REFINITIV

DELTA REPORT

10-Q

R1 RCM INC. /DE

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1089
CHANGES	261
DELETIONS	414
ADDITIONS	414

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023 March 31, 2024

OR

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

For the transition period from to

COMMISSION FILE NUMBER: 001-41428

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 Number)*
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)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	RCM	NASDAQ

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	þ	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 30, 2023 May 6, 2024, the registrant had 419,308,156 421,255,230 shares of common stock, par value $0.01 per share, outstanding.

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

(Unaudited)					
	(Unaudited)				
	September 30, 2023	**December 31, 2022** (As Restated)	**March 31, 2024**		**December 31, 2023**
Assets	**Assets**				
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash and cash equivalents					
Cash and cash equivalents					

Cash and cash equivalents	Cash and cash equivalents	$	164.9	$	110.1
Accounts receivable, net of $38.1 million and $15.1 million allowance as of September 30, 2023 and December 31, 2022, respectively			248.7		235.2
Accounts receivable - related party, net of $0.1 million allowance as of September 30, 2023 and December 31, 2022			23.9		25.0
Accounts receivable, net of $46.7 million and $48.2 million allowance as of March 31, 2024 and December 31, 2023, respectively					
Accounts receivable, net of $46.7 million and $48.2 million allowance as of March 31, 2024 and December 31, 2023, respectively					
Accounts receivable, net of $46.7 million and $48.2 million allowance as of March 31, 2024 and December 31, 2023, respectively					
Accounts receivable - related party, net of $0.1 million allowance as of March 31, 2024 and December 31, 2023					
Current portion of contract assets, net	Current portion of contract assets, net		89.2		83.9
Prepaid expenses and other current assets	Prepaid expenses and other current assets		112.7		110.3
Total current assets					
Total current assets					
Total current assets	Total current assets		639.4		564.5
Property, equipment and software, net	Property, equipment and software, net		183.6		164.8
Operating lease right-of-use assets	Operating lease right-of-use assets		65.4		80.5
Non-current portion of contract assets, net	Non-current portion of contract assets, net		37.8		32.0
Non-current portion of deferred contract costs	Non-current portion of deferred contract costs		31.3		26.7
Intangible assets, net	Intangible assets, net		1,362.4		1,514.5
Goodwill	Goodwill		2,629.4		2,640.3
Deferred tax assets	Deferred tax assets		10.4		10.4
Other assets	Other assets		80.4		88.1
Other assets					
Other assets					
Total assets	Total assets	$	5,040.1	$	5,121.8
Liabilities	**Liabilities**				
Current liabilities:	Current liabilities:				
Current liabilities:					
Current liabilities:					

Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 20.1	$ 33.4
Current portion of customer liabilities	Current portion of customer liabilities	44.4	57.5
Current portion of customer liabilities - related party	Current portion of customer liabilities - related party	5.8	7.4
Accrued compensation and benefits	Accrued compensation and benefits	120.7	109.0
Current portion of operating lease liabilities	Current portion of operating lease liabilities	19.0	18.0
Current portion of long-term debt	Current portion of long-term debt	67.0	53.9
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	60.7	70.5
Total current liabilities	Total current liabilities	337.7	349.7
Total current liabilities			
Total current liabilities			
Non-current portion of customer liabilities	Non-current portion of customer liabilities	2.9	5.0
Non-current portion of customer liabilities - related party	Non-current portion of customer liabilities - related party	12.2	13.7
Non-current portion of operating lease liabilities	Non-current portion of operating lease liabilities	83.1	94.4
Long-term debt	Long-term debt	1,646.0	1,732.6
Deferred tax liabilities	Deferred tax liabilities	190.7	200.8
Deferred tax liabilities			
Deferred tax liabilities			
Other non-current liabilities	Other non-current liabilities	24.1	23.1
Total liabilities	Total liabilities	2,296.7	2,419.3
Stockholders' equity:	**Stockholders' equity:**		
Common stock, $0.01 par value, 750,000,000 shares authorized, 443,699,047 shares issued and 419,057,965 shares outstanding at September 30, 2023; 750,000,000 shares authorized, 439,950,125 shares issued and 416,597,885 shares outstanding at December 31, 2022		4.4	4.4
Stockholders' equity:			
Stockholders' equity:			

Common stock, $0.01 par value, 750,000,000 shares authorized, 446,143,706 shares issued and 420,729,691 shares outstanding at March 31, 2024; 750,000,000 shares authorized, 445,436,482 shares issued and 420,201,507 shares outstanding at December 31, 2023

Common stock, $0.01 par value, 750,000,000 shares authorized, 446,143,706 shares issued and 420,729,691 shares outstanding at March 31, 2024; 750,000,000 shares authorized, 445,436,482 shares issued and 420,201,507 shares outstanding at December 31, 2023

Common stock, $0.01 par value, 750,000,000 shares authorized, 446,143,706 shares issued and 420,729,691 shares outstanding at March 31, 2024; 750,000,000 shares authorized, 445,436,482 shares issued and 420,201,507 shares outstanding at December 31, 2023

Additional paid-in capital	Additional paid-in capital	3,180.0	3,123.3
Accumulated deficit	Accumulated deficit	(138.1)	(140.0)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(1.7)	(3.4)
Treasury stock, at cost, 24,641,082 shares as of September 30, 2023; 23,352,240 shares as of December 31, 2022		(301.2)	(281.8)
Treasury stock, at cost, 25,414,015 shares as of March 31, 2024; 25,234,975 shares as of December 31, 2023			
Total stockholders' equity	Total stockholders' equity	2,743.4	2,702.5
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 5,040.1	$ 5,121.8

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
		(As Restated)		(As Restated)
Net services revenue ($227.3 million and $660.4 million for the three and nine months ended September 30, 2023, respectively, and $218.1 million and $657.8 million for the three and nine months ended September 30, 2022, respectively, from related party)	$ 572.8	$ 495.5	$ 1,679.1	$ 1,273.1

Net services revenue ($220.1 million for the three months ended March 31, 2024 and $216.8 million for the three months ended March 31, 2023 from related party)					
Net services revenue ($220.1 million for the three months ended March 31, 2024 and $216.8 million for the three months ended March 31, 2023 from related party)					
Net services revenue ($220.1 million for the three months ended March 31, 2024 and $216.8 million for the three months ended March 31, 2023 from related party)					
Operating expenses:					
Operating expenses:					
Operating expenses:	Operating expenses:				
Cost of services	Cost of services	447.5	403.9	1,328.1	1,011.4
Cost of services					
Cost of services					
Selling, general and administrative					
Selling, general and administrative					
Selling, general and administrative	Selling, general and administrative	54.7	58.3	164.3	118.2
Other expenses	Other expenses	29.4	28.5	87.9	142.5
Other expenses					
Other expenses					
Total operating expenses	Total operating expenses	531.6	490.7	1,580.3	1,272.1
Total operating expenses					
Total operating expenses					
Income from operations					
Income from operations					
Income from operations	Income from operations	41.2	4.8	98.8	1.0
Net interest expense	Net interest expense	32.1	23.7	95.3	35.3
Income (loss) before income tax provision (benefit)		9.1	(18.9)	3.5	(34.3)
Income tax provision (benefit)		7.8	9.8	1.6	(7.6)
Net interest expense					
Net interest expense					
Income (loss) before income tax provision					
Income (loss) before income tax provision					
Income (loss) before income tax provision					
Income tax provision					
Income tax provision					
Income tax provision					
Net income (loss)					
Net income (loss)					
Net income (loss)	Net income (loss)	$ 1.3	$ (28.7)	$ 1.9	$ (26.7)
Net income (loss) per common share:	Net income (loss) per common share:				
Net income (loss) per common share:					
Net income (loss) per common share:					
Basic					
Basic					
Basic	Basic	$ —	$ (0.07)	$ —	$ (0.08)
Diluted	Diluted	$ —	$ (0.07)	$ —	$ (0.08)
Diluted					
Diluted					

Weighted average shares used in calculating net income (loss) per common share:					
Weighted average shares used in calculating net income (loss) per common share:					
Weighted average shares used in calculating net income (loss) per common share:	Weighted average shares used in calculating net income (loss) per common share:				
Basic	Basic	419,008,998	417,700,782	418,299,910	330,877,880
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	456,364,024	417,700,782	454,837,597	330,877,880
Consolidated statements of comprehensive income (loss)	**Consolidated statements of comprehensive income (loss)**				
Consolidated statements of comprehensive income (loss)					
Consolidated statements of comprehensive income (loss)					
Net income (loss)					
Net income (loss)					
Net income (loss)	Net income (loss)	$ 1.3	$ (28.7)	$ 1.9	$ (26.7)
Other comprehensive income (loss):	Other comprehensive income (loss):				
Other comprehensive income (loss):					
Other comprehensive income (loss):					
Net change on derivatives designated as cash flow hedges, net of tax					
Net change on derivatives designated as cash flow hedges, net of tax					
Net change on derivatives designated as cash flow hedges, net of tax	Net change on derivatives designated as cash flow hedges, net of tax	(0.8)	9.2	2.4	8.1
Foreign currency translation adjustments	Foreign currency translation adjustments	(1.3)	(2.2)	(0.7)	(6.8)
Foreign currency translation adjustments					
Foreign currency translation adjustments					
Total other comprehensive income (loss), net of tax					
Total other comprehensive income (loss), net of tax					
Total other comprehensive income (loss), net of tax	Total other comprehensive income (loss), net of tax	$ (2.1)	$ 7.0	$ 1.7	$ 1.3
Comprehensive income (loss)	Comprehensive income (loss)	$ (0.8)	$ (21.7)	$ 3.6	$ (25.4)
Comprehensive income (loss)					
Comprehensive income (loss)					

See accompanying notes to consolidated financial statements.

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

		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
		Shares	Amount	Shares	Amount				
Balance at December 31, 2022 (As Restated)		439,950,125	$ 4.4	(23,352,240)	$(281.8)	$ 3,123.3	$ (140.0)	$ (3.4)	$2,702.5
Balance at December 31, 2023									
Share-based compensation expense	Share-based compensation expense	—	—	—	—	10.7	—	—	10.7
CoyCo 2 share-based compensation expense	CoyCo 2 share-based compensation expense	—	—	—	—	1.8	—	—	1.8
Issuance of common stock related to share-based compensation plans	Issuance of common stock related to share-based compensation plans	2,308,591	—	—	—	—	—	—	—
Issuance of warrants									
Issuance of warrants									
Issuance of warrants									
Exercise of vested stock options									
Exercise of vested stock options									
Exercise of vested stock options	Exercise of vested stock options	180,453	—	—	—	0.5	—	—	0.5
Acquisition of treasury stock related to share-based compensation plans	Acquisition of treasury stock related to share-based compensation plans	—	—	(910,566)	(13.2)	—	—	—	(13.2)
Acquisition of treasury stock related to share-based compensation plans									
Acquisition of treasury stock related to share-based compensation plans									
Net change on derivatives designated as cash flow hedges, net of tax of $0.5 million		—	—	—	—	—	—	(1.7)	(1.7)
Refund of inducement dividend (see Note 12)									
Refund of inducement dividend (see Note 12)									
Refund of inducement dividend (see Note 12)									

Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Shares	Amount	Shares	Amount				

Net change on derivatives designated as cash flow hedges, net of tax of $0.3 million								
Foreign currency translation adjustments Foreign currency translation adjustments	—	—	—	—	—	—	0.5	0.5
Net income	—	—	—	—	—	1.6	—	1.6
Balance at March 31, 2023 (As Restated)	442,439,169	$ 4.4	(24,262,806)	$(295.0)	$ 3,136.3	$ (138.4)	$ (4.6)	$2,702.7
Share-based compensation expense	—	—	—	—	20.7	—	—	20.7
CoyCo 2 share-based compensation expense	—	—	—	—	1.9	—	—	1.9
Issuance of common stock related to share-based compensation plans	812,138	—	—	—	—	—	—	—
Net loss								
Exercise of vested stock options	122,990	—	(4,118)	(0.1)	0.5	—	—	0.4
Acquisition of treasury stock related to share-based compensation plans	—	—	(295,994)	(4.7)	—	—	—	(4.7)
Net loss								
Net change on derivatives designated as cash flow hedges, net of tax of $1.6 million	—	—	—	—	—	—	4.9	4.9
Foreign currency translation adjustments	—	—	—	—	—	—	0.1	0.1
Net loss Net loss	—	—	—	—	—	(1.0)	—	(1.0)
Balance at June 30, 2023 (As Restated)	443,374,297	$ 4.4	(24,562,918)	$(299.8)	$ 3,159.4	$ (139.4)	$ 0.4	$2,725.0
Share-based compensation expense	—	—	—	—	18.7	—	—	18.7
CoyCo 2 share-based compensation expense	—	—	—	—	1.7	—	—	1.7
Issuance of common stock related to share-based compensation plans	225,616	—	—	—	—	—	—	—
Exercise of vested stock options	99,134	—	—	—	0.2	—	—	0.2
Acquisition of treasury stock related to share-based compensation plans	—	—	(78,164)	(1.4)	—	—	—	(1.4)
Balance at March 31, 2024								
Net change on derivatives designated as cash flow hedges, net of tax of $0.3 million	—	—	—	—	—	—	(0.8)	(0.8)
Foreign currency translation adjustments	—	—	—	—	—	—	(1.3)	(1.3)
Net income	—	—	—	—	—	1.3	—	1.3
Balance at September 30, 2023	443,699,047	$ 4.4	(24,641,082)	$(301.2)	$ 3,180.0	$ (138.1)	$ (1.7)	$2,743.4

See accompanying notes to consolidated financial statements.

R1 RCM Inc.
Consolidated Statements of Stockholders' Equity (Unaudited)
(In millions, except share and 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, 2021 (As Restated)		298,320,928	$ 3.0	(20,094,686)	$(215.2)	$ 630.9	$ (76.7)	$ (5.3)	$ 336.7
Balance at December 31, 2022									
Share-based compensation expense	Share-based compensation expense	—	—	—	—	10.2	—	—	10.2
Share-based compensation expense									
Share-based compensation expense									
CoyCo 2 share-based compensation expense									
Issuance of common stock related to share-based compensation plans	Issuance of common stock related to share-based compensation plans	1,757,955	—	—	—	—	—	—	—
Exercise of vested stock options	Exercise of vested stock options	77,438	—	—	—	0.4	—	—	0.4
Exercise of vested stock options									
Exercise of vested stock options									
Acquisition of treasury stock related to share-based compensation plans	Acquisition of treasury stock related to share-based compensation plans	—	—	(727,768)	(18.7)	—	—	—	(18.7)
Repurchase of common stock		—	—	(8,000)	(0.2)	—	—	—	(0.2)
Acquisition of treasury stock related to share-based compensation plans									
Acquisition of treasury stock related to share-based compensation plans									

Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Shares	Amount	Shares	Amount				

Net change on derivatives designated as cash flow hedges, net of tax of $0.0 million	—	—	—	—	—	—	0.1	0.1
Net change on derivatives designated as cash flow hedges, net of tax of $0.5 million								
Net change on derivatives designated as cash flow hedges, net of tax of $0.5 million								
Net change on derivatives designated as cash flow hedges, net of tax of $0.5 million								
Foreign currency translation adjustments Foreign currency translation adjustments	—	—	—	—	—	—	(1.4)	(1.4)
Net income Net income	—	—	—	—	—	29.7	—	29.7
Balance at March 31, 2022 (As Restated)	300,156,321	$ 3.0	(20,830,454)	$(234.1)	$ 641.5	$ (47.0)	$ (6.6)	$ 356.8
Share-based compensation expense	—	—	—	—	11.6	—	—	11.6
Issuance of common stock related to share-based compensation plans	505,371	—	—	—	—	—	—	—
Issuance of common stock	135,929,742	1.4	—	—	2,386.1	—	—	2,387.5
Replacement awards issued in conjunction with acquisitions	—	—	—	—	11.3	—	—	11.3
Exercise of vested stock options	395,425	—	(2,282)	(0.1)	2.1	—	—	2.0
Acquisition of treasury stock related to share-based compensation plans	—	—	(153,157)	(3.5)	—	—	—	(3.5)
Net change on derivatives designated as cash flow hedges, net of tax of $0.4 million	—	—	—	—	—	—	(1.2)	(1.2)
Foreign currency translation adjustments	—	—	—	—	—	—	(3.2)	(3.2)
Net income								
Net loss	—	—	—	—	—	(27.7)	—	(27.7)
Balance at June 30, 2022 (As Restated)	436,986,859	$ 4.4	(20,985,893)	$(237.7)	$ 3,052.6	$ (74.7)	$ (11.0)	$2,733.6
Share-based compensation expense	—	—	—	—	22.4	—	—	22.4
CoyCo 2 share-based compensation expense	—	—	—	—	3.0	—	—	3.0
Issuance of common stock related to share-based compensation plans	189,566	—	—	—	—	—	—	—
Issuance of common stock	1,403,687	—	—	—	24.3	—	—	24.3
Exercise of vested stock options	806,597	—	—	—	2.1	—	—	2.1
Acquisition of treasury stock related to share-based compensation plans	—	—	(84,547)	(1.9)	—	—	—	(1.9)
Repurchases of common stock	—	—	(594,126)	(12.6)	—	—	—	(12.6)

Net change on derivatives designated as cash flow hedges, net of tax of $3.1 million	—	—	—	—	—	—	9.2	9.2
Foreign currency translation adjustments	—	—	—	—	—	—	(2.2)	(2.2)
Net loss	—	—	—	—	—	(28.7)	—	(28.7)
Balance at September 30, 2022 (As Restated)	439,386,709	$ 4.4	(21,664,566)	$ (252.2)	$ 3,104.4	$ (103.4)	$ (4.0)	$ 2,749.2
Net income								
Balance at March 31, 2023								

See accompanying notes to consolidated financial statements.

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

		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	**2022** (As Restated)	**2024**	**2023**
Operating activities	**Operating activities**				
Net income (loss)	Net income (loss)	$ 1.9	$ (26.7)		
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Net income (loss)					
Net income (loss)					
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization	Depreciation and amortization	205.6	107.8		
Amortization of debt issuance costs	Amortization of debt issuance costs	4.3	2.2		
Share-based compensation	Share-based compensation	48.9	43.9		
CoyCo 2 share-based compensation	CoyCo 2 share-based compensation	5.4	3.0		
Loss on disposal and right-of-use asset write-downs		10.3	3.9		
Provision for credit losses		24.1	10.7		
CoyCo 2 share-based compensation					
CoyCo 2 share-based compensation					
Provision (recoveries) for credit losses					
Provision (recoveries) for credit losses					
Provision (recoveries) for credit losses					

Deferred income taxes	Deferred income taxes	(1.5)	(9.1)
Non-cash lease expense	Non-cash lease expense	8.7	10.5
Other	Other	3.6	1.5
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Accounts receivable and related party accounts receivable	Accounts receivable and related party accounts receivable	(36.7)	(29.2)
Accounts receivable and related party accounts receivable			
Accounts receivable and related party accounts receivable			
Contract assets			
Contract assets			
Contract assets	Contract assets	(10.0)	(12.8)
Prepaid expenses and other assets	Prepaid expenses and other assets	(22.0)	(39.2)
Accounts payable	Accounts payable	(15.0)	(23.9)
Accrued compensation and benefits	Accrued compensation and benefits	12.0	(71.3)
Lease liabilities	Lease liabilities	(13.4)	(11.4)
Other liabilities	Other liabilities	12.9	(3.3)
Customer liabilities and customer liabilities - related party	Customer liabilities and customer liabilities - related party	(17.8)	3.9
Net cash provided by (used in) operating activities		221.3	(39.5)
Net cash provided by operating activities			
Investing activities	**Investing activities**		
Purchases of property, equipment, and software			
Purchases of property, equipment, and software			
Purchases of property, equipment, and software	Purchases of property, equipment, and software	(81.1)	(74.6)
Acquisition of Cloudmed, net of cash acquired		—	(847.7)
Proceeds from disposal of assets		—	0.4
Acquisition of Acclara, net of cash acquired			

Acquisition of Acclara, net of cash acquired			
Acquisition of Acclara, net of cash acquired			
Other			
Other			
Other	Other	5.5	—
Net cash used in investing activities	Net cash used in investing activities	(75.6)	(921.9)
Financing activities	**Financing activities**		
Issuance of senior secured debt, net of discount and issuance costs	Issuance of senior secured debt, net of discount and issuance costs	—	1,016.6
Issuance of senior secured debt, net of discount and issuance costs			
Issuance of senior secured debt, net of discount and issuance costs			
Borrowings on revolver	Borrowings on revolver	30.0	30.0
Payment of debt issuance costs		—	(1.0)
Repayment of senior secured debt	Repayment of senior secured debt	(37.1)	(13.1)
Repayments on revolver	Repayments on revolver	(70.0)	(30.0)
Payment of equity issuance costs		—	(2.0)
Refund of inducement dividend			
Refund of inducement dividend			
Refund of inducement dividend			
Exercise of vested stock options	Exercise of vested stock options	1.3	4.6
Purchase of treasury stock		—	(12.5)
Exercise of vested stock options			
Exercise of vested stock options			
Shares withheld for taxes			
Shares withheld for taxes			
Shares withheld for taxes	Shares withheld for taxes	(20.0)	(26.9)
Other	Other	5.3	(0.2)
Net cash (used in) provided by financing activities		(90.5)	965.5
Other			
Other			
Net cash provided by (used in) financing activities			
Effect of exchange rate changes in cash, cash equivalents and restricted cash	Effect of exchange rate changes in cash, cash equivalents and restricted cash	(0.4)	(3.1)
Net increase in cash, cash equivalents and restricted cash		54.8	1.0

Net increase (decrease) in cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash, at beginning of period	Cash, cash equivalents and restricted cash, at beginning of period	110.1	130.1
Cash, cash equivalents and restricted cash, at end of period	Cash, cash equivalents and restricted cash, at end of period	$164.9	$ 131.1
Supplemental disclosures of cash flow information	**Supplemental disclosures of cash flow information**		
Property, equipment and software purchases not paid	Property, equipment and software purchases not paid	$ 20.3	$ 27.4
Property, equipment and software purchases not paid			
Property, equipment and software purchases not paid			
Noncash consideration paid for the acquisition of Acclara			
Noncash consideration paid for the acquisition of Acclara			
Noncash consideration paid for the acquisition of Acclara			

See accompanying notes to consolidated financial statements.

R1 RCM Inc.
Notes to Consolidated Financial Statements (Unaudited)
(Dollars in millions, except per share data)

1. Business Description and Basis of Presentation

Business Description

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 financial performance of physician groups. The Company's scalable operating models complement a healthcare providers. The Company assists healthcare providers in generating organization's infrastructure, driving sustainable improvements in their operating margins to net patient revenue and cash flows while also driving revenue yield, reducing operating costs, and enhancing the patient physician, experience.

Acclara Acquisition

On January 17, 2024, the Company completed the acquisition of the revenue cycle management ("RCM") business ("Acclara") of Providence Health & Services – Washington ("Providence") and staff satisfaction certain of its affiliates (the "Acclara Acquisition"). Concurrently with the closing of the acquisition and as part of the consideration thereof, the Company issued a warrant to acquire up to 12,192,000 shares of common stock, par value $0.01 per share, at an initial exercise price of $10.52 per share, of the Company to Providence (the "Providence Warrant"). The Company acquired 100% of the equity interests in Acclara. For further details on the total consideration paid, refer to Note 2, Acquisitions.

The acquisition of Acclara extends our ability to deploy advanced technology solutions and drive execution to improve customer and patient outcomes. In conjunction with the acquisition, the Company began a 10-year partnership with Providence for its customers. comprehensive revenue cycle services that leverage the breadth of integrated technology and services capabilities of both the Company and Acclara.

Basis of Presentation

The accompanying unaudited consolidated financial statements reflect the Company's financial position as of September 30, 2023 March 31, 2024, the results of operations of the Company for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, and the cash flows of the Company for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. These financial statements include the accounts of R1 RCM Inc. and its wholly owned subsidiaries. subsidiaries, including Acclara and its subsidiaries since the date of acquisition. All material intercompany amounts have been eliminated in consolidation. These financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial reporting and as required by the rules and regulations of the

U.S. Securities and Exchange Commission (the “SEC”). Accordingly, certain information and footnote disclosures required for complete financial statements are not included herein. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the interim financial information, have been included. Operating results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2023 December 31, 2024.

When preparing financial statements in conformity with GAAP, the Company makes a number of significant estimates, assumptions, and judgments in the preparation of the financial statements. Actual results could differ from those estimates. For a more complete discussion of the Company’s significant accounting policies and other information, the unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements included in the Company’s Amendment No. 1 on Form 10-K/A, which amends the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on February 16, 2023 February 27, 2024 (the “2022 “2023 Form 10-K”).

Recently Issued Accounting Standards and Disclosures

In June 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 prospectively adopted ASU 2022-03 prospectively effective January 1, 2024 . Adoption of the new standard required changes to the valuation method used in accounting for equity consideration in business combinations occurring after January 1, 2024. There were no current period changes to equity consideration related to prior transactions to be evaluated under this guidance.

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 evaluating in the process of determining the impact of the standard that ASU 2023-07 will have on its consolidated financial statements. statement disclosures.

Restatement of Previously Issued Consolidated Financial Statements

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 has restated is currently in the process of determining the impact that ASU 2023-09 will have on its unaudited consolidated financial statements for the three and nine months ended September 30, 2022. See Note 15, Restatement of Previously Issued Consolidated Financial Statements, for more information about the prior period errors.

In addition to Note 15, the following footnotes reflect the impact of the restatements made to the previously issued consolidated financial statements:

- 2. Acquisitions
- 3. Revenue Recognition
- 7. Share-Based Compensation
- 8. Other Expenses
- 9. Income Taxes
- 10. Earnings (Loss) Per Sharestatement disclosures.

2. 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.

Prior Acquisitions Acclara

During 2022, On January 17, 2024, the Company acquired all outstanding equity interests in Revint Holdings, LLC (“Cloudmed”), completed the acquisition of Acclara for a provider purchase price of revenue intelligence solutions, in exchange for shares $786.0 million. The following table summarizes the fair value of the Company’s common stock total consideration paid:

		Fair Value
Cash consideration (1)	$	726.2
Issuance of warrant (2)		59.8
Total consideration	$	786.0

(1) Cash consideration includes the repayment of Acclara’s pre-existing credit facility that was paid off at closing and cash. The shares of common stock received was not assumed by the Cloudmed sellers are Company.
(2) The provisional fair value of the warrant is estimated using the Black-Scholes option pricing model and is not discounted in accordance with ASU 2022-03. The warrant is subject to an 18-month a three-year lock-up period that and expires on December 21, 2023. In addition, five years from the Company replaced certain pre-acquisition awards held by certain Cloudmed sellers with restricted stock units (“RSUs”) of the Company. issuance date.

The final Company funded the cash consideration component and the Company's associated transaction expenses with a combination of cash on hand and the incurrence of additional indebtedness (see Note 6, Debt).

The purchaseprice has been provisionally allocated to assets acquired and liabilities assumed based on their established fair value as of the acquisition date. The fair value estimate of assets acquired and liabilities assumed is pending the completion of various elements, including gathering further information about the identification and valuation of all assets and liabilities acquired. Some of the more significant amounts that are not yet finalized relate to the fair value of intangible assets (including goodwill), trade accounts receivable, and income and non-income related taxes. Accordingly, management considers the balances shown in the following table to be preliminary, and there could be adjustments to the consolidated financial statements, including changes in our amortization expense related to the valuation of intangible assets acquired and their respective useful lives, among other adjustments.

The preliminary fair value of assets acquired and liabilities assumed was: is:

		Purchase Price Allocation
Total purchase consideration	$	3,281.6 786.0
Allocation of consideration to assets acquired and liabilities assumed:		
Cash and cash equivalents	$	32.1 64.3
Accounts receivable		61.8 48.1
Current portion of contract assets		70.9
Property, equipment and software		5.0 6.8
Operating lease right-of-use assets		25.3 12.3
Non-current portion of contract assets		22.2
Intangible assets		1,366.5 374.0
Goodwill		2,085.0 420.0
Other assets		6.7 8.1
Accounts payable		(31.9) (4.6)
Customer liabilities		(2.8) (1.2)
Accrued compensation and benefits		(85.6) (21.7)
Operating lease liabilities		(25.4) (16.2)
Deferred income tax liabilities		(236.0) (84.6)
Other liabilities		(12.2) (19.3)
Net assets acquired	$	3,281.6 786.0

Measurement period adjustments The intangible assets preliminarily identified in conjunction with the Acclara Acquisition are as follows:

	Useful Life		Gross Carrying Value
In 2023, Customer Relationships	12 years	$	374.0

The goodwill recognized is primarily attributable to synergies that are expected to be achieved from the integration of Acclara. None of the goodwill is expected to be deductible for income tax purposes. The change in the carrying amount of goodwill from December 31, 2023 to March 31, 2024 is solely attributable to the goodwill recognized in conjunction with the Acclara Acquisition.

As part of the acquisition, the Company performed various measurement period adjustments due to additional information received since December 31, 2022. The significant adjustments included a reduction to deferred recognized an indemnification asset of $4.5 million for indirect tax and income tax liabilities and a corresponding decrease to goodwill of $9.4 million related to updated potential pre-transaction close tax return information. obligations of Acclara. The measurement period for the Cloudmed acquisition ended during the second quarter of 2023.

RevWorks

In 2020, the Company purchased certain assets relating to the RevWorks services business from Cerner Corporation. In accordance indemnification asset was valued with the purchase agreement, the Company paid the first deferred payment assistance of $12.5 million in the third quarter of 2021 third-party tax experts and was required to make is a second deferred payment of $12.5 million.

The two deferred payments related to the RevWorks acquisition were contractual obligations of the Company; however, they were refundable, in whole or in part, best estimate based on information available to the Company if certain RevWorks customer revenue targets defined at this time.

Included in the purchase agreement Consolidated Statements of Operations and Comprehensive Income (Loss) 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 three months ended September 30, 2023 in amounts that March 31, 2024 are materially consistent with net services revenue of $57.1 million and net loss before income taxes of $2.7 million related to the amounts recorded by operations of Acclara since the Company at December 31, 2022 acquisition date of January 17, 2024.

Pro Forma Results

The following table summarizes, on a pro forma basis, the combined results of the Company as though the Cloudmed acquisition Acclara Acquisition had occurred as of January 1, 2021 on January 1, 2023.These pro forma results are not necessarily indicative of the actual consolidated results had the acquisition occurred as of that date or of the future consolidated operating results for any period. Pro forma results are:

		Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022		
		Three Months Ended March 31,		Three Months Ended March 31,	
		2024		2024	2023
Net services revenue	Net services revenue	$ 496.0	$ 1,476.9		
Net loss	Net loss	$ (22.1)	$ (21.8)		

Adjustments, net of the income tax effects, that were made to earnings net loss related to (i) depreciation and amortization to reflect the fair value of identified assets acquired, (ii) share-based compensation expense for awards granted replaced in connection with the acquisition, (iii) extinguishing Cloudmed's paying off Acclara's debt and replacing it with the incurrence of debt of by the Company, and (iv) the timing of acquisition related acquisition-related costs.

3. Intangible Assets

The following table provides the gross carrying value and accumulated amortization for each major class of definite-lived intangible assets at March 31, 2024 and December 31, 2023:

	March 31, 2024			December 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Customer relationships	$ 791.9	$ (73.1)	$ 718.8	$ 417.9	$ (60.5)	$ 357.4
Technology	1,238.8	(341.6)	897.2	1,238.8	(299.5)	939.3
Trade name	23.5	(13.0)	10.5	23.5	(9.5)	14.0
Total intangible assets	$ 2,054.2	$ (427.7)	$ 1,626.5	$ 1,680.2	$ (369.5)	$ 1,310.7

The fair value of the identifiable intangible assets was determined in the period of their acquisition 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 $58.2 million and $50.1 million for the three months ended March 31, 2024 and 2023, 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.

Estimated annual amortization expense related to intangible assets with definite lives as of March 31, 2024 is as follows:

Remainder of 2024	$ 176.3
2025	220.0
2026	219.4
2027	219.4
2028	219.3
2029	141.8
Thereafter	430.3
Total	$ 1,626.5

4. Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer, and presented net of any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer, which is typically over the contract term. Estimates of variable consideration are included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved.

Disaggregation of Revenue

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,			
		2024 2024 2024			
Net operating fees Net operating fees					
Net operating fees	Net operating fees	$ 368.0	$ 323.7	$ 1,086.8	$ 964.8
Incentive fees	Incentive fees	30.1	20.8	84.5	80.9
Modular and other (1)		174.7	151.0	507.8	227.4
Incentive fees Incentive fees Modular and other fees (1) Modular and other fees (1) Modular and other fees (1)					
Net services revenue	Net services revenue	$ 572.8	$ 495.5	$ 1,679.1	$ 1,273.1
Net services revenue Net services revenue					

(1) Modular and other revenue is comprised of service fees related to Cloudmed service lines, solutions focused on revenue recovery, clinical integrity, revenue optimization, and regulatory navigation as well as functional outsourcing solutions practice management (“PM”) services, physician advisory services (“PAS”), and software subscription revenue. focused on driving revenue cycle improvements.

Contract Balances

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

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Contract assets, net	Contract assets, net				
Current Current					
Current	Current	$ 89.2	$ 83.9		
Non-current	Non-current	37.8	32.0		

Total contract assets, net	Total contract assets, net	$	127.0	$	115.9
Contract liabilities	Contract liabilities				
Contract liabilities					
Contract liabilities					
Current (1)					
Current (1)					
Current (1)	Current (1)	$	11.2	$	9.7
Non-current (2)	Non-current (2)		15.1		18.7
Total contract liabilities	Total contract liabilities	$	26.3	$	28.4

(1) Current contract liabilities include $9.2$2.9 millionand $7.6 million classified in the current portion of customer liabilities and $2.0 million and $2.1$2.4 million classified in the current portion of customer liabilities - related party as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.
(2) Non-current contract liabilities include $2.9 $11.3 millionand $5.0 million classified in the non-current portion of customer liabilities and $12.2 million and $13.7$11.8 million classified in the non-current portion of customer liabilities - related party as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The contract assets, net balance will increase or decrease based on the timing of invoices and recognition of revenue. Significant changes in the carrying amount of contract assets, net for the nine three months ended September 30, 2023 March 31, 2024 were as follows:

		Contract Assets, net
Balance as of December 31, 2022 December 31, 2023	$	115.9 132.1
Revenue recognized		275.6 93.1
Amounts billed		(263.5) (87.0)
Other (1) Write-offs		(1.0) (0.5)
Balance as of September 30, 2023 March 31, 2024	$	127.0 137.7

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

		Contract Liabilities
Balance as of December 31, 2022 December 31, 2023	$	(28.4) (23.6)
Advanced billings as of January 1, 2023 January 1, 2024 (1)		(85.0) (69.6)
Advanced billings recognized		85.0 69.6
Additions		(11.4) (2.6)
Revenue recognized		13.5 3.5
Balance as of September 30, 2023 March 31, 2024	$	(26.3) (22.7)

(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.

Transaction Price Allocated to the Remaining Performance Obligation Obligations

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 which of variable consideration that are currently excluded from the estimated transaction price because they relate to variable fees. constrained.

		Net operating fees		Incentive fees
Remainder of 2023	$	29.7	$	18.3
2024		71.2		20.9

		Net operating fees	
		Net operating fees	
		Net operating fees	
Remainder of 2024			
Remainder of 2024			
Remainder of 2024			
2025			
2025			
2025	2025	49.4	—
2026	2026	9.5	—
2026			
2026			
2027			
2027			
2027	2027	4.2	—
2028	2028	2.1	—
2028			
2028			
2029			
2029			
2029			
Thereafter			
Thereafter			
Thereafter	Thereafter	4.3	—
Total	Total	$ 170.4	$ 39.2
Total			
Total			

The amounts presented in the table above include variable fee estimates of the Company's physician group revenue cycle management ("RCM") 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.

Estimates of revenue expected to be recognized in future periods exclude unexercised customer options to purchase services within the Company's PAS contracts that do not represent material rights to the customer.

The Company does not disclose information about remaining performance obligations with an original expected duration of one year or less and less. The Company has elected an exemption to certain of the optional exemptions from the disclosure requirements related to 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 an exemption where 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.

4. 5. 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.

	March 31, 2024	December 31, 2023
Billed receivables	$ 265.9	$ 218.5
Unbilled receivables	98.8	99.2
Allowance for credit losses	(46.8)	(48.3)
Total accounts receivable, net (1)	$ 317.9	$ 269.4

(1) Includes$26.5 millionand $26.1 million for accounts receivable - related party, net as of March 31, 2024, and December 31, 2023, 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.

The Company has presented the rollforward below on a consolidated basis as the expected credit losses as of the end of the period for its large integrated healthcare system customers are not anticipated to be material.

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

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
Beginning balance	Beginning balance	$31.6	$ 4.4	$15.2	$ 2.5		
Cumulative effect of Cloudmed ASC 326 adoption		—	—	—	1.8		
Provision (recoveries)							
Provision (recoveries)							
Provision (recoveries)	Provision (recoveries)	7.5	10.4	24.1	10.7		
Write-offs	Write-offs	(0.9)	(0.2)	(1.1)	(0.4)		
Ending balance	Ending balance	$38.2	$14.6	$38.2	$14.6		

5. 6. Debt

The carrying amounts of debt consist of the following:

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Senior Revolver (1)	Senior Revolver (1)	$ 60.0	$ 100.0		
Term A Loans	Term A Loans	1,178.0	1,211.4		
Term B Loan		495.0	498.7		
Term B Loans					
Unamortized discount and issuance costs	Unamortized discount and issuance costs	(20.0)	(23.6)		
Total debt	Total debt	1,713.0	1,786.5		
Less: Current maturities	Less: Current maturities	(67.0)	(53.9)		

Total long-term debt	Total long-term debt	$ 1,646.0	$ 1,732.6

(1) As of September 30, 2023 March 31, 2024, the Company had $60.0 $80.0 million in borrowings outstanding, $1.2 million letters of credit outstanding, and $538.8 $518.8 million of availability under the $600.0 million senior secured revolving credit facility ("Senior Revolver"). On April 3, 2024, the Company incurred additional borrowings of $75.0 million under the Senior Revolver to fund working capital needs as a result of the Change Healthcare cyberattack.

Second Amended and Restated Senior Secured Amendment to the Second A&R Credit Facilities Agreement

On June 21, 2022, In conjunction with the closing of the Acclara Acquisition, the Company R1 RCM Holdco Inc. (f/k/a R1 RCM Inc.), a wholly owned subsidiary of the Company, and certain other of the Company's subsidiaries entered into a Amendment No. 2 (the "Second Amendment") to the second amended and restated senior credit agreement (the "Second A&R Credit Agreement") with Bank executed on June 21, 2022. For further details on the Second A&R Credit Agreement, refer to Note 10 of America, N.A., as administrative agent, and the audited consolidated financial statements included in the Company's 2023 Form 10-K. Pursuant to the Second Amendment, among certain other amendments, the lenders named therein, governing in the Company's second amended Second Amendment agreed, severally and restated senior secured credit facilities not jointly, to extend additional borrowings in the form of Term B Loans (the "Senior Secured Credit Facilities"), consisting of "Incremental Term B Loans" and together with the $691.3 million then existing senior secured term B loan, the "Term B Loans") to the Company 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 $80.0 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. In conjunction with entering into the Second Amendment, the Company incurred $10.6 million and capitalized $5.7 million of debt issuance costs.

The initial senior secured term A facility loan (the "Existing Term A Loan") and Senior Revolver mature on July 1, 2026, a $540.0 million the incremental senior secured incremental term A loan A facility (the "Incremental Term A Loan," and together (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") matures on June 21, 2027, and the $600.0 million Senior Revolver. 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. Term B Loans mature on June 21, 2029.

The variable interest rate as of September 30, 2023 March 31, 2024 was 7.57% 7.58% for the Term A Loans and Senior Revolver and 8.32% 8.33%for the Term B Loan.

Loans.

The Second A&R Credit Agreement contains a number of financial and non-financial covenants. The Company was in compliance with all of the covenants in the Second A&R Credit Agreement as of September 30, 2023 March 31, 2024. 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. As a result of the delayed filing of this Quarterly Report on Form 10-Q, on November 17, 2023, the Company received a waiver and extension from the lenders under the Second A&R Credit Agreement with respect to the delivery of financial information and related certifications.

Debt Maturities

Scheduled maturities of the Company's long-term debt are summarized as follows:

		Scheduled Maturities
Remainder of 2023	$	16.8
2024		67.0
2025		67.0
2026		678.2
2027		430.2
2028		5.0
Thereafter		468.8
Total	$	1,733.0

For further details on the Second A&R Credit Agreement, refer to Note 10 of the audited consolidated financial statements included in the Company's 2022 Form 10-K.

		Scheduled Maturities
Remainder of 2024	$	72.8
2025		72.8
2026		704.1

2027	436.1
2028	10.8
2029	1,014.7
Total	$ 2,311.3

6. 7. Derivative Financial Instruments

The Company utilizes cash flow hedges to manage its currency risk arising from its global business services centers. As of September 30, 2023 March 31, 2024, the Company had recorded $0.4 $0.3 million of unrealized losses gains in accumulated other comprehensive loss related to foreign currency hedges. The Company estimates that $0.2 $0.3 million of losses gains reported in accumulated other comprehensive loss are expected to be reclassified into earnings within the next twelve 12 months.

The net gains (losses) reclassified into cost of services were as follows:

Three Months Ended September 30,		Nine Months Ended September 30,	
2023	2022	2023	2022
$ 0.5	$ (0.7)	$ 1.3	$ (0.6)

Three Months Ended March 31,	
2024	2023
$ 0.1	$ 0.3

As of September 30, 2023 March 31, 2024, the Company's foreign currency forward contracts had maturities extending no later than December 31, 2024, and had a total notional value of $166.8 $106.0 million.

The Company also utilizes cash flow hedges to reduce variability in interest cash flows from its outstanding debt. As of September 30, 2023 March 31, 2024, the Company had recorded $16.8 million $11.1 million of unrealized gains in accumulated other comprehensive loss related to interest rate swaps. The Company estimates that $11.1 $9.5 million of gains reported in accumulated other comprehensive loss are expected to be reclassified into earnings within the next twelve 12 months.

The net gains (losses) reclassified into interest expense were as follows:

Three Months Ended September 30,		Nine Months Ended September 30,	
2023	2022	2023	2022
$ 2.8	$ (0.4)	$ 7.2	$ (0.9)

Three Months Ended March 31,	
2024	2023
$ 2.9	$ 1.9

As of September 30, 2023 March 31, 2024, the Company's interest rate swaps extended no later than June 30, 2025, and had a total notional value of $500.0 million.

The Company also utilizes fair value hedges to manage its currency risk arising from its global business services centers. These contracts typically have a term of one month in order to manage currency risks between the timing of transaction costs and payment. For the three months ended March 31, 2024, the Company had recognized $0.1 million of losses in earnings related to foreign currency forward contracts designated as fair value hedges. The fair value of derivative instruments designated as fair value hedges was $0.1 million of unrealized loss as of March 31, 2024 and $0.0 million of unrealized gains as of December 31, 2023. As of March 31, 2024, the Company's foreign currency forward contracts designated as fair value hedges had maturities extending no later than April 30, 2024 and had a total notional value of $27.0 million.

The location and fair value of derivative instruments designated as hedges in the Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows:

March 31, 2024	March 31, 2024	December 31, 2023

		September 30, 2023	December 31, 2022
Foreign currency forward contracts			
Prepaid expenses and other current assets			
Prepaid expenses and other current assets			
Prepaid expenses and other current assets			
Foreign currency forward contracts			
Prepaid expenses and other current assets		$ —	$ 0.1
Other accrued expenses		0.2	0.5
Other non-current liabilities		0.2	—
Total foreign currency forward contracts			
Total foreign currency forward contracts			
Total foreign currency forward contracts	Total foreign currency forward contracts	$ 0.4	$ 0.6
Interest rate swaps	Interest rate swaps		
Interest rate swaps			
Interest rate swaps			
Prepaid expenses and other current assets			
Prepaid expenses and other current assets			
Prepaid expenses and other current assets	Prepaid expenses and other current assets	$ 11.1	$ 8.7
Other assets	Other assets	5.7	5.0
Other accrued expenses		—	—
Total interest rate swaps	Total interest rate swaps	$ 16.8	$ 13.7
Total interest rate swaps			
Total interest rate swaps			

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the accumulated gain, net of tax, recognized in accumulated other comprehensive loss was $12.3 $8.6 million and $9.9 $7.5 million, respectively.

The Company classifies cash flows from its derivative programs as cash flows from operating activities in the Consolidated Statements of Cash Flows. 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.

On July 5, 2022, the Company and Sutter Health (“Sutter”) entered into a put right agreement regarding the potential purchase of a business that would expand the Company’s service capabilities. This agreement is effective through January 5, 2024 and allows Sutter to sell the business to the Company for $150.0 million, subject to the negotiation of a definitive agreement and the satisfaction of agreed upon closing conditions, including the requirement that the purchase price be deemed to be fair value at the time of the potential transaction. Assuming an agreement is reached for the Company to acquire the business, the Company and Sutter would also need to reach an agreement as to whether the purchase price would be paid in cash or shares of the Company’s common stock.

7.8. Share-Based Compensation

The total share-based compensation expense relating to the Company’s stock options, RSUs, and performance-based restricted stock units (“PBRSUs”) that has been included in the Company’s Consolidated Statements of Operations and Comprehensive Income (Loss) was as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
Share-Based Compensation Expense Allocation Details:	**Share-Based Compensation Expense Allocation Details:**						
Cost of services	Cost of services	$12.4	$12.3	$32.1	$21.7		
Cost of services							
Cost of services							
Selling, general and administrative	Selling, general and administrative	7.7	12.8	22.2	25.2		
Total share-based compensation expense (1)	Total share-based compensation expense (1)	$20.1	$25.1	$54.3	$46.9		
Total share-based compensation expense (1)							
Total share-based compensation expense (1)							
Related tax benefits	Related tax benefits	$ 4.2	$ 4.6	$11.5	$ 8.5		
Related tax benefits							
Related tax benefits							

(1) Included in total share-based compensation expense are (i) $1.7 millionand $5.4$1.8 million of share-based compensation expense for the three and nine months ended September 30, 2023, respectively,March 31, 2024 of CoyCo 2, L.P., a shareholder of the Company (“CoyCo 2”), and (ii) $3.0$1.8 million of shared-based compensation expense of CoyCo 2 for the three and nine months ended September 30, 2022March 31, 2023. This expense relates to equity awards held by certain Cloudmed employees that were modified as part of the CloudmedCompany’s acquisition of Revint Holdings, LLC (“Cloudmed”) into awards of CoyCo 2 and were granted for services that benefit the Company’s operations.

The Company accounts for forfeitures as they occur. Excess tax benefits and shortfalls for share-based payments are recognized in income tax expense and included in operating activities. The Company recognized the following income tax benefits from windfallsexpense/(benefit) associated with vesting and exercises of equity awards:

Three Months Ended September 30,		Nine Months Ended September 30,	
2023	2022	2023	2022
$ 0.1	$ 4.3	$ 1.3	$ 9.2

Three Months Ended March 31,	
2024	2023
$ 0.8	$ (0.5)

The Company uses 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 current performance progress and achievement on performance-based PBRSUs by reviewing historical performance to date, along with any adjustments which have been approved by the Human Capital Committee of the Company's Board of Directors to the reported performance, and changes to the 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 (as defined below) in the 2023 Form 10-K), 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.

Stock options

A summary of the options activity during the nine three months ended September 30, 2023 March 31, 2024 is shown below:

	Options	Weighted-Average Exercise Price
Outstanding at December 31, 2022	3,104,413	$ 3.38
Granted	—	—
Exercised	(402,577)	3.26
Canceled/forfeited	(45,865)	2.59
Expired	—	—
Outstanding at September 30, 2023	2,655,971	$ 3.41
Outstanding, vested and exercisable at September 30, 2023	2,655,971	$ 3.41
Outstanding, vested and exercisable at December 31, 2022	3,080,069	$ 3.23

	Options	Weighted-Average Exercise Price
Outstanding at December 31, 2023	2,647,202	$ 3.41
Exercised	(189,490)	3.18
Outstanding at March 31, 2024	2,457,712	$ 3.43
Outstanding, vested and exercisable at March 31, 2024	2,457,712	$ 3.43
Outstanding, vested and exercisable at December 31, 2023	2,647,202	$ 3.41

Restricted stock units and performance-based restricted stock units

A summary of the RSU and PBRSU activity during the nine three months ended September 30, 2023 March 31, 2024 is shown below:

			Weighted-Average Grant Date Fair Value	
	RSUs	PBRSUs	RSU	PBRSU
Outstanding and unvested at December 31, 2022	3,232,002	6,876,797	$ 19.07	$ 19.48
Granted	3,151,956	1,490,843	15.13	15.60
Performance factor adjustment	—	792,189	—	15.95
Vested	(1,059,459)	(2,286,886)	16.76	15.95
Forfeited	(303,926)	(711,016)	18.16	19.61
Outstanding and unvested at September 30, 2023	5,020,573	6,161,927	$ 17.14	$ 19.38
Shares surrendered for taxes for the nine months ended September 30, 2023	381,066	903,658		

Cost of shares surrendered for taxes for the nine months ended September 30, 2023 (in millions)	$ 6.2	$ 13.1
Shares surrendered for taxes for the nine months ended September 30, 2022	182,080	783,392
Cost of shares surrendered for taxes for the nine months ended September 30, 2022 (in millions)	$ 4.1	$ 20.0

			Weighted-Average Grant Date Fair Value	
	RSUs	**PBRSUs**	**RSU**	**PBRSU**
Outstanding and unvested at December 31, 2023	3,330,236	6,128,821	$ 17.66	$ 19.36
Granted	2,011,667	109,770	9.41	9.11
Vested	(54,807)	(462,927)	12.24	26.65
Forfeited	(64,557)	(100,582)	16.67	18.96
Outstanding and unvested at March 31, 2024	5,222,539	5,675,082	$ 14.55	$ 18.58
Shares surrendered for taxes for the three months ended March 31, 2024	16,490	162,550		
Cost of shares surrendered for taxes for the three months ended March 31, 2024 (in millions)	$ 0.2	$ 2.4		
Shares surrendered for taxes for the three months ended March 31, 2023	6,908	903,658		
Cost of shares surrendered for taxes for the three months ended March 31, 2023 (in millions)	$ 0.1	$ 13.1		

Upon RSUs granted during the three months ended March 31, 2024, include an aggregate 1,983,791 RSUs of the Company that were issued upon consummation of the Cloudmed acquisition, Acclara Acquisition to replace outstanding restricted units unvested options 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 2022 Inducement Plan. Acclara.

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 12,323,854. 11,350,164.

8. 9. Other Expenses

Other expenses are incurred in connection with acquisition and integration costs, initiatives, various exit activities, strategic and transformation initiatives, and organizational changes to improve our business alignment and cost structure. structure, review of strategic alternatives, and stockholder litigation. The following table summarizes the other expenses recognized for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

		Three Months Ended March 31,					
		Three Months Ended March 31,					
		Three Months Ended March 31,					
						2024	**2023**
		Three Months Ended September 30,		**Nine Months Ended September 30,**			
		2023	**2022**	**2023**	**2022**		
Business acquisition costs (1)							
Business acquisition costs (1)							
Business acquisition costs (1)	Business acquisition costs (1)	$ 1.4	$ 1.0	$ 3.5	$ 80.4		
Integration costs (2)	Integration costs (2)	6.1	8.8	30.0	18.3		

Technology transformation (3)	Technology transformation (3)	4.5	—	11.8	—
Strategic initiatives (4)	Strategic initiatives (4)	13.0	6.2	23.8	9.0
Global business services center expansion project in the Philippines (5)		—	8.2	—	20.0
Facility-exit charges (6)		7.2	1.3	15.7	7.3
Other (7)		(2.8)	3.0	3.1	7.5
Facility-related charges (5)					
Facility-related charges (5)					
Facility-related charges (5)					
Other (6)					
Total other expenses	Total other expenses	$ 29.4	$ 28.5	$ 87.9	$ 142.5

(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.

(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, retention, 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. Costs strategy and include vendor spend, employee time and expenses spent on activities, severance, and retention amounts. For the three and nine months ended September 30, 2023, these consulting costs, include a charge compensation costs of approximately $12.0 million related to business restructuring executed to align the organization employees dedicated to the Company's long-term strategic growth strategy.

(5) Costs include legal efforts, and consulting fees severance. In 2023, these costs included changes in contingent consideration and retention costs 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 were relocated. The entry into the Philippines was the first new organic global business services center country expansion acquisitions completed by the Company in approximately 15 years. The Company completed the expansion project in 2022. Cloudmed prior to being acquired by R1.

(6) (5) As part of evaluating its real estate footprint in relation to acquisitions and remote work practices adopted following COVID, the Company has exited certain leased facilities. Costs include asset impairment charges, early termination fees, and other costs related to exited leased facilities. facilities that will continue over the duration of the lease term.

(7) (6) For the three and nine months ended September 30, 2023 March 31, 2024, costs primarily include $1.9 million fees associated with legal, financial, and other advisors engaged to perform a review of net insurance reimbursements and $4.9 million strategic alternatives under the direction of net expenses, respectively, related to a special committee formed by the Company's stockholder litigation. Board of Directors on March 11, 2024. For the three and nine months ended September 30, 2022 March 31, 2023, costs primarily include $1.1 million and $3.5 million, respectively, of expenses related to the Company's stockholder litigation. For further details, refer to Note 11, 12, Commitments and Contingencies.

9. 10. Income Taxes

Income tax provisions for interim periods are based on estimated annual income tax rates, adjusted to reflect the effects of any significant and infrequent or unusual items which are required to be discretely recognized within the current interim period. The effective tax rates in the periods presented are largely based upon the projected annual pre-tax earnings by jurisdiction and the allocation of certain expenses in various taxing jurisdictions where the Company conducts its business. These taxing jurisdictions apply a broad range of statutory income tax rates. The global intangible low-taxed income ("GILTI") provisions impose taxes on foreign income in excess of a deemed return on tangible assets of foreign corporations. The Company elected to account for GILTI tax in the period in which it is incurred.

The Company recognized income tax expense for the three and nine months ended September 30, 2023March 31, 2024 on the year-to-date pre-tax loss. The deviation from the federal statutory tax rate of 21% is primarily attributable to recognizing the provisions for foreign taxes, state taxes, non-deductible expenses, and discrete items.

The Company recognized income tax expense for the three months ended March 31, 2023 on the year-to-date pre-tax income. The deviation from the federal statutory tax rate of 21% is primarily attributable to recognizing the provisions for foreign taxes, state taxes, non-deductible expenses, and discrete items.

The Company recognized income tax expense for the three months ended September 30, 2022 and income tax benefit for the nine months ended September 30, 2022 on the year-to-date pre-tax loss. The deviation from the federal statutory tax rate of 21% is primarily attributable to recognizing the provisions for foreign taxes, GILTI, non-deductible expenses, and discrete items.

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 since 2019 2020 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.

At December 31, 2022 December 31, 2023, the Company had gross deferred tax assets of $147.3 million $137.9 million, of which $49.8 million $23.7 million related to net operating loss (“NOL”) carryforwards. The Company expects to be profitable, have positive taxable income, allowing the Company to utilize its NOL carryforwards and other deferred tax assets.

10. 11. Earnings (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period.

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 and shares issuable upon vesting of RSUs and PBRSUs.

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

		Three Months Ended March 31,					
		Three Months Ended March 31,					
		Three Months Ended March 31,					
						2024	2023
		Three Months Ended September 30,		Nine Months Ended September 30,			
		2023	2022	2023	2022		
Net income (loss)							
Net income (loss)							
Net income (loss)	Net income (loss)	$ 1.3	$ (28.7)	$ 1.9	$ (26.7)		
Basic weighted-average common shares	Basic weighted-average common shares	419,008,998	417,700,782	418,299,910	330,877,880		
Basic weighted-average common shares							
Basic weighted-average common shares							
Add: Effect of dilutive equity awards	Add: Effect of dilutive equity awards	4,345,149	—	4,234,933	—		
Add: Effect of dilutive warrants	Add: Effect of dilutive warrants	33,009,877	—	32,302,754	—		
Diluted weighted average common shares	Diluted weighted average common shares	456,364,024	417,700,782	454,837,597	330,877,880		
Net income (loss) per common share (basic)	Net income (loss) per common share (basic)	$ —	$ (0.07)	$ —	$ (0.08)		

Net income (loss) per common share (diluted)	Net income (loss) per common share (diluted)	$ —	$ (0.07)	$ —	$ (0.08)

Because of their anti-dilutive effect, 705,982 and 589,077 19,030,415 common share equivalents comprised of stock options, PBRSUs, and RSUs have been excluded from the diluted earnings per share calculation for the three and nine months ended September 30, 2023, respectively.

For each of the three and nine months ended September 30, 2022, 21,251,602 common share equivalents were excluded from the diluted earnings per share calculation because of their anti-dilutive effect. March 31, 2024. Additionally, for the three and nine months ended September 30, 2022 March 31, 2024, TCP-ASC ACHI Series LLLP's ("TCP-ASC") and , IHC Health Services, Inc.'s ("Intermountain"), and Providence's exercisable warrants to acquire up to 40.5 million, 1.5 million, and 1.5 million 12.2 million shares, respectively, of the Company's common stock were excluded from the diluted earnings per share calculation because they were anti-dilutive.

For the three months ended March 31, 2023, 768,030 common share equivalents were excluded from the diluted earnings per share calculation because of their anti-dilutive effect.

11. 12. 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.

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") regarding the Company's January 15, 2021 recapitalization transaction with TCP-ASC. Both complaints alleged that TCP-ASC, Ascension Health ("Ascension"), and TowerBrook Capital Partners ("TowerBrook") controlled the Company and breached their fiduciary duties by using that alleged control to force the Company to overpay in redeeming TCP-ASC's preferred stock as part of the recapitalization transaction. The plaintiffs sought an unspecified amount of damages against TCP-ASC, Ascension, and TowerBrook. The plaintiffs also alleged that the Company and TCP-ASC entered into amendments to the Investor Rights Agreement that the plaintiffs contend contain provisions that are void under the Company's charter, bylaws, and the Delaware General Corporation Law. The cases have since been consolidated into a single action.

On February 18, 2022, plaintiffs filed a supplement to their complaint, naming certain additional defendants and asserting additional claims related to the Company's agreement to acquire Cloudmed, which was announced on January 10, 2022. The additional claims alleged that: (i) TCP-ASC, Ascension, and TowerBrook, along with the Company's directors ("Individual Defendants"), breached their fiduciary duties by causing the Company to enter into and approving the Cloudmed acquisition, respectively, which plaintiffs claim will perpetuate TCP-ASC's, Ascension's, and TowerBrook's control over the Company and entrench the Individual Defendants by virtue of certain agreements entered into as part of the transaction, including an Amended and Restated Investor Rights Agreement with TCP-ASC (the "TCP-ASC Investor Rights Agreement") and an Investor Rights Agreement with Coyco 1, L.P. and Coyco 2 (the "Cloudmed Investor Rights Agreement"); and (ii) Cloudmed's stockholders aided and abetted such breaches. Plaintiffs also alleged that certain provisions in the TCP-ASC Investor Rights Agreement and the Cloudmed Investor Rights Agreement are void under the Company's charter and bylaws and the Delaware General Corporation law. The plaintiffs sought a declaratory judgment and damages, as well as attorneys' fees and costs.

In re R1 RCM Inc. Stockholders Litigation

The parties have to the R1 RCM Inc. Stockholders Litigation matter agreed to settle all claims in the lawsuit pursuant to a Stipulation of Settlement ("Stipulation"), entered into that became finalized and effective on September 27, 2023, and publicly filed with the Court on September 29, 2023 January 15, 2024. The settlement is subject to approval by the Court, and a final approval hearing is currently scheduled for December 14, 2023. Defendants have denied, and continue to deny, any and all liability or wrongdoing.

If the Stipulation is approved by the Court without modification, TCP-ASC, Ascension, and Towebrook will TowerBrook collectively contribute $39.8 million contributed $39.8 million to the settlement, and Cloudmed's stockholders will contribute $2.1 million. contributed $2.1 million. The Individual Defendants will contribute $3.6 million to be Company directors at the time of the Cloudmed acquisition contributed $3.6 million, funded entirely by insurance. D&O insurance maintained by the Company. The Company will did not contribute any additional monetary amount to the settlement. Rather, $22.7 million of On January 30, 2024, the aggregate contributions (less any allocated attorneys' fees and notice and administrative costs) of TCP-ASC, Ascension, and Towerbrook will be allocated to Company received $16.4 million from the settlement of for the derivative claims in the lawsuit and paid to the Company. lawsuit. The remainder of the amounts to be paid under the Stipulation (less any allocated attorneys' fees and notice and administrative costs) will be distributed to the settlement class, as defined in the Stipulation, upon approval by the Court. Stipulation. In addition, under the terms of the Stipulation, the parties agreed to eliminate the board size approval right under the TCP-ASC Amended and Restated Investor Rights Agreement with TCP-ASC and the Cloudmed Investor Rights Agreement. Agreement with CoyCo 1, L.P. and CoyCo 2. Amendments to those Investor Agreements were entered into on February 5, 2024. For further information regarding this matter, refer to the 2023 Form 10-K. The Company expects to record the impact of has recorded the settlement upon approval by the Court, which is expected to occur in the fourth quarter. first quarter of 2024 in conjunction with the effective date of and cash receipt from the settlement. The receipt of $16.4 million was recorded to Additional paid-in capital on the Consolidated Balance Sheet and accounted for as a refund of amounts paid as an inducement dividend, which was originally recorded as an equity transaction during the three months ended March 31, 2021. The cash received was classified under financing activities on the Consolidated Statements of Cash Flows.

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, False Claims Act FCA penalties, and attorneys’ fees. The Third Amended Complaint alleges that the Company’s PAS business violates the federal False Claims Act. 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 2023, through2024, with trial, if necessary, likely to be scheduled in 2024. 2025. The Company believes it has meritorious defenses to all claims in the case and is vigorously defending itself against these claims.

12. 13. Related Party Transactions

This note encompasses transactions between Ascension and its affiliates including AMITA Health, and the Company pursuant to the Master Professional Services Agreement, including all supplements, amendments, and other documents entered into in connection therewith. For further details on the Company’s agreements with Ascension, see Note 1 and Note 19 of the 2022 2023 Form 10-K. In conjunction with the Cloudmed acquisition, New Mountain Capital, L.L.C. (“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. 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 impracticable to assign the dollar amount associated with services provided to Ascension.

13. 14. 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:

		Three Months Ended September 30,		Nine Months Ended September 30,				
		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,						
Customer Name	**Customer Name**	**2023**	**2022**	**2023**	**2022**	**Customer Name**	**2024**	**2023**
Ascension and its affiliates	Ascension and its affiliates	40 %	44 %	39 %	52 %	Ascension and its affiliates	36 %	40 %
Intermountain Healthcare	Intermountain Healthcare	11 %	11 %	11 %	13 %	Intermountain Healthcare	10 %	11 %

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

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had a concentration of credit risk with Ascension, representing 9% 8% and 10% of accounts receivable, respectively.

14. 15. Supplemental Financial Information

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

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
Cost of services	Cost of services	$20.0	$14.7	$52.9	$39.0		
Selling, general and administrative	Selling, general and administrative	0.4	0.3	1.0	0.8		
Total depreciation and amortization	Total depreciation and amortization	$20.4	$15.0	$53.9	$39.8		

Intangible asset amortization expense was $50.4 million and $151.7 million for the three and nine months ended September 30, 2023, respectively, and $49.2 million and $68.0 million for the three and nine months ended September 30, 2022, respectively. Amortization expense for intangible assets is included in cost of services on the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

Supplemental cash flow information related to leases are as follows:

	Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 19.2	$ 17.6
Right-of-use assets obtained in exchange for operating lease obligations:	3.8	67.6

15. Restatement of Previously Issued Consolidated Financial Statements

In connection with the preparation of the consolidated financial statements as of and for the three and nine months ended September 30, 2023, the Company identified errors related to the accounting for certain acquiree compensation costs incurred in connection with acquisitions in 2022, 2021, and 2020 that the Company was required to recognize as a Company expense immediately upon the closing of the transactions. These costs should have been recorded as other expenses within the Consolidated Statements of Operations and Comprehensive Income (Loss) in the applicable period and were instead recorded within the purchase price allocation and ultimately recorded as goodwill in the Consolidated Balance Sheets in previously issued financial statements.

As a result of correcting the accounting for certain acquiree compensation costs incurred in connection with acquisitions in 2022, 2021, and 2020, the Company updated the amount of goodwill that should have been recognized in the prior acquisitions and restated its audited Consolidated Balance Sheet as of December 31, 2022. In addition to the errors described above, the Company corrected certain items that were previously identified and concluded as immaterial, individually and in aggregate, to its unaudited consolidated financial statements for the three and nine months ended September 30, 2022, as well as its audited Consolidated Balance Sheet as of December 31, 2022. These adjustments primarily consisted of share-based compensation expense for a modified award that was originally recognized in the quarter ended September 30, 2022 but should have been recognized in the quarter ended March 31, 2021 and immaterial adjustments to the timing and amounts of capitalized assets, prepaid expenses, and accrued expenses for the relevant periods.

The tables below represent our restated consolidated financial statements for the three and nine months ended September 30, 2022.

For the three and nine months ended September 30, 2022

The effects of the restatement on the Consolidated Statement of Operations and Comprehensive Loss for the three and nine months ended September 30, 2022 are summarized in the following table:

	For the three months ended September 30, 2022			For the nine months ended September 30, 2022		
	As Previously Reported	Adjustment	As Restated	As Previously Reported	Adjustment	As Restated

	In millions, except per share data					
Net services revenue ($218.1 million and $657.8 million for the three and nine months ended September 30, 2022, respectively, from related party)	$ 496.0	$ (0.5)	$ 495.5	$ 1,273.6	$ (0.5)	$ 1,273.1
Operating expenses:						
Cost of services	403.1	0.8	403.9	1,009.7	1.7	1,011.4
Selling, general and administrative	60.8	(2.5)	58.3	120.6	(2.4)	118.2
Other	30.1	(1.6)	28.5	136.1	6.4	142.5
Total operating expenses	494.0	(3.3)	490.7	1,266.4	5.7	1,272.1
Income from operations	2.0	2.8	4.8	7.2	(6.2)	1.0
Net interest expense	23.7	—	23.7	35.3	—	35.3
Loss before income tax provision (benefit)	(21.7)	2.8	(18.9)	(28.1)	(6.2)	(34.3)
Income tax provision (benefit)	7.8	2.0	9.8	(7.6)	—	(7.6)
Net loss	$ (29.5)	$ 0.8	$ (28.7)	$ (20.5)	$ (6.2)	$ (26.7)
Net loss per common share:						
Basic	$ (0.07)	$ —	$ (0.07)	$ (0.06)	$ (0.02)	$ (0.08)
Diluted	$ (0.07)	$ —	$ (0.07)	$ (0.06)	$ (0.02)	$ (0.08)
Weighted average shares used in calculating net loss per common share:						
Basic	417,700,782	—	417,700,782	330,877,880	—	330,877,880
Diluted	417,700,782	—	417,700,782	330,877,880	—	330,877,880
Consolidated statements of comprehensive loss						
Net loss	$ (29.5)	$ 0.8	$ (28.7)	$ (20.5)	$ (6.2)	$ (26.7)
Other comprehensive income (loss):						
Net change on derivatives designated as cash flow hedges, net of tax	9.2	—	9.2	8.1	—	8.1
Foreign currency translation adjustments	(2.2)	—	(2.2)	(6.8)	—	(6.8)
Total other comprehensive income, net of tax	$ 7.0	$ —	$ 7.0	$ 1.3	$ —	$ 1.3
Comprehensive loss	$ (22.5)	$ 0.8	$ (21.7)	$ (19.2)	$ (6.2)	$ (25.4)

The effects of the restatement on the Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2022 are summarized in the following table:

	Common Stock		Treasury Stock		Additional		Accumulated Other	
	Shares	Amount	Shares	Amount	Paid-In Capital	Accumulated Deficit	Comprehensive Loss	Total
As Previously Reported								
Balance at December 31, 2021	298,320,928	$ 3.0	(20,094,686)	$ (215.2)	$ 628.5	$ (64.3)	$ (5.3)	$ 346.7
Share-based compensation expense	—	—	—	—	10.2	—	—	10.2
Issuance of common stock related to share-based compensation plans	1,757,955	—	—	—	—	—	—	—
Exercise of vested stock options	77,438	—	—	—	0.4	—	—	0.4
Acquisition of treasury stock related to share-based compensation plans	—	—	(727,768)	(18.7)	—	—	—	(18.7)
Repurchases of common stock	—	—	(8,000)	(0.2)	—	—	—	(0.2)
Net change on derivatives designated as cash flow hedges, net of tax of $0.0 million	—	—	—	—	—	—	0.1	0.1
Foreign currency translation adjustment	—	—	—	—	—	—	(1.4)	(1.4)
Net income	—	—	—	—	—	29.4	—	29.4
Balance at March 31, 2022	300,156,321	$ 3.0	(20,830,454)	$ (234.1)	$ 639.1	$ (34.9)	$ (6.6)	$ 366.5
Share-based compensation expense	—	—	—	—	11.6	—	—	11.6
Issuance of common stock related to share-based compensation plans	505,371	—	—	—	—	—	—	—
Issuance of common stock	135,929,742	1.4	—	—	2,386.1	—	—	2,387.5

Replacement awards issued in conjunction with acquisitions	—	—	—	—	11.3	—	—	11.3
Exercise of vested stock options	395,425	—	(2,282)	(0.1)	2.1	—	—	2.0
Acquisition of treasury stock related to share-based compensation plans	—	—	(153,157)	(3.5)	—	—	—	(3.5)
Net change on derivatives designated as cash flow hedges, net of tax of $0.4 million	—	—	—	—	—	—	(1.2)	(1.2)
Foreign currency translation adjustment	—	—	—	—	—	—	(3.2)	(3.2)
Net loss	—	—	—	—	—	(20.4)	—	(20.4)
Balance at June 30, 2022	436,986,859	$ 4.4	(20,985,893)	$ (237.7)	$ 3,050.2	$ (55.3)	$ (11.0)	$ 2,750.6
Share-based compensation expense	—	—	—	—	24.8	—	—	24.8
CoyCo 2 share-based compensation expense	—	—	—	—	3.0	—	—	3.0
Issuance of common stock related to share-based compensation plans	189,566	—	—	—	—	—	—	—
Issuance of common stock	1,403,687	—	—	—	24.3	—	—	24.3
Exercise of vested stock options	806,597	—	—	—	2.1	—	—	2.1
Acquisition of treasury stock related to share-based compensation plans	—	—	(84,547)	(1.9)	—	—	—	(1.9)
Repurchases of common stock	—	—	(594,126)	(12.6)	—	—	—	(12.6)
Net change on derivatives designated as cash flow hedges, net of tax of $3.1 million	—	—	—	—	—	—	9.2	9.2
Foreign currency translation adjustment	—	—	—	—	—	—	(2.2)	(2.2)
Net loss	—	—	—	—	—	(29.5)	—	(29.5)
Balance at September 30, 2022	439,386,709	$ 4.4	(21,664,566)	$ (252.2)	$ 3,104.4	$ (84.8)	$ (4.0)	$ 2,767.8
Adjustments								
Beginning balance as of January 1, 2021	—	$ —	—	$ —	$ —	$ (2.5)	$ —	$ (2.5)
Share-based compensation expense	—	—	—	—	2.4	—	—	2.4
Net income	—	—	—	—	—	(9.9)	—	(9.9)
Balance at December 31, 2021 (adjustment impacts)	—	$ —	—	$ —	$ 2.4	$ (12.4)	$ —	$ (10.0)
Net income	—	—	—	—	—	0.3	—	0.3
Balance at March 31, 2022 (adjustment impacts)	—	$ —	—	$ —	$ 2.4	$ (12.1)	$ —	$ (9.7)
Net loss	—	—	—	—	—	(7.3)	—	(7.3)
Balance at June 30, 2022 (adjustment impacts)	—	$ —	—	$ —	$ 2.4	$ (19.4)	$ —	$ (17.0)
Share-based compensation expense	—	—	—	—	(2.4)	—	—	(2.4)
Net loss	—	—	—	—	—	0.8	—	0.8
Balance at September 30, 2022 (adjustment impacts)	—	$ —	—	$ —	$ —	$ (18.6)	$ —	$ (18.6)
As Restated								
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	—	—	—	—	10.2	—	—	10.2
Issuance of common stock related to share-based compensation plans	1,757,955	—	—	—	—	—	—	—
Exercise of vested stock options	77,438	—	—	—	0.4	—	—	0.4
Acquisition of treasury stock related to share-based compensation plans	—	—	(727,768)	(18.7)	—	—	—	(18.7)
Repurchases of common stock	—	—	(8,000)	(0.2)	—	—	—	(0.2)
Net change on derivatives designated as cash flow hedges, net of tax of $0.0 million	—	—	—	—	—	—	0.1	0.1
Foreign currency translation adjustment	—	—	—	—	—	—	(1.4)	(1.4)
Net income	—	—	—	—	—	29.7	—	29.7
Balance at March 31, 2022	300,156,321	$ 3.0	(20,830,454)	$ (234.1)	$ 641.5	$ (47.0)	$ (6.6)	$ 356.8
Share-based compensation expense	—	—	—	—	11.6	—	—	11.6

Issuance of common stock related to share-based compensation plans	505,371	—	—	—	—	—	—	—
Issuance of common stock	135,929,742	1.4	—	—	2,386.1	—	—	2,387.5
Replacement awards issued in conjunction with acquisitions	—	—	—	—	11.3	—	—	11.3
Exercise of vested stock options	395,425	—	(2,282)	(0.1)	2.1	—	—	2.0
Acquisition of treasury stock related to share-based compensation plans	—	—	(153,157)	(3.5)	—	—	—	(3.5)
Net change on derivatives designated as cash flow hedges, net of tax of $0.4 million	—	—	—	—	—	—	(1.2)	(1.2)
Foreign currency translation adjustment	—	—	—	—	—	—	(3.2)	(3.2)
Net loss	—	—	—	—	—	(27.7)	—	(27.7)
Balance at June 30, 2022	436,986,859	$ 4.4	(20,985,893)	$ (237.7)	$ 3,052.6	$ (74.7)	$ (11.0)	$ 2,733.6
Share-based compensation expense	—	—	—	—	22.4	—	—	22.4
CoyCo 2 share-based compensation expense	—	—	—	—	3.0	—	—	3.0
Issuance of common stock related to share-based compensation plans	189,566	—	—	—	—	—	—	—
Issuance of common stock	1,403,687	—	—	—	24.3	—	—	24.3
Exercise of vested stock options	806,597	—	—	—	2.1	—	—	2.1
Acquisition of treasury stock related to share-based compensation plans	—	—	(84,547)	(1.9)	—	—	—	(1.9)
Repurchases of common stock	—	—	(594,126)	(12.6)	—	—	—	(12.6)
Net change on derivatives designated as cash flow hedges, net of tax of $3.1 million	—	—	—	—	—	—	9.2	9.2
Foreign currency translation adjustment	—	—	—	—	—	—	(2.2)	(2.2)
Net loss	—	—	—	—	—	(28.7)	—	(28.7)
Balance at September 30, 2022	439,386,709	$ 4.4	(21,664,566)	$ (252.2)	$ 3,104.4	$ (103.4)	$ (4.0)	$ 2,749.2

The effects of the restatement on the Consolidated Statement of Cash Flows for the nine months ended September 30, 2022 are summarized in the following table:

	For the nine months ended September 30, 2022		
	As Previously Reported	**Adjustment**	**As Restated**
		In millions	
Operating activities			
Net loss	$ (20.5)	$ (6.2)	$ (26.7)
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation and amortization	107.8	—	107.8
Amortization of debt issuance costs	2.2	—	2.2
Share-based compensation	46.5	(2.6)	43.9
CoyCo 2 share-based compensation	3.0	—	3.0
Loss on disposal and right-of-use asset write-downs	3.9	—	3.9
Provision for credit losses	10.7	—	10.7
Deferred income taxes	(9.1)	—	(9.1)
Non-cash lease expense	10.5	—	10.5
Other	1.5	—	1.5
Changes in operating assets and liabilities:			
Accounts receivable and related party accounts receivable	(29.7)	0.5	(29.2)
Contract assets	(12.8)	—	(12.8)
Prepaid expenses and other assets	(38.3)	(0.9)	(39.2)
Accounts payable	(23.9)	—	(23.9)
Accrued compensation and benefits	(79.6)	8.3	(71.3)
Lease liabilities	(11.4)	—	(11.4)
Other liabilities	(3.2)	(0.1)	(3.3)

Customer liabilities and customer liabilities - related party	2.9	1.0	3.9
Net cash used in operating activities	(39.5)	—	(39.5)
Investing activities			
Purchases of property, equipment, and software	(74.6)	—	(74.6)
Acquisition of Cloudmed, net of cash acquired	(847.7)	—	(847.7)
Proceeds from disposal of assets	0.4	—	0.4
Net cash used in investing activities	(921.9)	—	(921.9)
Financing activities			
Issuance of senior secured debt, net of discount and issuance costs	1,016.6	—	1,016.6
Borrowings on revolver	30.0	—	30.0
Payment of debt issuance costs	(1.0)	—	(1.0)
Repayment of senior secured debt	(13.1)	—	(13.1)
Repayments on revolver	(30.0)	—	(30.0)
Payment of equity issuance costs	(2.0)	—	(2.0)
Exercise of vested stock options	4.6	—	4.6
Purchase of treasury stock	(12.5)	—	(12.5)
Shares withheld for taxes	(26.9)	—	(26.9)
Other	(0.2)	—	(0.2)
Net cash provided by financing activities	965.5	—	965.5
Effect of exchange rate changes in cash	(3.1)	—	(3.1)
Net increase in cash, cash equivalents, and restricted cash	1.0	—	1.0
Cash, cash equivalents, and restricted cash at beginning of period	130.1	—	130.1
Cash and cash equivalents, end of year	$ 131.1	$ —	$ 131.1
Supplemental disclosures of cash flow information			
Property, equipment and software purchases not paid	$ 27.4	$ —	$ 27.4

	Three Months Ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 7.3	$ 6.2
Right-of-use assets obtained in exchange for operating lease obligations:	13.6	3.1

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

Unless the context indicates otherwise, references in this Quarterly Report on Form 10-Q to "R1," "the Company," "we," "our," and "us" mean R1 RCM Inc. and its subsidiaries.

The following discussion and analysis is an integral part of understanding our financial results and is provided as an addition to, and should be read in connection with, our consolidated financial statements and the accompanying notes.

This Quarterly Report on Form 10-Q 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. Undue reliance should not be placed on these statements. All statements, other than statements of historical facts, included in this Quarterly Report on Form 10-Q 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 macroeconomic conditions our review of strategic alternatives, our strategy, our future operations, our future financial position, our projected costs, our prospects, our plans, challenges faced by health systems and their impact revenue cycle operations and the role of our business therein, objectives of management, our ability to successfully deliver on our commitments to our customers, impacts of the Change Healthcare cyberattack and a customer bankruptcy on our business, and our customers, our industry and the size of our market, the integration of Cloudmed and related benefits, our strategic initiatives, including those related ability to growth, our capital plans, our costs, our efforts to remediate the material weakness in our internal control over financial reporting and the timing of remediation, deploy new business as planned, our ability to successfully implement new technologies, our future financial performance, potential changes ability to reporting segments, complete or integrate acquisitions as planned and our liquidity. to realize the expected benefits from acquisitions, including the acquisition of Acclara, 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, the impact that the review of strategic alternatives could have on our business or our stock price; the outcome and timing of the restatements review of the financial statements for the applicable non-reliance periods, strategic alternatives and the non-compliance notice from Nasdaq relating to our late Form 10-Q, on the price of our common stock, our reputation, our relationships with our investors, suppliers, customers, employees and other parties; our ability to regain compliance with Nasdaq's timely filing requirements for continued listing within the applicable cure period; our ability to remediate the material weakness in our internal control over financial reporting; a suspension thereof; economic downturns and market conditions beyond our control, including periods of high inflation; the quality of global financial markets; our ability to timely and successfully achieve the anticipated benefits and potential synergies of the acquisition acquisitions of Cloudmed; 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 or our vendors' 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; centers or other services provided by other third-parties; the volatility of our stock price; our substantial indebtedness; and the factors discussed elsewhere in this Quarterly Report on Form 10-Q, and those set forth in Part I, Item 1A of Amendment No. 1 to our Annual Report on 2023 Form 10-K for the year ended December 31, 2022 and our other filings with the SEC. U.S. Securities and Exchange Commission (the "SEC").*

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. Subsequent events and developments may cause our views to change. While we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

Restatement of Previously Issued Consolidated Financial Statements

We have restated our unaudited consolidated financial statements for the three and nine months ended September 30, 2022 contained in this report. Refer to Note 15, Restatement of Previously Issued Consolidated Financial Statements, in Item 1, Financial Statements, for additional information related to the restatement, including descriptions of the adjustments and the impacts on our consolidated financial statements. As a result, the previously reported financial information for the three and nine months ended September 30, 2022 in this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, has been updated to reflect the relevant restatements.

Overview

Our Business

We are a leading provider of technology-driven solutions that transform the financial performance and patient experience for health systems, hospitals, and financial performance of physician groups. Our scalable operating models complement a healthcare providers. We assist healthcare providers in generating organization's infrastructure, driving sustainable improvements in their operating margins to net patient revenue and cash flows while also driving revenue yield, reducing operating costs, and enhancing the patient physician, and staff satisfaction for our customers. 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.

We operate and manage our business as a single segment configured with our significant operations and offerings organized around the business of providing revenue cycle management ("RCM") RCM services to healthcare providers.

Review of Strategic Alternatives

As previously disclosed on March 11, 2024, the Board of Directors formed a special committee comprised solely of independent directors (the "Special Committee"), to evaluate all strategic alternatives in response to the Schedule 13D/A filed by New Mountain Capital, L.L.C ("New Mountain") on February 26, 2024. TCP-ASC ACHI Series LLLP ("TCP-ASC") subsequently filed Schedule 13D/As on March 11, 2024 and May 7, 2024, and New Mountain filed additional Schedule 13D/As on April 29, 2024 and May 7, 2024. We may incur substantial costs associated with the need to retain and compensate legal, financial, and other advisors as a result of the strategic review and/or expressed interests, which will be classified as Other expenses. The Company has not set a timetable for completion of the review, may suspend the process at any time and does not intend to make any further public comment regarding the review unless and until it has approved a course of action for which further disclosure is appropriate.

Change Healthcare Cyberattack

On February 21, 2024, Change Healthcare, a subsidiary of UnitedHealth Group, was the subject of a cyberattack that required it to take offline its computer systems that handled electronic payments and insurance claims. Change Healthcare is the largest clearinghouse for medical claims in the U.S. and this event has caused significant delays and disruptions in payments to hospitals, physicians, pharmacists, and other health care providers across the country. In response to the cyberattack, the Company transitioned customers who were impacted to alternative clearinghouses to submit, edit, and release claims to payers to address the backlog. In line with the impacted Change Healthcare systems returning online, R1 conducted a cybersecurity risk assessment of Change Healthcare and engaged a third-party security assessor to review Change Healthcare's security reports and corresponding controls. Based on these reviews and assessments, the Company approved reestablished connections while continuing to monitor the cyber threat environment. As of March 31, 2024, the majority of our customers were transitioned to alternative clearinghouses to remediate processing issues. The Company also implemented technology and automation solutions to help mitigate issues surrounding both near term and longer-term issues for claims submissions, processing, and, ultimately, cash collections. For the three months ended March 31, 2024, the impact to the Company's revenue was approximately $9.5 million, which reflects lower incentive fee revenue due to the effect on key performance metrics and lower modular and other revenue. We expect this to create a shift in timing of revenue between the third and fourth quarters of 2024. Impacts to our costs were not significant in the current quarter, although a number of existing team members were redeployed to work on transitioning our customers. In anticipation of potential customer payment delays and to mitigate impacts to our working capital related to the cyberattack, which have yet to materialize, the Company proactively borrowed $75.0 million under the Senior Revolver on April 3, 2024.

We anticipate additional expenses in 2024 to address the increased claims volume resulting from the disruption. Costs are expected to include interim hiring and contractor needs as well as other third party expenses. Also, the expected cash flow impact to our customers may affect their ability to pay our invoices in a timely manner and will result in additional expense for the Company related to interest due to incremental borrowings to mitigate working capital issues or incremental allowances for uncollectible accounts receivable. These additional costs and revenue impacts related to collection timing, failure to meet key performance metrics that drive incentive fee revenue and claim inflow volumes for modular service customers are expected to affect the Company's overall performance in 2024. We have filed a notice of the Change Healthcare cyberattack with our insurance company and intend to pursue recovery of certain costs and lost revenue.

Trends and Economic Conditions Uncertainties

Revenue cycle is a critical function for healthcare providers as they seek to increase process efficiency and maximize cash collected from health insurance companies 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 Centers for Medicare and & Medicaid Services ("CMS") projects hospital care and physician care expenditures in the U.S. to amount to $1.5 trillion and $930 $977.7 billion in 2023, 2024, respectively. We estimate the cost of hospital and physician revenue cycle operations to be approximately 4% to 5% of revenue, resulting in a market size of approximately $115 $110 billion. According to Research and Markets data from Grand View Research, as of June 2023, U.S. revenue cycle management market spend is projected to grow at a compounded annual growth rate of 11.1% 10.3% through 2028. 2030.

Health systems are currently facing challenges in their revenue cycle operations based on several factors including: (1) more complex and clinical-outcomes based 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 we expect 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.

Growth in economic activity In 2024, we have and demand for goods will continue to work closely with our provider partners to address revenue optimization and services, alongside labor shortages and supply chain complications, contributed workforce management needs more effectively. Such needs continue to high levels of inflation in 2022. We expect inflation to persist throughout 2023, which may impact our costs 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 wages and other materials. Inflation may also impact the economic health our ability to collect cash on behalf of our customers, including their ability to pay amounts owed to us. In response to rising inflation, customers. On the Federal Reserve Board has raised interest rates and signaled that it may modular side, we continue to raise rates. Our credit facility interest, see positive booking trends in part, is based on a variable interest rate structure which can result in increased cost in periods 2024 because of rising interest rates. To date, rising interest rates have not had a material impact on our results of operations.

Our incentive fees in macroeconomic pressures and the first nine months of 2023 improved relative to the second half of 2022 due to modest improvements in payer reimbursement timelines combined with improved operational execution. We expect modest improvement in incentive fees, on a normalized basis, over time. In addition, we expect growth in our physician business will be reduced for the remainder of 2023 due to regulatory changes which we believe contributed in part to a physician customer ceasing operations in August 2023 and filing for bankruptcy protection in September 2023. Any future regulatory changes could have an adverse impact on our customers and our business operations. same performance-related pressures noted above.

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 volume 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 2023 the remainder of 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.

On May 6, 2024, a leading private physician-owned for-profit healthcare network in the United States filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. R1 provides modular services, including Cloudmed and Acclara solutions, to this customer. During the three months ended March 31, 2024, all revenue recorded for services provided was collected. All outstanding receivables have been fully reserved.

Acclara Acquisition

On January 17, 2024, we completed the acquisition of the RCM business ("Acclara") of Providence Health & Services – Washington ("Providence") and certain of its affiliates (the "Acclara Acquisition"). The purchase price was $786.0 million. Concurrently with the closing of the acquisition and as part of the consideration thereof, we issued a warrant to acquire up to 12,192,000 shares of common stock of the Company to Providence. We funded the cash consideration for the Acclara Acquisition and related fees and expenses with cash on hand, borrowings of $80.0 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").

CONSOLIDATED RESULTS OF OPERATIONS

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

	Three Months Ended September 30, 2023	2022	2023 vs. 2022 Change Amount	%	Nine Months Ended September 30, 2023	2022	2023 vs. 2022 Change Amount	%
	(In millions, except percentages)							
Consolidated Statement of Operations Data:								
Net operating fees	$368.0	$323.7	$44.3	14 %	$1,086.8	$ 964.8	$122.0	13 %
Incentive fees	30.1	20.8	9.3	45 %	84.5	80.9	3.6	4 %
Modular and other	174.7	151.0	23.7	16 %	507.8	227.4	280.4	123 %
Total net services revenue	572.8	495.5	77.3	16 %	1,679.1	1,273.1	406.0	32 %
Operating expenses:								
Cost of services	447.5	403.9	43.6	11 %	1,328.1	1,011.4	316.7	31 %
Selling, general and administrative	54.7	58.3	(3.6)	(6)%	164.3	118.2	46.1	39 %
Other expenses	29.4	28.5	0.9	3 %	87.9	142.5	(54.6)	(38)%
Total operating expenses	531.6	490.7	40.9	8 %	1,580.3	1,272.1	308.2	24 %
Income from operations	41.2	4.8	36.4	758 %	98.8	1.0	97.8	9,780 %
Net interest expense	32.1	23.7	8.4	35 %	95.3	35.3	60.0	170 %
Net income (loss) before income tax provision (benefit)	9.1	(18.9)	28.0	(148)%	3.5	(34.3)	37.8	(110)%
Income tax provision (benefit)	7.8	9.8	(2.0)	(20)%	1.6	(7.6)	9.2	(121)%
Net income (loss)	$ 1.3	$ (28.7)	$30.0	(105)%	$ 1.9	$ (26.7)	$ 28.6	(107)%
Adjusted EBITDA (1)	$161.5	$122.6	$38.9	32 %	$ 446.6	$ 298.2	$148.4	50 %

	Three Months Ended March 31, 2024		2023		2024 vs. 2023 Change Amou
	(In millions, except percentages)				
Consolidated Statements of Operations Data:					
Net operating fees	$381.5	$	$361.0	$	$20.5
Incentive fees	15.6	23.6	23.6	(8.0)	
Modular and other fees	206.8		161.0		45.
Total net services revenue	603.9	545.6	545.6	58.3	
Cost of services	497.6	434.7	434.7	62.9	62.
Selling, general and administrative	64.4	47.0	47.0	17.4	
Other expenses	33.9	30.2	30.2	3.7	
Total operating expenses	595.9	511.9	511.9	84.0	
Income from operations	8.0	33.7	33.7	(25.7)	
Net interest expense	41.3		30.7		10.
Net income (loss) before income tax provision	(33.3)		3.0		(36.
Income tax provision	1.8		1.4		0.
Net income (loss)	$ (35.1)	$	$ 1.6	$	$(36.
Adjusted EBITDA (1)	$152.2		$142.2		$ 10.

n.m. - not meaningful

(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.

Use of Non-GAAP Financial Information 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 our 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, including the amortization of cloud computing arrangement implementation fees, share-based compensation expense, CoyCo 2, L.P. ("CoyCo 2") share-based compensation expense, strategic initiatives costs, and other expense items which are detailed in Note 8, 9, Other Expenses, to the consolidated financial statements Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, including business acquisition costs, integration costs, technology transformation, strategic initiatives, the global business services center expansion project in the Philippines, and facility-exit charges. 10-Q.

Although 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; and
    - 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 represents presents a reconciliation of adjusted EBITDA to net income (loss), the most closely comparable GAAP measure, for each of the periods indicated:

	Three Months Ended September 30,		2023 vs. 2022 Change		Nine Months Ended September 30,		2023 vs. 2022 Change	
	2023	2022	Amount	%	2023	2022	Amount	%
	(In millions, except percentages)							
Net income (loss)	$ 1.3	$ (28.7)	$ 30.0	(105)%	$ 1.9	$ (26.7)	$ 28.6	(107)%
Net interest expense	32.1	23.7	8.4	35 %	95.3	35.3	60.0	170 %
Income tax provision (benefit)	7.8	9.8	(2.0)	(20)%	1.6	(7.6)	9.2	(121)%
Depreciation and amortization expense	70.8	64.2	6.6	10 %	205.6	107.8	97.8	91 %
Share-based compensation expense (1)	18.4	22.1	(3.7)	(17)%	48.9	43.9	5.0	11 %
CoyCo 2 share-based compensation expense (2)	1.7	3.0	(1.3)	(43)%	5.4	3.0	2.4	80 %
Other expenses (3)	29.4	28.5	0.9	3 %	87.9	142.5	(54.6)	(38)%
Adjusted EBITDA (non-GAAP)	$ 161.5	$ 122.6	$ 38.9	32 %	$ 446.6	$ 298.2	$ 148.4	50 %

	Three Months Ended March 31,	2024 vs. 2023 Change

	2024	2023	Amount	%
	(In millions, except percentages)			
Net income (loss)	$ (35.1)	$ 1.6	$ (36.7)	n.m.
Net interest expense	41.3	30.7	10.6	35 %
Income tax provision	1.8	1.4	0.4	29 %
Depreciation and amortization expense (1)	78.3	66.0	12.3	19 %
Share-based compensation expense (2)	30.2	10.5	19.7	188 %
CoyCo 2 share-based compensation expense (3)	1.8	1.8	—	— %
Other expenses (4)	33.9	30.2	3.7	12 %
Adjusted EBITDA (non-GAAP)	$ 152.2	$ 142.2	$ 10.0	7 %

n.m. - not meaningful

(1) Depreciation and amortization expense represents the expense associated with depreciation and amortization of property, equipment, and software; amortization of intangible assets; and amortization of cloud computing arrangement implementation fees.

(2) Share-based compensation expense represents the expense associated with stock options, restricted stock units, and performance-based restricted stock units, as reflected in our Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 7, 8, Share-Based Compensation, to the consolidated financial statements included in this Quarterly Report on Form 10-Q for the detail of the amounts of share-based compensation expense.

(2) (3) 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 7, 8, Share-Based Compensation, to the consolidated financial statements included in this Quarterly Report on Form 10-Q for the detail of the amounts of CoyCo 2 share-based compensation expense.

(3) (4) Other expenses are incurred in connection with acquisition and integration costs, initiatives, various exit activities, strategic and transformation initiatives, and organizational changes to improve our business alignment and cost structure. structure, review of strategic alternatives, and stockholder litigation. See Note 8, 9, Other Expenses, to the consolidated financial statements included in this Quarterly Report on Form 10-Q for the detail of the amounts included in other expenses.

Three Months Ended September 30, 2023 March 31, 2024 Compared to Three Months Ended September 30, 2022 March 31, 2023

Net Services Revenue

Net services revenue increased by $77.3 million $58.3 million, or 16% 11%, from $495.5 million $545.6 million for the three months ended September 30, 2022 March 31, 2023, to $572.8 million $603.9 million for the three months ended September 30, 2023 March 31, 2024. The increase was primarily driven by higher net operating fees, improved incentive fees, and new wins in the modular businesses. The increase addition of Acclara revenue of $57.1 million since the acquisition close of which $19.2 million was reflected in net operating fees reflects increased revenues from clients that were onboarded and $37.9 million was reflected in 2022 as well as modest increases modular and other fees. Excluding the impact of Acclara, net operating fees in 2024 grew modestly compared to 2023 driven by low single-digit growth in cash collections from existing customers. offset by attrition related to physician customers and client facility divestitures. The increase decrease in incentive fees reflects net improvements across several enterprise customers. The increase in modular service fee revenue reflects growth the impact of the Change Healthcare cyberattack, primarily related to cash and accounts receivable performance metrics measured on March 31, 2024. There was also a $1.9 million decrease related to a customer contract change that reclassified certain incentive revenue to net operating fees compared to 2023. In addition to the contributions from Acclara, modular and other fees increased by $7.9 million reflecting incremental sales from the expansion of services to existing customers and new customer contracts. This increase was partially offset by delays caused by the Change Healthcare cyberattack and the decrease in revenue related to the large customer that filed for bankruptcy protection as the collectability of the revenue was uncertain at the end of the quarter.

Cost of Services

Cost of services primarily consists of wages and benefits of personnel that perform services for our customers and any related supplies, equipment, or facility costs utilized by these employees, which includes our global shared service centers in India and the Philippines. It also includes cost of services provided to our customers by vendors directly contracted by R1 or assigned to R1 at contract inception. Cost of services increased by $43.6 $62.9 million, or 11% 14%, from $403.9 $434.7 million for the three months ended September 30, 2022 March 31, 2023, to $447.5 $497.6 million for the three months ended September 30, 2023 March 31, 2024. The increase in cost of services was primarily driven by increased payroll and technology infrastructure costs to support new customers onboarded the addition of Acclara's cost of services, which was approximately $52.9 million. Other drivers include an increase in 2022 and growth in our modular business share-based compensation of $11.9 million and an increase in depreciation and amortization expenses driven by investments in internally developed software. of $5.6 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased increased by $3.6 $17.4 million, or 6% 37%, from $58.3 $47.0 million for the three months ended September 30, 2022 March 31, 2023, to $54.7 $64.4 million for the three months ended September 30, 2023 March 31, 2024. The decrease increase was primarily driven by lower expense related to an allowance for credit losses. The allowances for credit losses the addition of $7.5 Acclara's selling, general and administrative expenses of $7.1 million recorded during the three months ended September 30, 2023 primarily related to an end-to-end RCM service customer and a customer of our modular services. During the three months ended September 30, 2022, the allowance for credit losses recorded was $10.4 million, which primarily related to a physician customer that ceased operations and filed for bankruptcy protection during the current quarter. The outstanding accounts receivable balance for the same physician customer was fully reserved as of June 30, 2023. In addition, there was a reduction in increased share-based compensation expense for performance-based awards during the three months ended September 30, 2023 compared to the prior year. of $7.8 million.

Other Expenses

Other expenses increased by $0.9 $3.7 million, or 3% 12%, from $28.5 $30.2 million for the three months ended September 30, 2022 March 31, 2023, to $29.4 $33.9 million for the three months ended September 30, 2023 March 31, 2024. See Note 8, 9, Other Expenses, to the consolidated financial statements included in this Quarterly Report on Form 10-Q for the details of the costs included in this total for the comparative periods.

Income Taxes

The income tax provision decreased increased by $2.0 $0.4 million from $9.8 $1.4 million for the three months ended September 30, 2022 March 31, 2023 to $7.8 $1.8 million for the three months ended September 30, 2023 March 31, 2024. Our effective tax rate (including discrete items) was approximately 86% (5)% and (52)% 47% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The effective tax rate for the three months ended September 30, 2023 March 31, 2024 was higher lower than the statutory federal tax rate due to state income taxes, certain non-deductible compensation, and taxes on foreign source income. tax benefits for pre-tax loss, offset by discrete tax expenses. The effective tax rate for the three months ended September 30, 2022 March 31, 2023 was higher than the federal statutory tax rate due to state income taxes, certain non-deductible compensation, non-deductible transaction costs, and taxes on foreign source income. Our tax rate is also affected income, offset by discrete items that may occur in any given year, but are not necessarily consistent from year to year.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Net Services Revenue

Net services revenue increased by $406.0 million, or 32%, from $1,273.1 million for the nine months ended September 30, 2022, to $1,679.1 million for the nine months ended September 30, 2023. The increase was driven by net operating fees from new end-to-end customers onboarded in 2022 as well as modest improvements in incentive fees. The increase in modular service revenue primarily relates to the acquisition of Cloudmed in June 2022. It also reflects increased revenue from the cross-sell of additional solutions to existing customers and new customer sales.

Cost of Services

Cost of services primarily consists of wages and benefits of personnel that perform services for our customers and any related supplies, equipment, or facility costs utilized by these employees, which includes our global shared service centers in India and the Philippines. It also includes cost of services provided to our customers by vendors directly contracted by R1 or assigned to R1 at contract inception. Cost of servicesincreased by $316.7 million, or 31%, from $1,011.4 million for the nine months ended September 30, 2022, to $1,328.1 million for the nine months ended September 30, 2023.The increase in cost of services primarily relates to the onboarding of employees and vendors of new customers onboarded in 2022 as well as operating costs, including software and acquired intangible asset amortization, for Cloudmed.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $46.1 million, or 39%, from $118.2 million for the nine months ended September 30, 2022, to $164.3 million for the nine months ended September 30, 2023. The increase was driven by increased payroll and benefits costs due to the Cloudmed acquisition, as well as increased technology costs offset by costs savings from the realization of synergies in corporate functions. The increase was also driven by higher expense related to an allowance for credit losses. The allowance for credit losses of $24.1 million recorded during the nine months ended September 30, 2023 primarily related to an end-to-end RCM service customer, a customer of our modular services, and a physician customer. The physician customer ceased operations and filed for bankruptcy protection during the current quarter. During the nine months ended September 30, 2022, an allowance for credit losses of $10.7 million was recorded, primarily related to the same physician customer.

Other Expenses

Other expenses decreased by $54.6 million, or 38%, from $142.5 million for the nine months ended September 30, 2022, to $87.9 million for the nine months ended September 30, 2023. See Note 8, Other Expenses, to the consolidated financial statements included in this Quarterly Report on Form 10-Q for the details of the costs included in this total for the comparative periods. tax benefits.

Income Taxes

Income tax provision increased by $9.2 million from an income tax benefit of $7.6 million for the nine months ended September 30, 2022, to an income tax provision of $1.6 million for the nine months ended September 30, 2023, primarily due to higher pre-tax income and lower discrete benefit for stock windfall. Our effective tax rate (including discrete items) was approximately 46% and 22% for the nine months ended September 30, 2023 and 2022, respectively. The effective tax rate for the nine months ended September 30, 2023 was higher than federal statutory tax rate primarily due to state income taxes, non-deductible compensation, and taxes on foreign source income. The effective tax rate for the nine months ended September 30, 2022 was higher than federal statutory tax rate due to state income taxes, non-deductible transaction costs, non-deductible compensation, and taxes on foreign source income. Our tax rate is also affected by discrete items that may occur in any given year, but are not necessarily consistent from year to year.

CRITICAL ACCOUNTING ESTIMATES

Management considers an accounting estimate to be critical if the accounting estimate requires management to make particularly difficult, subjective, or complex judgments about matters that are inherently uncertain. A summary of our critical accounting estimates is included in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Application of Critical Accounting Estimates” of our 2022 2023 Form 10-K and the related Amendment No. 1. 10-K. There have been no material changes to the critical accounting estimates disclosed in our 2022 2023 Form 10-K or the related Amendment No. 1. 10-K.

NEW ACCOUNTING PRONOUNCEMENTS

For additional information regarding new accounting guidance, see Note 1, Business Description and Basis of Presentation, to our consolidated financial statements included in this Quarterly Report on Form 10-Q, which provides a summary of our recently adopted accounting standards and disclosures.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity include our cash flows from operations and borrowings under our second amended and restated senior credit agreement (the "Second A&R Credit Agreement"). As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had total available liquidity of $703.7 $696.8 million and $609.2 $772.4 million, respectively, reflecting our cash and cash equivalents as well as remaining availability under our senior secured revolving credit facility (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, in property, equipment and software, 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 and 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. Failure of our customers to pay for obligations or the restructuring of such obligations can also impact our liquidity. In the nine months ended September 30, 2023, we increased our credit loss allowance by $11.6 million to fully reserve the outstanding accounts receivable exposure of a large physician customer that ceased operations and filed for bankruptcy protection. Our consolidated credit loss reserve is $38.2 million related to our customer accounts receivable balance.

We expect 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 at least the next 12 months and beyond. Similar to previous material 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

Our indebtedness significantly increased as a result of the Cloudmed acquisition. Acclara Acquisition. As of September 30, 2023 March 31, 2024, we had outstanding debt of $1.7 $2.3 billion with contractual payments extending through 2029, with $67.0 $91.0 million payable within 12 months. Future interest payments associated with our debt total $489.5 $671.2 million, with $124.1 $169.2 million payable within the next 12 months, based on the floating rates as of September 30, 2023 March 31, 2024.

Following the incurrence of incremental borrowings of $75.0 million under the Senior Revolver on April 3, 2024, future interest payments associated with our debt are estimated to be $683.7 million, with $174.7 million payable within the next 12 months, based on the floating rates as of March 31, 2024.

Leases

Our significant leasing activity encompasses leases for real estate, including corporate offices, operational facilities, and global business services centers. As of September 30, 2023 March 31, 2024, we had fixed future lease payments of $125.8 $134.6 million, with $25.2 $28.7 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 September 30, 2023 March 31, 2024, we had purchase obligations related to software and service contracts of $232.7 $196.2 million, with $54.5 $42.7 million payable within 12 months, most of which will be future operating expense.

Cash Flow Activity

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had cash and cash equivalents of $164.9 $178.0 million and $110.1 million $173.6 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:

	Nine Months Ended September 30,	
	2023	2022
	(In millions)	
Net cash provided by (used in) operating activities	$ 221.3	$ (39.5)
Net cash used in investing activities	$ (75.6)	$ (921.9)
Net cash (used in) provided by financing activities	$ (90.5)	$ 965.5

	Three Months Ended March 31,	
	2024	2023
	(In millions)	
Net cash provided by operating activities	$ 46.7	$ 54.7
Net cash used in investing activities	$ (698.4)	$ (25.6)
Net cash provided by (used in) financing activities	$ 656.1	$ (35.4)

Cash Flows from Operating Activities

Cash provided by operating activities increased decreased by $260.8 million $8.0 million from cash used of $39.5 million $54.7 million for the nine three months ended September 30, 2022 March 31, 2023, to cash provided of $221.3 million $46.7 million for the nine three months ended September 30, 2023 March 31, 2024. Cash provided by operating activities primarily increased decreased due to improved operating results (exclusive of non-cash depreciation and amortization). a larger cash bonus payout in 2024 compared to 2023. In addition, the 2022 2024 operating cash flows reflected include payments for liabilities related to the Cloudmed acquisition of Acclara Acquisition expenses that did not occur in 2023.

Cash Used in Investing Activities

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

Cash used in investing activities decreased increased by $846.3 million $672.8 million from $921.9 million $25.6 million for the nine three months ended September 30, 2022 March 31, 2023, to $75.6 million $698.4 million for the nine three months ended September 30, 2023 March 31, 2024. Cash used in investing activities for the nine three months ended September 30, 2022 included March 31, 2024 includes approximately$661.9 million of cash used for the purchase of Cloudmed, which utilized cash of approximately $847.7 million. AcclaraThis amount was partially offset by a $6.5 million increase in property, equipment and software spend related to our strategic initiatives and capitalization of software for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

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 Senior 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 on shares surrendered upon vesting of equity awards, as well as other financing activities.

Cash used in provided by financing activities increased by $1.1 billion $691.5 million from cash used of $35.4 million for the three months ended March 31, 2023, to cash provided of $965.5 million $656.1 million for the nine three months ended September 30, 2022, to cash used of $90.5 million for March 31, 2024. For the ninethree months ended September 30, 2023. For the nine months ended September 30, 2022 March 31, 2024,cash from financing activities included $575.0 million of Incremental Term B Loans (as defined herein), cash was provided by the net of discount and issuance costs of senior secured debt $13.5 million, and additional borrowings of $1.0 billion $80.0 million under the Second A&R Credit Agreement, which we entered into Senior Revolver incurred in conjunction connection with our acquisition of Cloudmed. the Acclara Acquisition. The change also included a $64.0 $22.4 million increase decrease in debt and revolver repayments in 2023 2024 compared to 2022, which was partially offset by a $7.0 2023. Shares withheld for taxes also decreased $11.0 million decrease in cash required to pay tax withholding obligations for surrendered shares upon vesting of equity awards in 2023 2024 compared to 2022. 2023.

Debt and Financing Arrangements

On June 21, 2022, we entered into a 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"), 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 "Existing Term B Loan," and together with the Incremental Term A B Loans, the "Senior Term "Term B Loans"), and the $600.0 million Senior Revolver. The Existing Term A Loan requires quarterly payments. Commencing December 31, 2022

On January 17, 2024, we 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 the 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 $80.0 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.

We are also required to repay the Incremental Term A Loan Loans and the Term B Loan Loans in quarterly principal installments.

The Senior Secured Credit Facilities bear interest at a floating rate, which was 7.57% 7.58% for the Term A Loans and Senior Revolver and 8.32% 8.33% for the Term B Loan Loans as of September 30, 2023 March 31, 2024. See Note 6, 7, Derivative Financial Instruments, to our consolidated financial statements included in this Quarterly Report on Form 10-Q for discussion on our interest rate hedging transactions.

As of September 30, 2023 March 31, 2024, we had drawn $60.0 $80.0 million and had $538.8 $518.8 million of remaining availability on our Senior Revolver.

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 September 30, 2023 March 31, 2024. As a result of the delayed filing of this Quarterly Report on Form 10-Q, on November 17, 2023, the Company received a waiver and extension from the lenders under the Second A&R Credit Agreement with respect to the delivery of financial information and related certifications.

See Note 5, 6, Debt, to our consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information.

Item 3. ***Qualitative Quantitative and Quantitative 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 due to our debt and banking arrangements, which can result in fluctuations in our interest income and expense. As of September 30, 2023 March 31, 2024, we have hedged $500.0 million of our $1.7 billion $2.3 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 $1.8 billion outstanding is subject to average variable rates of 7.57% 7.58% for the Term A Loans and Senior Revolver and 8.32% 8.33% for the Term B Loan Loans as of September 30, 2023 March 31, 2024. Assuming the current level of borrowings, a one percentage point increase or decrease in interest rates would have increased or decreased our annual interest expense on the $1.2 billion $1.8 billion subject to variable rates by approximately $12.3 million $18.1 million as of September 30, 2023 March 31, 2024.

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 and are denominated in Indian rupees and Philippine pesos, respectively. We do not generate significant revenues outside of the United States. For each of the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, 10% and 9% and 8% of our expenses were denominated in foreign currencies. As of September 30, 2023 March 31, 2024 and 2022, 2023, we had net assets of $101.3 $112.7 million and $77.6 $89.3 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 be $16.2 $6.5 million and $11.9 million $5.1 million at September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

We have hedge positions that are designated cash flow hedges of certain intercompany charges which have maturities not extending beyond December 31, 2024 and are intended to partially offset the impact of foreign currency movements on future costs relating to our global business service centers. As of March 31, 2024, we also had foreign currency forward contracts designated as fair value hedges with maturities extending no later than April 30, 2024. These contracts typically have a term of one month in order to manage currency risks between the timing of transaction costs and payment. For additional information, see Note 6, 7, Derivative Financial Instruments to our consolidated financial statements included in this Quarterly Report on Form 10-Q. 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 September 30, 2023 March 31, 2024, it was anticipated that approximately $0.1 million of losses, gains, net of tax, currently recorded in accumulated other comprehensive loss will be reclassified into cost of services within the next twelve 12 months. For designated fair value hedges, gains and losses resulting from changes in fair value are recorded to earnings in the current period. For the three months ended March 31, 2024, the Company had recognized $0.1 million of losses in earnings related to foreign currency forward contracts designated as fair value hedges.

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 (or other base currency of the hedge if not a U.S. dollar hedge) with all other variables held constant would have resulted in a change in the fair value of our hedge instruments of approximately $15.2 million $12.1 million as of September 30, 2023 March 31, 2024.

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 4. ***Controls and Procedures***

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 our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023 March 31, 2024. Our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2023 March 31, 2024, our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting described in Amendment No. 1 on Form 10-K/A for the year ended December 31, 2022.

Remediation of Material Weakness in Internal Control Over Financial Reporting

Management is actively engaged in the implementation of remediation measures to address the internal control deficiencies that resulted in the material weakness in internal control over financial reporting as of September 30, 2023. The Company's remediation actions are being overseen by the Audit Committee of the Board of Directors, and include, but are not limited to, the following: effective.

- Adding appropriately qualified internal and external advisory resources to review and assess material future contemplated 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;
- Enhancing review of acquisition-related documents, including but not limited to draft acquisition agreements, underlying compensation arrangements and funds flow documentation, with both internal and external legal and human resources specialists; and
- Updating the description and detailed attributes of key internal controls over business combinations and related transactions, including review and approval by our Chief Financial Officer, Corporate Controller, and Chief Accounting Officer.

We will continue to modify our remediation plan and may implement additional measures as we complete the redesign and operation of our internal controls in this area. We believe that, once implemented, these additional internal control activities will strengthen our internal control over financial reporting and remediate the material weakness; however, remediation will not be confirmed until management has completed the requisite remediation activities and tested the design and operation of such controls, which is expected to be complete prior to the Company's filing of the Annual Report on Form 10-K for the year ending December 31, 2023.

Changes in Internal Control Over Financial Reporting

Other than as described above, there There have been no changes in our internal control over financial reporting during the third first quarter of 2023 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

Other than the litigation described in Note 11, 12, Commitments and Contingencies, to our consolidated financial statements included in this Quarterly Report on Form 10-Q, 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 1A. ***Risk Factors***

There have been no material changes in our risk factors from those disclosed in our Amendment No. 1 on Form 10-K/A, which amends the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The risk factors disclosed in Part I, Item 1A of our Amendment No. 1 on 2023 Form 10-K/A, 10-K, in addition to the other information set forth in this Quarterly Report on Form 10-Q, could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, and/or operating results.

We are in the process of conducting a review of strategic alternatives that could adversely impact our business or our stock price.

On March 11, 2024, we announced the formation of a Special Committee to evaluate all strategic alternatives in response to the Schedule 13D/A filed by New Mountain with the SEC on February 26, 2024. TCP-ASC subsequently filed Schedule 13D/As on March 11, 2024 and May 7, 2024, and New Mountain filed additional Schedule 13D/As on April 29, 2024 and May 7, 2024. The strategic review process, as well as any unsolicited offers, exposes us to a number of risks, including fluctuations in our stock price in response to developments or speculation regarding any developments related to the review of strategic alternatives and/or expressed interests; distraction of management; difficulties in hiring, retaining and motivating key personnel as a result of uncertainty generated by the strategic review and/or expressed interests or any related developments; difficulties in initiating, expanding and maintaining relationships or arrangements with suppliers, customers (including potentially increasing the length of our selling cycle with potential new customers), and other third parties; substantial expenses associated with the need to retain and compensate legal, financial, and other advisors as a result of the strategic review and/or expressed interests; and litigation in connection with the strategic review and/or expressed interests or any related developments or actions. No assurances can be given regarding the outcome or timing of the Special Committee's review process. The Company has not set a timetable for completion of the review, may suspend the process at any time and does not intend to make any further public comment regarding the review unless and until it has approved a course of action for which further disclosure is appropriate. The occurrence of any one or more of the above risks could have an adverse impact on our business, stock price, financial results, liquidity, and financial condition.

Disruptions in service, including failure of business continuity plans, or damage to our global business services centers, third-party operated data centers or other services provided by other third-parties, 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, information systems, and other services and 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 and them 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.

On February 21, 2024, Change Healthcare, a subsidiary of UnitedHealth Group and the largest clearinghouse for medical claims in the U.S., was the subject of a cyberattack that required it to take offline its computer systems that handled electronic payments and insurance claims, causing significant delays and disruptions in payments to hospitals, physicians, pharmacists, and other health care providers across the country. In response to the cyberattack, we transitioned customers who were impacted to alternative clearinghouses to address the backlog. We approved reestablished connections when Change Healthcare returned online while continuing to monitor the cyber threat environment. For the three months ended March 31, 2024, we earned lower incentive fee revenue due to the effect of the cyberattack on key performance metrics, incurred certain incremental costs, and proactively borrowed $75 million under the Senior Revolver to fund working capital needs as a result of the disruption. The expected cash flow impact to our customers may affect their ability to pay our invoices in a timely manner, and will result in additional expense for us related to interest due on the incremental borrowings and costs to address the increased claims volume resulting from the disruption. These additional costs and revenue impacts related to collection timing, failure to meet key performance metrics that drive incentive fee revenue and claim inflow volumes for modular service customers is expected to affect our overall performance in 2024.

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

Unregistered Sales of Equity Securities

None. There have not been sales of unregistered equity securities during the period covered by this Quarterly Report on Form 10-Q that were not 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:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet be Purchased Under Publicly Announced Plans or Programs (in millions) (1)
July January 1, 2023 2024 through July 31, 2023 January 31, 2024	—	$ —	—	$ 453.2
August February 1, 2023 2024 through August 31, 2023 February 29, 2024	—	—	—	453.2
September March 1, 2023 2024 through September 30, 2023 March 31, 2024	—	—	—	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.

Item 5. *Other Information*

Insider Trading Arrangements

During the quarter ended September 30, 2023 March 31, 2024, 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 6. *Exhibits*

The following are filed or incorporated by reference as a part of this Quarterly Report on Form 10-Q:

(a)

Exhibit Number	Exhibit Description
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	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	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)
10.2	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)
10.3	Amendment No. 1 to Amended and Restated Investor Rights Agreement, dated as of February 5, 2024, by and between R1 RCM Inc. and TCP-ASC ACHI Series LLLP (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-41428) filed on February 6, 2024)
10.4	Amendment No. 1 to Investor Rights Agreement, dated as of February 5, 2024, by and between R1 RCM Inc., CoyCo 1, L.P. and Coyco 2, L.P. (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-41428) filed on February 6, 2024)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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
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
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)

* Furnished herewith.

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: December 4, 2023 May 8, 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 Quarterly Report on Form 10-Q 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: December 4, 2023 May 8, 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 Quarterly Report on Form 10-Q 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: December 4, 2023 May 8, 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 Quarterly Report on Form 10-Q of R1 RCM Inc. (the “Company”) for the period ended September 30, 2023 March 31, 2024 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: December 4, 2023 May 8, 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 Quarterly Report on Form 10-Q of R1 RCM Inc. (the “Company”) for the period ended September 30, 2023 March 31, 2024 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: December 4, 2023 May 8, 2024

/s/ Jennifer Williams
Jennifer Williams
Chief Financial Officer and Treasurer
(Principal Financial Officer)

DISCLAIMER

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