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.25 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.22*	Nonstatutory Stock Option Award Agreement, dated April 29, 2014, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.23*	Restricted Stock Award Agreement, dated April 29, 2014, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.24*	Form of Restricted Stock Award Agreement under the Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.43 to Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016)
10.25*	Letter Agreement, dated December 7, 2015, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.46 to Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016)
10.26*	Restricted Stock Award Agreement, dated December 31, 2015, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.48 to Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016)
10.27	Securities Purchase Agreement, dated as of December 7, 2015, by and among Accretive Health, Inc., TCP-ASC ACHI Series LLLP, and, solely for the purposes set forth therein, Ascension Health Alliance d/b/a Ascension (incorporated by reference to Exhibit 10.1 to Current Report on 8-K (File No. 001-34746) filed December 8, 2015)
10.28	Agreement by and between TCP-ASC ACHI Series LLLP and Old R1 RCM dated September 9, 2016 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on September 9, 2016)
10.29*	Non-Statutory Stock Option Award Grant Agreement, dated as of October 3, 2016, by and between Joseph G. Flanagan and Old R1 RCM (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-34746) filed on October 5, 2016)
10.30*	Non-Statutory Stock Option Award Grant Agreement, dated as of October 3, 2016, by and between Joseph G. Flanagan and Old R1 RCM (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K (File No. 001-34746) filed on October 5, 2016)
10.31*	Employment Offer Letter Agreement, dated June 19, 2017, by and between Old R1 RCM and Gary Long (incorporated by reference to Exhibit 10.55 to Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (File No. 001-34746) filed on March 9, 2018)
10.32*	Amended and Restated Grant of Performance Based Awards pursuant to the R1 RCM Inc. Second Amended and Restated 2010 Stock Incentive Plan to Joseph Flanagan (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K/A (File No. 001-34746) filed on January 18, 2018)
10.33	Securities Purchase Agreement between Old R1 RCM and IHC Health Services, Inc. dated as of January 23, 2018 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on January 24, 2018)
10.34*	Form of Grant of Performance Based Restricted Stock Unit Awards - 2018 Form pursuant to the Second Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K (File No. 001-34746) filed on May 31, 2018)
10.35^	Supplement 26 to Amended and Restated Master Professional Services Agreement between Old R1 RCM and Ascension Health dated as of June 24, 2018 (incorporated by reference to Exhibit 10.5 to the Quarterly Report on 10-Q (File No. 001-34746) filed on August 9, 2018)

10.36^	Amendment No. 2 to Amended and Restated Master Professional Services Agreement between Old R1 RCM and Ascension Health dated as of June 24, 2018 (incorporated by reference to Exhibit 10.6 to the Quarterly Report on 10-Q (File No. 001-34746) filed on August 9, 2018)
10.37^	Amendment No. 3 to Amended and Restated Master Professional Services Agreement between Old R1 RCM and Ascension Health dated as of July 5, 2018 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on 10-Q (File No. 001-34746) filed on November 7, 2018)
10.38*	Form of Grant of Performance-Based Restricted Stock Unit Awards Agreement pursuant to the Second Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on April 10, 2019)
10.39*	Amendment No. 2 to Offer Letter, dated March 6, 2019, between Old R1 RCM and Joseph Flanagan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-34746) filed on May 9, 2019)
10.40^	Amendment No. 4 to Amended and Restated Master Professional Services Agreement between Old R1 RCM and Ascension Health dated as of December 20, 2019 (incorporated by reference to Exhibit 10.61 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (File No. 001-34746) filed on February 20, 2020)
10.41*	Form of Grant of Performance-Based Restricted Stock Unit Awards Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on July 15, 2020)
10.42*	Offer Letter Agreement between Old R1 RCM and Rachel Wilson dated April 29, 2020 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-34746) filed on August 5, 2020)
10.43	Preferred Stock Agreement, dated as of January 5, 2021, between Old R1 RCM and TCP-ASC ACHI Series LLLP (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on January 6, 2021)
10.44*	Form of Restricted Stock Unit Award Agreement under Old R1 RCM's Second Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.71 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (File No. 001-34746) filed on February 18, 2021)
10.45*	Amended and Restated Offer Letter Agreement between Old R1 RCM and Joseph Flanagan dated March 23, 2021 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-34746) filed on May 4, 2021)
10.46*	R1 RCM Inc. Third Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on May 21, 2021)
10.47^	Amendment No. 5 to the Amended & Restated Master Professional Services Agreement between Old R1 RCM and Ascension Health effective May 1, 2021 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-34746) filed on August 3, 2021)
10.48	Voting Agreement, dated as of January 9, 2022, between Old R1 RCM, Revint Holdings, LLC, and TCP-ASC ACHI Series LLLP (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A (File No. 001-34746) filed on January 11, 2022)
10.49*	Form of Grant of Performance Based Restricted Stock Unit Awards under the R1 RCM Inc. Third Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on June 14, 2022)
10.50*	Form of Grant of Performance Based Restricted Stock Unit Awards (Pull-forward) under the R1 RCM Inc. Third Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-34746) filed on June 14, 2022)
10.51	Second Amended and Restated Credit Agreement, dated June 21, 2022, by and among Old R1 RCM Inc., as the Initial Borrower), the Company, as the Ultimate Borrower, the other Persons party thereto that are designated as a "Credit Party," Bank of America, N.A., as Agent for the several financial institutions from time to time party thereto and the Lenders (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
10.52*	Employment Agreement, dated June 21, 2022, by and between the Company and Lee Rivas (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
10.53*	R1 RCM Inc. 2022 Inducement Plan (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)

10.54*	Form of Standard PBRSU Award Agreement under R1 RCM Inc. 2022 Inducement Plan (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
10.55*	Form of Pull-forward PBRSU Award Agreement under R1 RCM Inc. 2022 Inducement Plan (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
10.56*	Form of RSU Award Agreement under R1 RCM Inc. 2022 Inducement Plan (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K (File No. 001-41428) filed on June 21, 2022)
10.57^	Amendment No. 6 to the Amended & Restated Master Professional Services Agreement, dated as of July 1, 2022, by and between Ascension Health and R1 RCM Holdco Inc. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 001-41428) filed on November 8, 2022)
10.58	Director Nomination Agreement, dated as of August 2, 2022, by and between R1 RCM Inc. and Sutter Health (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-41428) filed on August 8, 2022) (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 001-41428) filed on November 8, 2022)
10.59*	Offer Letter Agreement, dated as of November 7, 2022, by and between R1 RCM Inc. and John Sparby (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-41428) filed on November 8, 2022)
10.60*	Amended and Restated Offer Letter Agreement, dated as of November 7, 2022, by and between R1 RCM Inc. and Joseph Flanagan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-41428) filed on November 8, 2022)
10.61*	Amended and Restated Offer Letter Agreement, dated as of November 7, 2022, by and between R1 RCM Inc. and Lee Rivas (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-41428) filed on November 8, 2022)
10.62*	Offer Letter Agreement, dated as of January 5, 2023, by and between R1 RCM. Inc. and Jennifer Williams (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-41428) filed on January 5, 2023)
10.63*	Form of Employment Terms & Restrictive Covenant Agreement (for Executive Vice Presidents) (incorporated by reference to Exhibit 10.1 to the Current report on Form 8-K (File No. 001-41428) filed on December 22, 2022)
10.64*	R1 RCM Inc. Fourth Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-41428) filed on May 17, 2023)
10.65*	Form of Restricted Stock Unit Award Agreement under the Company's Third Amended and Restated 2010 Stock Incentive Plan (to be used for short-term awards) (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 001-41428) filed on May 4, 2023
10.66*	Form of Restricted Stock Unit Award Agreement under the Company's Third Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 001-41428) filed on May 4, 2023)
10.67	Director Nomination Agreement, dated as of January 17, 2024, by and between R1 RCM Inc. and Providence Health & Services – Washington (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-41428) filed on January 17, 2024)
10.68	Amendment No. 2 to Second Amended and Restated Credit Agreement, dated as of January 17, 2024, by and among R1 RCM Inc. and certain of its subsidiaries, Bank of America, N.A., as administrative agent, and the lenders named therein (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-41428) filed on January 17, 2024)
10.69^	Amendment No. 7 to the Amended & Restated Master Professional Services Agreement, dated as of October 25, 2023, by and between Ascension Health and R1 RCM Holdco Inc. (filed herewith)
10.70	Amendment No. 1 and Waiver to Second Amended and Restated Credit Agreement, dated as of November 17, 2023, by and among R1 RCM Inc. and certain of its subsidiaries, Bank of America, N.A., as administrative agent, and the lenders named therein (filed herewith)
21.1	Subsidiaries of the Registrant (filed herewith)
23.1	Consent of Ernst & Young LLP (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
97.1	R1 RCM Inc. Clawback Policy (filed herewith)
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement required to be filed pursuant to Item 15(b) of Form 10-K.

\+ Certain portions of this exhibit have been redacted pursuant to Item 601(b)(2)(ii) of Regulation S-K. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the SEC upon request.

^ Certain portions of this exhibit have been redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the SEC upon request.

Item 16. ***Form 10-K Summary***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

R1 RCM INC.

By: /s/ Lee Rivas
Lee Rivas
Chief Executive Officer

By: /s/ Jennifer Williams
Jennifer Williams
Chief Financial Officer and Treasurer

Date: February 27, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Lee Rivas Lee Rivas	Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2024
/s/ Jennifer Williams Jennifer Williams	Chief Financial Officer and Treasurer (Principal Financial Officer)	February 27, 2024
/s/ Pamela L. Spikner Pamela L. Spikner	Chief Accounting Officer (Principal Accounting Officer)	February 27, 2024
/s/ Bradford Kyle Armbrester Bradford Kyle Armbrester	Director	February 27, 2024
/s/ Clay Ashdown Clay Ashdown	Director	February 27, 2024
/s/ Agnes Bundy Scanlan Agnes Bundy Scanlan	Director	February 27, 2024
/s/ Jeremy Delinsky Jeremy Delinsky	Director	February 27, 2024
/s/ David M. Dill David M. Dill	Director	February 27, 2024
/s/ Michael C. Feiner Michael C. Feiner	Director	February 27, 2024
/s/ Joseph Flanagan Joseph Flanagan	Director	February 27, 2024
/s/ John B. Henneman III John B. Henneman III	Lead Director	February 27, 2024
/s/ Matthew Holt Matthew Holt	Director	February 27, 2024
/s/ Neal Moszkowski Neal Moszkowski	Director	February 27, 2024
/s/ Dominic Nakis Dominic Nakis	Director	February 27, 2024

/s/ Ian Sacks Ian Sacks	Director	February 27, 2024
/s/ Jill Smith Jill Smith	Director	February 27, 2024
/s/ Anthony J. Speranzo Anthony J. Speranzo	Chair of the Board	February 27, 2024
/s/ Anthony R. Tersigni Anthony R. Tersigni	Director	February 27, 2024
/s/ Erik G. Wexler Erik G. Wexler	Director	February 27, 2024

R1 RCM Inc.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of R1 RCM Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of R1 RCM Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Contract assets

Description of the Matter

As described in Notes 2 and 6 to the consolidated financial statements, certain modular service lines include services provided to the Company's healthcare provider customers to assist them in optimizing revenue.

As the majority of the ultimate revenue earned is based on future collections by the Company's customers, the variable consideration must be estimated to reflect the Company's expectations about the amount it will be entitled to receive from its customers. As the revenue recognized is not finalized and billed until a future period, accounting for revenue results in the recognition of a contract asset. The Company's contract asset balance was $132.1 million at December 31, 2023.

Auditing the Company's contract asset involved challenging judgment because the calculation involves certain subjective management assumptions, notably the realization rate to estimate the total amount that the Company's customers are likely to collect from their payors after the services have been provided. The Company estimates the variable consideration for these services which they expect to be entitled to from each customer using assumptions based on historical information at the customer and service line level, which are regularly reviewed and updated, based on management's best judgment at the time considering available internal and customer-specific information.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls addressing the risks of material misstatement over its accounting for contract assets including, among others, management's process to measure the variable considerations to establish contract assets. This included testing controls over management's review of the significant assumptions and other inputs used in the estimation of contract assets. The testing was inclusive of key management review controls over the estimated variable considerations, and controls to ensure that the data used to evaluate and support the estimation was complete, accurate and, where applicable, verified to appropriate data sources.

To test the appropriateness of the contract asset at the balance sheet date, our audit procedures included, among others, obtaining and reviewing the customer agreements, evaluating the significant assumptions used by management (see above) and testing the accuracy and completeness of the underlying data used in management's calculation.

This included testing management's estimate of their customers' expected incremental reimbursements from the payors through inspection of source documentation such as evidence of actual subsequent collections. In addition, we evaluated the estimates made based on the Company's historical experience and performed sensitivity analyses to evaluate the impact to the recognized contract asset that would result from changes in the significant assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2004.

Chicago, Illinois
February 27, 2024

R1 RCM Inc.
Consolidated Balance Sheets
(In millions, except per share data)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 173.6	$ 110.1
Accounts receivable, net of $48.2 million and $15.1 million allowance as of December 31, 2023 and 2022, respectively	243.3	235.2
Accounts receivable - related party, net of $0.1 million allowance as of December 31, 2023 and 2022	26.1	25.0
Current portion of contract assets, net	94.4	83.9
Prepaid expenses and other current assets	95.9	110.3
Total current assets	633.3	564.5
Property, equipment and software, net	173.7	164.8
Operating lease right-of-use assets	62.5	80.5
Non-current portion of contract assets, net	37.7	32.0
Non-current portion of deferred contract costs	30.4	26.7
Intangible assets, net	1,310.7	1,514.5
Goodwill	2,629.4	2,640.3
Non-current deferred tax assets	10.9	10.4
Other assets	71.6	88.1
Total assets	$ 4,960.2	$ 5,121.8
Liabilities		
Current liabilities:		
Accounts payable	$ 22.7	$ 33.4
Current portion of customer liabilities	39.8	57.5
Current portion of customer liabilities - related party	5.2	7.4
Accrued compensation and benefits	126.3	109.0
Current portion of operating lease liabilities	19.3	18.0
Current portion of long-term debt	67.0	53.9
Accrued expenses and other current liabilities	65.9	70.5
Total current liabilities	346.2	349.7
Non-current portion of customer liabilities	2.7	5.0
Non-current portion of customer liabilities - related party	11.8	13.7
Non-current portion of operating lease liabilities	77.8	94.4
Long-term debt	1,570.5	1,732.6
Non-current deferred tax liabilities	176.6	200.8
Other non-current liabilities	23.2	23.1
Total liabilities	2,208.8	2,419.3
Stockholders' equity:		
Common stock, $0.01 par value, 750,000,000 shares authorized, 445,436,482 shares issued and 420,201,507 shares outstanding at December 31, 2023; 750,000,000 shares authorized, 439,950,125 shares issued and 416,597,885 shares outstanding at December 31, 2022	4.5	4.4
Additional paid-in capital	3,197.4	3,123.3
Accumulated deficit	(136.7)	(140.0)
Accumulated other comprehensive loss	(5.9)	(3.4)
Treasury stock, at cost, 25,234,975 shares as of December 31, 2023; 23,352,240 shares as of December 31, 2022	(307.9)	(281.8)
Total stockholders' equity	2,751.4	2,702.5
Total liabilities and stockholders' equity	$ 4,960.2	$ 5,121.8

See accompanying notes to consolidated financial statements.

R1 RCM Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(In millions, except per share data)

	Year Ended December 31,		
	2023	**2022**	**2021**
Net services revenue ($891.3 million, $881.0 million and $893.5 million from related party for the years ended December 31, 2023, 2022, and 2021, respectively)	$ 2,254.2	$ 1,806.4	$ 1,474.6
Operating expenses:			
Cost of services	1,769.7	1,446.9	1,160.9
Selling, general and administrative	220.0	172.5	122.0
Other expenses	116.6	189.8	55.5
Total operating expenses	2,106.3	1,809.2	1,338.4
Income (loss) from operations	147.9	(2.8)	136.2
Net interest expense	126.9	64.0	18.9
Income (loss) before income tax provision (benefit)	21.0	(66.8)	117.3
Income tax provision (benefit)	17.7	(3.5)	30.0
Net income (loss)	$ 3.3	$ (63.3)	$ 87.3
Net income (loss) per common share:			
Basic	$ 0.01	$ (0.18)	$ (1.90)
Diluted	$ 0.01	$ (0.18)	$ (1.90)
Weighted average shares used in calculating net income (loss) per common share:			
Basic	418,587,390	352,337,767	266,183,565
Diluted	454,094,374	352,337,767	266,183,565
Consolidated statements of comprehensive income (loss)			
Net income (loss)	3.3	(63.3)	87.3
Other comprehensive income (loss):			
Net change on derivatives designated as cash flow hedges, net of tax	(2.4)	9.2	2.1
Foreign currency translation adjustments	(0.1)	(7.3)	(0.9)
Total other comprehensive income (loss), net of tax	$ (2.5)	$ 1.9	$ 1.2
Comprehensive income (loss)	$ 0.8	$ (61.4)	$ 88.5
Basic:			
Net income (loss)	$ 3.3	$ (63.3)	$ 87.3
Less dividends on preferred shares	—	—	(592.3)
Net income (loss) available/allocated to common shareholders - basic	$ 3.3	$ (63.3)	$ (505.0)
Diluted:			
Net income (loss)	$ 3.3	$ (63.3)	$ 87.3
Less dividends on preferred shares	—	—	(592.3)
Net income (loss) available/allocated to common shareholders - diluted	$ 3.3	$ (63.3)	$ (505.0)

See accompanying notes to consolidated financial statements.

R1 RCM Inc.
Consolidated Statements of Stockholders' Equity
(In millions, except per share data)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	137,812,559	$ 1.4	(16,668,521)	$ (139.2)	$ 393.7	$ (164.0)	$ (6.5)	$ 85.4
Share-based compensation expense	—	—	—	—	77.3	—	—	77.3
Issuance of common stock related to share-based compensation plans	2,325,918	—	—	—	—	—	—	—
Issuance of common stock	324,212	—	—	—	7.0	—	—	7.0
Exercise of vested stock options	1,819,039	—	—	—	8.0	—	—	8.0
Acquisition of treasury stock related to share-based compensation plans	—	—	(796,908)	(19.1)	—	—	—	(19.1)
Repurchase of common stock	—	—	(2,629,257)	(56.9)	—	—	—	(56.9)
Net change on derivatives designated as cash flow hedges, net of tax of 0.7	—	—	—	—	—	—	2.1	2.1
Foreign currency translation adjustment	—	—	—	—	—	—	(0.9)	(0.9)
Conversion of preferred shares	117,706,400	1.2	—	—	250.3	—	—	251.5
Inducement dividend	—	—	—	—	(592.3)	—	—	(592.3)
Issuance of common stock related to inducement	21,582,800	0.2	—	—	487.1	—	—	487.3
Exercise of warrants pursuant to cashless provisions	16,750,000	0.2	—	—	(0.2)	—	—	—
Net income	—	—	—	—	—	87.3	—	87.3
Balance at December 31, 2021	298,320,928	$ 3.0	(20,094,686)	$ (215.2)	$ 630.9	$ (76.7)	$ (5.3)	$ 336.7
Share-based compensation expense	—	—	—	—	60.0	—	—	60.0
CoyCo 2 share-based compensation expense	—	—	—	—	5.1	—	—	5.1
Issuance of common stock related to share-based compensation plans	2,954,694	—	—	—	—	—	—	—
Issuance of common stock	137,389,275	1.4	—	—	2,411.4	—	—	2,412.8
Replacement awards issued in conjunction with acquisitions	—	—	—	—	11.3	—	—	11.3
Exercise of vested stock options	1,285,228	—	(2,282)	(0.1)	4.6	—	—	4.5
Acquisition of treasury stock related to share-based compensation plans	—	—	(1,174,754)	(27.6)	—	—	—	(27.6)
Repurchases of common stock	—	—	(2,080,518)	(38.9)	—	—	—	(38.9)
Net change on derivatives designated as cash flow hedges, net of tax of $3.1	—	—	—	—	—	—	9.2	9.2
Foreign currency translation adjustment	—	—	—	—	—	—	(7.3)	(7.3)
Net loss	—	—	—	—	—	(63.3)	—	(63.3)
Balance at December 31, 2022	439,950,125	$ 4.4	(23,352,240)	$ (281.8)	$ 3,123.3	$ (140.0)	$ (3.4)	$ 2,702.5
Share-based compensation expense	—	—	—	—	65.6	—	—	65.6
CoyCo 2 share-based compensation expense	—	—	—	—	7.3	—	—	7.3
Issuance of common stock related to share-based compensation plans	5,075,011	0.1	—	—	(0.1)	—	—	—
Exercise of vested stock options	411,346	—	(4,118)	(0.1)	1.3	—	—	1.2
Acquisition of treasury stock related to share-based compensation plans	—	—	(1,878,617)	(26.0)	—	—	—	(26.0)
Net change on derivatives designated as cash flow hedges, net of tax of $(0.8)	—	—	—	—	—	—	(2.4)	(2.4)
Foreign currency translation adjustment	—	—	—	—	—	—	(0.1)	(0.1)
Net income	—	—	—	—	—	3.3	—	3.3
Balance at December 31, 2023	445,436,482	$ 4.5	(25,234,975)	$ (307.9)	$ 3,197.4	$ (136.7)	$ (5.9)	$ 2,751.4

See accompanying notes to consolidated financial statements.

R1 RCM Inc.
Consolidated Statements of Cash Flows
(In millions)

	Year Ended December 31,		
	2023	**2022**	**2021**
Operating activities			
Net income (loss)	$ 3.3	$ (63.3)	$ 87.3
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:			
Depreciation and amortization	278.3	172.0	77.5
Amortization of debt issuance costs	5.7	3.6	1.2
Share-based compensation	64.2	59.8	76.6
CoyCo 2 share-based compensation	7.3	5.1	—
Loss/(gain) on disposal and right-of-use asset write-downs	10.0	21.1	(0.4)
Provision for credit losses	34.6	11.8	0.7
Deferred income taxes	(14.6)	(6.8)	23.3
Non-cash lease expense	11.5	14.0	9.7
Other	12.3	6.5	(1.9)
Changes in operating assets and liabilities:			
Accounts receivable and related party accounts receivable	(44.0)	(51.8)	(33.2)
Contract assets	(15.2)	(24.1)	—
Prepaid expenses and other assets	3.9	(40.5)	(17.8)
Accounts payable	(10.9)	(16.0)	0.1
Accrued compensation and benefits	17.4	(69.5)	41.6
Operating lease liabilities	(18.0)	(18.9)	(12.7)
Other liabilities	17.9	(1.7)	(13.5)
Customer liabilities and customer liabilities - related party	(23.6)	(11.2)	18.0
Net cash provided by (used in) operating activities	340.1	(9.9)	256.5
Investing activities			
Purchases of property, equipment, and software	(102.5)	(93.5)	(51.7)
Payment for business acquisitions, net of cash acquired	—	(847.7)	(286.4)
Other	(0.3)	(8.3)	6.0
Net cash used in investing activities	(102.8)	(949.5)	(332.1)
Financing activities			
Issuance of senior secured debt, net of discount and issuance costs	—	1,016.6	698.6
Borrowings on revolver	30.0	50.0	120.0
Payment of debt issuance costs	—	(1.0)	(1.9)
Repayment of senior secured debt	(53.9)	(25.5)	(488.9)
Repayments on revolver	(130.0)	(30.0)	(110.0)
Payment of contingent consideration liability	—	—	(4.8)
Deferred payment related to acquisition of RevWorks	—	—	(12.5)
Inducement of preferred stock conversion	—	—	(105.0)
Payment of equity issuance costs	—	(2.0)	—
Exercise of vested stock options	1.3	4.6	8.9
Purchase of treasury stock	—	(39.3)	(56.5)
Shares withheld for taxes	(26.5)	(30.2)	(16.3)
Other	5.2	(0.2)	(0.2)
Net cash (used in) provided by financing activities	(173.9)	943.0	31.4
Effect of exchange rate changes in cash	0.1	(3.6)	(0.5)
Net increase (decrease) in cash, cash equivalents, and restricted cash	63.5	(20.0)	(44.7)
Cash, cash equivalents, and restricted cash at beginning of period	110.1	130.1	174.8
Cash, cash equivalents, and restricted cash at end of period	$ 173.6	$ 110.1	$ 130.1
Supplemental disclosures of cash flow information			
Property, equipment and software purchases not paid	$ 18.4	$ 26.9	$ 19.5
Assets obtained in exchange for common stock	$ —	$ 24.3	$ 7.0
Interest paid	$ 126.5	$ 61.0	$ 17.3
Income taxes paid	$ 34.4	$ 8.6	$ 5.2
Income taxes refunded	$ 0.4	$ —	$ 0.2

See accompanying notes to consolidated financial statements.

1. Description of Business

R1 RCM Inc. (the "Company") is a leading provider of technology-driven solutions that transform the financial performance and patient experience for health systems, hospitals, and physician groups. The Company's scalable operating models complement a healthcare organization's infrastructure, driving sustainable improvements to net patient revenue and cash flows while driving revenue yield, reducing operating costs, and enhancing the patient experience.

The Company delivers solutions to customers through leading-edge technology, proprietary expertise, intellectual property, global scale, and operational excellence – key elements to driving durable financial performance across the revenue cycle, which encompass patient registration, insurance and benefit verification, scheduling, medical treatment documentation and coding, bill preparation, and collections from patients and payers. The Company assists its revenue cycle management ("RCM") customers in managing their revenue cycle operating costs while simultaneously increasing the portion of the maximum potential services revenue they receive. Together, these benefits can generate significant and sustainable improvements in operating margins and cash flows for the Company's customers.

The Company's flexible partnership models are intentionally designed to meet the unique needs of the providers it serves. The Company's commitment as an accountability partner with the ability to deliver multiple integrated solutions at scale allows it to engage with customers in a manner that aligns with the customers' objectives.

- **Operating Partnership/End-to-End Solutions**: For organizations seeking comprehensive support across the entire revenue cycle, the Company's operating partnership model manages multiple aspects of the revenue cycle allowing hospital and physician customers to realize financial leverage and revenue improvement. Under this partnership model, the Company assumes full responsibility of all or select revenue cycle phases to deliver scalable, accelerated, and sustainable financial results across all settings of care and payment models, customized for health systems and physician groups.

- **Modular Solutions**: For organizations looking to accelerate, optimize, and navigate revenue recovery, the Company offers modular solutions, which can be purchased individually or bundled and are designed to deliver results in key revenue cycle areas. Under this focused and flexible partnership approach, the Company addresses specific challenges of the revenue cycle. This customized approach promotes cost reduction and enhanced revenue performance in areas that matter most for health systems, hospitals, and physician groups.

For the years ended December 31, 2023, 2022, and 2021, substantially all of the Company's net operating and incentive fees from end-to-end RCM services were generated under the operating partner model.

Once implemented, the Company's technology solutions, processes, and services are deeply embedded in its customers' day-to-day revenue cycle operations. The Company believes its service offerings are adaptable to meet an evolving healthcare regulatory environment, technology standards, and market trends.

Acclara Acquisition

On January 17, 2024, the Company completed the acquisition of the RCM business ("Acclara") of Providence Health & Services – Washington ("Providence") and certain of its affiliates (the "Acclara Acquisition") in exchange for $675.0 million cash and a warrant to acquire up to 12,192,000 shares of common stock, par value $0.01 per share, of the Company to Providence (the "Providence Warrant"), subject to customary adjustments for working capital, cash, and debt. The Company acquired 100% of the equity interests in Acclara. The Company funded the cash consideration for the Acclara Acquisition and related fees and expenses with cash on hand, borrowings of $80 million under the senior secured revolving credit facility (the "Senior Revolver"), and incremental borrowings of $575.0 million from the senior secured term loan B facility (such incremental borrowings, the "Incremental Term B Loans"). For more information on the additional borrowings, see Note 23, Subsequent Events.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation. The preparation of financial statements in conformity with the generally accepted accounting principles in the U.S. ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results can differ from those estimates.

Revenue Recognition

The Company's earns revenue from the provision of RCM services to healthcare providers. The operating partnership arrangements are large scale outsourcing contracts where the Company takes over the management of all or most of the revenue cycle operation of the customer. Modular and other services are contracted on a smaller scale and include the outsourcing of specific RCM tasks or services focused on opportunities to accelerate and optimize revenue, reduce costs, or improve performance.

Revenue Cycle Management

RCM services fees are primarily variable and performance related. The performance obligation is generally viewed as a series of distinct services in which there are identifiable increments of time within a long-term service contract. The variable consideration for end-to-end RCM services is allocated to and recognized over the related time period as the amounts reflect the consideration the Company is entitled to and relate specifically to the Company's efforts to satisfy its performance obligation. Fees for physician group RCM services include variable consideration contingent on customer collections, and inputs to the Company's revenue estimates typically include historical service fees and historical customer collection amounts. RCM services fees consist of net operating fees and incentive fees. In some cases, there may be certain services that are provided under a separate fee similar to a modular service. The typical length of an end-to-end RCM contract is seven to 10 years (subject to the parties' respective termination rights), but varies from customer to customer.

Net Operating Fees

The Company's net operating fees consist of:

i. gross base fees, a contractually agreed upon cost-to-collect percentage applied to a customer's contractually defined patient collections, invoiced to customers; less

ii. corresponding costs of customers' revenue cycle operations which the Company pays pursuant to its RCM agreements, including salaries and benefits for the customers' RCM personnel, and related third-party vendor costs; plus

iii. fees accrued for physician group RCM services.

The Company recognizes revenue related to net operating fees ratably as the performance obligation for the RCM services is satisfied. Base fees are typically billed in advance of the quarter and paid in three monthly payments as the entity performs and the customer simultaneously receives and consumes the benefits of the services provided. The costs of customers' revenue cycle operations, which the Company pays pursuant to its RCM agreements, are accrued based on the service period. Net operating fees for physician groups are invoiced on a monthly basis and payment terms are typically 30 days.

Incentive Fees

Incentive fees are structured to reflect quarterly or annual performance and are evaluated on a contract-by-contract basis. The Company estimates incentive fee revenue based on contractually agreed-upon financial or operating metrics and confirms the unbilled incentive fee directly with the customer at year end. The Company recognizes revenue related to incentive fees ratably as the performance obligation for RCM services is satisfied, to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved. Incentive fees are typically billed and paid on a quarterly basis.

Modular and Other Fees

The Company recognizes revenue related to modular and other RCM fees as performance obligations are completed. This can vary by service line, but the predominant fee arrangements are described below. Modular service agreements generally vary in length between one and three years (subject to the parties' respective termination rights).

1. For certain modular revenue services, fees are contingent and variable in nature and estimated revenue is recognized as services are provided resulting in the recognition of a contract asset. Revenues and contract assets are recognized when control of the promised services is transferred to the customer and reflects the estimated amount of consideration the Company expects to be entitled in exchange for transferring those services. We estimate the variable consideration for which we expect to be entitled from our service arrangements with each customer using assumptions based on historical information at the customer and service line level, which are regularly reviewed and updated. We also apply our best judgment at the time based on available internal and customer-specific information. The estimate of variable consideration included in the transaction price typically involves the application of an assumption regarding the expected realization rate to estimate the total amount that the Company's customers are likely to collect from their payers after the services have been provided. The assumptions are developed using historic incremental reimbursements collected by customers, a portfolio of similar contracts, or the service line level. We allocate variable consideration to each distinct period to which it relates since this reflects the consideration to which we expect to be entitled in exchange for the services we have performed to date. Billing occurs once the customer collects additional revenue from payers based on services provided.

2. To the extent that certain service fees are fixed and not subject to refund, adjustment, or concession, these fees are generally recognized into revenue ratably as the performance obligation is satisfied.
3. Fees for services with a fixed rate applied to a variable volumetric measure are recognized into revenue ratably as the performance obligation is satisfied or recognized in the period performance is completed.

Payment terms are generally 30 to 60 days.

(Dollars in millions, except per share data)

Bundled Services

While we do have many modular customers that have contracts for more than one service, each service is contracted separately under an overall master services agreement and the individual service offerings are priced at or near stand-alone selling price. End-to-end RCM services are typically sold separately.

Cost of Services

Cost of services consist of (i) on-site personnel and technology costs, (ii) global business services costs, and (iii) other costs. On-site personnel and technology costs consist primarily of wages, bonuses, benefits, share-based compensation, travel, and other costs associated with employees who are assigned to customer sites to help manage the Company's customers' revenue cycle operations. The other significant portion of such expenses is an allocation of the costs associated with maintaining, improving, and deploying our integrated proprietary technology suite. Global business services costs relate to the Company's global business services centers in the U.S., India, and the Philippines that perform patient scheduling and pre-registration, medical transcription, cash posting, reconciliation of payments to billing records, patient follow-up, and Medicaid eligibility determination for our customers. The Company incurs expenses related to salaries and benefits for employees in its global business services centers and non-payroll costs associated with operating its global business services centers. Other costs include amortization of acquired intangible assets and internally developed software used in operations, vendor costs for contracts assigned to our customers or for support services that are outsourced, and compensation costs of personnel who directly support employees serving customers (e.g., human resources and IT).

Costs associated with generating the Company's net services revenue are expensed as incurred, with the exception of deferred contract costs, which are certain costs associated with the initial phases of customer contracts and the related transition of customer hospitals and physician groups that are deferred. These fulfillment costs relate directly to the Company's responsibilities under the corresponding customer contracts, generate or enhance resources of the Company that will be used in satisfying its performance obligations in the future, and are expected to be recovered through the margins realized.

The following table summarizes the breakout of deferred contract costs:

	December 31, 2023	December 31, 2022
Prepaid expenses and other current assets	$ 6.5	$ 5.1
Non-current portion of deferred contract costs	30.4	26.7
Total deferred contract costs	$ 36.9	$ 31.8

The associated assets are amortized as services are transferred to the customer over the remaining life of the contracts. For the years ended December 31, 2023 and 2022, total amortization was $8.1 million and $8.3 million, respectively, and there were no associated impairment losses.

Comprehensive Income (Loss)

Comprehensive income (loss) is the net income (loss) of the Company combined with other changes in stockholders' equity not involving ownership interest changes. For the Company, such changes are foreign currency translation adjustments and changes in derivatives designated as cash flow hedges.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(Dollars in millions, except per share data)

Cloud Computing Arrangements

The Company capitalizes qualifying set-up and implementation costs related to the Company's cloud computing arrangements. The deferred costs are amortized over the term of the associated cloud computing arrangement on a straight-line basis unless another systematic and rational basis is more representative of the pattern in which the Company expects to benefit from access to the cloud computing arrangement.

Capitalized cloud computing implementation costs are presented in prepaid expenses and other current assets and other assets on the Consolidated Balance Sheets. As of December 31, 2023 and 2022, the Company had net capitalized cloud computing implementation costs of $6.9 million and $6.8 million, respectively.

Property, Equipment and Software

Property, equipment and software are stated at cost, and related depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets.

The Company capitalizes qualifying internal and third-party costs and hardware and software costs related to the Company's software development activities. The Company amortizes the capitalized software development costs over their estimated life on a straight-line basis.

The major classifications of property, equipment and software and their expected useful lives are as follows:

Buildings and land	30 years and indefinite
Computers and other equipment	3 years
Leasehold improvements	Shorter of 10 years or lease term
Office furniture	5 years
Software	3 to 5 years

Property, equipment and software consist of the following:

	December 31, 2023	December 31, 2022
Buildings and land	$ 15.6	$ 24.3
Computer and other equipment	86.4	75.6
Leasehold improvements	27.4	24.1
Software	320.0	243.2
Office furniture	12.3	12.4
Property, equipment and software, gross	461.7	379.6
Less accumulated depreciation and amortization	(288.0)	(214.8)
Property, equipment and software, net	$ 173.7	$ 164.8

Property, equipment and software, net, located internationally was $23.4 million and $20.3 million as of December 31, 2023 and 2022, respectively. The remaining property, equipment and software was located in the U.S.

(Dollars in millions, except per share data)

The following table summarizes the allocation of depreciation and amortization expense between cost of services and selling, general and administrative expenses:

	Year Ended December 31,		
	2023	2022	2021
Cost of services	$ 73.6	$ 53.4	$ 51.8
Selling, general and administrative	1.2	1.2	2.8
Total depreciation and amortization	$ 74.8	$ 54.6	$ 54.6

Impairment of Long-Lived Assets

Property, equipment, software, right-of-use ("ROU") assets, deferred contract costs, and other acquired intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If circumstances require a long-lived asset or asset group be reviewed for possible impairment, the Company first compares undiscounted cash flows expected to be generated by each asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent that the carrying value exceeds the fair value.

During the fourth quarter of 2023, the Company recorded an impairment loss of $8.7 million, which was included in other expenses on the Consolidated Statements of Operations, related to land and buildings which as of that period are no longer used in operations and for which it is more likely than not that they will be sold significantly before the end of their assigned useful life and current real estate market conditions indicate a decline in value. The Company obtained an independent appraisal and engaged a real estate broker to assess the potential sales price based on market comparables to support the estimated fair value measurement.

For the years ended December 31, 2023, 2022, and 2021, we also impaired ROU assets and related leasehold improvements related to leased facilities which we exited. See Note 8, Leases, and Note 14, Other Expenses, for more information.

Other than as described above, there was no material impairment of property, equipment, software, deferred contract costs, or other acquired intangible assets for the years ended December 31, 2023, 2022, and 2021.

Accrued Compensation and Benefits

Accrued compensation and benefits consists of accrued payroll, bonus, paid time off, health benefits, severance, and compensation and benefits related taxes.

Fair Value of Financial Instruments

The Company records its financial assets and liabilities at fair value. The accounting standard for fair value (i) defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date, (ii) establishes a framework for measuring fair value, (iii) establishes a hierarchy of fair value measurements based upon the ability to observe inputs used to value assets and liabilities, (iv) requires consideration of nonperformance risk, and (v) expands disclosures about the methods used to measure fair value. The accounting standard establishes a three-level hierarchy of measurements based upon the reliability of observable and unobservable inputs used to arrive at fair value. Observable inputs are independent market data, while unobservable inputs reflect the Company's assumptions about valuation. The three levels of the hierarchy are defined as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets and liabilities;

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The carrying amounts of the Company's financial instruments, which include financial assets and liabilities such as cash and cash equivalents, restricted cash equivalents, accounts receivable, net, accounts payable, accrued service costs, accrued compensation and benefits, and certain other current assets and accrued expenses, approximate their fair values, due to their short-term nature. See Note 11, Derivative Financial Instruments, for a discussion of the fair value of the Company's forward currency derivative contracts and interest rate swaps.

The Company believes the carrying value of the Senior Revolver and term loans (see Note 10, Debt) approximates fair value as they are variable rate bank debt.

Other than the items discussed above, the Company does not have any financial assets or liabilities that are required to be measured at fair value on a recurring basis.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using current tax laws and enacted tax rates in effect for the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance for deferred tax assets if, based upon the weight of all available evidence, both positive and negative, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the relevant tax authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest amount of benefit that has a greater than 50% percent likelihood of being realized upon ultimate settlement. Interest and penalties relating to income taxes are recognized in our income tax provision in the consolidated statements of operations and comprehensive income.

Legal and Other Contingencies

In the normal course of business, the Company is subject to regulatory investigations or legal proceedings, as well as demands, claims and threatened litigation. The Company records an estimated loss for any claim, lawsuit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Judgment is required in both the determination of the probability and whether the loss can be reasonably estimated. Actual expenses could differ from such estimates.

Foreign Currency Translation and Transaction Gains (Losses)

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where such local currency is the functional currency, are translated to U.S. dollars at exchange rates in effect at the balance sheet date. As of December 31, 2023 and 2022, the Company had net assets of $104.8 million and $81.5 million in foreign entities, respectively. Income and expense accounts are translated at average exchange rates during the year which approximates the rates in effect at the transaction dates. The resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss).

Share-Based Compensation Expense

The Company determines the expense for all employee share-based compensation awards by estimating their fair value and recognizing such value as an expense, on a ratable basis, in the consolidated financial statements over the requisite service period in which the employees earn the awards. Performance-based stock awards are recognized in expense when the performance metrics are probable to be achieved. Changes in the estimate of achievement of the performance metrics are recognized in the period of the change through a cumulative catch-up. The Company assesses the performance metrics in its awards on a quarterly basis to determine if a cumulative catch-up is necessary. The fair value of stock options is calculated using the Black-Scholes option pricing model. For the year ended December 31, 2023, there were no options granted.

As part of the transactions contemplated by the Transaction Agreement, equity awards held by certain employees of Cloudmed (“Former Class P Units”) were modified, through a series of transactions, into awards (“Management Units”) of CoyCo 2, L.P. (“CoyCo 2”). Certain Former Class P Units that were subject to performance-based vesting conditions did not become vested upon the closing of the Cloudmed acquisition (“Unvested Units”). The Management Units issued by CoyCo 2 are treated as share-based compensation under ASC 718, Compensation - Stock Compensation.

The Unvested Units are not awards of the Company and the participants will receive no additional shares of the Company upon satisfaction of the vesting criteria described in Note 13, Share-Based Compensation. However, GAAP requires the Company recognize the cost of share-based compensation granted by an investor (CoyCo 2) to the Company’s employees and service providers for services that benefit the Company’s operations (hereafter, “CoyCo 2 share-based compensation expense”), and a corresponding capital contribution because the costs are incurred on the Company’s behalf. A Monte Carlo simulation was used to estimate the fair value of the Unvested Units.

The Company recognizes compensation expense using a straight-line method over the applicable service or performance period. During each quarter, the share-based compensation expense is adjusted to reflect forfeitures during the period.

Treasury Stock

The Company records treasury stock at the cost to acquire such shares, including commissions paid to brokers. Treasury stock is included as a component of stockholders’ equity.

Earnings (Loss) Per Share

Basic net income per share is computed by dividing net income, less any dividends, accretion or decretion, redemption or induced conversion on the preferred stock, by the weighted average number of common shares outstanding during the period. As the preferred stock formerly but no longer in issue (as defined in Note 12) participates in dividends alongside the Company’s common stock (per their participating dividends), the preferred stock would constitute participating securities under ASC 260-10, Earnings Per Share, and are applied to earnings per share using the two-class method. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends.

Diluted net income per share is calculated by adjusting the denominator used in the basic net income per share computation by potentially dilutive securities outstanding during the period plus, when their effect is dilutive, incremental shares consisting of shares subject to stock options, restricted stock units ("RSUs"), performance-based RSUs ("PBRSUs"), and shares issuable upon conversion of preferred stock.

Recently Issued Accounting Standards and Disclosures

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08"). ASU 2021-08 requires companies to apply Topic 606, Revenue from Contracts with Customers, to recognize and measure contract assets and contract liabilities obtained in a business combination. The ASU amendments will generally result in the recognition of contract assets and contract liabilities by the acquirer at amounts consistent with those recorded by the acquiree immediately before the acquisition date. The Company prospectively adopted ASU 2021-08 effective April 1, 2022 and recognized contract assets of $92.4 million and contract liabilities of $3.3 million as part of the Cloudmed acquisition.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU 2022-03"). ASU 2022-03 clarifies that a contractual sale restriction on an equity security should not be considered in measuring the security's fair value. The Company will adopt ASU 2022-03 prospectively effective January 1, 2024 and does not expect the impact on its consolidated financial statements to be material.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. The Company is currently in the process of determining the impact that ASU 2023-07 will have on its consolidated financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 expands the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. The Company is currently in the process of determining the impact that ASU 2023-09 will have on its consolidated financial statement disclosures.

3. Acquisitions

Assets acquired and liabilities assumed in a business combination are recorded at their estimated fair value on the date of the acquisition. The difference between the purchase price amount and the net fair value of assets acquired and liabilities assumed is recognized as goodwill on the balance sheet if the purchase price exceeds the estimated net fair value or as a bargain purchase gain on the income statement if the purchase price is less than the estimated net fair value. The allocation of the purchase price may be modified up to one year after the acquisition date as more information is obtained about the fair value of assets acquired and liabilities assumed. Costs relating to acquiree compensation arrangements that are considered separate transactions and do not qualify for inclusion as part of the business combination are expensed on the date of the acquisition and recorded as a component of other expenses.

Cloudmed

During 2022, the Company acquired all outstanding equity interests in Revint Holdings, LLC ("Cloudmed"), a provider of revenue intelligence solutions, in exchange for shares of the Company's common stock and cash. The shares of common stock received by the Cloudmed sellers were subject to an 18-month lock-up period that expired on December 21, 2023. In addition, the Company replaced certain pre-acquisition awards held by certain Cloudmed sellers with RSUs of the Company.

(Dollars in millions, except per share data)

The final value of assets acquired and liabilities assumed is:

	Purchase Price Allocation
Total purchase consideration	$ 3,281.6
Allocation of consideration to assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 32.1
Accounts receivable	61.8
Current portion of contract assets	70.9
Property, equipment and software	5.0
Operating lease right-of-use assets	25.3
Non-current portion of contract assets	22.2
Intangible assets	1,366.5
Goodwill	2,085.0
Other assets	6.7
Accounts payable	(31.9)
Customer liabilities	(2.8)
Accrued compensation and benefits	(85.6)
Operating lease liabilities	(25.4)
Deferred income tax liabilities	(236.0)
Other liabilities	(12.2)
Net assets acquired	$ 3,281.6

Measurement period adjustments

In 2023, the Company performed various measurement period adjustments due to additional information received since December 31, 2022. The significant adjustments included a reduction to deferred income tax liabilities and a corresponding decrease to goodwill of $9.4 million related to updated tax return information. The measurement period for the Cloudmed acquisition ended during the second quarter of 2023.

VisitPay

During 2021, the Company purchased all outstanding equity interests in iVinci Partners, LLC d/b/a VisitPay ("VisitPay") for $297.1 million. VisitPay is a provider of digital payment solutions. The Company funded the VisitPay acquisition and related transaction costs with cash on hand and the incurrence of additional indebtedness. The purchase price allocation was finalized during 2022 and included the recognition of goodwill of $170.9 million attributable to synergies related to the integration. For additional information regarding the VisitPay acquisition, refer to the Annual Report on Form 10-K for the year ended December 31, 2022 filed on February 16, 2023, as amended by Amendment No. 1 filed on December 4, 2023.

Revworks

In 2020, the Company purchased certain assets related to the RevWorks services business from Cerner Corporation. In accordance with the purchase agreement, the Company paid the first deferred payment of $12.5 million in the third quarter of 2021 and was required to make a second deferred payment of $12.5 million.

(Dollars in millions, except per share data)

The two deferred payments related to the RevWorks acquisition were contractual obligations of the Company; however, they were refundable, in whole or in part, to the Company if certain RevWorks customer revenue targets defined in the purchase agreement for the first two years following the acquisition were not achieved. Consistent with the contract requirements, the parties engaged in arbitration to finalize the remaining deferred payment and contingently refundable consideration amounts. These amounts were settled during the year ended December 31, 2023 in amounts that are materially consistent with the amounts recorded by the Company at December 31, 2022.

Pro Forma Results (Unaudited)

The following table summarizes, on a pro forma basis, the combined results of the Company as though the Cloudmed acquisition had occurred as of January 1, 2021 and the VisitPay acquisition had occurred as of January 1, 2020. These pro forma results are not necessarily indicative of the actual consolidated results had the acquisitions occurred as of those dates or of the future consolidated operating results for any period. Pro forma results are:

	Year Ended December 31,	
	2022	2021
Net services revenue	$ 2,009.7	$ 1,813.5
Net loss	$ (52.8)	$ (187.0)

Adjustments were made to earnings to adjust depreciation and amortization to reflect the fair value of identified assets acquired, to adjust share-based compensation expense for awards granted in connection with the acquisitions, to record the effects of extinguishing the debt of the acquired companies and replacing it with the debt of the Company, to adjust timing of acquisition related costs incurred by the Company, and to record the income tax effect of these adjustments.

4. Intangible Assets

The following table provides the gross carrying value and accumulated amortization for each major class of definite-lived intangible assets at December 31, 2023 and December 31, 2022:

	December 31, 2023			December 31, 2022		
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Customer relationships	$ 417.9	$ (60.5)	$ 357.4	$ 418.0	$ (36.3)	$ 381.7
Technology	1,238.8	(299.5)	939.3	1,240.5	(129.3)	1,111.2
Trade name	23.5	(9.5)	14.0	24.5	(3.0)	21.5
Favorable leasehold interests	—	—	—	0.1	—	0.1
Total intangible assets	$ 1,680.2	$ (369.5)	$ 1,310.7	$ 1,683.1	$ (168.6)	$ 1,514.5

The fair value of the identifiable intangible assets was derived utilizing an income approach to derive the present value of future cash flows from developed technology, customer relationships, trade name, and favorable leasehold interests.

Intangible asset amortization expense was $203.5 million, $117.4 million, and $22.9 million for the years ended December 31, 2023, 2022, and 2021 respectively. Amortization expense for intangible assets is included in cost of services on the Company’s Consolidated Statements of Operations and Comprehensive Income (Loss). The Company has no indefinite-lived intangible assets.

(Dollars in millions, except per share data)

Estimated annual amortization expense related to intangible assets with definite lives as of December 31, 2023 is as follows:

2024	$	204.7
2025		188.9
2026		188.2
2027		188.2
2028		188.1
Thereafter		352.6
Total	$	1,310.7

5. Goodwill

Goodwill represents the difference between the purchase price of acquired companies and the related fair value of the net assets acquired, which applies the acquisition method of accounting.

Changes in the carrying amount of goodwill for the year ended December 31, 2023 were:

		Goodwill
Balance as of December 31, 2022	$	2,640.3
Measurement period adjustments		(10.9)
Balance as of December 31, 2023	$	2,629.4

The Company annually tests goodwill for impairment on the first day of its fiscal fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying value. The goodwill impairment test consists of a qualitative assessment of impairment indicators, followed by, if necessary, a quantitative assessment comparing the carrying amount to the reporting unit's fair value. To the extent that the carrying value exceeds the fair value, an impairment charge would be recorded. The Company has determined there to be one reporting unit, consistent with its single operating and reportable segment. As part of its annual impairment analysis, the Company performed a qualitative assessment and determined there was no impairment of goodwill as of its annual measurement date or for the year ended December 31, 2023.

6. Revenue Recognition

Disaggregation of Revenue

In the following table, revenue is disaggregated by source of revenue:

	Year Ended December 31,		
	2023	2022	2021
Net operating fees	$ 1,455.9	$ 1,309.7	$ 1,211.8
Incentive fees	108.4	106.8	143.8
Modular and other fees (1)	689.9	389.9	119.0
Net services revenue	$ 2,254.2	$ 1,806.4	$ 1,474.6

(1) Modular and other revenue is comprised of service fees related to solutions focused on revenue recovery, clinical integrity, revenue optimization, and regulatory navigation as well as functional outsourcing solutions focused on driving revenue cycle improvements.

(Dollars in millions, except per share data)

Contract Balances

The following table provides information about contract assets, net and contract liabilities from contracts with customers:

	December 31, 2023	December 31, 2022
Contract assets, net		
Current	$ 94.4	$ 83.9
Non-current	37.7	32.0
Total contract assets, net	$ 132.1	$ 115.9
Contract liabilities		
Current (1)	$ 9.1	$ 9.7
Non-current (2)	14.5	18.7
Total contract liabilities	$ 23.6	$ 28.4

(1) Current contract liabilities include $6.7 million and $7.6 million classified in the current portion of customer liabilities and $2.4 million and $2.1 million classified in the current portion of customer liabilities - related party as of December 31, 2023 and 2022, respectively.
(2) Non-current contract liabilities include $2.7 million and $5.0 million classified in the non-current portion of customer liabilities and $11.8 million and $13.7 million classified in the non-current portion of customer liabilities - related party as of December 31, 2023 and 2022, respectively.

Significant changes in the carrying amount of contract assets, net for the year ended December 31, 2023 were as follows:

	Contract Assets
Balance as of December 31, 2022	$ 115.9
Revenue recognized	374.1
Amounts billed	(356.7)
Other (1)	(1.2)
Balance as of December 31, 2023	$ 132.1

(1) Other primarily includes purchase price allocation adjustments and changes to the allowance for credit losses.

	Contract Liabilities
Balance as of December 31, 2022	$ (28.4)
Advanced billings as of January 1, 2023 (1)	(85.0)
Advanced billings recognized	85.0
Additions	(13.8)
Revenue recognized	18.6
Balance as of December 31, 2023	$ (23.6)

(1) The Company records advanced billings to contract liabilities and accounts receivable on the first day of the respective service period, which are earned during the year.

(Dollars in millions, except per share data)

Transaction Price Allocated to the Remaining Performance Obligation

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. The estimated revenue does not include amounts of variable consideration that are constrained.

	Net operating fees	Incentive fees
2024	90.5	18.8
2025	61.9	—
2026	12.5	—
2027	6.8	—
2028	3.0	—
Thereafter	4.3	—
Total	$ 179.0	$ 18.8

The amounts presented in the table above include variable fee estimates of the Company's physician groups RCM services contracts, fixed fees, and forecasted incentive fees. Fixed fees are typically recognized ratably as the performance obligation is satisfied and forecasted incentive fees are measured cumulatively over the contractually defined performance period.

The Company does not disclose information about remaining performance obligations with an original expected duration of one year or less. The Company has elected certain of the optional exemptions from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Accordingly, the Company applies a practical expedient to its modular RCM solutions and does not disclose information about variable consideration from remaining performance obligations when the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. Modular RCM solutions performance obligations for variable consideration are of short duration with fees corresponding to the value the customer has realized, for example, patient accounts collected on behalf of the customer or medical record lines transcribed.

For end-to-end RCM contracts, the Company does not disclose information about remaining, wholly unsatisfied performance obligations for variable consideration that the Company is able to allocate to one or more, but not all, of the performance obligations in its contracts. The Company's end-to-end RCM services performance obligations are satisfied over time and are substantially the same from period to period under the operating partner model. Fees are variable and consist of net operating fees and incentive fees, with the uncertainty related to net operating fees and certain incentive fees being resolved quarterly, and with the uncertainty of other incentive fees being resolved annually. The information presented in the table above includes estimates for incentive fees where the uncertainty related to the final fee is resolved on longer than a quarterly basis and to the extent the Company does not believe the associated consideration is constrained.

7. Accounts Receivable and Allowance for Credit Losses

Accounts receivable is comprised of invoiced and unbilled balances due from modular services and end-to-end RCM customers, which are presented net after considering cost reimbursements owed to end-to-end RCM customers.

(Dollars in millions, except per share data)

	As of December 31,	
	2023	**2022**
Billed receivables	$ 218.5	$ 184.7
Unbilled receivables	$ 99.2	$ 90.7
Allowance for credit losses	$ (48.3)	$ (15.2)
Total accounts receivable, net (1)	$ 269.4	$ 260.2

(1) Includes $26.1 million and $25.0 million for accounts receivable - related party, net as of December 31, 2023, and 2022, respectively.

The Company evaluates its accounts receivable for expected credit losses monthly. Accounts receivable due from end-to-end RCM customers are evaluated individually as it was determined that the unique nature and scope of our operating partner agreements make the circumstances around credit losses dissimilar. Accounts receivable due from modular service customers are evaluated using the pooling approach due to the homogeneous population of the receivables. The Company maintains an estimated allowance for credit losses to reduce its accounts receivable to the amount that it believes will be collected. This allowance is based on the Company's historical experience, the length of time a balance has been outstanding, and the Company's assessment of each customer's ability to pay, which is based on input from key Company personnel assigned to the customer, the status of ongoing operations with the customer, and business and industry factors, such as significant shifts in the healthcare environment that could impact the customer's financial health.

Changes in the allowance for credit losses on a consolidated basis related to accounts receivable are as follows:

	Year Ended December 31,	
	2023	**2022**
Beginning balance	$ 15.2	$ 2.5
Cumulative effect of Cloudmed ASC 326 adoption	—	1.8
Provision (1)	34.6	11.1
Write-offs	(1.5)	(0.2)
Ending balance	$ 48.3	$ 15.2

(1) During the year ended December 31, 2023,the Company's expense for credit losses was $34.6 million on customer accounts receivable, an increase of $23.5 million over the prior year. The primary drivers of the increase were $11.5 million related to a physician RCM customer that ceased operations and filed for bankruptcy in the third quarter of 2023, $8.4 million for a physician-led for-profit healthcare system customer of modular services, and $7.0 million for an end-to-end RCM customer, of which the latter two are experiencing overall financial challenges and became delinquent in their payments for services during the year.

8. Leases

The Company determines if an arrangement is a lease at inception. The Company has operating leases for corporate offices, operational facilities, global business services centers, and certain equipment. Operating leases with terms greater than one year at commencement are included in operating lease ROU assets and operating lease liabilities (current and non-current) on the Consolidated Balance Sheets.

(Dollars in millions, except per share data)

Operating ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the incremental borrowing rate, determined based on the information available at the lease commencement date, is used in calculating the present value of lease payments. ROU assets also include any lease prepayments made and excludes any lease incentives. The Company's leases may include options to extend the lease term and the Company's determination of the likely lease term incorporates these options when it is reasonably certain that they will be exercised.

The Company elected to not separate lease and non-lease components for building and equipment leases. The Company will account for the lease and non-lease components, such as fixed service charges, as a single lease component. For leases with an initial term of 12 months or less, expense is recognized on a straight-line basis over the lease term.

Leases have remaining lease terms of up to 10 years, some of which include options to extend the leases for up to 10 years. In circumstances where there are significant foreign tax incentives, the Company has determined it to be reasonably certain to exercise the renewal options. The Company subleases certain office spaces to third parties.

The components of lease costs are as follows:

	Year Ended December 31,	
	2023	2022
Operating lease cost	$ 18.4	$ 22.1
Sublease income	(1.1)	(1.6)
Total lease cost	$ 17.3	$ 20.5

The following table summarizes the supplemental information related to operating leases:

	Year Ended December 31,	
	2023	2022
Weighted average remaining lease term	6 years	7 years
Weighted average incremental borrowing rate	6.83 %	6.52 %
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 25.1	$ 27.0
ROU assets obtained or acquired in exchange for operating lease obligations (1)	3.6	67.7

(1) This amount includes ROU assets acquired from the Cloudmed acquisition. For details on the final ROU assets acquired and liabilities assumed, refer to Note 3, Acquisitions.

The Company presents all non-cash charges related to any modification or reassessment events triggering remeasurement, and obtaining new leases for non-cash consideration that result in adjustments to the lease liability or ROU asset as non-cash transactions. As part of evaluating its real estate footprint, the Company exited certain leased facilities. During the year ended December 31, 2023, the Company recorded ROU asset and related leasehold improvement impairments of $11.1 million.

(Dollars in millions, except per share data)

Maturities of lease liabilities as of December 31, 2023 are as follows:

	Operating Leases
2024	$ 25.1
2025	23.4
2026	17.6
2027	12.0
2028	10.5
Thereafter	30.5
Total	119.1
Less:	
Imputed interest	22.0
Present value of lease liabilities	$ 97.1

9. Customer Liabilities

Customer liabilities include (i) accrued service costs (amounts due and accrued for cost reimbursements), (ii) collections payable to customers (consisting primarily of amounts collected on behalf of the Company's physician group customers to be remitted within twelve months), (iii) customer deposits and refund liabilities (consisting of amounts due or potentially due as a refund to the Company's customers on base fees and incentive fees), and (iv) deferred revenue (contract liabilities) (fixed or variable fees amortized to revenue over the service period).

Customer liabilities consist of the following:

	December 31, 2023	December 31, 2022
Accrued service costs, current	$ 20.0	$ 21.9
Collections payable to customers, current	12.8	29.1
Customer deposits and refund liabilities, current	3.1	4.2
Deferred revenue (contract liabilities), current	9.1	9.7
Current portion of customer liabilities (1)	45.0	64.9
Deferred revenue (contract liabilities), non-current	14.5	18.7
Non-current portion of customer liabilities (1)	14.5	18.7
Total customer liabilities	$ 59.5	$ 83.6

(1) Current and non-current portion of customer liabilities include amounts for a related party. See Note 19, Related Party Transactions, for further discussion.

(Dollars in millions, except per share data)

10. Debt

The carrying amounts of debt consist of the following:

	December 31, 2023	December 31, 2022
Senior Revolver (1)	$ —	$ 100.0
Term A Loans	1,162.5	1,211.4
Term B Loan	493.8	498.7
Unamortized discount and issuance costs	(18.8)	(23.6)
Total debt	1,637.5	1,786.5
Less: Current maturities	(67.0)	(53.9)
Total long-term debt	$ 1,570.5	$ 1,732.6

(1) As of December 31, 2023, the Company had no outstanding borrowings, $1.2 million letters of credit outstanding, and $598.8 million of availability under the Senior Revolver.

Second Amended and Restated Senior Secured Credit Facilities

On June 21, 2022, the Company and certain of its subsidiaries entered into a second amended and restated senior credit agreement (the "Second A&R Credit Agreement") with Bank of America, N.A., as administrative agent, and the lenders named therein, governing the Company's second amended and restated senior secured credit facilities (the "Senior Secured Credit Facilities"), and consisted of the $691.3 million existing senior secured term loan A facility (the "Existing Term A Loan"), a $540.0 million senior secured incremental term loan A facility (together with the Existing Term A Loan, the "Term A Loans") with a five-year maturity, a $500.0 million senior secured term loan B facility (the "Term B Loan," and together with the Term A Loans, the "Senior Term Loans") with a seven-year maturity, and a $600.0 million Senior Revolver. The Existing Term A Loan and Senior Revolver mature on July 1, 2026. In conjunction with entering into the Second A&R Credit Agreement, the Company incurred $7.2 million and capitalized $6.4 million of debt issuance costs.

Borrowings under the Senior Secured Credit Facilities bear interest, at the Company's option, at: (i) an Alternate Base Rate equal to the greater of (a) the prime rate of Bank of America, N.A., (b) the federal funds rate plus 0.50% per annum, and (c) the Term Secured Overnight Financing Rate ("SOFR") for an interest period of one-month beginning on such day plus 100 basis points, plus between 0.25% and 1.50% dependent on the Company's total net leverage ratio (provided that the Term SOFR rate applicable to the Term A Loans shall not be less than 0.00% per annum, and the Term SOFR rate applicable to the Term B Loan shall not be less than 0.50% per annum); or (ii) the Term SOFR rate (provided that the Term SOFR rate applicable to the Term A Loans shall not be less than 0.00% per annum, and the Term SOFR rate applicable to the Term B Loan shall not be less than 0.50% per annum), plus between 1.25% and 2.50%, dependent on the Company's total net leverage ratio. The interest rate as of December 31, 2023 was 7.61% for the Term A Loans and Senior Revolver and 8.36% for the Term B Loan. The Company is also required to pay an unused commitment fee to the lenders under the Senior Revolver at a rate between 0.20% and 0.40% of the average daily unutilized commitments thereunder dependent on the Company's total net leverage ratio.

The Second A&R Credit Agreement requires the Company to make mandatory prepayments, subject to certain exceptions, with: (i) beginning with fiscal year ended December 31, 2023, 50% (which percentage will be reduced upon the Company's achievement of certain total net leverage ratios) of the Company's annual excess cash flow, (ii) 100% of net cash proceeds of all non-ordinary course asset sales or other dispositions of property or casualty events, subject to certain exceptions and thresholds, and (iii) 100% of the net cash proceeds of any debt incurrence, other than debt permitted under the Second A&R Credit Agreement. None of these were required in 2023.

(Dollars in millions, except per share data)

The Second A&R Credit Agreement contains several financial and non-financial covenants. The Company was in compliance with all of the covenants in the Second A&R Credit Agreement as of December 31, 2023. The obligations under the Second A&R Credit Agreement are secured by a pledge of 100% of the capital stock of certain domestic subsidiaries owned by the Company and a security interest in substantially all of the Company's tangible and intangible assets and the tangible and intangible assets of certain domestic subsidiaries.

The proceeds from the new Senior Secured Credit Facilities were used, in addition to cash on hand, (1) to refinance, in full, all existing indebtedness under the A&R Credit Agreement, and amend and restate all commitments thereunder (the "Refinancing"), (2) to pay certain fees and expenses incurred in connection with the entry into the Second A&R Credit Agreement and the Refinancing, (3) to fund the Cloudmed acquisition, and to pay the fees, premiums, expenses, and other transaction costs incurred in connection therewith, and (4) to finance working capital needs of the Company and its subsidiaries for general corporate purposes.

Debt Maturities

Scheduled maturities of the Company's long-term debt for each of the five years succeeding December 31, 2023 and thereafter are summarized as follows:

	Scheduled Maturities
2024	$ 67.0
2025	67.0
2026	618.3
2027	430.3
2028	5.0
Thereafter	468.7
Total	$ 1,656.3

11. Derivative Financial Instruments

The Company actively manages the risk of changes in foreign currency exchange rates and change in interest rates through non-deliverable foreign currency forward contracts and interest rate swap contracts traded in over-the-counter markets governed by International Swaps and Derivatives Association, Inc. (ISDA) agreements. Positions are monitored using techniques such as market value and sensitivity analyses. The Company does not enter into derivative transactions for speculative purposes.

The change in fair value of a hedging instrument is recorded in accumulated other comprehensive loss as a separate component of stockholders' equity and is reclassified into either cost of services or interest expense in the consolidated statement of operations and comprehensive income during the period in which the hedged transaction impacts earnings. Fair values for derivative financial instruments are based on prices computed using third-party valuation models and are classified as Level 2 in accordance with the three-level hierarchy of fair value measurements.

The Company utilizes cash flow hedges to manage its currency risk arising from its global business services centers. As of December 31, 2023, the Company has recorded $0.5 million of unrealized gains in accumulated other comprehensive income related to foreign currency hedges. The Company estimates that $0.5 million of gains reported in accumulated other comprehensive income are expected to be reclassified into earnings within the next 12 months. Amounts reclassified into cost of services were a net gain of $1.7 million and a net loss of $1.4 million for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the Company's foreign currency forward contracts have maturities extending no later than December 31, 2024, and had total notional value of $128.6 million. As of December 31, 2022, the total notional amount of the Company's foreign currency forward contracts was $126.4 million.

(Dollars in millions, except per share data)

The Company also utilizes cash flow hedges to reduce variability in interest cash flows from its outstanding debt. As of December 31, 2023, the Company has recorded $9.6 million of unrealized gains in accumulated other comprehensive income related to interest rate swaps. The Company estimates that $8.7 million of gains reported in accumulated other comprehensive income are expected to be reclassified into earnings within the next 12 months. Amounts reclassified into interest expense were a net gain of $10.1 million and a net loss of $0.2 million for the years ended December 31, 2023 and 2022. As of December 31, 2023, the Company's interest rate swaps extend no later than June 30, 2025 and had total notional amounts of $500.0 million. As of December 31, 2022, the total notional amount of the Company's interest rate swaps was $500.0 million.

The location and fair value of derivative instruments designated as hedges in the Consolidated Balance Sheets as of December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023	December 31, 2022
Foreign currency forward contracts		
Prepaid expenses and other current assets	$ 0.5	$ 0.1
Other accrued expenses	—	0.5
Total foreign current forward contracts	$ 0.5	$ 0.6
Interest rate swaps		
Prepaid expenses and other current assets	$ 8.7	$ 8.7
Other assets	0.9	5.0
Total interest rate swaps	$ 9.6	$ 13.7

As of December 31, 2023 and December 31, 2022, the accumulated gain, net of tax, recognized in accumulated other comprehensive loss was $7.5 million and $9.9 million, respectively.

The Company classifies cash flows from its derivative programs as cash flows from operating activities in the Consolidated Statements of Cash Flows. As of December 31, 2023, the Company held no derivatives, or non-derivative hedging instruments, that were designated in fair value or net investment hedges.

On July 5, 2022, the Company and Sutter Health entered into a put right agreement regarding the potential purchase of a business that would expand the Company's service capabilities. This agreement expired unexercised on January 5, 2024.

12. Stockholders' Equity

Preferred Stock and Warrants

As of December 31, 2023 and 2022, the Company had 5,000,000 shares of authorized preferred stock, with a par value of $0.01. The preferred stock may be issued from time to time in one or more series. The Board of Directors of the Company (the "Board") is authorized to determine the rights, preferences, privileges, and restrictions of the Company's authorized but unissued shares of preferred stock. On February 16, 2016, the Company entered into a long-term strategic partnership with Ascension Health Alliance, the parent of Ascension Health ("Ascension"), the Company's largest customer and the nation's largest Catholic and non-profit health system, and TowerBrook Capital Partners ("TowerBrook"), an investment management firm (the "2016 Transaction"). On February 16, 2016, at the close of the 2016 Transaction, the Company issued to TCP-ASC ACHI Series LLLP ("TCP-ASC"), a limited liability limited partnership jointly owned by Ascension Health Alliance and investment funds affiliated with TowerBrook: (i) 200,000 shares of its 8.00% Series A Convertible Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock" or "Preferred Stock"), for an aggregate price of $200 million and (ii) an exercisable warrant to acquire up to 60 million shares of its common stock with an exercise price of $3.50 per common share and a term of ten years. The Series A Preferred Stock was immediately convertible into shares of common stock. As of December 31, 2023 and 2022, the Company had zero shares of Series A Preferred Stock outstanding. The Series A Preferred Stock was converted to common stock on January 15, 2021. See Note 16, 8.00% Series A Convertible Preferred Stock, for additional information.

On January 23, 2018, the Company issued an exercisable warrant to acquire up to 1.5 million shares of its common stock with an exercise price of $6.00 per common share to IHC Health Services, Inc ("Intermountain").

As of December 31, 2023 and 2022, 42.0 million total warrants were outstanding for TCP-ASC and Intermountain. Refer to Note 23, Subsequent Events, for warrants issued as part of the Acclara Acquisition in January 2024.

Common Stock

Each outstanding share of the Company's common stock, par value $0.01 per share, is entitled to one vote per share on all matters submitted to a vote by shareholders. Subject to the rights of any preferred stock which may from time to time be outstanding, the holders of outstanding shares of common stock are entitled to receive dividends and, upon liquidation or dissolution, are entitled to receive pro rata all assets legally available for distribution to stockholders. No dividends were declared or paid on the common stock during 2023 or 2022.

Treasury Stock

On November 13, 2013, the Board authorized a repurchase of up to $50.0 million of the Company's common stock in the open market or in privately negotiated transactions (the "2013 Repurchase Program"). Between October 1, 2021 and October 27, 2021, the Company finalized authorized repurchases under the 2013 Repurchase Program. On October 22, 2021, the Board adopted a new repurchase program and authorized the repurchase of up to $200.0 million of our common stock from time to time in the open market or in privately negotiated transactions (the "2021 Repurchase Program"). On January 9, 2022, the Board increased the authorization under the 2021 Repurchase Program to an aggregate amount of up to $500.0 million. The timing and amount of any shares repurchased under the 2021 Repurchase Program will be determined by the Company's management based on its evaluation of market conditions and other factors. The 2021 Repurchase Program may be suspended or discontinued at any time at the sole discretion of the Board. Any repurchased shares will be available for use in connection with the Company's stock plans and for other corporate purposes. The Company funds the repurchases from cash on hand. During the years ended December 31, 2023 and 2022, 0 and 2,080,518 shares were repurchased, respectively. No shares have been retired. As of December 31, 2023 and 2022, the Company held in treasury 10,031,168 and 10,031,168 shares of repurchased stock, respectively.

Treasury stock also includes repurchases of Company stock related to employees' tax withholding upon vesting of restricted shares. For the years ended December 31, 2023 and 2022, the Company repurchased 1,878,617 and 1,174,754 shares related to employees' tax withholding upon vesting of restricted shares, respectively. See Note 13, Share-Based Compensation, for additional information.

13. Share-Based Compensation

The Company maintains three stock incentive plans:

- Amended and Restated Stock Option Plan (the "2006 Plan")
- Fourth Amended and Restated Stock 2010 Incentive Plan (the "2010 Amended Plan" and together with the 2006 Plan, the "Plans"), which was amended to authorize the additional issuance of 17 million shares, 9.6 million shares, and 4.0 million shares of the Company's common stock pursuant to awards in December 2016, May 2021, and May 2023, respectively.
- R1 RCM Inc. 2022 Inducement Plan (the "Inducement Plan"), which was adopted in June 2022 to accommodate equity grants to new employees hired in connection with the Cloudmed acquisition and under which up to a total of 6,225,000 shares of common stock may be granted in the form of RSUs (including PBRSUs).

Under the Plans, the Company is authorized to issue up to a maximum of 59,974,756 shares of common stock. The Company will not make any further grants under the 2006 Plan. The 2010 Amended Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, RSUs, and other share-based awards. As of December 31, 2023, 7,456,142 shares were available for future grants of awards under the 2010 Amended Plan. To the extent that previously granted awards under the 2006 Plan or 2010 Amended Plan expire, terminate or are otherwise surrendered, canceled or forfeited, the number of shares available for future awards under the 2010 Amended Plan will increase.

Under the terms of the Plans, all stock options will expire if they are not exercised within ten years of their grant date. Generally, employee options and RSUs vest ratably between one and four years.

Pursuant to Rule 5635(c)(4) of the NASDAQ Listing Rules, the Inducement Plan was adopted without stockholder approval. The Inducement Plan only provides for the grant of RSUs (including PBRSUs), and its terms are otherwise substantially similar to the 2010 Amended Plan, including with respect to treatment of equity awards in the event of a "change in control" as defined under the Inducement Plan. In accordance with Rule 5635(c)(4) of the NASDAQ Listing Rules, awards under the Inducement Plan can only be made to individuals not previously employees or non-employee directors of the Company (or following such individuals' bona fide period of non-employment with the Company), as an inducement material to the individuals' entry into employment with the Company or in connection with a merger or acquisition, to the extent permitted by Rule 5635(c)(3) of the NASDAQ Listing Rules. As of December 31, 2023, 519,830 shares were available for future grants of awards under the Inducement Plan. However, to the extent that previously granted awards under the Inducement Plan expire, terminate or are otherwise surrendered, canceled or forfeited, the number of shares available for future awards under the Inducement Plan will increase.

For the year ended December 31, 2023, the Company recognized $0.2 million of income tax expense from shortfalls associated with vesting and exercises of equity awards. For the years ended December 31, 2022 and 2021, the Company recognized $9.8 million, and $12.7 million, respectively, of income tax benefit from windfalls associated with vesting and exercises of equity awards.

(Dollars in millions, except per share data)

The Company used the Black-Scholes option pricing model to estimate the fair value of its service-based options as of their grant dates. The volatility for the options was calculated based on an analysis of historical volatility. The Company assesses progress and achievement on performance-based PBRSUs by reviewing historical performance to date, along with any approved adjustments, and latest projections to determine the probable outcome of the awards. The current estimates are then compared to the scoring metrics and any necessary adjustments are reflected in the current period to update share-based compensation expense to the current performance expectations. A Monte Carlo simulation was used to estimate the fair value of the Unvested Units, which are being amortized over a period of 4 years on a straight-line basis. The volatility for the Unvested Units was calculated based on an analysis of historical and implied volatility.

The following table sets forth the significant assumptions used in the calculation of share-based compensation expense during 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Expected dividend yield	—%	—%
Risk-free interest rate	1.4% to 3.3%	0.4% to 1.0%
Expected volatility	43% to 50%	43%
Expected term (in years)	4.0 to 5.5	5.5

There were no options granted during the year ended December 31, 2023.

	Year Ended December 31,	
	2022	2021
Weighted-average grant date fair value per share	$ 9.55	$ 9.34

Total share-based compensation expense that has been included in the Company's consolidated statements of operations were as follows:

	Year Ended December 31,		
	2023	2022	2021
Share-Based Compensation Expense Allocation Details:			
Cost of services	$ 43.4	$ 28.8	$ 44.2
Selling, general and administrative	28.1	36.0	32.4
Other	—	0.1	—
Total share-based compensation expense (1)	$ 71.5	$ 64.9	$ 76.6
Related tax benefits	$ 15.3	$ 11.8	$ 14.5

(1) Included in the share-based compensation expense above is $7.3 million and $5.1 million of CoyCo 2 share-based compensation expense for the years ended December 31, 2023 and 2022, respectively. See further discussion below. In addition to the share-based compensation expense recorded above, $1.4 million, $0.2 million, and $0.7 million of share-based compensation expense was recorded to deferred contract costs for the years ended December 31, 2023, 2022, and 2021, respectively. See Note 2, Summary of Significant Accounting Policies, for further discussion.

Stock options

The following table sets forth a summary of all option activity under all plans for the years ended December 31, 2023, 2022, and 2021:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2021	6,220,971	$ 3.68	5.7	$ 126.5
Granted	6,424	23.33		
Exercised	(1,819,039)	4.39		
Canceled/forfeited	(15,151)	5.98		
Expired	(7,000)	27.08		
Outstanding at December 31, 2021	4,386,205	$ 3.37	4.9	$ 97.0
Granted	24,344	22.19		
Exercised	(1,285,228)	3.67		
Canceled/forfeited	(13,408)	4.59		
Expired	(7,500)	8.71		
Outstanding at December 31, 2022	3,104,413	$ 3.38	4.0	$ 23.9
Granted	—	—		
Exercised	(411,346)	3.26		
Canceled/forfeited	(45,865)	2.59		
Expired	—	—		
Outstanding at December 31, 2023	2,647,202	$ 3.41	3.1	$ 19.4
Outstanding, vested and exercisable				
December 31, 2021	4,365,759	$ 3.33	4.9	$ 96.7
December 31, 2022	3,080,069	$ 3.23	4.0	$ 23.9
December 31, 2023	2,647,202	$ 3.41	3.1	$ 19.4

The total intrinsic value of the options exercised in the years ended December 31, 2023, 2022, and 2021 was $5.0 million, $26.5 million, and $38.2 million, respectively. The total fair value of options vested during the years ended December 31, 2023, 2022, and 2021 was $0.2 million, $0.1 million, and $1.4 million, respectively.

Restricted stock units and performance-based restricted stock units

The following table sets forth a summary of all RSU and PBRSU activity during the years ended December 31, 2023, 2022, and 2021:

	RSUs	PBRSUs	Weighted-Average Grant Date Fair Value RSU	Weighted-Average Grant Date Fair Value PBRSU
Outstanding and unvested at January 1, 2021	2,108,447	2,917,071	$ 9.87	$ 11.35
Granted	2,251,167	1,071,431	24.35	25.36
Performance factor adjustment	—	101,937	—	9.81
Vested	(1,739,847)	(586,071)	19.14	7.67
Forfeited	(401,116)	(301,355)	15.48	13.55
Outstanding and unvested at December 31, 2021	2,218,651	3,203,013	$ 16.28	$ 16.45
Granted	2,306,897	5,230,483	20.56	19.83
Performance factor adjustment	—	876,109	—	10.46
Vested	(1,029,491)	(1,925,203)	16.61	11.05
Forfeited	(264,055)	(507,605)	18.22	20.38
Outstanding and unvested at December 31, 2022	3,232,002	6,876,797	$ 19.07	$ 19.48
Granted	3,259,227	1,526,096	15.12	15.59
Performance factor adjustment	—	792,189	—	15.95
Vested	(2,788,125)	(2,286,886)	16.30	15.95
Forfeited	(372,868)	(779,375)	17.90	19.56
Outstanding and unvested at December 31, 2023	3,330,236	6,128,821	$ 17.66	$ 19.36
Shares surrendered for taxes for year ended December 31, 2023	974,959	903,658		
Cost of shares surrendered for taxes for the year ended December 31, 2023 (in millions)	13.0	13.1		
Shares surrendered for taxes for the year ended December 31, 2022	369,900	804,854		
Cost of shares surrendered for taxes for the year ended December 31, 2022 (in millions)	7.4	20.2		
Shares surrendered for taxes for the year ended December 31, 2021	571,182	225,726		
Cost of shares surrendered for taxes for the year ended December 31, 2021 (in millions)	13.5	5.6		

On June 21, 2022, Project Roadrunner Merger Sub Inc., formerly a wholly-owned subsidiary of the Company, merged with and into R1 RCM Holdco Inc. (f/k/a R1 RCM Inc.), now a wholly-owned subsidiary of the Company ("Old R1 RCM") with Old R1 RCM as the surviving entity, which resulted in Old R1 RCM becoming a wholly-owned subsidiary of the Company (the "Holding Company Reorganization"). Upon consummation of the Holding Company Reorganization, outstanding restricted units of Cloudmed were replaced by an aggregate 1,536,220 RSUs of the Company. The Company also issued an aggregate of 3,173,184 inducement RSUs and PBRSUs to certain employees of Cloudmed under Nasdaq Listing Rule 5635(c)(4) pursuant to its newly adopted 2022 Inducement Plan.

(Dollars in millions, except per share data)

The Company's RSU and PBRSU agreements allow employees to surrender to the Company shares of common stock upon vesting of their RSUs and PBRSUs in lieu of their payment of the required personal employment-related taxes. Shares surrendered for payment of personal employment-related taxes are held in treasury.

Outstanding PBRSUs vest upon satisfaction of both time-based and performance-based conditions. Depending on the award, performance condition targets may include cumulative adjusted EBITDA, end-to-end RCM agreement growth, modular sales revenue, or other specific performance factors. Depending on the percentage level at which the performance-based conditions are satisfied, the number of shares vesting could be between 0% and 200% of the number of PBRSUs originally granted. Based on the established targets, the maximum number of shares that could vest for all outstanding PBRSUs is 12,257,642.

CoyCo 2, L.P. Limited Partnership Units

Former Class P Units were originally issued to employees of Cloudmed and its affiliates ("Participants") in connection with and as a part of the compensation and incentive arrangements between Cloudmed and such Participants prior to the consummation of the Cloudmed acquisition. A portion of the Former Class P Units immediately vested upon the closing of the Cloudmed acquisition. In connection with the Cloudmed acquisition, Cloudmed caused the Former Class P Units, including the Unvested Units, to be converted into Management Units. At the time of the closing of the Cloudmed acquisition, 97,875 Unvested Units were converted into 514,986 Management Units.

In general, Unvested Units vest upon the achievement of certain performance criteria, including achievement by the Sellers' owner, New Mountain Capital, L.L.C. ("New Mountain"), of (i) specified multiples of Base Equity Value (i.e., generally the aggregate equity value of New Mountain's investment in Cloudmed as of the original grant date), or (ii) specified multiples on invested capital with respect to New Mountain Capital's pre-Cloudmed acquisition investment in Cloudmed, and subject to continued service with the Company and its affiliates, including Cloudmed through the applicable vesting date.

14. Other Expenses

Other expenses are incurred in connection with acquisition and integration costs, various exit activities, transformation initiatives, and organizational changes to improve our business alignment and cost structure. The following table summarizes the other expenses (income) recognized for the years ended December 31, 2023, 2022, and 2021:

	Year Ended December 31,		
	2023	2022	2021
Business acquisition costs (1)	8.7	80.5	13.7
Integration costs (2)	35.7	40.2	2.6
Technology transformation (3)	19.2	1.7	—
Strategic initiatives (4)	24.0	22.7	11.3
Global business services center expansion project in the Philippines (5)	—	26.7	1.8
Customer employee transition and restructuring expenses (6)	—	—	4.5
Facility-related charges (7)	25.4	7.9	3.4
Other (8)	3.6	10.1	18.2
Total other expenses	$ 116.6	$ 189.8	$ 55.5

(1) Costs, including legal, consulting, insurance premiums, and bank fees, that directly relate to the due diligence and closing of business acquisitions and include changes to contingent consideration, if applicable. Costs also include compensation expenses associated with the close of the transactions.

(Dollars in millions, except per share data)

(2) Costs reflect efforts to integrate acquisitions from a systems, processes, and people perspective and to achieve synergies expected from business acquisitions. Costs include consulting fees, IT vendor spend, severance, early lease termination of Cloudmed facilities, and certain payroll costs.
(3) Costs relate to projects underway to create a new platform that consolidates the Cloudmed and R1 customer solutions and migrates them to a cloud environment to reduce onboarding costs and accelerate the delivery of value to the Company's customers. These projects are expected to be completed in 2025. Certain of these costs incurred qualify for capitalization and have been recorded on the Consolidated Balance Sheet.
(4) Costs primarily relate to business restructuring activities as part of the Company's growth strategy and include consulting costs, compensation costs of employees dedicated to the Company's growth strategy efforts, and severance. These costs include changes in contingent consideration and retention costs related to acquisitions completed by Cloudmed prior to being acquired by R1.
(5) These costs include legal and consulting fees related to the establishment of the Company's inaugural global business services center in the Philippines as well as severance costs for personnel whose roles are being relocated. The entry into the Philippines is the first new organic global business services center country expansion by the Company in approximately 15 years. The Company completed the expansion project in 2022.
(6) As part of the transition of customer personnel to the Company under certain operating partner model contracts, the Company agreed to reimburse the customer, or directly pay affected employees, for severance and retention costs related to certain employees who were not transitioned to the Company, or whose jobs were relocated after the employee transitioned to the Company.
(7) As part of evaluating its real estate footprint, the Company has exited certain leased facilities. Costs include asset impairment charges, early termination fees, and other costs related to exited leased facilities (excluding early lease termination of Cloudmed facilities, which is included in (2) above). For the year ended December 31, 2023, costs include an impairment charge of $8.7 million related to land and buildings. See Note 2, Summary of Significant Accounting Policies, for more information.
(8) For the year ended December 31, 2023, costs primarily include $4.3 million of net expense related to the Company's stockholder litigation. For the year ended December 31, 2022, costs primarily include $5.7 million of expenses related to the Company's stockholder litigation. For further detail, refer to Note 18, Commitments and Contingencies. For the years ended December 31, 2022 and 2021, other includes $2.5 million, and $11.3 million, respectively, of expenses related to the COVID-19 pandemic. For the year ended December 31, 2023, no expense related to the COVID-19 pandemic was recorded to other expense.

15. Income Taxes

The domestic and foreign components of income (loss) before income taxes consist of the following:

	Year Ended December 31,		
	2023	2022	2021
Domestic	$ (6.2)	$ (86.8)	$ 100.6
Foreign	27.2	20.0	16.7
Total income (loss) before income taxes	$ 21.0	$ (66.8)	$ 117.3

(Dollars in millions, except per share data)

For the years ended December 31, 2023, 2022, and 2021, the Company's current and deferred income tax expense (benefit) attributable to income from operations are as follows:

	Current	Deferred	Total
Year Ended December 31, 2021			
U.S. Federal	$ (0.1)	$ 22.0	$ 21.9
State & Local	3.5	—	3.5
Foreign	3.0	1.6	4.6
	$ 6.4	$ 23.6	$ 30.0
Year Ended December 31, 2022			
U.S. Federal	$ 0.9	$ (11.6)	$ (10.7)
State & Local	3.8	(4.9)	(1.1)
Foreign	3.2	5.1	8.3
	$ 7.9	$ (11.4)	$ (3.5)
Year Ended December 31, 2023			
U.S. Federal	$ 16.0	$ (14.2)	$ 1.8
State & Local	11.8	(3.6)	8.2
Foreign	3.9	3.8	7.7
	$ 31.7	$ (14.0)	$ 17.7

Reconciliation of the difference between the effective tax rate and the statutory U.S. federal income tax rate is as follows:

	Year Ended December 31,		
	2023	2022	2021
Federal statutory tax rate	21 %	21 %	21 %
Change in income tax rate resulting from:			
State and local income taxes, net of federal tax benefits	31 %	1 %	2 %
Tax on foreign income	9 %	(15)%	3 %
Share-based compensation	4 %	18 %	(9)%
Non-deductible expenses	15 %	(15)%	4 %
Other	4 %	(5)%	5 %
Effective tax rate	84 %	5 %	26 %

(Dollars in millions, except per share data)

The following table sets forth the Company's net deferred tax as of December 31, 2023 and 2022:

	As of December 31,	
	2023	**2022**
Deferred tax assets and liabilities:		
Net operating loss carryforwards	$ 23.7	$ 49.8
Share-based compensation	18.2	16.6
Accrued bonus	15.7	13.7
Deferred revenue	5.3	6.7
Alternative minimum tax	5.6	6.2
Interest expense limitation	18.2	11.1
Operating lease liabilities	23.5	29.1
Property, equipment, and software	7.3	1.0
Other	20.4	13.1
Total deferred tax assets	137.9	147.3
Less valuation allowances	(7.6)	(7.1)
Net deferred tax assets	130.3	140.2
Intangible assets	(258.9)	(292.4)
Deferred contract costs	(9.3)	(8.0)
Foreign withholding tax	(13.9)	(10.2)
Operating lease right-of-use assets	(13.9)	(20.0)
Total deferred tax liabilities	(296.0)	(330.6)
Net deferred tax	$ (165.7)	$ (190.4)

At December 31, 2023, the Company had cumulative U.S. federal and state net operating loss ("NOL") carryforwards of approximately $71.9 million and $163.3 million, respectively, which are available to offset U.S. federal and state taxable income in future periods. These amounts include NOLs acquired through acquisitions which are subject to Section 382 of the Internal Revenue Code. The general limitation rules allow the Company to utilize the NOLs subject to an annual limitation that is determined by multiplying the federal long-term tax-exempt rate by the Company's value immediately before the ownership change. The federal NOLs will start to expire in 2031. For the tax period ended December 31, 2023, the Company expects to utilize $149.9 million in federal net operating losses due to higher taxable income.

2017 Tax Reform subjects a U.S. shareholder to tax on Global Intangible Low-Taxed Income ("GILTI") earned by certain foreign subsidiaries. An entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred. The Company has elected to recognize the tax on GILTI as a period expense in the period the tax is incurred.

A valuation allowance is required to be established when, based on currently available information, it is more likely than not that all or a portion of a deferred tax asset will not be realized. The guidance on accounting for income taxes provides important factors in determining whether a deferred tax asset will be realized, including whether there has been sufficient taxable income in recent years and whether sufficient income can reasonably be expected in future years in order to utilize the deferred tax asset. Consideration is given to the weight of all available evidence, both positive and negative. The Company estimates its already contracted business growth will be profitable and allow the Company to utilize its NOL carryforwards and other deferred tax assets. Accordingly, the Company believes that it is more likely than not that the remaining deferred tax assets will be realized. Should the Company not operationally execute as expected, and the growth in business not be as profitable as expected, such realizability assessment may change.

The Company has recorded valuation allowances at December 31, 2023 and 2022 of $7.6 million and $7.1 million, respectively. Based on the Company's assessment, it is more likely than not that a portion of the Company's state NOLs, capital loss carryforward, and research and development tax credits will not be realizable. The December 31, 2023 valuation allowance includes $3.3 million attributable to research and development credits and $2.2 million for a capital loss.

The 2023, 2022, and 2021 foreign current tax provision includes $3.9 million, $3.2 million, and $3.0 million, respectively, for income taxes arising from the income of the Company's India subsidiaries. The tax provisions are net of the impact of a tax holiday in India. The Company's benefits from this tax holiday were $4.4 million, $4.9 million, and $4.7 million for the years ended December 31, 2023, 2022, and 2021, respectively. The tax holidays are set to expire between March 31, 2024 and March 31, 2027. At December 31, 2023, undistributed earnings in certain subsidiaries outside the U.S. totaled approximately $5.7 million for which no deferred tax liability has been recorded because such earnings are indefinitely reinvested.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company's unrecognized tax benefits as of December 31, 2023, 2022, and 2021 were not material.

In connection with tax return examinations, contingencies can arise that generally result from different interpretations of tax laws and regulations as they pertain to the amount, timing or inclusion of revenues and expenses in taxable income, or the ability to utilize tax credits to reduce income taxes payable. While it is probable, based on the potential outcome of the Company's federal and state tax examinations or the expiration of the statute of limitations for specific jurisdictions, that the liability for unrecognized tax benefits may increase or decrease within the next 12 months, the Company does not expect any such change would have a material effect on its financial condition, results of operations or cash flow.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. U.S. federal income tax returns for 2020 and all subsequent years are currently open for examination. State jurisdictions vary for open tax years. The statute of limitations for most states ranges from three to six years. Certain income tax returns since fiscal year 2009 for the Company's India subsidiaries are currently open for final determination. The Company's Philippines subsidiary is currently under audit for the tax period ended on December 31, 2022.

16. 8.00% Series A Convertible Preferred Stock

At the close of the 2016 Transaction on February 16, 2016 (as described in Note 12), the Company issued to TCP-ASC: (i) 200,000 shares of Preferred Stock, for an aggregate price of $200 million, and (ii) a warrant with a term of ten years to acquire up to 60 million shares of common stock at an exercise price of $3.50 per share, on the terms and subject to the conditions set forth in the warrant agreement (the "TCP-ASC Warrant").

On January 15, 2021, TCP-ASC converted all of its 294,266 shares of Preferred Stock into 117,706,400 shares of common stock of the Company into which the shares were convertible pursuant to the Certificate of Designation of the Preferred Stock, and, in consideration therefor, the Company (i) issued 21,582,800 additional shares of common stock to TCP-ASC, and (ii) paid TCP-ASC $105.0 million in cash. On January 19, 2021, the Company filed a Certificate of Elimination of 8.00% Series A Convertible Preferred Stock with the Secretary of State of the State of Delaware to eliminate the Certificate of Designations of the 8.00% Series A Convertible Preferred Stock. The consideration paid to induce the conversion was recorded as a dividend of $592.3 million and reduced income available to common shareholders in our earnings per share calculation. The dividend was calculated as the cash paid of $105.0 million plus the fair value on the conversion date of the additional 21,582,800 shares of common stock issued as consideration for the conversion.

(Dollars in millions, except per share data)

Dividend Rights

The holders of the Preferred Stock were entitled to receive cumulative dividends January 1, April 1, July 1, and October 1 of each year (dividend payment dates), which commenced on April 1, 2016, at a rate equal to 8% per annum (preferred dividend) multiplied by the liquidation preference per share, initially $1,000 per share adjusted for any unpaid cumulative preferred dividends. As of December 31, 2020, the Company had accrued dividends of $5.8 million associated with the Preferred Stock, of which $5.8 million was paid in additional shares and $940 was paid in cash in January 2021.

The following summarizes the Preferred Stock activity for the year ended December 31, 2021:

	Preferred Stock	
	Shares Issued and Outstanding	Carrying Value
Balance at December 31, 2020	288,497	$ 251.5
Dividends paid/accrued dividends	5,769	—
Conversion of Preferred Stock	(294,266)	(251.5)
Balance at December 31, 2021	—	$ —

17. Earnings (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss), less any dividends, accretion or decretion, redemption or induced conversion on the preferred stock, by the weighted average number of common shares outstanding during the period. As the preferred stock participated in dividends alongside the Company's common stock (per their participating dividends), the preferred stock constituted participating securities under ASC 260-10, Earnings Per Share, and was applied to earnings per share using the two-class method. Under this method, all earnings (distributed and undistributed) were allocated to common shares and participating securities based on their respective rights to receive dividends.

Diluted net income (loss) per share is calculated by adjusting the denominator used in the basic net income (loss) per share computation by potentially dilutive securities outstanding during the period plus, when their effect is dilutive, incremental shares consisting of shares subject to stock options, shares issuable upon vesting of RSUs and PBRSUs, and shares issuable upon conversion of preferred stock.

(Dollars in millions, except per share data)

Basic and diluted net income (loss) per common share are calculated as follows:

	Year Ended December 31,		
	2023	2022	2021
Basic EPS:			
Net income (loss)	$ 3.3	$ (63.3)	$ 87.3
Less dividends on preferred shares (1)	—	—	(592.3)
Net income (loss) available/(allocated) to common shareholders - basic	$ 3.3	$ (63.3)	$ (505.0)
Diluted EPS:			
Net income (loss)	$ 3.3	$ (63.3)	$ 87.3
Less dividends on preferred shares (1)	—	—	(592.3)
Net income (loss) available/(allocated) to common shareholders - diluted	$ 3.3	$ (63.3)	$ (505.0)
Basic weighted-average common shares	418,587,390	352,337,767	266,183,565
Add: Effect of dilutive equity awards	3,916,803	—	—
Add: Effect of dilutive warrants	31,590,181	—	—
Diluted weighted average common shares	454,094,374	352,337,767	266,183,565
Net income (loss) per common share (basic)	$ 0.01	$ (0.18)	$ (1.90)
Net income (loss) per common share (diluted)	$ 0.01	$ (0.18)	$ (1.90)

(1) The 2021 dividend on preferred shares includes amounts related to the conversion of the preferred shares. See Note 16, 8.00% Series A Convertible Preferred Stock, for more information.

Because of their anti-dilutive effect, 634,540, 20,090,009, 12,875,730 common share equivalents comprised of stock options, PBRSUs, and RSUs have been excluded from the diluted earnings per share calculation for the years ended December 31, 2023, 2022, and 2021, respectively. Additionally, for the years ended December 31, 2022 and 2021, warrants to acquire up to 42.0 million shares of the Company's common stock have been excluded from the diluted earnings per share calculation because they were anti-dilutive.

18. Commitments and Contingencies

Legal Proceedings

Other than as described below, the Company is not presently a party to any material litigation or regulatory proceeding and is not aware of any pending or threatened litigation or regulatory proceeding against the Company which, individually or in the aggregate, could have a material adverse effect on its business, operating results, financial condition or cash flows.

In re R1 RCM Inc. Stockholders Litigation

On April 13, 2021 and April 19, 2021, respectively, certain purported stockholders of the Company filed two complaints in the Delaware Court of Chancery (the "Court") against TCP-ASC, Ascension and TowerBrook regarding the Company's January 15, 2021 recapitalization transaction with TCP-ASC. On February 18, 2022, plaintiffs filed a supplement to their complaint, naming the Company directors at the time of the Cloudmed acquisition ("Individual Defendants") and the Cloudmed stockholders as additional defendants and asserting additional claims related to the Company's agreement to acquire Cloudmed, which was announced on January 10, 2022. Plaintiffs also alleged that certain provisions in the Amended and Restated Investor Rights Agreement with TCP-ASC (the "TCP-ASC Investor Rights Agreement") and the Investor Rights Agreement with Coyco 1, L.P. and Coyco 2 (the "Cloudmed Investor Rights Agreement") were void under the Company's charter and bylaws and the Delaware General Corporation law. Defendants have denied, and continue to deny, any and all liability or wrongdoing.

The parties agreed to settle all claims in the lawsuit pursuant to a Stipulation of Settlement ("Stipulation"), entered into on September 27, 2023, publicly filed with the Court on September 29, 2023, and approved by the Court without modification on December 14, 2023. The settlement was effective on January 15, 2024. TCP-ASC, Ascension, and TowerBrook collectively contributed $39.8 million to the settlement, and Cloudmed's stockholders contributed $2.1 million. The Individual Defendants contributed $3.6 million, funded entirely by D&O insurance maintained by the Company. The Company did not contribute any additional monetary amount to the settlement. On January 30, 2024, the Company received approximately $16.4 million from the settlement for the derivative claims in the lawsuit. The remainder of the amounts to be paid under the Stipulation (less allocated attorneys' fees and notice and administrative costs) will be distributed to the settlement class, as defined in the Stipulation. In addition, under the terms of the Stipulation, the parties agreed to eliminate the board size approval right under the TCP-ASC Investor Rights Agreement and the Cloudmed Investor Rights Agreement. Amendments to those Investor Agreements were entered into on February 5, 2024. The Company will record the impact of the settlement in the first quarter of 2024 in conjunction with the effective date of and cash receipt from the settlement.

Graziosi v R1 RCM Inc.

In May 2016, the Company was served with a False Claims Act ("FCA") case brought by a former emergency department service associate who worked at a hospital of one of the Company's customers, MedStar Inc.'s Washington Hospital Center ("WHC"), along with WHC and three other hospitals that were PAS customers and a place holder, John Doe hospital, representing all PAS customers (U.S. ex rel. Graziosi vs. Accretive Health, Inc. et. al.), and seeking money damages, FCA penalties, and attorneys' fees. The Third Amended Complaint alleges that the Company's PAS business violates the federal FCA. The case was originally filed under seal in 2013 in the federal district court in Chicago and was presented to the U.S. Attorney in Chicago, and the U.S. Attorney declined to intervene. Both the Company's and plaintiff's motions for summary judgment were denied in December 2020, and the parties have completed damage and expert discovery. Additional dispositive motions are expected to extend into 2024, with trial, if necessary, likely to be scheduled in 2025. The Company believes it has meritorious defenses to all claims in the case and is vigorously defending itself against these claims.

19. Related Party Transactions

As a result of the closing of the 2016 Transaction with Ascension Health Alliance on February 16, 2016 and Ascension Health Alliance's ownership interest in TCP-ASC, Ascension became a related party to the Company. This note, encompasses transactions between Ascension and its affiliates and the Company pursuant to the A&R MPSA, including all supplements, amendments, and other documents entered into in connection therewith. See Note 1, Description of Business, and Note 16, 8.00% Series A Convertible Preferred Stock, for further discussion about the agreements with Ascension. In conjunction with the Cloudmed acquisition, New Mountain became a new related party. There were no material transactions with New Mountain subsequent to the Cloudmed acquisition.

Net services revenue from services provided to Ascension, as well as corresponding accounts receivable and customer liabilities are presented in the Consolidated Statements of Operations and Comprehensive Income (Loss) and the Consolidated Balance Sheets. Customer liabilities for Ascension consist of the following:

(Dollars in millions, except per share data)

	December 31, 2023	December 31, 2022
Accrued service costs, current	$ 2.4	$ 4.3
Collections payable to customers, current	0.4	0.3
Refund liabilities, current	—	0.7
Deferred revenue (contract liabilities), current	2.4	2.1
Current portion of customer liabilities	5.2	7.4
Deferred revenue (contract liabilities), non-current	11.8	13.7
Non-current portion of customer liabilities	11.8	13.7
Total customer liabilities	$ 17.0	$ 21.1

Since Ascension is the Company's largest customer, a significant percentage of the Company's cost of services is associated with providing services to Ascension. However, due to the nature of the Company's global business services and information technology operations, it is impractical to assign the dollar amount associated with services provided to Ascension.

On May 27, 2021 and May 28, 2021, the Company issued 16,750,000 shares of common stock to TCP-ASC upon the cashless exercise of a portion of the TCP-ASC Warrant to purchase 19,535,145 shares of common stock at an exercise price of $3.50 per share based upon a market value of $24.54 to $24.64 per share as determined under the terms of the TCP-ASC Warrant.

20. Segments and Customer Concentrations

The Company has determined that it has a single operating segment in accordance with the way that management operates and views the business. All of the Company's significant operations are organized around the single business of providing management services of revenue cycle operations for U.S.-based healthcare providers. Accordingly, for purposes of segment disclosures, the Company has only one operating and reportable segment.

Customers comprising greater than 10% of net services revenue are as follows:

	Year Ended December 31,		
Customer Name	2023	2022	2021
Ascension and its affiliates	40%	49%	61%
Intermountain Healthcare	11%	12%	14%

The loss of customers within the Ascension health system or Intermountain network would have a material adverse impact on the Company's operations.

As of December 31, 2023 and 2022, the Company had a concentration of credit risk with Ascension, representing 10% and 10% of accounts receivable, respectively. See Note 19, Related Party Transactions, for more information about the Company's relationship with Ascension.

21. Retirement Plan

The Company maintains 401(k) retirement plans that are intended to be tax-qualified defined contribution plans under Section 401(k) of the Internal Revenue Code. In general, all employees are eligible to participate. In conjunction with acquisitions, the Company may integrate or maintain the acquiree's 401(k) plan.

(Dollars in millions, except per share data)

For the years ended December 31, 2023, 2022, and 2021, Company contributions to the 401(k) plans were $22.8 million, $13.3 million, and $9.1 million, respectively. For the year ended December 31, 2023, the increase in Company contributions is attributable to the Cloudmed acquisition and an increase in employer match.

22. Supplemental Financial Information

Prepaid expenses and other current assets is comprised of the following:

	December 31, 2023	December 31, 2022
Prepaid expenses	$ 42.5	$ 35.1
Acquisition and disposition contingent assets	—	20.0
Notes receivable	7.1	12.0
Derivative assets	9.2	8.8
Healthcare rebates receivable	8.6	5.9
Deferred contract costs	6.5	5.1
Other current assets	22.0	23.4
Total prepaid expenses and other current assets	$ 95.9	$ 110.3

Accrued expenses and other current liabilities is comprised of the following:

	December 31, 2023	December 31, 2022
Accrued expenses	$ 52.2	$ 36.3
Notes payable	5.8	15.5
Acquisition deferred payments	—	12.5
Other current liabilities	7.9	6.2
Total accrued expenses and other current liabilities	$ 65.9	$ 70.5

23. Subsequent Events

Acclara Acquisition

On January 17, 2024, the Company completed the Acclara Acquisition in exchange for $675.0 million cash and the Providence Warrant, subject to customary adjustments for working capital, cash, and debt. The Company acquired 100% of the equity interests in Acclara. The Company funded the cash consideration for the Acclara Acquisition and related fees and expenses with cash on hand, borrowings of $80 million under the Senior Revolver, and additional borrowings of Incremental Term B Loans in an aggregate principal amount equal to $575.0 million.

Second Amendment to the Second A&R Credit Agreement

In conjunction with the closing of the Acclara Acquisition, the Company entered into Amendment No. 2 (the “Second Amendment”) to the Second A&R Credit Agreement. Pursuant to the Second Amendment, among certain other amendments, the lenders named in the Second Amendment agreed, severally and not jointly, to extend Incremental Term B Loans to the Company under the Second A&R Credit Agreement in an aggregate principal amount equal to $575.0 million. The Company used the proceeds of the Incremental Term B Loans, together with cash on hand and borrowings of $80 million under the Senior Revolver, to finance (i) the cash consideration for the Acclara Acquisition and (ii) fees and costs incurred in connection with the acquisition and related transactions.

Exhibit 4.1

Description of Registrant's Securities

General

Under the Restated Certificate of Incorporation, as amended (the "Charter"), of R1 RCM Inc. (the "Company" or "R1"), R1 is authorized to issue 750,000,000 shares of common stock, $0.01 par value per share ("Common Stock"), and 5,000,000 shares of preferred stock, $0.01 par value per share.

The following description sets forth general terms and provisions of the Company's securities. This summary does not purport to be complete and is qualified in its entirety by reference to the Company's Charter and Amended and Restated Bylaws (the "Bylaws").

Common Stock

Voting Rights

The holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of the stockholders. Except as otherwise required by law, holders of Common Stock are not entitled to vote on any amendment to the Charter (including the terms of any certificate of designations of any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote on such amendment to the Charter. Holders of Common Stock do not have any cumulative voting rights.

Dividend Rights

Subject to any preferential dividend or other rights of any then outstanding Preferred Stock, holders of Common Stock are entitled to receive dividends and other distributions (payable in cash, property, or capital stock of the Company) when, as and if declared by the Company's Board of Directors out of any assets or funds of the Company legally available for this purpose.

The Company does not currently pay quarterly cash dividends on shares of Common Stock. The payment of dividends in the future, if any, will be at the discretion of the Company's Board of Directors and will depend upon general business conditions, legal and contractual restrictions on the payment of dividends and other factors that the Company's Board of Directors may deem to be relevant.

Liquidation Rights

Subject any preferential or other rights of any then outstanding Preferred Stock, in the event of a voluntary or involuntary liquidation, dissolution or winding-up of the Company, holders of Common Stock will be entitled to share ratably in all remaining assets of the Company legally available for distribution to stockholders after payment or provision for payment of the debts and other liabilities of the Company.

Other Rights

There are no conversion rights or redemption, purchase, retirement or sinking fund provisions with respect to Common Stock.

Anti-Takeover Effects of Delaware Law and the Company's Charter and Bylaws

Delaware law, the Charter and the Company's Amended and Restated Bylaws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of the Company. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of the Company to first negotiate with the Company's Board of Directors.

Board of Directors; Removal of Directors

The Charter and Bylaws provide that, subject to the rights of holders of any series of Preferred Stock, a director may be removed, with or without cause, by the affirmative vote of the holders of at least two-thirds of the votes that all the stockholders would be entitled to cast in an election of directors. Subject to the rights of holders of any series of Preferred Stock, any vacancy on the Company's Board of Directors, including a vacancy resulting from an enlargement of the Board of Directors, may be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director and shall not be filled by stockholders. At each annual meeting, the entire Board of Directors will stand for election for a one-year term. The limitations on the removal of directors and filling of vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of the Company.

Stockholder Action by Written Consent; Special Meetings

The Charter and Bylaws provide that any action required or permitted to be taken by the Company's stockholders must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. The Charter and Bylaws also provide that, except as otherwise required by law, special meetings of the Company's stockholders for any purpose or purposes can only be called by the Company's Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer.

Advance Notice Requirements for Stockholder Proposals

The Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of persons for election to the Board of Directors. Stockholders at an annual meeting of stockholders may only consider proposals or nominations (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) properly brought before the meeting by a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered timely written notice in proper form to the Company's Secretary of the stockholder's intention to bring such business before the meeting. This written notice must contain certain information specified in the Bylaws. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of the Company's outstanding voting securities.

Delaware Business Combination Statute

The Company is subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prevents a publicly-held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of the Company's Board of Directors or unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger or consolidation involving the Company and the "interested stockholder" and the sale of more than 10% of the Company's assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of the Company's outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Amendment of Certificate of Incorporation and Bylaws

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. The Bylaws may be amended, altered or repealed by a majority vote of the Company's Board of Directors or by the affirmative vote of the holders of at least two-thirds of the votes which all the Company's stockholders would be entitled to cast in any election of directors. In addition, the affirmative vote of the holders of at least two-thirds of the votes which all the Company's stockholders would be entitled to cast in any election of directors is required to amend or repeal or to adopt any provisions inconsistent with any of the provisions of the Charter described above under "—Board of Directors; Removal of Directors" and "— Stockholder Action by Written Consent; Special Meetings."

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is Equiniti Trust Company, LLC.

Exchange Listing

The Common Stock is listed on The nasdaq Global Select Market under the symbol “RCM.”

Exhibit 10.69

AMENDMENT NO. 7 TO

AMENDED AND RESTATED MASTER PROFESSIONAL SERVICES AGREEMENT

BY AND BETWEEN

ASCENSION HEALTH AND R1 RCM HOLDCO INC.

This Amendment No. 7 to the Master Professional Services Agreement (this "**Amendment**") by and between Ascension Health (d/b/a Ascension Healthcare) ("**Ascension Health**") and R1 RCM Holdco Inc. (f/k/a R1 RCM Inc., f/k/a Accretive Health, Inc.) ("**Supplier**") is entered into effective retroactively as of July 1, 2022 (the "**Amendment Effective Date**"). Ascension Health and Supplier are sometimes referred to in herein as a "**Party**" or collectively as the "**Parties**". All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the MPSA (as defined below).

WHEREAS, the Parties entered into that certain Amended and Restated Master Professional Services Agreement, dated February 16, 2016, (as amended, restated, supplemented or otherwise modified, the "**MPSA**"), which sets out a framework pursuant to which Supplier and Ascension Health and other Eligible Recipients may enter into Supplements for the provision of Services by Supplier; and

WHEREAS, the Parties desire to amend and restate in its entirety **Exhibit 4-B** (Incentive Fees for Dependent Services) to the MPSA, and make certain other changes as set forth in this Amendment.

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment, and of other good and valid consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Incentive Fees

Effective as of [*****], **Exhibit 4-B** (Incentive Fees for Dependent Services) to the MPSA is hereby amended in its entirety and restated with Addendum 1 attached hereto.

2. Updated Notice

Supplier's addresses for delivery of notices, as set forth in Section 21.3 of the MPSA is hereby deleted in its entirety and replaced with the below.

R1 RCM Holdco Inc.
Attention: Legal Department
433 W. Ascension Way, 2nd Floor
Murray, Utah 84123-2790
With a copy to: legal@r1rcm.com

3. Miscellaneous

3.01 The Parties agree and acknowledge that, except as otherwise expressly amended by this Amendment, (a) the MPSA remains in full force and effect according to its terms and conditions, (b) except as expressly set forth herein, this Amendment shall not affect any rights of a Party that accrued with respect to the MPSA prior to the Amendment Effective Date and (c) this Amendment shall not release a Party from any obligations, liabilities, or other claims that may have arisen under the MPSA prior to the Amendment Effective Date.

3.02 This Amendment may be executed in several counterparts, all of which taken together will constitute one single agreement between the Parties.

[*signature page follows*]

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their respective duly authorized representatives as of the Amendment Effective Date.

Agreed to and Accepted by:

R1 RCM Holdco Inc. (f/k/a R1 RCM Inc.)

By: /s/ John Sparby

Name: John Sparby

Title: Executive Vice President and Chief Operating Officer

Date: October 25, 2023

Ascension Health (d/b/a Ascension Healthcare)

By: /s/ Jon Sohn

Name: Jon Sohn

Title: Senior Vice President, Chief Revenue Officer, Ascension, on behalf of Ascension Health d/b/a Ascension Healthcare

Date: September 28, 2023

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

Addendum 1

Exhibit 4-B

Incentive Fees for Dependent Services

Any provisions with respect to payments for Discrete Initiatives (as defined in the Prior MPSA) shall be null and void as of the Effective Date and have no effect under this MPSA.

1. Incentive Payments

1.1. General. As part of its revenue cycle offering, Supplier will deliver a set of core strategies and management services designed to improve and optimize Eligible Recipient's revenue cycle operations. Each Eligible Recipient shall pay to Supplier a Balance Sheet Incentive Payment and an Income Statement Incentive Payment, in each case subject to, and in accordance with, the terms of this Exhibit 4-B. Whether Supplier qualifies for a Balance Sheet Incentive Payment and/or an Income Statement Incentive Payment will be determined by measuring Supplier's Actual Performance against a pre-determined and mutually agreed set of Operating Metrics and Performance Targets for each Facility Cluster operated by the Eligible Recipient. Each of the Balance Sheet Incentive Payment and Income Statement Incentive Payment will be determined on a Facility Cluster basis.

The Balance Sheet Incentive Payment and the Income Statement Incentive Payment will relate to Supplier's ability to deliver the Services efficiently and in compliance with all applicable rules and regulations. The Performance Targets for each Eligible Recipient shall be determined in accordance with Section 3.3 below.

1.2. Calculation of Incentive Payments

For purposes of this Exhibit, the following terms will have the meanings set forth below:

"**Facility**" means, for purposes of this Exhibit, a hospital or similar healthcare facility of an Eligible Recipient.

"**Facility Cluster**" means, for purposes of this Exhibit, a Facility or group of Facilities of one or more Eligible Recipients aggregated together. **Schedule 1** sets forth all of the Facility Clusters (set forth under the "Facility Cluster" column), effective as of [*****]. The Parties may mutually agree in writing to amend Schedule 1 from time to time, with or without a formal amendment to this Agreement.

"**Balance Sheet Incentive Payment**" means, with respect to any Facility Cluster for any Measurement Period, an amount equal to the product of: (i) the Cash Collections of such Facility Cluster for such Measurement Period, *multiplied by* (ii) [*****], *further multiplied by* (iii) the Balance Sheet Aggregate Weighted Score (as defined in Section 6 below) for such Facility Cluster for such Measurement Period.

"**Income Statement Incentive Payment**" means, with respect to any Facility Cluster for any Measurement Period, an amount equal to the product of: (i) the Cash Collections of such Facility Cluster for such Measurement Period, *multiplied by* (ii) [*****], *further multiplied by* (iii) the Income Statement Aggregate Weighted Score (as defined in Section 6 below) for such Facility Cluster for such Measurement Period.

* - From [*****] through [*****], with respect to each of the Presence Acute Group and the Alexian Acute Group (each as defined in Amendment No. 6 to the MPSA, dated July 1, 2022), the numeral in sub-clause
(ii) in each of the definitions of "Balance Sheet Incentive Payment" and "Income Statement Incentive Payment" in this Exhibit 4-B was [*****] instead of [*****].

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

2. Operating Metrics Scorecard

2.1. General. An Operating Metrics Scorecard will be utilized to determine the Income Statement Aggregate Weighted Score and Balance Sheet Aggregate Weighted Score for each Facility Cluster of each Eligible Recipient receiving Services for each Measurement Period in order to determine the amount of any Balance Sheet Incentive Payment and/or Income Statement Incentive Payment earned by Supplier for such Measurement Period. The Operating Metrics Scorecard will be populated with the requisite financial performance data from the Eligible Recipient's patient accounting system(s) using the Crowe RCA System. The Crowe RCA System is a decision support tool that has been deployed in a standard fashion across Ascension Health. The Crowe RCA System will be the sole source of data for the Operating Metrics Scorecard. The Operating Metrics Scorecard will also include the supporting information that is used to determine the Balance Sheet Aggregate Weighted Score and the Income Statement Aggregate Weighted Score.

2.2. Metrics. The Operating Metrics are comprised of the (9) revenue cycle operating metrics set forth in the table below:

#	Metric	Category	Numerator	Denominator
2)	[*****]	[*****]	[*****]	[*****]
4)	[*****]	[*****]	[*****]	[*****]
5)	[*****]	[*****]	[*****]	[*****]
7a)	[*****]	[*****]	[*****]	[*****]
7b)	[*****]	[*****]	[*****]	[*****]
8a)	[*****]	[*****]	[*****]	[*****]
8b)	[*****]	[*****]	[*****]	[*****]
9a)	[*****]	[*****]	[*****]	[*****]
9b)	[*****]	[*****]	[*****]	[*****]

For clarity, Metric Nos. 1, 3, 6, and 10 have been removed.

A more detailed definition for each metric is provided in Appendix A

By mutual agreement, an Eligible Recipient and Supplier may elect not to utilize one or more Operating Metrics if it is determined that the underlying data is not accurate or is not available to support the timely calculation of performance. Upon such election, subject to Section 5.1 below, such Eligible Recipient shall determine the manner in which the weight previously assigned to such Operating Metric is reallocated among the remaining Operating Metrics; provided, however, that (i) in no case shall the total weight allocated to the Income Statement Operating Metrics exceed [*****] and (ii) the total weight placed on all Operating Metrics shall remain 100%. Such Eligible Recipient shall provide prompt notice to Supplier of such re-allocation, and such re-allocation shall be effective for all Measurement Periods ended on or after the date of such notice.

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

3. Target Setting Process

3.1. General. Each Eligible Recipient and Supplier will calculate the Performance Targets in accordance with this Section 3.1 and Sections 3.2 and 3.3 below for each Operating Metric in the Operating Metrics Scorecard. The Performance Target for each Operating Metric that is designated as an Income Statement Performance Metric in the table in Section 2.2 above (each, an "Income Statement Performance Metric") shall be calculated using a [*****] measurement period. In order to account for calendar and seasonal variances that can affect AR management from period to period, the Performance Target for each Performance Metric designated as a Balance Sheet Performance Metric in the table in Section 2.2 above (each, a "Balance Sheet Performance Metric") shall be calculated, at the applicable Eligible Recipient's election, either (i) using a quarterly average measured over a twelve month measurement period (an "Annual BS Performance Target") or (ii) using separate data from each fiscal quarter to calculate a unique quarterly Performance Target for Measurement Periods corresponding with the same fiscal quarter in future years (a "Quarterly BS Performance Metric"). Each Current Book Eligible Recipient shall notify Supplier of such election on or prior to February 29, 2016.

3.2. Balance Sheet Operating Metrics – Payer Level Targets.

The Performance Targets for each of (i) Performance Metric #5 ([*****]) and (ii) Performance Metric #7a ([*****]) shall be set at the payer group level (i.e., separate Performance Targets with respect to each payer group). An overall Performance Target for a Facility Cluster for such Operating Metrics will be calculated for each Facility Cluster as the weighted average (based on payer mix) of each payer group specific Performance Target, with such weighted average calculation (but not the payer-level Performance Targets) to be recalculated each Measurement Period based on changes in payer mix at each applicable Facility Cluster in accordance with Subsections (b) and (c) below. For the avoidance of doubt, Performance Targets for Operating Metric # 4 ([*****]) and # 7b ([*****]) shall be calculated in the aggregate (i.e., Facility Cluster level) and not at the payer level and will not be subject to any adjustment based on payer mix.

(a) The following six (6) payer groups shall be utilized in setting payer level Performance Targets for Metric #5 ([*****]): (1) [*****], (2) [*****], (3) [*****], (4) [*****], (5) [*****] and (6) [*****]. The following five (5) payer groups shall be utilized in setting payer level Performance Targets for Metric #7a ([*****]): (1) [*****], (2) [*****], (3) [*****], (4) [*****] and (5) [*****] The payer groupings will be derived utilizing the Crowe RCA System Primary SIPG (System Insurance Provider Group) and aggregated into payer groupings as follows:

[*****]

(b) Operating Metric [*****]– Payer Mix Adjusted Performance Target Calculation
The Performance Target for Operating Metric #5 ([*****]) will be adjusted for changes in payer mix for every quarterly Measurement Period, resulting in an aggregate (i.e., Facility Cluster level) Performance Target in any Measurement Period equal to the weighted average of each of the individual payer level Performance Targets for this Operating Metric during such Measurement Period. The payer mix (i.e., the respective weighting for each payer specific Performance Target) utilized to adjust the Facility Cluster level Performance Target for any Measurement Period will be determined using Gross Patient Services Revenue for the applicable Measurement Period. The measurement of Actual Performance for this Operating Metric for any Measurement Period shall be measured in the aggregate (i.e., at the Facility Cluster level) and not at the individual payer level. An example calculation of the Performance Target for a Facility Cluster is set forth below:

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

Example Calculation	(A)	(B)	(C)	D=(B)*(C)
	Payer Mix		**Target**	
	Gross Revenue - Measurement Period	**Payer Mix - Measurement Period**	**Target Days by Payer**	**Target Days by Payor Weighted - Measurement Period**
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
Performance Target				[*****]

(c) Operating Metric [*****]– Payer Mix Adjusted Performance Target Calculation

The Performance Target for Operating Metric #7a ([*****]) will be adjusted for changes in payer mix for every quarterly Measurement Period, resulting in an aggregate (i.e., Facility Cluster level) Performance Target in any Measurement Period equal to the weighted average of each of the individual payer level Performance Targets for this Operating Metric during such Measurement Period. The payer mix (i.e., the respective weighting for each payer specific Performance Target) utilized to adjust the Facility Cluster level Performance Target for any Measurement Period will be determined using Gross Patient Services Revenue for the [*****] period ending the quarter prior to the Measurement Period. The measurement of Actual Performance for this Operating Metric for any Measurement Period shall be measured in the aggregate (i.e., at the Facility Cluster level) and not at the individual payer level. An example calculation of the Performance Target for a Facility Cluster is set forth below:

Example Calculation	(A)	(B)	(C)	D=(B)*(C)
	Payer Mix		**Target**	
	Gross Revenue – 3 mo period ending Qtr prior to Measurement Period	**Payer Mix - 3 mo period ending Qtr prior to Measurement Period**	**Target Days by Payer**	**Target Days by Payor Weighted - Measurement Period**
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
Performance Target				[*****]

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

3.3. Eligible Recipient Performance Targets.

Eligible Recipient Performance Targets will be calculated for each of the nine (9) Operating Metrics at the site level (e.g., for each Facility Cluster) in accordance with this Exhibit 4-B. Performance Targets will be calculated for each Additional Book Eligible Recipient and New ABM prior to the applicable Supplement Commencement Date, except as otherwise provided in this Section 3.3, and will remain in effect unchanged (other than the payer mix adjustments described in Section 3.2 above) unless modified in accordance with the process set forth in Section 3.4 below. The Performance Targets for each Operating Metric for the Current Book Eligible Recipients will be calculated in accordance with Sections 3.1 and 3.2 above using such Eligible Recipient's average [*****] during the applicable portion (i.e., quarterly periods or annual, in accordance with Sections 3.1 and 3.2 above) of such Eligible Recipient's [*****]. For Additional Book Eligible Recipients and New ABMs, except as otherwise provided in this Section 3.3, the Performance Targets will be calculated in accordance with Sections 3.1 and 3.2 above using such Eligible Recipient's average [*****] during the applicable portion (i.e., quarterly periods or annual, in accordance with Sections 3.1 and 3.2 above) of such Eligible Recipient's [*****]. The calculation of Operating Metrics will utilize the same definitions, data sources, and systems during the period(s) utilized to set Performance Targets and all Measurement Periods for the Supplement Term. Any changes to the calculation or source data, definitions, or systems which the Supplier and Eligible Recipient agree are necessary to assure that the Performance Targets and the method of calculating the Performance Targets and actual Operating Metric performance fairly reflect operating performance during the Term of the Supplement will be incorporated into the Operating Metrics Scorecard on a timely basis, with such changes having effect for all subsequent Measurement Periods. Notwithstanding anything to the contrary in this Section 3.3, with respect to any Start-Up Add-On Hospital, the Parties shall determine the baseline period for calculation of Performance Targets for each Operating Metric for each such Start-Up Add-On Hospital. [*****].

3.4 Eligible Recipient Performance Target Reset

The Parties will work in good faith during the twelve (12) months prior to the following effective dates to discuss any applicable revisions to the following aspects of the Incentive Fees:

(a) effective as of [*****]: [*****];
(b) effective as of [*****]: [*****]; and
(c) effective as of [*****]: [*****].

The baseline reset methodology to be discussed will allow the Performance Target for each Operating Metric to increase or decrease, and may reflect or be derived from the following as mutually agreed upon information and factors:

- Then-current Ascension Rolling Forecast improvement targets;
- External benchmarks; and/or
- Then-current performance (e.g., resetting the Performance Target levels to be equal to the mid-point between the prior Performance Target level and the trailing twelve month Actual Performance for each Incentive Metric value such that, if the prior Performance Target on Operating Metric A, where a higher number indicates improved performance, is 20 and the current performance level is 40, the “reset” Performance Target could become 30).

Any adjustment to Performance Targets resulting from this Section 3.4 must be mutually agreed, shall apply prospectively only and shall not be applied to Measurement Periods preceding the written agreement of the Parties with respect to such adjustment.

4. <u>Upper and Lower Bound</u>

In additional to calculating Performance Targets for each Operating Metric, Eligible Recipient and Supplier determine an Upper Bound and a Lower Bound for each Operating Metric in accordance with section 8.5 below. The Lower Bound target and the Upper Bound target shall be at the same distance from the Performance Target.

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

The Lower Bound and Upper Bound define the relative percentage decrease/increase in value that will be assigned to each Operating Metrics Scorecard metric based on Supplier's Actual Performance relative to target. This calculation is defined in section 6.C below.

5. Eligible Recipient Metric Weighting

5.1. General. A weight is assigned to each metric in the Operating Metrics Scorecard of at least [*****] percent ([*****]) but no more than [*****] percent ([*****]) to each metric. The sum of assigned weights for the in-scope metrics in the Operating Metrics Scorecard must equal one hundred percent (100%).

5.2. Initial Weighting. For purposes of calculating each Weighted Score, each Operating Metric shall be assigned the relative weight set forth opposite such Operating Metric in the table below.

Weighting		
Metric 1	***Metric Removed***	Removed
[*****]	[*****]	[*****]
Metric 3	***Metric Removed***	Removed
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
Metric 6	***Metric Removed***	Removed
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
Metric 10	***Metric Removed***	Removed

5.3. RESERVED

5.4. Ascension Health Metric Weight Reset

Ascension Health and Supplier may reset the weighting for the Operating Metrics to the extent such changes are mutually agreed by Ascension Health and Supplier.

6. Operating Metric Scorecard Performance

An Operating Metric report card will be generated at the end of each Measurement Period summarizing Supplier's overall Operating Metrics Scorecard performance for the Measurement Period, including the Balance Sheet Aggregate Weighted Score and Income Statement Aggregate Weighted Score.

Key Definitions

a) "Actual Performance" - The actual result achieved for an Operating Metric during the Measurement Period.

b) "Lower Bound" - means, with respect to any Operating Metric, the Actual Performance for such Operating Metric that would result in a Performance Score for such Operating Metric of [*****].

c) "Performance Score"** - means the percentage value assigned to the Operating Metric based on the relationship of the Actual Performance for the Operating Metric as compared to the

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

Performance Target metric value as measured based on the relationship between the Performance Target and the Lower Bound and the Upper Bound. The Performance Score range for any one Operating Metric may not be greater than [*****] or less than [*****].

For any Operating Metric, the Performance Score resulting from Actual Performance shall equal the sum of:

(i) the product of (x) a fraction, the numerator of which is [*****][1] and the denominator of which is the result of the Upper Bound for such Operating Metric less the Performance Target for such Operating Metric) *multiplied by* (y) the result of the Actual Performance for such Operating Metric *less* the Performance Target for such Operating Metric;

plus

(ii) [*****].

For further clarity, the formula above expressed mathematically is:

[([*****])/(Upper Bound – Performance Target)*(Actual Performance – Performance Target)] + [*****]

An example of such calculation of Performance Score is set forth below:

Example calculation for Operating Metric [*****]

	Percent Target	**of Operating Metric Result**
Lower Bound	[*****]	[*****]
Target	[*****]	[*****]
Upper Bound	[*****]	[*****]
Actual Performance		[*****]
Performance Score is the result of [([*****]		
Performance Score	[*****]	

** - From [*****] through [*****], with respect to each of the Presence Acute Group and the Alexian Acute Group, the definition of "Performance Score" was as follows:

"Performance Score" means the percentage value assigned to the Operating Metric based on the relationship of the Actual Performance for the Operating Metric as compared to the Performance Target and the Lower Bound and the Upper Bound, based on the following calculation. For any Operating Metric, the Performance Score resulting from Actual Performance shall equal the result of the following equation (expressed as a percentage): the sum of (A) the result of (x) the difference of the Actual Performance with respect to such Operating Metric *minus* the Performance Target, *divided by* (y) the difference of the applicable Upper Bound *minus* the applicable Performance Target, which result will be *multiplied by* (z) [*****], and (B) [*****].

[1] The 50% numerator of this fraction is derived from subtracting the [*****]% mid-point from the [*****]% Upper Bound.

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

[*****] = Performance Score

For example, an Actual Performance of [*****] for an Operating Metric that has a Lower Bound of [*****], a Performance Target of [*****] and an Upper Bound of [*****] would result in a Performance Score of [*****] since:

[*****]

Notwithstanding the foregoing, the maximum Performance Score is [*****] and the minimum Performance Score is [*****]

d) "Performance Target"*** – means, with respect to any Operating Metric, the Actual Performance for such Operating Metric that would result in a Performance Score for such Operating Metric of [*****]

*** - From [*****] through [*****], with respect to each of the Presence Acute Group and the Alexian Acute Group, the definition of "Performance Target" was as follows:

"Performance Target" means, with respect to any Operating Metric, the Actual Performance for such Operating Metric that would result in a Performance Score for such Operating Metric of the [*****] expressed as a percentage.

e) "Weighted Score" - means the result of multiplying the Performance Score by the assigned weight for each Operating Metric as set forth in Section 5.2 above.

f) "Upper Bound" - means, with respect to any Operating Metric, the Actual Performance for such Operating Metric that would result in a Performance Score for such Operating Metric of [*****].

g) "Balance Sheet Aggregate Weighted Score" - means, for any Facility Cluster for any Measurement Period, the sum of the Weighted Scores for each Balance Sheet Operating Metric for such Facility Cluster and such Measurement Period.

h) "Income Statement Aggregate Weighted Score" - means, for any Facility Cluster for any Measurement Period, the sum of the Weighted Scores for each Income Statement Operating Metric for such Facility Cluster and such Measurement Period.

Example Facility Cluster - Quarterly Operating Metric Scorecard below:

[*****]

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

7. Timing of Calculation

The Operating Metrics Scorecard for each Eligible Recipient will be calculated at the end of each Measurement Period. For Income Statement Operating Metrics the calculation will be a rolling average effective from the first day of the applicable Eligible Recipient's fiscal year, and will reset annually on the first day of each subsequent fiscal year of such Eligible Recipient (e.g. an Eligible Recipient's third fiscal quarter measurement would reflect fiscal year to date performance for the first three quarters of the fiscal year). The Income Statement Operating Metrics will be measured quarterly, on a cumulative basis within any single Ascension Fiscal Year and the resulting Income Statement Incentive Payment will be paid quarterly, independent of the measurement, billing and payment of the Balance Sheet Operating Metrics and the Balance Sheet Incentive Payment related thereto. For Balance Sheet Operating Metrics the calculation of Actual Performance will reflect active AR values at the end of each Measurement Period which will be deemed final for each quarter. The Balance Sheet Operating Metrics will be measured quarterly, on a non-cumulative basis and the resulting Balance Sheet Incentive Payment will be paid quarterly, in each case independent of the measurement, billing, and payment of the Income Statement Operating Metrics. The table below provides a summary of key concepts outlined above.

#	Metric	Target	Calculation	Financial Statement
1)	***Metric Removed***			
2)	[*****]	[*****]	[*****]	[*****]
3)	***Metric Removed***			
4)	[*****]	[*****]	[*****]	[*****]
5)	[*****]	[*****]	[*****]	[*****]
6)	***Metric Removed***			
7a)	[*****]	[*****]	[*****]	[*****]
7b)	[*****]	[*****]	[*****]	[*****]
8a)	[*****]	[*****]	[*****]	[*****]
8b)	[*****]	[*****]	[*****]	[*****]
9a)	[*****]	[*****]	[*****]	[*****]
9b)	[*****]	[*****]	[*****]	[*****]
10)	***Metric Removed***			

An illustrative example of the Income Statement metrics calculation is set forth below to illustrate the cumulative CYTD (Contract Year to Date) rolling average calculation for Income Statement metrics.

CYTD Results Through Each Quarter

Quarter	[*****]	[*****]	[*****]	[*****]	[*****]
Q1	[*****]	[*****]	[*****]	[*****]	[*****]
Q2	[*****]	[*****]	[*****]	[*****]	[*****]
Q3	[*****]	[*****]	[*****]	[*****]	[*****]
Q4	[*****]	[*****]	[*****]	[*****]	[*****]

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

8. Target Setting Guidance

8.1. General.

a. For Current Book Eligible Recipients, unless otherwise agreed by Supplier and Ascension Health, the Performance Target values for each Operating Metric were calculated in accordance with Section 3.3 above to reflect [*****]. For the Additional Book Eligible Recipients and New ABMs, unless otherwise agreed by Supplier and Ascension Health, the Performance Target values for each Operating Metric were calculated in accordance with Section 3.3 above to reflect the [*****] ("**Historical Performance**"). The foregoing calculations were made notwithstanding Section 3.4 above. The Crowe RCA System shall be the primary source for establishing the Eligible Recipient's Actual Performance.

b. The targets for Add-On Hospitals shall be determined as follows:

(i) The Parties will agree to assign each Add-On Hospital to a Facility Cluster and the corresponding Supplement. For [*****] following the Commencement Date of the applicable Eligible Recipient, the Add-On Hospital shall be assigned the [*****].

(ii) Beginning in [*****] following the Commencement Date for the applicable Eligible Recipient, the Add-On Hospital will be treated (and performance at such Add-On Hospital measured) in the same manner as all other Facilities within the applicable Facility Cluster.

8.2. Intentionally Deleted.

8.3. Intentionally Deleted

8.4. Performance Range. Once a Performance Target ([*****]) is established for each Operating Metric for each Eligible Recipient, a Lower Bound ([*****]) and Upper Bound ([*****]) performance range for each Operating Metric will be established in accordance with Section 4 above and Section 8.5 below.

8.5. Principles. The table below**** summarizes the method for establishing the Performance Target, and the Upper Bound and Lower Bound for each Operating Metric. The applicable Eligible Recipient and Supplier will establish an Upper Bound and Lower Bound for each Operating Metric in accordance with the method provided in below table, unless otherwise agreed by such Eligible Recipient and Supplier.

#	Metric	[*****] Target	Target ([*****])	[*****] Target
1)	***Metric Removed***			
2)	[*****]	[*****]	Pursuant to section 3.3	[*****]
3)	***Metric Removed***			
4)	[*****]	[*****]	Pursuant to section 3.3	[*****]
5)	[*****]	[*****]	Pursuant to section 3.3	[*****]
6)	***Metric Removed***			
7a)	[*****]	[*****]	Pursuant to section 3.3	[*****]
7b)	[*****]	[*****]	Pursuant to section 3.3	[*****]
8a)	[*****]	[*****]	Pursuant to section 3.3	[*****]
8b)	[*****]	[*****]	Pursuant to section 3.3	[*****]
9a)	[*****]	[*****]	Pursuant to section 3.3	[*****]
9b)	[*****]	[*****]	Pursuant to section 3.3	[*****]
10)	***Metric Removed***			

**** - From [*****] through [*****], with respect to each of the Presence Acute Group and the Alexian Acute Group, instead of the above table, the below table was in effect.

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

#	Metric	[*****] Target	Target ([*****])	[*****] Target
1)	***Metric Removed***			
2)	[*****]	[*****]	**Pursuant to section 3.3**	[*****]
3)	***Metric Removed***			
4)	[*****]	[*****]	**Pursuant to section 3.3**	[*****]
5)	[*****]	[*****]	**Pursuant to section 3.3**	[*****]
6)	[*****]	[*****]	**Pursuant to section 3.3**	[*****]
7)	[*****]	[*****]	**Pursuant to section 3.3**	[*****]
8a)	[*****]	[*****]	**Pursuant to section 3.3**	[*****]
8b)	[*****]	[*****]	**Pursuant to section 3.3**	[*****]
9)	[*****]	[*****]	**Pursuant to section 3.3**	[*****]
10)	***Metric Removed***			

9. Timetable for Target Setting

9.1. General.

(a) For Current Book Eligible Recipients, Performance Targets, Upper Bounds and Lower Bounds will be (or were) calculated no later than (x) with respect to each Current Book Eligible Recipient, March 31, 2016 and (y) with respect to each Additional Book Eligible Recipient and New ABMs, no later than the commencement of Services to such Eligible Recipient pursuant to the MPSA.

(b) No later than sixty (60) days following the Effective Date, Supplier and Ascension Health shall append an annex to this Exhibit 4-B setting forth for each Current Book Eligible Recipient:

(i) The elections of such Eligible Recipient for the use of Annual BS Performance Target or Quarterly BS Performance Targets for each Balance Sheet Operating Metric pursuant to Section 3.1 above; and

(ii) The Performance Target, Lower Bound and Upper Bound for each Operating Metric at each Facility.

(c) In the event the Performance Target, Upper Bound and Lower Bound have not been determined for any Eligible Recipient by the date applicable to such Eligible Recipient under Section 9.1(a) above, the Performance Score for each Operating Metric for such Eligible Recipient shall be deemed to be [*****] for all Measurement Periods until such Performance Targets, Upper Bounds and Lower Bounds have been determined (with such actual determined Performance Targets, Upper Bounds and Lower Bounds becoming effective for all Measurement Periods subsequent to such determination).

10. Review and Invoicing Process

Step 1: Operating Metric Scorecard will be provided and distributed by Ascension Health from the Crowe RCA System by the [*****] calendar day of the month following the end of each Measurement Period.

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

Step 2: Eligible Recipient and Supplier will have [*****] calendar days from the delivery of an Operating Metric Scorecard to review such Operating Metric Scorecards for the Eligible Recipient's Facilities, perform audits of RCA data as appropriate, and work to reach agreement on the Operating Metrics Scorecards for the Measurement Period. In the event that a potential error is identified in the Operating Metrics Scorecard, which error may, as determined by either Party, have a material impact on the measurement of the scorecard performance for the period, the Parties will work to identify the range of impact of the potential error and shall establish a mutually agreed upon plan to review and resolve such potential error, which error will be resolved effective retroactively as of the date that the error impacted the applicable measurement. Absent exceptional circumstances, the Parties will work to resolve all such issues within [*****] days.

Step 3: Supplier will invoice Eligible Recipient for the Balance Sheet Incentive Payment and Income Statement Incentive Payment for its Facilities no later than the [*****] calendar days following the end of the Measurement Period (quarter) for which such Balance Sheet Incentive Payment and Income Statement Incentive Payment accrued. The invoice shall not include amounts associated with unresolved potential errors identified Step 2 above.

Step 4: Balance Sheet Incentive Payments and Income Statement Incentive Payments shall be jointly reviewed quarterly by the Eligible Recipient and Supplier promptly following the delivery of Operating Metric performance results by Supplier to Ascension Health. To the extent that neither Party delivers written notice of objection to such results within [*****] days following such delivery to Ascension Health, the performance results and the resulting Incentive Fees shall be final and binding on the applicable parties.

11. Governance Principles

a. **General**. Eligible Recipient(s) agree to promptly notify Supplier of any proposed changes to the Crowe RCA System that might impact any of the revenue cycle operating metrics including but not limited to the introduction of new transaction codes, changes to the transaction code mapping tables, or the processes and scripts used in calculating the individual metrics. Supplier will have sufficient time to review, discuss and concur with the proposed changes before they are implemented.

b. **Notification**. Supplier agrees to promptly notify Eligible Recipient(s) of any proposed changes in the processes or technology under their management that might impact any of the revenue cycle operating metrics including but not limited to the use of transaction codes or management of accounts receivables. Eligible Recipient will have sufficient time to review and discuss the proposed changes before they are implemented.

c. **Records**. Supplier and Eligible Recipient will maintain a reconciled record of the key assumptions used to derive targets and/or make decisions to support development and management of the Operating Metrics Scorecard.

d. **Supplier Access**. Supplier will be given access to the RCA database to review, reconcile and validate the data used to populate the Operating Metrics Scorecard. Supplier will have the right to audit the RCA database. In the event the Supplier's auditor requires information regarding or from the database or access to the database in connection with its audit related to Supplier's financial or operating controls, Ascension Health shall reasonably cooperate with Supplier to secure that information for Supplier's auditors. Any data or database deficiencies will be addressed by Eligible Recipient in a timely manner.

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

e. **Adjustments to Measurement Metrics.** When appropriate, Eligible Recipient and Supplier can mutually agree to adjust the calculation of one or more metrics when market events or actions outside of either Party's control compromise the ability to accurately compare Actual Performance to Performance Targets and/or to Historical Performance. Any such adjustments shall only take effect on a prospective basis from and after the Measurement Period during which the Parties agree to such adjustments.

f. **Windfall Situations and Changes in the Environment**. In the event that there is a Force Majeure Event, a material change in the environment in which the Eligible Recipients are operating their revenue cycles, or a material change in the laws and regulations that apply to Ascension Health, Supplier, or an individual Eligible Recipient which significantly impacts the economics of one or more of the Parties or frustrates the ability of a Party to perform its obligations hereunder, through no fault of its own, the applicable Party shall have the right to request that the other Party or Parties consider a fair and appropriate adjustment to the Operating Metrics Scorecard. Upon such request, Supplier and Ascension Health will discuss the impact associated with the change in circumstance, with the outcome to equitably reflect the impact on the Operating Metrics Scorecard. Examples of material matters that could affect one or more metrics on the Operating Metrics Scorecard performance include, but are not limited to, the following:

- Payor bankruptcies.
- Delayed implementation of agreed to rates between insurance company and Eligible Recipient.
- Payor initiated take backs and/or retrospective changes to previously adjudicated claims.
- A pattern of services to patients for whom Eligible Recipient is not certified by a payor to bill for such services and thus not entitled to reimbursement.
- Changes in accounting treatment (e.g., changes in netting policies on individual open patient accounts receivable balances).
- Changes in Self-Pay Discounts and/or changes in Charity Policy.
- Material shifts in gross charge pricing.
- Material growth or decline in self pay population or patient residual balance after insurance.
- Changes in accounts receivable write-off policies or Medicaid Pending aging policies
- Changes in calculation method for bad debt reserve modeling.
- Implementation of new systems outside the control of Supplier (e.g., new patient accounting system).
- Regulatory changes, including changes to the ICD nomenclature (e.g., ICD-10).

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

APPENDIX A –Metrics Calculation Methods

A. Date of Service: It is the Discharge Date for Inpatients, Admit Date for Outpatient
B. Historical [*****] Period: It is the [*****] period ending [*****] prior to the end date of the Measurement Quarter. For example, for [*****] Measurement Quarter, the Historical [*****] Period would be [*****].
C. [*****] run-out period: It is the [*****] period from the last day of the Historical [*****] Period

1. Reserved

2. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

3. Reserved

4. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

5. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

6. Reserved

7a. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

7b. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

8a. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

8b. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

9a. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

9b. Metric: [*****]

Calculation: [*****]

Measurement Period: [*****]

Other Notes: [*****]

FOOTNOTES

A - Reserved

B - Reserved

C - [*****]
- [*****]
- [*****]
- [*****]
- [*****]
- [*****]

D - [*****]
- [*****]
- [*****]

E - Reserved

F - Reserved

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

G - [*****]
- [*****]
- [*****]

H - [*****]

I - [*****]
- [*****]
[*****]
• [*****]
• [*****]

J - [*****]

K - Reserved

L - Reserved

M - [*****]

- [*****]

N - [*****]

- [*****]

O - [*****]
- [*****]
- [*****]

P - [*****]
- [*****]

Q - Reserved

R - Reserved

S - [*****]
- [*****]
- [*****]

T - [*****]
- [*****]
- [*****]
- [*****]
- [*****]

U - [*****]
- [*****]
- [*****]
- [*****]
- [*****]

V - [*****]

W - [*****]
- [*****]

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

X - Reserved

Y - Reserved

Z - [*****]
- [*****]

[*****]

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

SCHEDULE 1

Facility Clusters, effective as of [*****]

Ministry	Scorecard Cluster	Facility
Detroit	Detroit	Macomb
		St. John Med Center
		Oakland
		Providence Park
		St. John Providence
		River District
Kalamazoo	Kalamazoo	Borgess
		Lee Memorial
		Gastro
		Surgery
		Allegan
Rochester	Flint/Rochester/Saginaw	Crittenton Hospital Medical Center
Genesys		Genesys
Saginaw		Saginaw
Standish		Standish
Tawas		Tawas City
Nashville	Nashville - Urban	St. Thomas - Midtown
		St. Thomas - Rutherford
		St. Thomas - West
	Nashville - Rural	Nashville Regionals
Birmingham	Birmingham	St. Vincent
		East
		Claire
		Blount
		Chilton
Austin	Austin - Suburban	Highland Lakes
		Smithville
		Bastrop
		Edgar B Davis
		Hays
		Northwest
		Shoal Creek
		Southwest
		Williamson
	Austin - Urban	Medical Center
		Brackenridge / Dell Ctr UT
		Dell Medical Center
Waco	Waco	Breast Center
		DePaul Center
		Providence Health Center

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange

Commission.

Tulsa	Oklahoma - Rural	Saint John Broken Arrow
		Saint John Owasso Hospital
		Saint John Sapulpa
		Jane Phillips Medical Center
		Jane Phillips Nowata Health Center
	Oklahoma - Urban	Saint John Medical Center
Wichita	Kansas - Urban	Via Christi Hospital on Saint Francis
		Via Christi on Saint Teresa
		Via Christi Rehabilitation Center
	Kansas - Rural	Via Christi Hospital Pittsburg
		Wamego City Hospital
		Mercy Regional Health Center
Mobile	Mobile	Providence
Jacksonville	Jacksonville	Riverside
		Southside
		Clay County
Pensacola	Pensacola	Sacred Heart
		Emerald Coast
		Gulf County
		Bay Medical
Indianapolis	Indiana - Large Sites	StVincentHosp
		StMaryMed
	Indiana - Small & Medium Sites	StVincentAndersonRegional
		Carmel
		StVincentKokomo
		Heart
		StVincentFishers
		NaabRoad
		Carmel ASC
		Mercy
		Randolph
		Dunn
		Clay
		Salem
		Williamsport
		Stress
		Jennings
		StMaryWarrick
		Endoscopy
Milwaukee	Milwaukee	Columbia/St. Mary's
		Ozaukee
		Sacred Heart Rehab

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

Wheaton	Wheaton (SE WI)	All Saints
		St Joseph
		St Francis
		Elmbrook
		Franklin
		MOSH
Ministry	Milwaukee - MHS	St. Elizabeth Hospital
		Mercy Medical Center
		Calumet Medical Center
Baltimore	Baltimore	St. Agnes

[*****] Indicates that text has been omitted which is the subject of a confidential treatment request. The text has been separately filed with the Securities and Exchange Commission.

AMENDMENT NO. 1 AND WAIVER TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO. 1 AND WAIVER (this "Amendment") dated as of November 17, 2023 to the Second Amended and Restated Credit Agreement, dated as of June 21, 2022 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the Amendment No. 1 Effective Date (as defined below), the "Credit Agreement"), among R1 RCM Inc., a Delaware corporation (the "Borrower"), the other Credit Parties party thereto, and Bank of America, N.A. (in its individual capacity, "Bank of America"), as Agent for the Lenders party thereto (the "Agent"), is entered into by and among the Borrower, the Agent and the financial institutions party hereto as Lenders.

WHEREAS, the Borrower has requested, and the Agent and each Lender that executes a counterpart to this Amendment (collectively, the "Consenting Lenders" and each a "Consenting Lender"), which Consenting Lenders constitute the Required Lenders immediately prior to the Amendment No. 1 Effective Date (as defined below), has agreed in accordance with Section 9.1 of the Credit Agreement, to amend the Credit Agreement to, among other things, extend the required date for delivery of the Extended Financial Statements (as defined below) and the related Compliance Certificate and waive any Defaults and/or Events of Default arising in connection with the Borrower's failure to make prior delivery of such Extended Financial Statements, in each case, as set forth in this Amendment.

WHEREAS, the Borrower desires to, and subject to the terms and conditions contained herein, the Borrower, the Consenting Lenders and the Agent have agreed to, amend the Credit Agreement as set forth in this Amendment;

WHEREAS, this Amendment will become effective on the Amendment No. 1 Effective Date on the terms and subject to the conditions set forth herein.

Accordingly, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Article I.
DEFINITIONS

Section 1.01 **Definitions**. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Credit Agreement as amended by this Amendment (the "Amended Credit Agreement").

Article II.
LIMITED WAIVER TO THE CREDIT AGREEMENT

Section 2.01 **Waiver to Credit Agreement**. Effective on the Amendment No. 1 Effective Date, the Agent and the Consenting Lenders, which Consenting Lenders constitute the Required Lenders as of the Amendment No. 1 Effective Date, hereby agree to waive:

(a) any Default and/or Event of Default resulting from the Borrower's failure to deliver the Extended Financial Statements and related Compliance Certificate prior to January 15, 2024;

(b) the requirement that a Responsible Officer of the Borrower provide written notice to the Agent after such Responsible Officer becomes aware of the existence of any Default pursuant to Section 4.3(a) of the Credit Agreement in respect of the failure to deliver the Extended Financial Statements and related Compliance Certificate prior to January 15, 2024, and any Events of Default arising solely as a result of such Responsible Officer's failure to provide written notice thereof;

(c) any Event of Default arising pursuant to Section 7.1(d) of the Credit Agreement in connection with the Borrower's (i) failure to deliver the Extended Financial Statements and related Compliance Certificate prior to January 15, 2024 and/or (ii) so long as such financial statements are

subject solely to the specified restatements as described in the Borrower's Current Report on Form 8-K, dated November 12, 2023, filed with the SEC on November 13, 2023 (the "Restatement 8-K"), all financial statements of the Borrower delivered to the Agent and the Lenders during the Non-Reliance Periods (as defined in the Restatement 8-K); and

(d) any adjustment to the calculation of Applicable Margin pursuant to clause (a) of the definition of "Applicable Margin" arising solely from Borrower's failure to deliver the Extended Financial Statements and related Compliance Certificate prior to January 15, 2024.

Section 2.02 **Limitations of Waiver**.

(a) The Borrower agrees that the waivers set forth in Section 2.01 shall be limited to the precise meaning of the words as written therein and shall not be deemed (i) to be a consent to any waiver or modification of any other term, provision or condition of the Credit Agreement, (ii) to constitute a waiver of any Default or Event of Default or any future breach of the Credit Agreement or any of the other Loan Documents or (iii) to prejudice any right or remedy that any Lender may now have or may in the future have under or in connection with the Credit Agreement.

(b) Except as expressly set forth herein, the waiver described in Section 2.01 shall not modify, alter, affect, release or prejudice in any way any of the Borrower's or its Subsidiaries' obligations under the Credit Agreement, as amended, modified, supplemented or amended and restated from time to time. This Amendment shall not constitute or operate as a waiver of any other terms or provisions of, or rights or remedies of, any Lender under the Credit Agreement and shall not be construed as establishing a course of conduct on the part of any Lender on which the Borrower or its Subsidiaries may rely now or at any time in the future. The Borrower and its Subsidiaries expressly waive any right to assert any claim to such effect at any time.

Article III.
AMENDMENTS TO THE CREDIT AGREEMENT

Section 3.01 **Amendments to Credit Agreement**. Each of the parties hereto agrees that, effective on the Amendment No. 1 Effective Date, the Credit Agreement is hereby amended as follows:

(a) Section 4.1(b) of the Credit Agreement is hereby amended by inserting the following proviso at the end of such clause:

"; provided, that, notwithstanding the foregoing, solely with respect to the information required by this Section 4.1(b) to be delivered for the Fiscal Quarter ended September 30, 2023 (collectively, the "Extended Financial Statements"), such Extended Financial Statements shall not be required to be delivered until on or prior to January 15, 2024."

Article IV.
REPRESENTATIONS AND WARRANTIES

Section 4.01 The Borrower represents and warrants to Agent and each of the Lenders, that the following are true, correct and complete on the Amendment No. 1 Effective Date:

(a) Representations and Warranties. The representations and warranties of each of the Credit Parties set forth in the Credit Agreement are true and correct in all material respects (or, in the case of any such representation or warranty already qualified by materiality, in all respects) on and as of the Amendment No. 1 Effective Date (or, in the case of any such representation or warranty expressly stated to have been made as of a specific date, as of such specific date).

(b) Binding Effect. This Amendment has been, and each other Loan Document executed in connection with this Amendment, when delivered, will have been, duly executed and delivered by the Borrower. This Amendment and the Amended Credit Agreement constitute, and each

other Loan Document executed in connection with this Amendment when so delivered will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject (as to enforceability) to the Enforcement Qualifications.

(c) No Default or Event of Default. After giving effect to this Amendment on the Amendment No. 1 Effective Date, no Default or Event of Default exists or is continuing.

Article V.
CONDITIONS

Section 5.01 **Conditions to effectiveness.** The effectiveness of this Amendment is subject to the satisfaction or waiver of the following conditions (the date that each of the conditions are satisfied or waived, the "Amendment No. 1 Effective Date"):

(a) Deliverables for Agent. Agent's receipt of an executed counterpart of this Amendment, which shall be an original, .pdf or facsimile copy or delivered by other electronic method (followed promptly by originals) unless otherwise specified, properly executed by a Responsible Officer of the Borrower, in form and substance reasonably satisfactory to Agent and its legal counsel.

(b) Required Consents. The Agent shall have received executed counterparts of this Amendment from the Agent and Consenting Lenders constituting the Required Lenders immediately prior to the Amendment No. 1 Effective Date.

(c) Fees and Expenses. All fees and expenses due to the Agent on the Amendment No. 1 Effective Date shall have been paid, and all expenses to be paid or reimbursed to the Agent that have been invoiced at least three (3) business days prior to the Amendment No. 1 Effective Date shall have been paid, including out-of-pocket expenses (including the legal fees and expenses of Cahill Gordon & Reindel LLP, counsel to the Agent) as required by Section 9.5 of the Amended Credit Agreement.

(d) No Default or Event of Default. After giving effect to this Amendment on the Amendment No. 1 Effective Date, no Default or Event of Default shall exist or be continuing.

Section 5.02 **Effects of this Amendment**.

(a) Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders or the Agent under the existing Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the existing Credit Agreement or any other provision of the existing Credit Agreement or of any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. This Amendment shall not constitute a novation of the Credit Agreement as in effect immediately prior to giving effect hereto or any of the Loan Documents. Except as expressly set forth herein, nothing herein shall be deemed to be a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances.

(b) From and after the Amendment No. 1 Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import, and each reference to the "Credit Agreement" in any other Loan Document shall in each case be deemed a reference to the Amended Credit Agreement as amended hereby. This Amendment shall constitute a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

Article VI.
REAFFIRMATION

Section 6.01 **Reaffirmation.** By signing this Amendment, the Borrower hereby confirms that notwithstanding the effectiveness of this Amendment and the transactions contemplated hereby, the

obligations of the Borrower under the Amended Credit Agreement and the other Loan Documents (i) are entitled to the benefits of the guarantees and the security interests set forth or created in the Amended Credit Agreement, the Security Agreement, the other Collateral Documents and the other Loan Documents, (ii) constitute "Guarantee Obligations" and "Obligations" for purposes of the Amended Credit Agreement, the Security Agreement, the other Collateral Documents and all other Loan Documents, and (iii) each Loan Document to which the Borrower is a party is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects and shall remain in full force and effect according to its terms (in the case of the Credit Agreement, as amended hereby). The Borrower ratifies and confirms that all Liens granted, conveyed, or assigned to any Agent by such Person pursuant to any Loan Document to which it is a party remain in full force and effect, are not released or reduced, and continue to secure full payment and performance of the Obligations as increased hereby.

Article VII.
MISCELLANEOUS

Section 7.01 **Entire Agreement**. This Amendment, the Credit Agreement and the other Loan Documents constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties hereto with respect to the subject matter hereof. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any party under, the Credit Agreement, nor alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. It is understood and agreed that each reference in each Loan Document to the Credit Agreement, whether direct or indirect, shall hereafter be deemed to be a reference to the Credit Agreement as amended hereby and that this Amendment is a Loan Document.

Section 7.02 **Miscellaneous Provisions**. The provisions of Sections 9.18 (*Governing Law and Jurisdiction*), 9.19 (*WAIVER OF JURY TRIAL*) and 9.26 (*Acknowledgment and Consent to Bail-In of EEA Financial Institutions*) of the Amended Credit Agreement are hereby incorporated by reference and apply *mutatis mutandis* hereto.

Section 7.03 **Severability**. If any provision of this Amendment is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions of this Amendment shall not be affected or impaired thereby. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 7.04 **Counterparts**. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Agent.

Section 7.05 **Headings**. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

R1 RCM INC.

By: /s/ Jennifer Williams
Name: Jennifer Williams
Title: Chief Financial Officer

BANK OF AMERICA, N.A.,

as Agent

By: /s/ Carolen Alfonso
Name: Carolen Alfonso
Title: Assistant Vice President

BANK OF AMERICA, N.A.,

as a Lender

By: /s/ Alexander L. Rody
Name: Alexander L. Rody
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.,

as a Lender

By: /s/ Helen D. Davis
Name: Helen D. Davis
Title: Executive Director

Capital One, National Association,

as a Lender

By: /s/ Terrence Knapp
Name: Terrence Knapp
Title: Duly Authorized Signatory

Wells Fargo Bank, N.A.,

as a Lender

By: /s/ Brandon Moss
Name: Brandon Moss
Title: Vice President

Barclays Bank PLC

as a Lender

By: /s/ Ronnie Glenn
Name: Ronnie Glenn
Title: Director

U.S. BANK NATIONAL ASSOCIATION,

as a Lender

By: /s/ John Zwanziger
Name: John Zwanziger
Title: Vice President

KEYBANK, NATIONAL ASSOCIATION,

as a Lender

By: /s/ Tanille Ingle
Name: Tanille Ingle
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION,

as a Lender

By: /s/ Kristin Olson
Name: Kristin Olson
Title: Senior Vice President

Fifth Third Bank, National Association,

as a Lender

By: /s/ Michael Hodshon
Name: Michael Hodshon
Title: Officer

HSBC Bank USA, N.A.

as a Lender

By: /s/ Andrew Rice
Name: Andrew Rice
Title: Vice President

DEUTSCHE BANK AG NEW YORK BRANCH,

as a Lender

By: /s/ Philip Tancorra
Name: Philip Tancorra
Title: Director
[*****]
[*****]

By: /s/ Suzan Onal
Name: Suzan Onal
Title: Vice President
[*****]
[*****]

Regions Bank,

as a Lender

By: /s/ Jay Gorman
Name: Jay Gorman
Title: Managing Director

Exhibit 21.1

Subsidiaries of R1 RCM Inc.

Subsidiary	Jurisdiction of Organization
Accretive Health Mauritius, Inc.	Mauritius
Acclara, LLC	Texas
Acclara Holdings Group, Inc.	California
Acclara Solutions, LLC	Texas
Acclara Solutions Group, LLC	Illinois
Acclara Solutions Intermediate, LLC	Delaware
Acustream, LLC	Delaware
Advata Inc.	Delaware
Alphalytics LLC	Pennsylvania
AS Buyer, Inc.	Delaware
cGate Health, Inc.	Delaware
Centara Data LLC	Texas
Clearsight Intermediate Holdings, Inc.	Delaware
CloudMed LLC	Arizona
Cloudmed Blocker Parent, LLC	Delaware
Cloudmed Holdings 1, Inc.	Delaware
Cloudmed Holdings 2, Inc.	Delaware
Cloudmed Solutions, LLC	Delaware
Data Bound Solutions LLC	Florida
Eligibill, LLC	Wisconsin
Empire Medical Review Services, LLC	Wisconsin
Flare Capital Partners Investment Company	Delaware
Implementation Management Assistance, LLC	Pennsylvania
Intermedix ARM, LLC	Delaware
Intermedix Corporation	Delaware
Intermedix Holdings, Inc.	Delaware
Intermedix Midco, Inc.	Delaware
Intermedix Office Based, LLC	Delaware
Intermedix Staffing, Inc.	Delaware
IRS Sirrus Group, LLC	Pennsylvania
iVinci Partners, LLC	Delaware
Lindy Transfer Holdings, Inc.	Delaware
Managed Care Revenue Consulting Group, LLC	New York
Medical Consultants, Inc.	Oklahoma
MediRevv, LLC	Delaware
Par8o, LLC	Delaware
Practice Support Resources, LLC	Texas
Praxis Healthcare Solutions, LLC	Texas
Project Links Parent, Inc.	Delaware
R1 RCM Blocker LLC	Delaware

R1 RCM Holdco Inc.	Delaware
R1 RCM Global Private Limited	India
R1 RCM India Private Limited	India
R1 RCM Philippines, Inc.	Philippines
Revint Intermediate III, LLC	Delaware
Revint Holdings, LLC	Delaware
Rover16, Inc.	Delaware
SCHEDULING.COM, INC.	Delaware
Tegria Products Group, Inc.	Delaware
Tegria RCM Group, Inc.	Delaware
Tegria RCM Group – US, Inc.	Delaware
Tonic Health LLC	Delaware
Triage Consulting Group, LLC	Delaware
Washington & West, LLC	Maryland

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statements (Forms S-8 No. 333-265749 and 333-272015) pertaining to the R1 RCM Inc. Third Amended and Restated 2010 Stock Incentive Plan, the R1 RCM Inc. 2022 Inducement Plan, and the R1 RCM Inc. Fourth Amended and Restated 2010 Stock Incentive Plan; and
2. Registration Statement (Form S-3 No. 333-267331) pertaining to the R1 RCM Inc. automatic shelf registration statement of securities of well-known seasoned issuers.

of our report dated February 27, 2024, with respect to the consolidated financial statements of R1 RCM Inc., and the effectiveness of internal control over financial reporting of R1 RCM Inc., included in this Annual Report (Form 10-K) of R1 RCM Inc. for the year ended December 31, 2023.

/s/ Ernst & Young LLP

Chicago, Illinois
February 27, 2024

Exhibit 31.1

Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lee Rivas, certify that:

1. I have reviewed this Annual Report on Form 10-K of R1 RCM 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: February 27, 2024

/s/ Lee Rivas
Lee Rivas
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jennifer Williams, certify that:

1. I have reviewed this Annual Report on Form 10-K of R1 RCM 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: February 27, 2024

/s/ Jennifer Williams
Jennifer Williams
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer 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 Annual Report on Form 10-K of R1 RCM Inc. (the "Company") for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, Lee Rivas, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

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

Date: February 27, 2024

/s/ Lee Rivas
Lee Rivas
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification of Chief Financial Officer 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 Annual Report on Form 10-K of R1 RCM Inc. (the "Company") for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, Jennifer Williams, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

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

Date: February 27, 2024

/s/ Jennifer Williams
Jennifer Williams
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 97.1

CLAWBACK POLICY

R1 RCM Inc.

PURPOSE

R1 RCM Inc. (the "Company") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Company's Board of Directors (the "Board") has therefore adopted this policy, which provides for the recoupment of certain executive compensation in the event that the Company is required to prepare an accounting restatement of its financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws (this "Policy"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the rules promulgated thereunder, and the listing standards of the national securities exchange on which the Company's securities are listed.

ADMINISTRATION

This Policy shall be administered by the Human Capital Committee of the Board (the "HCC"). Any determinations made by the HCC shall be final and binding on all affected individuals.

COVERED EXECUTIVES

This Policy applies to the Company's current and former executive officers (as determined by the HCC in accordance with Section 10D of the Exchange Act, the rules promulgated thereunder, and the listing standards of the national securities exchange on which the Company's securities are listed) and such other senior executives or employees who may from time to time be deemed subject to this Policy by the HCC (collectively, the "Covered Executives"). This Policy shall be binding and enforceable against all Covered Executives.

RECOUPMENT; ACCOUNTING RESTATEMENT

In the event that the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including (i) any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (each an "Accounting Restatement"), the HCC will reasonably promptly require reimbursement or forfeiture of the Overpayment (as defined below) received by any Covered Executive (x) after beginning service as a Covered Executive, (y) who served as a Covered Executive at any time during the performance period for the applicable Incentive-Based Compensation (as defined below), and (z) during the three (3) completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement and any transition period (that results from a change in the Company's fiscal year) within or immediately following those three (3) completed fiscal years.

INCENTIVE-BASED COMPENSATION

For purposes of this Policy, "Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure, including, but not limited to: (i) non-equity incentive plan awards that are earned solely or in part by satisfying a financial reporting measure performance goal; (ii) bonuses paid from a bonus pool, where the size of the pool is determined solely or in part by satisfying a financial reporting measure performance goal; (iii) other cash awards based on satisfaction of a financial reporting measure performance goal; (iv) restricted stock, restricted stock units, stock options, stock appreciation rights, and performance share units that are granted or vest solely or in part based on satisfaction of a financial reporting measure performance goal; and (v) proceeds from the sale of shares acquired through an incentive plan that were granted or vested solely or in part based on satisfaction of a financial reporting measure performance goal.

Compensation that would not be considered Incentive-Based Compensation includes, but is not limited to: (i) salaries; (ii) bonuses paid solely based on satisfaction of subjective standards, such as demonstrating leadership, and/or completion of a specified employment period; (iii) non-equity incentive plan awards earned solely based on satisfaction of strategic or operational measures; (iv) wholly time-based equity awards; and (v) discretionary bonuses or other compensation that is not paid from a bonus pool that is determined by satisfying a financial reporting measure performance goal.

A financial reporting measure is: (i) any measure that is determined and presented in accordance with the accounting principles used in preparing financial statements, or any measure derived wholly or in part from such measure, such as revenues, EBITDA, or net income or (ii) stock price and total shareholder return. Financial reporting measures include, but are not limited to: revenues; net income; operating income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); net assets or net asset value per share; earnings before interest, taxes, depreciation and amortization; funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); sales per square foot or same store sales, where sales is subject to an accounting restatement; revenue per user, or average revenue per user, where revenue is subject to an accounting restatement; cost per employee, where cost is subject to an accounting restatement; any of such financial reporting measures relative to a peer group, where the Company's financial reporting measure is subject to an accounting restatement; and tax basis income.

OVERPAYMENT: AMOUNT SUBJECT TO RECOVERY

The amount to be recovered will be the amount of Incentive-Based Compensation received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts, and must be computed without regard to any taxes paid (the "Overpayment"). Incentive-Based Compensation is deemed "received" in the Company's fiscal period during which the financial reporting measure specified in the incentive-based compensation award is attained, even if the vesting, payment or grant of the incentive-based compensation occurs after the end of that period.

For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in the Accounting Restatement, the amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received, and the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the exchange on which the Company's securities are listed.

METHOD OF RECOUPMENT

The HCC will determine, in its sole discretion, the method or methods for recouping any Overpayment hereunder which may include, without limitation:

- requiring reimbursement of cash Incentive-Based Compensation previously paid;
- seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards granted as Incentive-Based Compensation;
- offsetting any or all of the Overpayment from any compensation otherwise owed by the Company to the Covered Executive;
- cancelling outstanding vested or unvested equity awards; and/or
- taking any other remedial or recovery action permitted by law, as determined by the HCC.

LIMITATION ON RECOVERY; NO ADDITIONAL PAYMENTS

The right to recovery will be limited to Overpayments received during the three (3) completed fiscal years prior to the date on which the Company is required to prepare an Accounting Restatement and any transition period (that results from a change in the Company's fiscal year) within or immediately following those three (3) completed fiscal years. In no event shall the Company be required to award Covered Executives an additional payment if the restated or accurate financial results would have resulted in a higher Incentive-Based Compensation payment.

NO INDEMNIFICATION

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive-Based Compensation.

INTERPRETATION

The HCC is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and the applicable rules or standards adopted by the Securities and Exchange Commission or any national securities exchange on which the Company's securities are listed.

EFFECTIVE DATE

This Policy shall be effective as of the date it is adopted by the Board (the "Effective Date") and shall apply to Incentive-Based Compensation (including Incentive-Based Compensation granted pursuant to arrangements existing prior to the Effective Date). Notwithstanding the foregoing, this Policy shall only apply to Incentive-Based Compensation received (as determined pursuant to this Policy) on or after the effective date of NASDAQ Listing Rule 5608.

AMENDMENT; TERMINATION

The Board may amend this Policy from time to time in its discretion. The Board may terminate this Policy at any time.

OTHER RECOUPMENT RIGHTS

The Board intends that this Policy will be applied to the fullest extent of the law. The HCC may require that any employment or service agreement, cash-based bonus plan or program, equity award agreement, or similar agreement entered into on or after the adoption of this Policy shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, cash-based bonus plan or program, or similar agreement and any other legal remedies available to the Company.

IMPRACTICABILITY

The HCC shall recover any Overpayment in accordance with this Policy except to the extent that the HCC determines such recovery would be impracticable because:

(A) The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered;

(B) Recovery would violate home country law of the Company where that law was adopted prior to November 28, 2022; or

(C) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

SUCCESSORS

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.