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

FORM 10-Q

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

For the quarterly period ended September 30, 2020

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 001-38961

Change Healthcare Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**82-2152098** **(I.R.S. Employer Identification No.)**
3055 Lebanon Pike, Suite 1000 **Nashville, TN** **(Address of Principal Executive Offices)**	**37214** **(Zip Code)**

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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	☐	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 ☒

Number of shares of common stock outstanding on October 27, 2020: 304,452,260

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Part I. Financial Information

Item 1. Financial Statements

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
Revenue				
Solutions revenue	$ 705,913	$ —	$ 1,354,325	$ —
Postage revenue	50,023	—	95,795	—
Total revenue	755,936	—	1,450,120	—
Operating expenses				
Cost of operations (exclusive of depreciation and amortization below)	326,653	—	645,195	—
Research and development	54,052	—	109,787	—
Sales, marketing, general and administrative	171,606	1,138	337,080	1,389
Customer postage	50,023	—	95,795	—
Depreciation and amortization	146,869	—	285,409	—
Accretion and changes in estimate with related parties, net	3,564	48,363	9,459	48,363
Gain on sale of businesses	(176)	—	(28,270)	—
Total operating expenses	752,591	49,501	1,454,455	49,752
Operating income (loss)	3,345	(49,501)	(4,335)	(49,752)
Non-operating (income) expense				
Interest expense, net	61,627	—	124,294	—
Contingent consideration	(550)	—	(3,000)	—
Loss on extinguishment of debt	1,489	—	1,489	—
Loss from Equity Method Investment in the Joint Venture	—	56,179	—	95,732
(Gain) loss on forward purchase contract	—	2,435	—	2,435
Other, net	(3,211)	(560)	1,047	(664)
Total non-operating (income) expense	59,355	58,054	123,830	97,503
Income (loss) before income tax provision (benefit)	(56,010)	(107,555)	(128,165)	(147,255)
Income tax provision (benefit)	(13,388)	(13,620)	(26,849)	(15,804)
Net income (loss)	$ (42,622)	$ (93,935)	$ (101,316)	$ (131,451)
Net income (loss) per share:				
Basic and diluted	$ (0.13)	$ (0.66)	$ (0.32)	$ (1.20)
Weighted average common shares outstanding:				
Basic and diluted	320,638,116	142,223,836	320,347,128	109,111,853

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss)	$(42,622)	$(93,935)	$(101,316)	$(131,451)
Other comprehensive income (loss):				
Foreign currency translation adjustment	5,221	1,583	11,574	1,809
Changes in fair value of interest rate caps, net of taxes	(1,996)	(1,310)	(6,180)	(6,741)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture, net of taxes	—	1,173	—	1,173
Other comprehensive income (loss)	3,225	1,446	5,394	(3,759)
Total comprehensive income (loss)	$(39,397)	$(92,489)	$ (95,922)	$(135,210)

See accompanying notes to consolidated financial statements.

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

	September 30, 2020	March 31, 2020
Assets		
Current assets:		
Cash & cash equivalents	$ 167,477	$ 410,405
Accounts receivable, net	626,991	740,105
Contract assets, net	135,388	132,704
Prepaid expenses and other current assets	125,996	117,967
Total current assets	1,055,852	1,401,181
Property and equipment, net	193,904	206,196
Operating lease right-of-use assets, net	106,790	—
Goodwill	4,126,481	3,795,325
Intangible assets, net	4,418,079	4,365,806
Investment in business purchase option	—	146,500
Other noncurrent assets, net	309,107	192,372
Total assets	$ 10,210,213	$ 10,107,380
Liabilities		
Current liabilities:		
Accounts payable	$ 47,351	$ 68,169
Accrued expenses	452,974	390,294
Deferred revenue	319,115	302,313
Due to related parties, net	11,606	20,234
Current portion of long-term debt	30,488	278,779
Current portion of operating lease liabilities	32,060	—
Total current liabilities	893,594	1,059,789
Long-term debt, excluding current portion	4,983,737	4,710,294
Long-term operating lease liabilities	88,239	—
Deferred income tax liabilities	627,919	615,904
Tax receivable agreement obligations due to related parties	98,658	177,826
Tax receivable agreement obligations	232,009	164,633
Other long-term liabilities	76,807	93,487
Total liabilities	7,000,963	6,821,933
Commitments and contingencies		
Stockholders' Equity		
Common Stock (par value, $.001), 9,000,000,000 and 9,000,000,000 shares authorized and 304,426,569 and 303,428,142 shares issued and outstanding at September 30, 2020 and March 31, 2020, respectively	304	303
Preferred stock (par value, $.001), 900,000,000 shares authorized and no shares issued and outstanding at both September 30, 2020 and March 31, 2020	—	—
Additional paid-in capital	4,242,721	4,222,580
Accumulated other comprehensive income (loss)	(1,978)	(7,372)
Accumulated deficit	(1,031,797)	(930,064)
Total stockholders' equity	3,209,250	3,285,447
Total liabilities and stockholders' equity	$ 10,210,213	$ 10,107,380

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at March 31, 2019	75,474,654	$ 75	$ 1,153,509	$ (17,841)	$ (3,256)	$ 1,132,487
Cumulative effect of accounting change of the Joint Venture-ASC 606	—	—	—	35,797	—	35,797
Cumulative effect of accounting change of the Joint Venture-ASU 2018-02	—	—	—	(422)	422	—
Equity compensation expense	—	—	5,862	—	—	5,862
Repurchase of Change Healthcare Inc. common stock	—	—	—	—	—	—
Issuance of Change Healthcare Inc. common stock upon exercise of equity awards	—	—	—	—	—	—
Proceeds from exercise of Change Healthcare Inc. equity based awards	—	—	—	—	—	—
Net income (loss)	—	—	—	(37,517)	—	(37,517)
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	226	226
Change in fair value of interest rate caps of the Joint Venture, net of taxes	—	—	—	—	(5,431)	(5,431)
Balance at June 30, 2019	75,474,654	$ 75	$ 1,159,371	$ (19,983)	$ (8,039)	$ 1,131,424
Issuance of Change Healthcare Inc. common stock upon initial public offering	49,285,713	49	608,630	—	—	608,679
Effect of initial public offering issuance costs on Joint Venture equity	—	—	(4,160)	—	—	(4,160)
Issuance of tangible equity units	—	—	232,929	—	—	232,929
Equity compensation expense	—	—	8,585	—	—	8,585
Issuance of Change Healthcare Inc. common stock upon exercise of equity awards	175,439	—	1,139	—	—	1,139
Net income (loss)	—	—	—	(93,935)	—	(93,935)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture	—	—	—	—	1,173	1,173
Foreign currency translation adjustment of the Joint Venture	—	—	—	—	1,583	1,583
Change in fair value of interest rate cap, net of taxes of the Joint Venture	—	—	—	—	(1,310)	(1,310)
Balance at September 30, 2019	124,935,806	$ 124	$ 2,006,494	$ (113,918)	$ (6,593)	$ 1,886,107
Balance at March 31, 2020	303,428,142	$ 303	$ 4,222,580	$ (930,064)	$ (7,372)	$ 3,285,447
Cumulative effect of accounting change-ASU 2016-13	—	—	—	(417)	—	(417)
Equity compensation expense	—	—	8,780	—	—	8,780
Issuance of common stock under equity compensation plans	341,230	1	2,143	—	—	2,144
Net income (loss)	—	—	—	(58,694)	—	(58,694)
Foreign currency translation adjustment	—	—	—	—	6,353	6,353
Change in fair value of interest rate caps, net of taxes	—	—	—	—	(4,184)	(4,184)
Other	—	—	(75)	—	—	(75)
Balance at June 30, 2020	303,769,372	$ 304	$ 4,233,428	$ (989,175)	$ (5,203)	$ 3,239,354
Equity compensation expense	—	—	12,372	—	—	12,372
Issuance of common stock under equity compensation plans	911,961	—	408	—	—	408
Employee tax withholding on vesting of equity compensation awards	(254,764)	—	(3,131)	—	—	(3,131)
Net income (loss)	—	—	—	(42,622)	—	(42,622)
Foreign currency translation adjustment	—	—	—	—	5,221	5,221
Change in fair value of interest rate caps, net of taxes	—	—	—	—	(1,996)	(1,996)
Other	—	—	(356)	—	—	(356)
Balance at September 30, 2020	304,426,569	$ 304	$ 4,242,721	$(1,031,797)	$ (1,978)	$ 3,209,250

See accompanying notes to consolidated financial statements.

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

	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
Cash flows from operating activities:		
Net income (loss)	$(101,316)	$(131,451)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss from Equity Method Investment in the Joint Venture	—	95,732
Depreciation and amortization	285,409	—
Amortization of capitalized software developed for sale	89	—
Accretion and changes in estimate, net	11,188	—
Equity compensation	23,914	—
Deferred income tax expense (benefit)	(28,590)	(15,806)
Amortization of debt discount and issuance costs	16,551	212
Contingent consideration	(3,000)	—
Gain on Sale of Businesses	(28,270)	—
Loss on extinguishment of debt	1,489	—
(Gain) loss on forward purchase contract	—	2,435
Non-cash lease expense	14,629	—
Other, net	7,530	—
Changes in operating assets and liabilities:		
Accounts receivable, net	114,052	—
Contract assets, net	(3,786)	—
Prepaid expenses and other	(48,382)	(2,136)
Accounts payable	(28,666)	—
Accrued expenses and other liabilities	27,687	48,640
Deferred revenue	36,029	—
Due to the Joint Venture, net	—	2,374
Net cash provided by (used in) operating activities	296,557	—
Cash flows from investing activities:		
Capitalized expenditures	(126,432)	—
Acquisitions, net of cash acquired	(439,483)	—
Proceeds from sale of businesses	54,369	—
Investment in the Joint Venture	—	(609,818)
Investment in debt and equity securities of the Joint Venture	—	(278,875)
Other, net	1,100	3,621
Net cash provided by (used in) investing activities	(510,446)	(885,072)
Cash flows from financing activities:		
Payments on Revolving Facility	(250,000)	—
Payments on Term Loan Facility	(50,000)	—
Proceeds from issuance of Senior Notes	325,000	—
Payments under tax receivable agreements with related parties	(20,691)	—
Receipts (payments) on derivative instruments	(14,810)	—
Employee tax withholding on vesting of equity compensation awards	(3,131)	—
Payments on deferred financing obligations	(6,547)	—
Payment of senior amortizing notes	(7,680)	(3,621)
Proceeds from exercise of equity awards	2,584	1,139
Proceeds from initial public offering, net of issuance costs	—	608,679
Proceeds from issuance of equity component of tangible equity units, net of issuance costs	—	232,929
Proceeds from issuance of debt component of tangible equity units	—	47,367
Other, net	(6,454)	(1,421)
Net cash provided by (used in) financing activities	(31,729)	885,072
Effect of exchange rate changes on cash and cash equivalents	2,690	—
Net increase (decrease) in cash and cash equivalents	(242,928)	—
Cash and cash equivalents at beginning of period	410,405	3,409
Cash and cash equivalents at end of period	$ 167,477	$ 3,409

See accompanying notes to consolidated financial statements.

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

1. Nature of Business and Organization

Change Healthcare Inc. (the “Company”, “our” or “we”) is an independent healthcare technology company, focused on accelerating the transformation of the healthcare system through the power of our Healthcare Platform. We provide data and analytics-driven solutions to improve clinical, financial and patient engagement outcomes in the U.S. healthcare system. Our platform and comprehensive suite of software, analytics, technology-enabled services and network solutions drive improved results in the complex workflows of healthcare system payers and providers by enhancing clinical decision making, simplifying billing, collection and payment processes, and enabling a better patient experience.

We are a Delaware corporation originally formed on June 22, 2016, to initially hold an equity investment in Change Healthcare LLC (the “Joint Venture”), a joint venture between the Company and McKesson Corporation (“McKesson”).

Amendment of Certificate of Incorporation

Effective June 26, 2019 and in contemplation of our initial public offering of common stock, we amended the certificate of incorporation to effect a 126.4 for 1 stock split for all previously issued shares of common stock, to increase the authorized number of common stock, and to authorize shares of preferred stock. Following this amendment, the authorized shares include 9,000,000,000 shares of common stock (par value $.001 per share), one share of Class X stock (par value $.001 per share), and 900,000,000 shares of preferred stock (par value $.001 per share). As a result of the Merger (defined below), the Class X Stock is no longer available for issuance.

Initial Public Offering

Effective July 1, 2019, we completed our initial public offering of 49,285,713 shares of common stock and a concurrent offering of 5,750,000 tangible equity units (“TEUs”) for net proceeds of $608,679 and $278,875, respectively.

McKesson Exit

On March 10, 2020, McKesson completed a split-off of its interest in the Joint Venture through an exchange offer of its common stock for shares of PF2 SpinCo, Inc, a Delaware corporation and wholly owned subsidiary of McKesson (“SpinCo”). Immediately following consummation of the exchange offer, SpinCo was merged with and into Change Healthcare Inc. (the “Merger”). As a result, McKesson no longer owns any voting or economic interest in the Joint Venture. Prior to the Merger, we accounted for our investment in the Joint Venture under the equity method of accounting. Subsequent to the Merger, we own 100% of Change Healthcare LLC, and as a result, consolidate the financial statements of Change Healthcare LLC.

COVID-19 Considerations

On March 11, 2020, the World Health Organization declared the current coronavirus (“COVID-19”) outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 within the U.S., federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These measures led to weakened conditions in many sectors of the economy, including a decline in healthcare transaction volumes that are integral to our business.

We experienced, and expect to continue to experience, an adverse impact on our financial results as a result of COVID-19. However, we are not presently aware of events or circumstances arising from COVID-19 that would require us to revise the carrying value of our assets or liabilities, nor do we expect the impact of COVID-19 to cause us to be unable to comply with our debt covenants or meet our contractual obligations.

2. Significant Accounting Policies

Basis of Presentation

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

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

Business Combinations

We recognize the consideration transferred (i.e., purchase price) in a business combination, as well as the acquired business' identifiable assets, liabilities and noncontrolling interests at their acquisition date fair value. The excess of the consideration transferred over the fair value of the identifiable assets, liabilities and noncontrolling interest, if any, is recorded as goodwill. Any excess of the fair value of the identifiable assets acquired and liabilities assumed over the consideration transferred, if any, is generally recognized within earnings as of the acquisition date.

The fair value of the consideration transferred, assets, liabilities and noncontrolling interests is estimated based on one or a combination of income, cost or market approaches as determined based on the nature of the asset or liability and the level of inputs available (i.e., quoted prices in an active market, other observable inputs or unobservable inputs). To the extent our initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are reported for those items which are incomplete.

In conjunction with business combinations, we generally recognize goodwill attributable to the assembled workforce and expected synergies among the operations of the acquired entities and our existing operations. Goodwill is generally deductible for federal income tax purposes when a business combination is treated as an asset purchase and is generally not deductible for federal income tax purposes when a business combination is treated as a stock purchase. See Note 4, *Business Combinations*.

Allowance for Credit Losses

The allowance for credit losses of $28,028 and $22,360 at September 30, 2020 and March 31, 2020, respectively, were primarily based on historical credit loss experience, current conditions and adjustments for certain asset-specific risk characteristics. The following table summarizes activity related to the allowance for credit losses:

	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
Balance at beginning of period	$ 22,360	$ —
Cumulative effect of accounting change-ASU 2016-13	417	—
Acquisitions and Dispositions (1)	(1,493)	—
Provisions	11,824	—
Write-offs	(5,080)	—
Balance at end of period	$ 28,028	$ —

(1) Amount relates primarily to the acquisitions of eRx and PDX and sale of Connected Analytics. See Note 4, *Business Combinations* and Note 5, *Dispositions*.

Leases

We determine whether an arrangement contains a lease based on the conveyed rights and obligations at the inception date. If an agreement contains an operating or finance lease, at the commencement date, we record a right-of-use asset and a corresponding lease liability based on the present value of the minimum lease payments.

As most of our leases do not provide an implicit borrowing rate, to determine the present value of lease payments, we use the portfolio approach and determine our hypothetical secured borrowing rate based on information available at lease commencement. Further, we make certain estimates and judgements regarding the lease term and lease payments, noted below.

Leases with an initial term of 12 months or less are not recorded on the balance sheet and we recognize lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one month to one year or more. Additionally, some of our leases include an option for early termination. We include renewal periods and exclude termination periods from our lease term if, at commencement, we are reasonably certain to exercise the option.

Certain of our lease agreements include rental payments that are adjusted periodically for inflation or passage of time. These step payments are included within our present value calculation as they are known adjustments at commencement. Some of our lease agreements include variable payments that are excluded from our present value calculation. For example, some of our equipment leases include a component which varies based on the asset's use.

Additionally, we have lease agreements that include lease and non-lease components, such as equipment leases, which are generally accounted for as a single lease component. For these leases, lease payments include all fixed payments stated within the contract. For other leases, such as office space, lease and non-lease components are accounted for separately. Our lease agreements do not contain any material residual value guarantees that would impact our lease payments.

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

Recently Adopted Accounting Pronouncements

Financial Instruments: Credit Losses

In April 2020, we adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-13, as amended by ASU No. 2018-19, which requires that a financial asset (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The guidance also requires us to pool assets with similar risk characteristics and consider current economic conditions when estimating losses. We adopted this standard using the modified retrospective approach and recorded a cumulative effect to retained earnings of $417 as of April 1, 2020.

Fair Value Measurements

In April 2020, we adopted FASB ASU No. 2018-13, which modifies the disclosure requirements for fair value measurements. Entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies are required to disclose the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements. See Note 10, *Fair Value Measurements*.

Hosting Arrangement Implementation Costs

In April 2020, we adopted FASB ASU No. 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This update also requires that the effects of such capitalized costs be classified in the same respective caption in the statement of operations, balance sheet and cash flows as the underlying hosting arrangement. We adopted this standard prospectively beginning April 1, 2020. This adoption did not have a material impact on our financial statements for the six months ended September 30, 2020.

Leases

In April 2020, we adopted FASB ASU No. 2016-02, which created Topic 842 – Leases (“ASC 842”). The standard generally requires that all lease obligations be recognized on the balance sheet at the present value of the remaining lease payments with a corresponding right-of-use asset. In July 2018, the FASB issued ASU No. 2018-11 which provides companies with the option to apply this cumulative effect adjustment to the opening balance of retained earnings in the period of adoption.

Upon adoption, we elected the transition “practical expedients” permitting us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs. Additionally, we elected the practical expedient to not separate lease and non-lease components for equipment lease agreements.

We adopted ASC 842 using the modified retrospective approach and recorded right-of-use assets of $111,815 and lease liabilities of $125,331, primarily related to operating leases. The recognition of the right-of-use assets in combination with our previously recorded prepaid rent balances resulted in no requirement to adjust the opening balance of retained earnings. Our accounting for finance leases remains substantially unchanged. Adoption of ASC 842 did not materially impact our consolidated statement of operations and had no impact on our consolidated statement of cash flows. See Note 8, *Leases*, for additional information.

London Interbank Offered Rate (LIBOR) Reform

In March 2020, the FASB issued ASU No. 2020-04, which created Topic 848 – Reference Rate Reform. ASU No. 2020-04 contains optional practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts which may be elected over time as activities occur. Among other things, the ASU intends to ease the transition from LIBOR to an alternative reference rate. During the first quarter of fiscal year 2021, we elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We continue to evaluate the impacts of ASU No. 2020-04 and may apply other elections as reference rate reform activities progress.

Accounting Pronouncements Not Yet Adopted

None that are expected to have a material impact on our financial statements.

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

3. Revenue Recognition

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

We recognize revenue when the customer obtains control of the good or service through satisfying a performance obligation by transferring the promised good or service to the customer.

Principal Revenue Generating Products and Services

Hosted solutions and SaaS—We enter into arrangements whereby we provide the customer access to a Company-owned software solution, which are generally marketed under annual and multi-year arrangements. The customer is only provided "access" (not a license) to the software application. In these arrangements, the customer does not purchase equipment nor does the customer take physical possession of the software. The related revenue is recognized ratably over the contracted term. For fixed fee arrangements, revenue recognition begins after set-up and implementation are complete. For per-transaction fee arrangements, revenue is recognized as transactions are processed beginning on the service start date. Revenue for hosted solutions and SaaS, which is included in solutions revenue, is generated by the Software and Analytics, Network Solutions, and Technology-Enabled Services segments.

Transaction processing services—We provide transaction processing (such as claims processing) services to hospitals, pharmacies and health systems via a cloud-based (SaaS) platform. The promised service is to stand ready to process transactions for our customers over the contractual period on an as needed basis. Revenue related to these services is recognized over time as transactions are processed and the revenue is recognized over the individual days in which the services are performed. Revenue is recognized as solutions revenue in the Software and Analytics, Network Solutions, and Technology-Enabled Services segments, with the exception of revenue related to postage that is generated through the delivery of certain of these services. Postage revenue is discussed below and is separately presented on the consolidated statement of operations. Any fixed annual fees and implementation fees are recognized ratably over the contract period.

Contingent fee services—We provide services to customers in which the transaction price is contingent on future occurrences, such as savings generated or amounts collected on behalf of our customers through the delivery of services. In some cases, we perform services in advance of invoicing the customer, thereby creating a contract asset. Revenue in these arrangements is estimated and constrained until we determine that it is probable a significant revenue reversal will not occur, and variable consideration is allocated to the performance obligation for which we earn a contingent fee. We use the expected value method when estimating variable consideration, as we have a large number of contracts with similar characteristics and consider a portfolio of data from other similar contracts to form our estimate of expected value. Revenue for contingent fee services, which is included in solutions revenue, is generated by the Software and Analytics and Technology-Enabled Services segments.

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

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

Professional services—We provide training and consulting services to our customers, and the services may be fixed fee or time and materials based. Consulting services that fall outside of the standard implementation services vary depending on the scope and complexity of the service requested by the customer. Consulting services are deemed to be capable of being distinct from other products and services, and the services are satisfied either at a point of time or over time based on delivery and are recognized as solutions revenue in the Software and Analytics and Technology-Enabled Services segments. Training services are usually provided as an optional service to enhance the customer's experience with a software product or provides additional education surrounding the general topic of the solution. Training services are capable of being distinct from other products and services. We treat training services as a distinct performance obligation, and those services are satisfied at a point of time and recognized as solutions revenue in the Software and Analytics and Technology-Enabled Services segments.

Postage Revenue

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

Contract Balances

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

We did not recognize any impairment loss on accounts receivable or contract assets during the three and six months ended September 30, 2020. Change Healthcare Inc. did not have accounts receivable prior to the Merger.

We record deferred revenue when billings or payments are received from customers in advance of our performance. Deferred revenue is generally recognized when transfer of control to customers occurs. The deferred revenue balance is driven by multiple factors, including the frequency of renewals, invoice timing, invoice duration and fair value adjustments as a result of the Merger. As of September 30, 2020, we expect 92% of the deferred revenue balance to be recognized in one year or less, and approximately $202,837 of the beginning period balance was recognized during the six months ended September 30, 2020.

Costs to Obtain or Fulfill a Contract

At September 30, 2020, we had capitalized costs to obtain a contract of $4,505 in prepaid and other current assets and $16,131 in other noncurrent assets. At September 30, 2020, we had capitalized costs to fulfill a contract of $5,425 in prepaid and other current assets and $10,250 in other noncurrent assets. Amortization of such capitalized costs to obtain or fulfill a contract were immaterial for the three and six months ended September 30, 2020. Change Healthcare Inc. did not have costs to obtain or fulfill a contract prior to the Merger, and therefore did not record amortization of such capitalized costs during the three and six months ended September 30, 2019.

Remaining Performance Obligations

The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for executed contracts includes deferred revenue and other revenue yet to be recognized from non-cancellable contracts. As of September 30, 2020, the total remaining performance obligations approximated $1,500,164, of which approximately 48% is expected to be recognized over the next twelve months, and the remaining 52% thereafter.

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

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Disaggregated Revenue

We disaggregate the revenue from contracts with customers by operating segment as we believe doing so best depicts how the nature, amount, timing and uncertainty of revenues are affected by economic factors. See Note 19, *Segment Reporting*, for the total revenue disaggregated by operating segment for the three and six months ended September 30, 2020.

In addition to disaggregating revenue by operating segment, we disaggregate revenue between revenue that is recognized over time and revenue that is recognized at a point in time. Approximately 97% and 94% of revenue was recognized over time and approximately 3% and 6% of revenue was recognized at a point in time for the three and six months ended September 30, 2020, respectively.

4. Business Combinations

Fiscal Year 2021 Transactions

eRx Network Holdings, Inc.

On May 1, 2020, we exercised our option to purchase and completed the acquisition of 100% of the ownership interest in eRx Network Holdings, Inc. (“eRx”), a leading provider in comprehensive, innovative and secure data-driven solutions for pharmacies. At the time of the acquisition, all outstanding eRx equity awards were canceled and holders of eRx stock options and vested eRx stock appreciation rights were able to elect to receive consideration in the form of a cash payment or vested stock appreciation rights of the Company. See Note 17, *Incentive Compensation Plans*, for additional information.

Prior to the acquisition, we held an option to purchase eRx which we accounted for as an equity investment. Therefore, our acquisition of eRx was accounted for as a business combination achieved in stages under the acquisition method in accordance with Accounting Standards Codification 805, *Business Combinations* (“ASC 805”). Accordingly, we remeasured our business purchase option to fair value and recognized a loss of $6,000. As a result of working capital adjustments made during the second quarter of fiscal year 2021, we recognized an additional loss on investment of $300 which is recorded within Other, net on our consolidated statement of operations.

The following table summarizes information related to this acquisition as of the acquisition date. The fair values of the assets acquired and the liabilities assumed were determined based on information available to the Company using primarily an income-based approach. During the second quarter of fiscal year 2021, we continued to make purchase price allocation adjustments to refine the fair value of assets acquired, including goodwill. These refinements primarily included an increase to the determined fair value of customer relationships and a decrease to the determined fair value of technology-based intangible assets. There were no material impacts to the consolidated statement of operations as a result of the adjustments. Additional information is being gathered to finalize the amounts with respect to deferred taxes. Accordingly, the measurement of the deferred tax assets acquired and deferred tax liabilities assumed may change upon finalization of the Company’s valuations and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date. We consider our accounting for the other assets acquired and liabilities assumed in the eRx acquisition to be complete.

	eRx
Cash paid at closing	$249,359
Fair value of eRx purchase option	140,200
Fair value of vested stock appreciation rights	5,097
Cash paid for canceled eRx equity awards	5,891
Total Consideration Fair Value at Acquisition Date	$400,547
Allocation of the Consideration Transferred:	
Cash	$ 54,108
Accounts receivable, net of allowance of $326	12,747
Prepaid expenses and other current assets	609
Goodwill	224,452
Identifiable intangible assets:	
Customer relationships (life 17 years)	131,200
Internally developed technology (life 9-12 years)	29,700
Other noncurrent assets	20
Accounts payable	(2,543)
Accrued expenses and other current liabilities	(10,976)
Deferred income tax liabilities	(38,770)
Total consideration transferred	$400,547

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The goodwill recognized, all of which is assigned to the Network Solutions segment, is primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of the healthcare and information technology industries. The goodwill is not expected to be deductible for tax purposes. See Note 6, *Goodwill*.

Acquisition costs related to the purchase of eRx were not material.

PDX, Inc.

On June 1, 2020, we completed the cash purchase of 100% of the ownership interest in PDX, Inc. ("PDX"), a company focused on delivering patient centric and innovative technologies for pharmacies and health systems. We accounted for this transaction as a business combination using the acquisition method.

The fair values of the assets acquired and the liabilities assumed were determined based on information available to the Company using primarily an income-based approach. During the second quarter of fiscal year 2021, we continued to make purchase price allocation adjustments to refine the fair value of assets acquired, including goodwill. These refinements primarily included an increase to the determined fair value of customer relationships and decreases to the determined fair values of technology-based intangible assets and deferred revenue. There were no material impacts to the consolidated statement of operations as a result of the adjustments. Additional information is being gathered to finalize the amounts with respect to deferred taxes. Accordingly, the measurement of the deferred tax assets acquired and deferred tax liabilities assumed may change upon finalization of the Company's valuations and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date. We consider our accounting for the other assets acquired and liabilities assumed in the PDX acquisition to be complete.

After customary working capital adjustments, transaction fees and other adjustments, the total consideration fair value at the acquisition date was $198,291. The following table summarizes the allocation of consideration transferred:

	PDX
Cash	$ 755
Accounts receivable, net of allowance of $1,092	5,739
Prepaid expenses and other current assets	2,251
Property and equipment	840
Goodwill	98,830
Identifiable intangible assets:	
Customer relationships (life 18 years)	74,300
Technology-based intangible assets (life 10-11 years)	25,300
Other noncurrent assets	690
Accounts payable	(3,882)
Deferred revenue, current	(2,946)
Accrued expenses and other current liabilities	(3,364)
Other noncurrent liabilities	(222)
Total consideration transferred	$198,291

The goodwill recognized, all of which is assigned to the Network Solutions segment, is primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of the healthcare and information technology industries. The goodwill is expected to be deductible for tax purposes. See Note 6, *Goodwill*.

Acquisition costs related to the purchase of PDX were not material.

Nucleus.io

In August 2020, we completed the acquisition of Nucleus.io, a leader in the development of advanced, fully enabled, cloud-native imaging and workflow technology. We acquired Nucleus.io for total consideration of $35,120 and accounted for the acquisition as a business combination. The consideration transferred was primarily allocated to technology-based intangible assets of $11,700 and goodwill of $22,341. The goodwill recognized is assigned to the Software and Analytics segment. The preliminary values of the consideration transferred, assets acquired and liabilities assumed in the acquisition, including the related tax effects, are subject to change upon receipt of a final valuation and working capital settlement.

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Fiscal Year 2020 Transactions

The Merger

On March 10, 2020, the Company combined with SpinCo in a two-step all-stock "Reverse Morris Trust" transaction that involved a separation of SpinCo from McKesson followed by the merger of SpinCo with and into the Company, with the Company as the surviving company. As a result of the Merger, the Joint Venture became a wholly owned subsidiary of the Company.

McKesson accepted 15,426,537 shares of its own common stock, par value $0.01 in exchange for all 175,995,192 issued and outstanding shares of SpinCo common stock, par value $0.001 per share (the "SpinCo Common Stock"). All shares of SpinCo Common Stock were then converted into an equal number of shares of common stock of the Company, par value $0.001, which the Company issued to the former holders of SpinCo Common Stock, together with cash in lieu of any fractional shares.

Prior to the Merger, we accounted for our investment in the Joint Venture under the equity method of accounting. Therefore, the acquisition of control of the Joint Venture was accounted for as a business combination achieved in stages under the acquisition method in accordance with ASC 805. Accordingly, we remeasured our previously held equity interest in the Joint Venture to fair value by reference to the publicly traded price of the common shares issued to SpinCo shareholders in exchange for the remaining 58% equity interest in the Joint Venture. Upon remeasurement, we recognized a loss on investment of $230,229. The loss represents the amount by which the carrying value of our investment in the Joint Venture exceeded the fair value of our 42% interest immediately prior to the Merger.

The fair values of the assets acquired and the liabilities assumed were determined based on information available to the Company. Additional information is being gathered to finalize the provisional measurements with respect to deferred taxes. Accordingly, the measurement of the deferred tax assets acquired and deferred tax liabilities assumed may change upon finalization of the Company's valuations and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date. During the first quarter of fiscal year 2021, we increased the estimated fair value of our deferred tax liability by $1,604 which also impacted goodwill. There was no impact to the consolidated statement of operations as a result of the adjustment. We consider our accounting for the other assets acquired and liabilities assumed in the Merger to be complete.

The following table summarizes information related to this acquisition as of the acquisition date:

Net Assets acquired	
Cash	$ 330,665
Accounts receivable, net of allowance of $22,059	718,895
Contract assets	132,704
Prepaid and other current assets	115,265
Investment in business purchase option	146,500
Property and equipment, net	206,751
Goodwill	4,362,252
Other noncurrent assets	169,539
Identified intangible assets:	
Customer relationships (life 12-16 years)	3,056,000
Tradenames (life 18 years)	146,000
Technology-based intangible assets (life 6-12 years)	1,188,000
Drafts and accounts payable	(60,637)
Accrued expenses	(559,456)
Deferred revenue, current	(292,528)
Current portion of long-term debt	(28,969)
Other current liabilities	(22,732)
Long-term debt, excluding current portion	(4,713,565)
Deferred income tax liabilities	(579,680)
Tax receivable agreement obligations with related parties	(176,586)
Other long-term liabilities	(102,675)
Net Assets acquired	$ 4,035,743
Summary of purchase consideration:	
Fair value of shares issued to SpinCo shareholders (175,995,192 shares at $12.47 per share):	
Common Stock, $0.001 par value	$ 176
Additional paid-in capital	2,194,484
Fair value of Joint Venture equity interest previously held	1,589,040
Fair value of Joint Venture equity interest previously held through TEUs	216,764
Settlement of dividend receivable	42,778
Repayment of advances to member	(7,499)
Purchase consideration	$ 4,035,743

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The goodwill recognized in the Merger is primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of the healthcare and information technology industries in which we operate. The majority of the goodwill is not expected to be deductible for tax purposes.

Acquisition costs related to the Merger were not material.

5. Dispositions

On May 1, 2020, we completed the sale of our Connected Analytics business, which was included in our Software and Analytics segment, for total consideration of $55,000, subject to a customary working capital adjustment, including a $25,000 note receivable from the buyer which was recorded within Other noncurrent assets, net on the consolidated balance sheet. The net book value of the Connected Analytics business prior to the sale was $23,093 which includes primarily net accounts receivable of $16,575, goodwill of $21,705 and deferred revenue of $17,133. In connection with this transaction, we recognized a pre-tax gain on disposal of $24,608 which is included within Gain on sale of businesses on the consolidated statement of operations. In July 2020, we received $25,000 plus interest from the buyer in satisfaction of the outstanding note receivable.

6. Goodwill

The following table presents the changes in the carrying amount of goodwill:

	Software and Analytics	Network Solutions	Technology-Enabled Services	Total
Balance at March 31, 2020	$1,770,118	$ 1,645,831	$ 379,376	$3,795,325
Acquisitions (1)	23,191	324,143	133	347,467
Dispositions	(24,073)	—	—	(24,073)
Effects of foreign currency	7,762	—	—	7,762
Balance at September 30, 2020	$1,776,998	$ 1,969,974	$ 379,509	$4,126,481

(1) Amounts relate primarily to the acquisitions of eRx, PDX and Nucleus.io. See Note 4, *Business Combinations*.

7. Equity Method Investment in Change Healthcare LLC

Prior to the Merger, the Company accounted for its investment in the Joint Venture using the equity method of accounting. During the three and six months ended September 30, 2019, the Company recorded a proportionate share of the loss from this investment of $56,179 and $95,732, respectively, which included transaction and integration expenses incurred by the Joint Venture and basis adjustments, including amortization expenses, associated with equity method intangible assets. These amounts are in Loss from Equity Method Investment in the Joint Venture in the consolidated statements of operations.

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Following completion of the Merger, we consolidate the Joint Venture and no longer account for our ownership interest as an equity method investment. Summarized statement of operations information of the Joint Venture prior to the Merger is as follows:

	Three Months Ended September 30, 2019	Six Months Ended September 30, 2019
Total revenue	$ 795,811	$ 1,651,367
Cost of operations (exclusive of depreciation and amortization)	$ 331,234	$ 658,181
Customer postage	$ 57,110	$ 115,594
Net income (loss)	$ (130)	$ 71,785

8. Leases

We lease office space, other facilities, office equipment for internal use, vehicles and bulk invoice pricing and mailing related equipment for customer solutions. Our lease portfolio includes both operating and finance leases with original terms ranging from one to 15 years.

Statement of Operations Information

The components of lease cost are as follows:

	Statement of Operations Location	Three Months Ended September 30, 2020	Six Months Ended September 30, 2020
Operating lease cost	(1)	$ 11,686	$ 22,158
Finance lease cost			
Amortization expense	Depreciation and amortization	123	202
Interest expense	Interest expense, net	34	67
Short-term lease cost	(1)	244	486
Variable lease cost	(1)	1,909	3,751
Sublease income	Other, net	(355)	(662)
Total lease cost		$ 13,641	$ 26,002

(1) Cost classification varies depending on the leased asset. Costs are primarily included within sales, marketing, general and administrative and cost of operations.

Balance Sheet Information

Right-of-use assets and lease liabilities are as follows:

	Balance Sheet Location	September 30, 2020
Right-of-use assets		
Operating leases	Operating lease right-of-use assets, net	$ 106,790
Finance leases	Property and equipment, net	2,085
Total right-of-use assets		$ 108,875
Lease liabilities		
Current liabilities		
Operating leases	Current portion of operating lease liabilities	$ 32,060
Finance leases	Current portion of long-term debt	588
Noncurrent liabilities		
Operating leases	Long-term operating lease liabilities	88,239
Finance leases	Long-term debt, excluding current portion	1,554
Total lease liabilities		$ 122,441

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Cash Flow Information

Supplemental cash flow information is as follows:

	Six Months Ended September 30, 2020	
	Operating Leases	Finance Leases
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows	$ 20,747	$ 67
Financing cash flows	$ —	$ 298
Non-cash activities		
Right-of-use assets obtained in exchange for lease liabilities (1)	$ 11,733	$ 363

(1) Amounts exclude the impact of adopting ASC 842. See Note 2, *Significant Accounting Policies*.

Maturity of Lease Liabilities

Maturities of lease liabilities by fiscal year as of September 30, 2020 are as follows:

	Operating Leases	Finance Leases	Total
Remainder of 2021	$ 20,646	$ 366	$ 21,012
2022	36,889	664	37,553
2023	27,680	485	28,165
2024	19,139	468	19,607
2025	14,027	390	14,417
2026 and thereafter	25,484	—	25,484
Total lease liabilities, undiscounted	143,865	2,373	146,238
Less: Imputed interest	23,566	231	23,797
Total lease liabilities	$ 120,299	$ 2,142	$122,441

Maturities of lease liabilities by fiscal year as of March 31, 2020 were as follows:

	Operating Leases	Finance Leases	Total
2021	$ 40,476	$ 468	$ 40,944
2022	34,750	468	35,218
2023	23,761	468	24,229
2024	15,393	468	15,861
2025	10,780	390	11,170
2026 and thereafter	15,850	—	15,850
Total lease liabilities, undiscounted	$ 141,010	$ 2,262	$143,272

Other Information

Other information related to our leases as of September 30, 2020 is as follows:

	Operating Leases	Finance Leases
Weighted-average remaining lease term	4.88 years	3.88 years
Weighted-average discount rate	7.40%	6.55%

9. Interest Rate Cap Agreements

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage exposures to a wide variety of business and operational risks through management of core business activities. We manage economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage differences in the amount, timing and duration of known or expected cash receipts and known or expected cash payments principally related to existing borrowings.

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Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish these objectives, we primarily use interest rate cap agreements as part of our interest rate risk management strategy. Payments and receipts related to interest rate cap agreements are included in cash flows from financing activities in the consolidated statements of cash flows.

In August 2018, the Joint Venture executed annuitized interest rate cap agreements with notional amounts of $500,000, accreting to $1,500,000 to limit the exposure of the variable component of interest rates under the Term Loan Facility or future variable rate indebtedness to a maximum of 1.0%. The interest rate cap agreements became effective August 31, 2018, accreted to $1,500,000 in March 2020 and expire December 31, 2021. Upon completion of the Merger, these agreements were redesignated as cash flow hedges of the Company.

In March 2020, we executed additional annuitized interest rate cap agreements with notional amounts totaling $1,000,000 to limit the exposure of the variable component of the interest rates under the Term Loan Facility or future variable rate indebtedness to a maximum of 1.0%. Each interest rate cap agreement became effective March 31, 2020 and expires March 31, 2024.

At September 30, 2020, each of our outstanding interest rate cap agreements were designated as cash flow hedges of interest rate risk and were determined to be highly effective.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. We estimate that $1,604 will be reclassified as an increase to interest expense within one year.

Fair Value

The fair value of derivative instruments at September 30, 2020 and March 31, 2020 is as follows:

	Fair Values of Derivative Financial Instruments Asset (Liability)		
Derivative financial instruments designated as hedging instruments:	**Balance Sheet Location**	**September 30, 2020**	**March 31, 2020**
Interest rate cap agreements	Prepaid and other current assets	$ —	$ —
Interest rate cap agreements	Accrued expenses	(28,961)	(28,131)
Interest rate cap agreements	Other long-term liabilities	(10,374)	(19,277)
Total		$ (39,335)	$ (47,408)

See Note 10, *Fair Value Measurements*, for additional information.

Effect of Derivative Instruments on the Statement of Operations

The effect of the derivative instruments on the consolidated statements of operations is as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
Derivative financial instruments in cash flow hedging relationships:	**2020**	**2019**	**2020**	**2019**
Gain/(loss) related to derivative financial instruments recognized in other comprehensive income (loss)	$ (2,277)	$ —	$(6,737)	$—
Gain/(loss) related to portion of derivative financial instruments reclassified from accumulated other comprehensive income (loss) to interest expense	$ 281	$ —	$ 557	$—

Credit Risk-Related Contingent Features

We have agreements with each of our derivative counterparties providing that if we default on any of our indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then we also could be declared in default on our derivative obligations.

As of September 30, 2020, the termination value of derivative financial instruments in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, was $40,314. If we had breached any of these provisions at September 30, 2020, we could have been required to settle our obligations under the agreements at this termination value. We do not offset any derivative financial instruments and the derivative financial instruments are not subject to collateral posting requirements.

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10. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities that are measured at fair value on a recurring basis consist of derivative financial instruments and contingent consideration obligations. The following tables summarize these items, aggregated by the level in the fair value hierarchy within which those measurements fall:

Description	Balance at September 30, 2020	Quoted in Identical Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate cap agreements	$ (39,335)	$ —	$ (39,335)	$ —
Contingent consideration obligation	—	—	—	—
Total	$ (39,335)	$ —	$ (39,335)	$ —

Description	Balance at March 31, 2020	Quoted in Identical Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate cap agreements	$ (47,408)	$ —	$ (47,408)	$ —
Contingent consideration obligation	(3,000)	—	—	(3,000)
Total	$ (50,408)	$ —	$ (47,408)	$ (3,000)

Derivative Financial Instruments

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

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

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments utilize Level 3 inputs to evaluate the likelihood of both our own default and counterparty default. As of September 30, 2020, we determined that the credit valuation adjustments are not significant to the overall valuation of the derivatives. As a result, the derivative valuations are classified in Level 2 of the fair value hierarchy.

Contingent Consideration

The valuation of our contingent consideration obligations was determined using a discounted cash flow method that involved a Monte Carlo simulation. This analysis reflects the contractual terms of the purchase agreements (i.e., minimum and maximum payments, length of earn-out periods, manner of calculating amounts due, etc.) and utilizes assumptions with regard to future cash flows that were determined using a Monte Carlo simulation which were then discounted to present value using an appropriate discount rate. Significant increases with respect to assumptions as to future revenue would have resulted in a higher fair value measurement while an increase in the discount rate would have resulted in a lower fair value measurement.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Balance at beginning of period	$ (550)	$ —	$ (3,000)	$ —
Gain/(loss) included in contingent consideration	550	—	3,000	—
Balance at end of period	$ —	$ —	$ —	$ —

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Assets and Liabilities Measured at Fair Value upon Initial Recognition

The carrying amounts and fair values of financial instruments held as of September 30, 2020 and March 31, 2020 were as follows:

	September 30, 2020		March 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 167,477	$ 167,477	$ 410,405	$ 410,405
Accounts receivable	$ 626,991	$ 626,991	$ 740,105	$ 740,105
Investment in business purchase option	$ —	$ —	$ 146,500	$ 146,500
Senior Credit Facilities (Level 2)	$ 3,648,824	$3,678,387	$ 3,682,457	$3,452,687
Senior Notes (Level 2)	$ 1,317,305	$1,315,063	$ 997,772	$ 950,000
Debt component of tangible equity units (Level 2)	$ 28,058	$ 28,624	$ 35,431	$ 34,806

Additionally, the assets acquired and liabilities assumed as part of business acquisitions were recorded at fair value upon initial recognition. See Note 4, *Business Combinations*, for additional information.

11. Long-Term Debt

Our long-term indebtedness is comprised of a senior secured term loan facility (the “Term Loan Facility”), a revolving credit facility (the “Revolving Facility”; together with the Term Loan Facility, the “Senior Credit Facilities”), and 5.75% senior notes due 2025 (the “Senior Notes”).

Long-term debt as of September 30, 2020 and March 31, 2020, consisted of the following:

	September 30, 2020	March 31, 2020
Senior Credit Facilities		
$5,100,000 Term Loan Facility, due March 1, 2024, net of unamortized discount of $109,426 and $125,793 at September 30, 2020 and March 31, 2020, respectively (effective interest rate of 4.42% and 4.42%, respectively)	$ 3,648,824	$ 3,682,457
$785,000 Revolving Facility, expiring July 3, 2024, and bearing interest at a variable interest rate (1)	—	250,000
Senior Notes		
$1,325,000 5.75% Senior Notes due March 1, 2025, net of unamortized discount of $7,695 and $2,228 at September 30, 2020 and March 31, 2020, respectively (effective interest rate of 5.90% and 5.80%, respectively)	1,317,305	997,772
Tangible Equity Unit Senior Amortizing Note		
$47,367 Senior Amortizing Notes due June 30, 2022, net of unamortized discount of $535 and $842 at September 30, 2020 and March 31, 2020, respectively (effective interest rate of 7.44% and 7.44%, respectively)	28,058	35,431
Other	20,038	23,413
Less current portion	(30,488)	(278,779)
Long-term debt	$ 4,983,737	$ 4,710,294

(1) The weighted average interest rate at March 31, 2020 was 3.25%.

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Senior Credit Facilities

In June 2020, we repaid our outstanding Revolving Facility balance of $250,000. The Revolving Facility has a total borrowing capacity of $785,000 less outstanding letters of credit which totaled $5,016 and $5,118 at September 30, 2020 and March 31, 2020, respectively, leaving $779,984 and $529,882 available for borrowing, respectively.

Senior Notes Issuance

On April 21, 2020, we issued an additional $325,000 aggregate principal amount of 5.75% Senior Notes due 2025 (the "Notes") and incurred issuance costs of $5,364. The Notes were issued as part of the same series as the $1,000,000 Senior Notes issued in February 2017.

Term Loan Repayment

In September 2020, we repaid $50,000 on our Term Loan Facility and recognized a loss on extinguishment of $1,489 in our consolidated statement of operations.

12. Net Income (Loss) Per Share

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net income (loss)	$ (42,622)	$ (93,935)	$ (101,316)	$ (131,451)
Denominator:				
Weighted average common shares outstanding	304,172,412	123,794,511	303,881,424	99,897,191
Minimum shares issuable under purchase contracts	16,465,704	18,429,325	16,465,704	9,214,662
Total weighted average shares outstanding	320,638,116	142,223,836	320,347,128	109,111,853
Basic and diluted net income (loss) per share	$ (0.13)	$ (0.66)	$ (0.32)	$ (1.20)

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Dilutive shares issuable under purchase contracts	1,446,935	3,685,750	2,369,987	1,842,875
Time-Vesting Options	681,938	1,156,510	636,267	1,405,556
Restricted Share Units	778,123	908,745	875,084	454,373
Deferred Stock Units	61,858	—	55,567	—

13. Tax Receivable Agreements

Upon the consummation of the Merger, we assumed obligations related to certain tax receivable agreements (collectively, the "tax receivable agreements") entered into by the Joint Venture with its current and former owners. Depending on whether the respective tax receivable agreements were assumed as part of the Merger or became effective after the Merger, the liabilities related to the tax receivable agreements are subject to differing accounting models as explained below.

Under the tax receivable agreements assumed in connection with the Merger, we are obligated to make payments to certain former stockholders as well to affiliates of The Blackstone Group, L.P. and Hellman & Friedman LLC, some of whom are considered related parties. The cash payments made are equal to 85% of the applicable cash savings realized or expected to be realized for the applicable tax receivable agreements. The tax receivable agreements were measured at their fair value as part of the Merger and are recognized at their initial fair value plus recognized accretion to date on the consolidated balance sheet. Accretion recorded during the period pertaining to related party payments is recorded separately to Accretion and changes in estimate with related parties, net, whereas non-related party accretion is recorded within Sales, marketing, general and administrative in the consolidated statement of operations. As the payments are due to both current and former owners, we have separately presented the estimated aggregated payments due to related parties in future fiscal years in the table below.

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McKesson Tax Receivable Agreement

In connection with the closing of the Transactions, we along with the Joint Venture, the subsidiaries of McKesson that served as members of the Joint Venture ("McK Members"), and McKesson entered into a tax receivable agreement (the "McKesson Tax Receivable Agreement"). The McKesson Tax Receivable Agreement generally requires payment to affiliates of McKesson of 85% of certain cash tax savings realized (or, in certain circumstances, deemed to be realized) in periods ending on or after the date on which McKesson ceases to own at least 20% of the Joint Venture as a result of (i) certain amortizable tax basis in assets transferred to the Joint Venture at the Contribution Agreement Closing and (ii) imputed interest deductions and certain other tax attributes arising from payments under the McKesson Tax Receivable Agreement. Following the McKesson exit and based on anticipated amortization allocations, we recorded an obligation for the McKesson Tax Receivable estimated payments, which represents a loss contingency under ASC 450 and is included in the other long-term liabilities on the consolidated balance sheet. Future changes in this value will be reflected within pretax income or loss.

Based on facts and circumstances at September 30, 2020, we estimate the aggregate payments due under our tax receivable agreements in future fiscal years to be as follows:

	Related Party Tax Receivable Agreements	Other Tax Receivable Agreements	McKesson Tax Receivable Agreement
Remainder of 2021	$ —	$ —	$ —
2022	11,606	10,788	128
2023	47,521	19,947	18,306
2024	30,544	15,366	19,905
2025	15,381	10,977	23,150
Thereafter	73,666	58,755	103,144
Gross expected payments	178,718	115,833	164,633
Less: Amounts representing discount	(68,454)	(37,541)	—
Total tax receivable agreement obligation	110,264	78,292	164,633
Less: Current portion due (included in accrued expenses)	(11,606)	(10,788)	(128)
Tax receivable agreement long-term obligation	$ 98,658	$ 67,504	$ 164,505

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

14. Income Taxes

The following table summarizes income tax information:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Income tax provision (benefit)	$ (13,388)	$ (13,620)	$ (26,849)	$ (15,804)
Effective tax rate	23.9%	12.7%	20.9%	10.7%

Three and Six Months Ended September 30, 2020 and 2019

Fluctuations in our reported income tax rates from the statutory rate are primarily due to the impacts of our acquisition and divestiture activity, benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures, and discrete items recognized in the three and six months ended September 30, 2020. For the three and six months ended September 30, 2019, fluctuations in our reported income tax rates from the statutory rate are primarily due to benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures and discrete items recognized in the quarters.

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15. Legal Proceedings

We are subject to various claims with customers and vendors, pending and potential legal actions for damages, investigations relating to governmental laws and regulators and other matters arising out of the normal conduct of our business.

Government Subpoenas and Investigations

From time to time, we receive subpoenas or requests for information from various government agencies. We generally respond to such subpoenas and requests in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs. Such subpoenas and requests also can lead to the assertion of claims or the commencement of civil or criminal proceedings against us and other members of the health care industry, as well as to settlements.

Other Matters

In the ordinary course of business, we are involved in various claims and legal proceedings. While the ultimate resolution of these matters has yet to be determined, we do not believe that it is reasonably possible that their outcomes will have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

16. Accumulated Other Comprehensive Income (Loss)

The following is a summary of the accumulated other comprehensive income (loss) activity for the six months ended September 30, 2020 and 2019. Prior to the Merger, the activity in accumulated other comprehensive income (loss) reflects the proportionate share of the Joint Venture's accumulated other comprehensive income (loss), net of taxes.

	Available For Sale Debt Security	Foreign Currency Translation Adjustment	Cash Flow Hedge	Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2019	$ —	$ (1,565)	$ (1,691)	$ (3,256)
Cumulative effect of accounting change of the Joint Venture-ASU 2018-02	—	—	422	422
Change associated with foreign currency translation	—	226	—	226
Change associated with current period hedging	—	—	(5,117)	(5,117)
Reclassification into earnings	—	—	(314)	(314)
Balance at June 30, 2019	$ —	$ (1,339)	$ (6,700)	$ (8,039)
Unrealized gain (loss) on available for sale debt securities of the Joint Venture	1,173	—	—	1,173
Change associated with foreign currency translation	—	1,583	—	1,583
Change associated with current period hedging	—	—	(1,509)	(1,509)
Reclassification into earnings	—	—	199	199
Balance at September 30, 2019	$ 1,173	$ 244	$ (8,010)	$ (6,593)
Balance at March 31, 2020	$ —	$ (7,084)	$ (288)	$ (7,372)
Change associated with foreign currency translation	—	6,353	—	6,353
Change associated with current period hedging	—	—	(4,459)	(4,459)
Reclassification into earnings	—	—	275	275
Balance at June 30, 2020	$ —	$ (731)	$ (4,472)	$ (5,203)
Change associated with foreign currency translation	—	5,221	—	5,221
Change associated with current period hedging	—	—	(2,277)	(2,277)
Reclassification into earnings	—	—	281	281
Balance at September 30, 2020	$ —	$ 4,490	$ (6,468)	$ (1,978)

Effective April 1, 2019, the Joint Venture adopted FASB ASU No. 2018-02, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The adoption of this update resulted in a reclassification between accumulative other comprehensive income (loss) and accumulated earnings (deficit).

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17. Incentive Compensation Plans

Long Term Incentive Plan Awards

In connection with the Omnibus Incentive Plan, during the six months ended September 30, 2020, we granted to our employees and directors one or a combination of time-vesting restricted stock units and cash settled restricted stock units under vesting terms that generally vary from one to four years from the date of grant.

Restricted Stock Units ("RSUs") – We granted 307,485 and 5,724,801 RSUs during the three and six months ended September 30, 2020, respectively. The RSUs are subject to either a graded vesting schedule over four years or a one-year cliff vesting schedule, depending on the terms of the specific award. Upon vesting, the RSUs are exchanged for shares of common stock.

Cash Settled Restricted Stock Units ("CSRSUs") – We granted 0 and 172,524 CSRSUs during the three and six months ended September 30, 2020, respectively. The CSRSUs vest 100% upon the one-year anniversary of the date of grant. Upon vesting, we are required to pay cash in settlement of such CSRSUs based on their fair value at the date such CSRSUs vest.

We recognized compensation expense related to these awards granted during the three and six months ended September 30, 2020 of $4,635 and $5,453, respectively. At September 30, 2020, aggregate unrecognized compensation expense related to these awards was $62,674.

eRx Awards

Upon completion of the eRx acquisition all outstanding eRx equity awards were canceled. Holders of eRx stock options and vested eRx stock appreciation rights were able to elect to receive consideration in the form of a cash payment or vested stock appreciation rights of the Company. For those individuals with unvested eRx equity awards, we elected to issue replacement awards with vesting and exercisability terms generally identical to the existing eRx awards which were replaced. These replacement awards granted under the Omnibus Incentive Plan consisted of unvested restricted share units ("eRx RSUs") and unvested stock appreciation rights ("eRx SARs") with terms identical to the original eRx awards. The awards vest subject to the employee's continued employment through the date when Blackstone has sold at least 25% of the maximum number of shares held by it (i.e., a liquidity event) and achieved specified rates of return that vary by award. Upon vesting, we are required to pay cash in settlement of such eRx awards based on their fair value at the date of such vesting. During the three and six months ended September 30, 2020, we recognized compensation expense related to eRx awards granted under the Omnibus Incentive Plan of $1,400 and $1,468, respectively. At September 30, 2020, aggregate unrecognized compensation expense related to these awards was $1,476.

18. Related Party Transactions

eRx Option Agreement

Prior to the creation of the Joint Venture, we entered into an option agreement to acquire eRx (the "Option Agreement"). Under the terms of the Option Agreement, the option to acquire eRx would only become exercisable at any such time that McKesson owns (directly or indirectly), in the aggregate, less than 5% of the outstanding units of the Joint Venture. Subsequent to the Merger, the Option became exercisable and was exercised on May 1, 2020. See Note 4, *Business Combinations*, for additional information.

Transition Services Agreements

In connection with the creation of the Joint Venture, we entered into transition services agreements with eRx. Under the agreements, we provided certain transition services to eRx in exchange for specified fees. Prior to the acquisition of eRx, we recognized $283 and $0 in transition fee income during the six months ended September 30, 2020 and 2019, respectively. We recognized $0 in transition fee income during the three months ended September 30, 2020 and 2019. The amounts received are included in Other, net in the consolidated statement of operations.

Employer Healthcare Program Agreement with Equity Healthcare

Effective January 1, 2014, we entered into an employer health program agreement with Equity Healthcare LLC ("Equity Healthcare"), an affiliate of Blackstone, whereby Equity Healthcare provides certain negotiating, monitoring and other services in connection with our health benefit plans. In consideration for Equity Healthcare's services, we pay a fee of $1.00 per participating employee per month.

Term Loans Held by Related Party

Certain investment funds managed by GSO Capital Partners LP (the "GSO-managed funds") held a portion of the term loans under our Senior Credit Facilities. GSO Advisor Holdings LLC ("GSO Advisor") is the general partner of GSO Capital Partners LP and Blackstone, indirectly through its subsidiaries, holds all of the issued and outstanding equity interests of GSO Advisor. As of September 30, 2020 and March 31, 2020, the GSO-managed funds held $171,805 and $151,301, respectively, in principal amount of the Senior Credit Facilities (none of which is classified within current portion of long-term debt).

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Transactions with Blackstone Portfolio Companies

We provide various services to, and purchase services from, certain Blackstone portfolio companies under contracts that were executed in the normal course of business. The following is a summary of revenue recognized/amounts paid related to service provided to/from Blackstone portfolio companies:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Revenue recognized related to services provided	$ 838	$ —	$ 1,881	$ —
Amount paid related to services received	$ 4,166	$ —	$ 9,458	$ —

19. Segment Reporting

Management views the operating results based on three reportable segments: (a) Software and Analytics, (b) Network Solutions and (c) Technology-Enabled Services.

Software and Analytics

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

Network Solutions

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

Technology-Enabled Services

The Technology-Enabled Services segment provides solutions for financial and administrative management, value-based care, communication and payment, pharmacy benefits administration and healthcare consulting.

Postage and Eliminations

Postage and eliminations includes pass-through postage costs, as well as eliminations to remove inter-segment revenue and expenses and consolidating adjustments to classify certain rebates paid to channel partners as a reduction of revenue. These administrative costs are excluded from the adjusted EBITDA measure for each respective reportable segment.

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Segment Results

Revenue and adjusted EBITDA for each of the reportable segments for the three and six months ended September 30, 2020 are shown below. Information is reflected in the manner utilized by management to make operating decisions, assess performance and allocate resources. Such amounts include allocations of corporate shared services functions that are essential to the core operations of the reportable segments. Segment assets and related depreciation expenses are not presented to management for purposes of operational decision making, and therefore are not included in the accompanying tables.

	Three Months Ended September 30, 2020	Six Months Ended September 30, 2020
Segment Revenue		
Software and Analytics	$ 354,860	$ 746,449
Network Solutions	184,095	326,921
Technology-Enabled Services	231,817	419,523
Postage and Eliminations (1)	24,073	51,136
Purchase Accounting Adjustment (2)	(38,909)	(93,909)
Net Revenue	$ 755,936	$ 1,450,120
Segment Adjusted EBITDA		
Software and Analytics	$ 117,393	$ 261,325
Network Solutions	94,508	165,011
Technology-Enabled Services	19,940	2,360
Adjusted EBITDA	$ 231,841	$ 428,696
Reconciliation of income (loss) before tax provision (benefit) to Adjusted EBITDA		
Income (loss) before income tax provision (benefit)	$ (56,010)	$ (128,165)
Amortization of capitalized software developed for sale	12	89
Depreciation and amortization	146,869	285,409
Interest expense	61,627	124,294
Equity compensation	14,331	23,914
Acquisition accounting adjustments	34,686	83,225
Acquisition and divestiture-related costs	2,337	7,458
Integration and related costs	7,536	17,894
Strategic initiatives, duplicative and transition costs	3,765	8,845
Severance costs	3,172	7,876
Accretion and changes in estimate, net	5,293	11,188
Impairment of long-lived assets and other	7,447	13,760
Gain on sale of businesses	(176)	(28,270)
Contingent consideration	(550)	(3,000)
Loss on Extinguishment of Debt	1,489	1,489
Other non-routine, net	13	2,690
Adjusted EBITDA	$ 231,841	$ 428,696

(1) Revenue for the Postage and Eliminations segment includes postage revenue of $50,023 and $95,795 for the three and six months ended September 30, 2020, respectively.

(2) Amount reflects the impact to deferred revenue resulting from the Merger which reduced revenue recognized during the period.

Prior to the Merger, the Company had minimal operations outside of the investment in the Joint Venture and the Company's standalone operating results were not utilized by management to make operating decisions, assess performance, or allocate resources. As such, the Company reported its results as a single reportable segment for the three and six months ended September 30, 2019.

20. Subsequent Events

In October 2020, the Company made a voluntary repayment on the Term Loan Facility of $75.0 million and recorded a loss on extinguishment of debt of approximately $2.2 million.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our results of operations and financial condition. The MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the year ended March 31, 2020, as well as the unaudited consolidated financial statements and the related notes presented in Item 1 of this Quarterly Report for the quarter ended September 30, 2020 ("Quarterly Report").

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

Overview

We are a leading independent healthcare technology company, focused on accelerating the transformation of the healthcare system through the power of our Healthcare Platform. We provide data and analytics-driven solutions to improve clinical, financial, administrative, and patient engagement outcomes in the U.S. healthcare system.

Our platform and comprehensive suite of software, analytics, technology enabled services and network solutions drive improved results in the complex workflows of healthcare system payers and providers by enhancing clinical decision making, simplifying billing, collection and payment processes, and enabling a better patient experience.

Our Healthcare Platform supports one of the largest clinical and financial healthcare networks in the U.S. With insights gained from our pervasive network, extensive applications and analytics portfolio and our services operations, we have designed analytics solutions that include industry-leading and trusted franchises supported by extensive intellectual property and regularly updated content.

Recent Developments

Senior Notes Issuance

On April 21, 2020, we issued $325.0 million aggregate principal amount of 5.75% Senior Notes due 2025 (the "Notes"). The Notes were issued as part of the same series as the $1,000.0 million Senior Notes issued in February 2017. See Note 11, *Long-Term Debt*, for additional information.

eRx Network Holdings, Inc.

On May 1, 2020, we exercised our option to purchase and completed the acquisition of eRx Network Holdings, Inc. ("eRx"), a leading provider in comprehensive, innovative and secure data-driven solutions for pharmacies. We acquired 100% of the ownership interest for $212.9 million plus cash on the balance sheet and accounted for this transaction as a business combination. See Note 4, *Business Combinations* for additional information.

PDX, Inc.

On June 1, 2020, we completed the purchase of PDX, Inc. ("PDX"), a company focused on delivering patient centric and innovative technologies for pharmacies and health systems. We acquired 100% of the ownership interest for a purchase price of $208.0 million and accounted for this transaction as a business combination. See Note 4, *Business Combinations* for additional information.

Connected Analytics

On May 1, 2020, we completed the sale of our Connected Analytics business, which was included in our Software and Analytics segment, for total consideration of $55.0 million, subject to a customary working capital adjustment, including a $25.0 million note receivable from the buyer. In connection with this transaction, we recognized a gain on disposal of $24.5 million. See Note 5, *Dispositions* for additional information.

Nucleus.io

In August 2020, we completed the acquisition of Nucleus.io, a leader in the development of advanced, fully enabled, cloud-native imaging and workflow technology. We acquired Nucleus.io for total consideration of $35.1 million and accounted for the acquisition as a business combination. See Note 4, *Business Combinations* for additional information.

Term Loan Repayment

In September 2020, we repaid $50.0 million on our Term Loan Facility and recognized a loss on extinguishment of $1.5 million in our consolidated statement of operations. See Note 11, *Long-Term Debt*, for additional information.

Key Components of Our Results of Operations

Prior to the Merger described below, the Company had minimal operations outside of the investment in the Joint Venture, and the Company's standalone operating results were not utilized by management to make operating decisions, assess performance, or allocate resources. As such, the prior period did not include meaningful operating results and only a single reportable segment for the three and six months ended September 30, 2019. For reference, the financial results of the Joint Venture's reportable segments for fiscal years 2019 and 2020 have been included in Exhibit 99.1.

Qualified McKesson Exit

Prior to the Merger, we accounted for our investment in the Joint Venture using the equity method of accounting. Subsequent to the Merger, we own 100% of the Joint Venture and its results of operations. As a result, our consolidated results in periods prior to the Merger are not comparable to our results following the Merger.

Change Healthcare Inc. accounted for the Merger as a business combination achieved in stages in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*.

As a result of the accounting for these transactions and the change in basis of accounting, our consolidated results in periods following the Merger are not comparable to the consolidated results of the Joint Venture in periods prior to the Merger. The following are certain of the more significant changes resulting from the Merger that affect the comparability of financial results and operations:

- Increased tangible and intangible assets resulting from adjusting the basis of the assets to their fair value, which also results in increased depreciation and amortization expense.
- Decrease in long-term debt as a result of adjustments to state the long-term debt at its fair value.
- Decreased deferred revenue as a result of recognizing deferred revenue only to the extent that contractual obligations remain to be fulfilled. These decreases result in decreased solutions revenue.
- Income previously attributable to the Joint Venture and not subject to U.S. federal income taxes and most state and local income taxes is now subject to such taxes, resulting in an increase in Change Healthcare Inc.'s effective tax rate compared with the historical effective tax rate of the Joint Venture.

Segments

We report our financial results in the following three reportable segments: Software and Analytics, Network Solutions and Technology-Enabled Services.

- The Software and Analytics segment provides solutions for revenue cycle management, provider network management, payment accuracy, value-based payments, clinical decision support, consumer engagement, risk adjustment and quality performance, and imaging and clinical workflow.
- The Network Solutions segment provides solutions for financial, administrative, clinical and pharmacy transactions, electronic payments and aggregation and analytics of clinical and financial data.
- The Technology-Enabled Services segment provides solutions for financial and administrative management, value-based care, communication and payment, pharmacy benefits administration and healthcare consulting.

During the first quarter of fiscal year 2021, management decided to allocate all administrative and certain other corporate expenses to the respective reportable segments. Prior to the Merger, the Company had minimal operations outside of the investment in the Joint Venture, and the Company's standalone operating results were not utilized by management to make operating decisions, assess performance, or allocate resources. As such, the Company reported its results as a single reportable segment for the three and six months ended September 30, 2019. For reference, the financial results of the Joint Venture's reportable segments for fiscal years 2019 and 2020 have been recast to reflect the allocation of administrative and corporate expenses described above and are included in Exhibit 99.1.

Factors Affecting Results of Operations

The following are certain key factors that affect, will affect, or have recently affected, our results of operations:

Macroeconomic and Industry Trends

The spread of COVID-19, both globally and in the U.S., has driven lower healthcare utilization as a result of the significant reduction in, or in some cases elimination of, elective medical procedures and healthcare visits, without a corresponding increase in COVID-19 related transactions. A portion of our business is tied to overall volume of activity in the healthcare system, and therefore, we have been adversely impacted by this industry trend. Further, weakened economic conditions or a recession could reduce the amounts patients are willing or able to spend on healthcare services. As a result, patients may elect to delay or forgo seeking healthcare services. Additionally, higher unemployment rates compared to the prior fiscal year are likely to cause commercial payer membership to decline and continue to impact healthcare utilization and transaction volumes.

In response to COVID-19, we initiated a number of actions with our employees' health being our first priority. We also focused on serving our customers and introducing new products and services to address their previously unexpected but now urgent needs related to COVID-19. To ensure our business continuity and the safety and welfare of our team members, we moved the majority of our employees to work from home, shifted to a virtual meeting environment, suspended all non-critical business travel, and expanded telehealth and COVID-19 related paid time off coverage to all employees. We also completed a comprehensive review of our cost structure to balance costs with interim variability in our revenue and have actively aligned our staffing level, primarily in our Technology-Enabled Services segment to address lower interim volume. Starting in March 2020, we initiated hiring freezes, began contractor reductions and made other staffing reductions, primarily in the form of furloughs to provide us with greater flexibility to scale back up as volumes recover. These actions somewhat offset the negative impacts of COVID-19 described above in the first six months of fiscal year 2021, and we expect to continue to see the impact of these actions throughout the remainder of the fiscal year.

While lower healthcare utilization will impact our results negatively this year, we cannot predict the length of time it may take for normal healthcare volumes to return and the extent to which our business, results of operations, financial condition or liquidity will ultimately be impacted by COVID-19. However, we continue to assess its impact on our business and are actively managing our response as the pandemic evolves. We believe the solutions we provide our customers will be as important, if not more, post-COVID-19.

Acquisitions and Divestitures

We actively evaluate opportunities to improve and expand our business through targeted acquisitions that are consistent with our strategy. On occasion, we also may dispose of certain components of our business that no longer fit within our overall strategy. Because of the acquisition and divestiture activity as well as the shifting revenue mix of our business due to this activity, our results of operations may not be directly comparable among periods. See Note 4, *Business Combinations*, and Note 5, *Dispositions*, for details of recent activity.

Results of Operations

Three and Six Months Ended September 30, 2020

(amounts in millions) (1)	Three Months Ended September 30, 2020	Six Months Ended September 30, 2020
Revenue		
Solutions revenue	$ 705.9	$ 1,354.3
Postage revenue	50.0	95.8
Total revenue	755.9	1,450.1
Operating expenses		
Cost of operations (exclusive of depreciation and amortization below)	$ 326.7	$ 645.2
Research and development	54.1	109.8
Sales, marketing, general and administrative	171.6	337.1
Customer postage	50.0	95.8
Depreciation and amortization	146.9	285.4
Accretion and changes in estimate with related parties, net	3.6	9.5
Gain on sale of businesses	(0.2)	(28.3)
Total operating expenses	$ 752.6	$ 1,454.5
Operating income (loss)	$ 3.3	$ (4.3)
Non-operating (income) expense		
Interest expense, net	61.6	124.3
Contingent consideration	(0.6)	(3.0)
Loss on extinguishment of debt	1.5	1.5
Other, net	(3.2)	1.0
Total non-operating (income) expense	$ 59.4	$ 123.8
Income (loss) before income tax provision (benefit)	(56.0)	(128.2)
Income tax provision (benefit)	(13.4)	(26.8)
Net income (loss)	$ (42.6)	$ (101.3)

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

Revenue

Solutions revenue

Solutions revenue was $705.9 million and $1,354.3 million for the three and six months ended September 30, 2020, respectively. Factors affecting solutions revenue are described in the various segment discussions below.

Postage revenue

Postage revenue was $50.0 million and $95.8 million for the three and six months ended September 30, 2020, respectively. See "Customer Postage" below for additional information.

Operating Expenses

Cost of operations (exclusive of depreciation and amortization)

Cost of operations was $326.7 million and $645.2 million for the three and six months ended September 30, 2020, respectively. Cost of operations reflects lower staffing and materials costs associated with decreased utilization as a result of COVID-19, partially offset by incremental costs associated with recent acquisitions.

Sales, marketing, general and administrative

Sales, marketing, general and administrative expense was $171.6 million and $337.1 million for the three and six months ended September 30, 2020, respectively. Sales, marketing, general and administrative expense reflects lower costs related to a one-time change in benefits policy, reduced healthcare benefits as a result of lower employee healthcare utilization, and timing related to deferred hiring as a result of COVID-19.

Research and development

Research and development expense was $54.1 million and $109.8 million for the three and six months ended September 30, 2020, respectively. Research and development expense reflects incremental costs associated with recent acquisitions partially offset by deferred hiring and other related costs impacted by COVID-19.

Customer postage

Customer postage was $50.0 million and $95.8 million for the three and six months ended September 30, 2020, respectively. Customer postage is affected by changes in print volumes within communication and payment solutions. Because customer postage is a pass-through cost to our customers, changes in volume of customer postage generally have no effect on operating income.

Depreciation and amortization

Depreciation and amortization expense was $146.9 million and $285.4 million for the three and six months ended September 30, 2020, respectively. Depreciation and amortization were generally affected by routine amortization of tangible and intangible assets existing at March 31, 2020 which was impacted by fair value adjustments resulting from the Merger, as well as the routine amortization and depreciation of additions to property, equipment, software and intangible assets since that date.

Accretion and changes in estimate with related parties, net

Accretion and changes in estimate with related parties, net was $3.6 million and $9.5 million for the three and six months ended September 30, 2020, respectively. Accretion is routinely affected by changes in the expected timing or amount of cash flows which may result from various factors, including changes in tax rates.

Gain on sale of businesses

Gain on sale of businesses was $0.2 million and $28.3 million for the three and six months ended September 30, 2020, respectively, which primarily represents the gain recorded as a result of the sale of Connected Analytics in May 2020.

Non-Operating Income and Expense

Interest expense, net

Interest expense, net was $61.6 million and $124.3 million for the three and six months ended September 30, 2020, respectively. We have interest rate cap agreements in place to limit our exposure to rising interest rates and such agreements, together with our fixed rate notes, effectively fixed interest rates for approximately 75% of our total indebtedness at September 30, 2020.

Contingent consideration

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

Loss on extinguishment of debt

Loss on extinguishment of debt was $1.5 million for both the three and six months ended September 30, 2020, which is related to the write-off of unamortized discounts and debt issuance costs associated with repayment of our Term Loan Facility.

Other, net

Other, net primarily reflects mark to market adjustments on our investments.

Income Taxes

Our effective tax rate for the three and six months ended September 30, 2020 was 23.9% and 20.9%, respectively. Fluctuations in our reported income tax rates from the statutory rate are primarily due to the impacts of our acquisition and divestiture activity, benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures, and discrete items recognized in the three and six months ended September 30, 2020.

Solutions Revenue and Adjusted EBITDA

(amounts in millions) (1)	Three Months Ended September 30, 2020	Six Months Ended September 30, 2020
Solutions revenue (2)		
Software and Analytics	$ 354.9	$ 746.4
Network Solutions	$ 184.1	$ 326.9
Technology-Enabled Services	$ 231.8	$ 419.5
Adjusted EBITDA		
Software and Analytics	$ 117.4	$ 261.3
Network Solutions	$ 94.5	$ 165.0
Technology-Enabled Services	$ 19.9	$ 2.4

(1) As a result of displaying amounts in millions, rounding differences may exist in the table above.
(2) Includes inter-segment revenue and excludes deferred revenue purchase accounting adjustments.

Software and Analytics

Software and Analytics revenue for the three and six months ended September 30, 2020, reflects the negative impact of COVID-19 and the impact of the Connected Analytics divestiture of $17.3 million and $28.7 million, respectively, partially offset by new sales and organic revenue growth. Software and Analytics adjusted EBITDA for the three and six months ended September 30, 2020 was impacted by the same factors that impacted revenue.

Network Solutions

Network Solutions revenue and adjusted EBITDA for the three and six months ended September 30, 2020, reflects new sales and the inclusion of the acquisitions of eRx and PDX which had a combined revenue impact of $32.9 million and $49.9 million, respectively. This positive impact is partially offset by lower utilization due to COVID-19. Network Solutions adjusted EBITDA for the three and six months ended September 30, 2020 was impacted by the same factors that impacted revenue as well as investments to support new product launches and market expansion opportunities in the core network, data solutions, and business to business payments.

Technology-Enabled Services

Technology-Enabled Services revenue for the three and six months ended September 30, 2020 reflects lower volume, driven by the impact of COVID-19 and customer attrition, partially offset by new sales and organic revenue growth. Technology-Enabled Services adjusted EBITDA for the three and six months ended September 30, 2020 was impacted by the same factors that impacted revenue.

Three and Six Months Ended September 30, 2019

(amounts in millions) (1)	Three Months Ended September 30, 2019		Six Months Ended September 30, 2019	
Total revenue	$	—	$	—
Operating expenses				
Sales, marketing, general and administrative	$	1.1	$	1.4
Accretion and changes in estimate with related parties, net		48.4		48.4
Total operating expenses	$	49.5	$	49.8
Operating income (loss)	$	(49.5)	$	(49.8)
Non-operating (income) expense				
Loss from Equity Method Investment in the Joint Venture		56.2		95.7
(Gain) loss on other investments		2.4		2.4
Other, net		(0.6)		(0.7)
Total non-operating (income) and expense	$	58.1	$	97.5
Income (loss) before income tax provision (benefit)		(107.6)		(147.3)
Income tax provision (benefit)		(13.6)		(15.8)
Net income (loss)	$	(94.0)	$	(131.5)

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

Operating Expenses

Accretion and changes in estimate with related parties, net

Accretion and changes in estimate with related parties, net was $48.4 million for both the three and six months ended September 30, 2019. This amount reflects estimated tax payments to be paid to related parties for anticipated future tax savings allocated to the Company.

Non-Operating Income and Expense

Loss from Equity Method Investment in the Joint Venture

Prior to the Merger, loss from equity method investment in the Joint Venture generally represented our proportionate share of the income or loss from our investment in the Joint Venture, including basis adjustments related to amortization expense associated with equity method intangible assets, property and equipment, deferred revenue and other items.

Loss from equity method investment in the Joint Venture was $56.2 million and 95.7 million for the three and six months ended September 30, 2019, respectively. The loss was discretely affected by the Joint Venture's adoption of ASC 606 which drove $17.0 million of income and Change Healthcare Inc.'s adoption of ASU 2018-07, which resulted in $45.4 million of loss upon changes in the fair value of its dividend receivable.

(Gain) loss on other investments

(Gain) loss on other investments was $2.4 million for both the three and six months ended September 30, 2019. This amount reflects losses recognized during the period on equity securities.

Income Taxes

Our effective tax rate for the three and six months ended September 30, 2019 was 12.7% and 10.7%, respectively. Fluctuations in our reported income tax rates from the statutory rate are primarily due to benefits recognized as a result of certain incentive tax credits resulting from research and experimental expenditures and discrete items recognized in the quarters.

Significant Changes in Assets and Liabilities

During first six months of fiscal year 2021, we completed a debt offering of $325.0 million, repaid $250.0 million that was outstanding on our Revolving Facility, and repaid $50.0 million on our Senior Notes. Further, we adopted ASC 842 establishing operating lease right-of-use assets and operating liabilities. As a result of the eRx acquisition, our investment in business purchase option was eliminated decreasing our total assets. Finally, goodwill increased primarily as a result of the acquisitions of eRx and PDX.

Within our Network Solutions segment, we regularly receive funds from certain pharmaceutical industry participants in advance of its obligation to remit these funds to participating retail pharmacies. Such funds are not restricted; however, these funds are generally paid out in satisfaction of the processing obligations within three business days of their receipt. At the time of receipt, we record a corresponding liability within accrued expenses on our consolidated balance sheets. At September 30, 2020, we reported $27.7 million of such pass-through payment obligations which were subsequently paid in the first week of October 2020. At March 31, 2020, we reported $29.1 million of such pass-through payment obligations.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are cash flows provided by operating activities, cash and cash equivalents on hand, and our Revolving Facility. Our principal uses of liquidity are working capital, capital expenditures, debt service, business acquisitions and other general corporate purposes. We anticipate our cash on hand, cash generated from operations, and funds available under the

Revolving Facility will be sufficient to fund our planned capital expenditures, debt service obligations, business acquisitions and operating needs. We may, however, elect to raise funds through debt or equity financing in the future to fund significant investments or acquisitions that are consistent with our growth strategy. Further, we may be required to make additional principal payments on the Term Loan Facility based on excess cash flows of the prior year, as defined in the credit agreement governing the Term Loan Facility.

Cash and cash equivalents totaled $167.5 million and $410.4 million at September 30, 2020 and March 31, 2020, respectively, of which $18.4 million and $22.2 million was held outside the U.S., respectively. As of September 30, 2020, no amounts had been drawn under the Revolving Facility and $5.0 million had been issued in letters of credit against the Revolving Facility, leaving $780.0 million available for borrowing. We also have the ability to borrow up to an additional $1,102.8 million, or such amount that the senior secured net leverage ratio does not exceed 4.9 to 1.0, whichever is greater, under the Term Loan Facility, subject to certain additional conditions and commitments by existing or new lenders to fund any additional borrowings.

Cash Flows

Six Months Ended September 30, 2020

The following table summarizes the net cash flow from operating, investing and financing activities:

(amounts in millions) (1)	**Six Months Ended September 30, 2020**
Cash provided by (used in) operating activities	$ 296.6
Cash provided by (used in) investing activities	(510.4)
Cash provided by (used in) financing activities	(31.7)
Effects of exchange rate changes on cash and cash equivalents	2.7
Net change in cash and cash equivalents	$ (242.9)

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

Operating Activities

Cash provided by operating activities is primarily affected by operating income, including the impact of debt service payments, integration related costs and the timing of collections and related disbursements. Cash provided by operating activities includes $1.4 million as a use of cash related to pass-through funds for the six months ended September 30, 2020.

Investing Activities

Cash used in investing activities reflects primarily the eRx, PDX and Nucleus.io acquisitions partially offset by the sale of the Connected Analytics business that occurred during the six months ended September 30, 2020. Cash used in investing activities also reflects routine capital expenditures related to purchase of property and equipment and the development of software as well as expenditures related to significant software development efforts necessary to integrate the contributed businesses.

Financing Activities

Cash used in financing activities reflects the repayment of the Revolving Facility and payment made on the Term Loan offset by the issuance of additional Senior Notes during the six months ended September 30, 2020. Additional cash used in financing activities reflects payments under tax receivable agreements, interest rate cap agreements, employee tax withholdings on vesting of equity awards, deferred financing obligations and TEU agreements.

Six Months Ended September 30, 2019

The following table summarizes the net cash flow from operating, investing and financing activities:

(amounts in millions) (1)	**Six Months Ended September 30, 2019**
Cash provided by (used in) operating activities	$ —
Cash provided by (used in) investing activities	(885.1)
Cash provided by (used in) financing activities	885.1
Effects of exchange rate changes on cash and cash equivalents	—
Net change in cash and cash equivalents	$ —

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

Investing Activities

Cash used in investing activities during the six months ended September 30, 2019, reflects the incremental investment in the Joint Venture upon the Company’s initial public offering.

Financing Activities

Cash provided by financing activities during the six months ended September 30, 2019, was primarily impacted by the proceeds from the initial public offering.

Capital Expenditures

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

Debt

Senior Credit Facilities and Senior Notes

In March 2017, the Joint Venture entered into a $5,100.0 million term loan facility (the “Term Loan Facility”), and a $500.0 million revolving credit facility (the “Revolving Facility”, together with the Term Loan Facility, the “Senior Credit Facilities”). Additionally, the Joint Venture issued $1,000.0 million of 5.75% senior notes due 2025 (the “Senior Notes”).

In July 2019, the Joint Venture amended the Revolving Facility, the primary effects of which were to increase the maximum amount that can be borrowed from $500.0 million to $785.0 million and to extend the maturity date until July 2024. In the event the outstanding balance under the Term Loan Facility exceeds $1,100.0 million on December 1, 2023, amounts due, if any, under the Revolving Facility become due and payable on December 1, 2023.

On April 21, 2020, we issued $325.0 million aggregate principal amount of 5.75% Senior Notes due 2025 (the “Notes”). The Senior Notes were issued as part of the same series as the $1,000.0 million Senior Notes issued in February 2017.

In September 2020, we repaid $50.0 million on our Term Loan Facility and recognized a loss on extinguishment of $1.5 million.

Tangible Equity Units

In connection with our initial public offering in July 2019, we completed an offering of 5,750,000 TEUs. Each TEU, which has a stated amount of $50.00, is comprised of a stock purchase contract and a senior amortizing note due June 30, 2022. Each senior amortizing note has an initial principal amount of $8.2378 and bears interest at 5.5% per year. On each March 30, June 30, September 30 and December 30, we pay equal quarterly cash installments of $0.7500 per amortizing note with an aggregate principal amount of $47.4 million. Each installment constitutes a payment of interest and partial payment of principal. Unless settled earlier, each purchase contract will automatically settle on June 30, 2022.

Hedges

From time to time, we execute interest rate cap agreements with various counterparties that effectively cap our LIBOR exposure on a portion of our existing Term Loan Facility or similar replacement debt. The following table summarizes the terms of our interest rate cap agreements at September 30, 2020.

Effective Date	Expiration Date	Notional Amount	Receive LIBOR Exceeding(1)	Pay Fixed Rate
August 31, 2018	December 31, 2021	$ 600,000,000	1.00%	1.82%
August 31, 2018	December 31, 2021	$ 900,000,000	1.00%	1.82%
March 31, 2020	March 31, 2024	$ 250,000,000	1.00%	0.18%
March 31, 2020	March 31, 2024	$ 250,000,000	1.00%	0.18%
March 31, 2020	March 31, 2024	$ 250,000,000	1.00%	0.18%
March 31, 2020	March 31, 2024	$ 250,000,000	1.00%	0.19%

(1) All based on 1-month LIBOR.

The interest rate cap agreements are recorded on the balance sheet at fair value and changes in the fair value are recorded in other comprehensive income. The fair value of the interest rate caps is reclassified from other comprehensive income to interest expense in the same period the interest expense on the underlying hedged debt impacts earnings. Any payments we receive to the extent LIBOR exceeds the specified cap rate is also reclassified from other comprehensive income to interest expense in the period received.

LIBOR Transition

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

Effect of Certain Debt Covenants

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

With certain exceptions, the Term Loan Facility obligations are secured by a first-priority security interest in substantially all of our assets, including our investment in subsidiaries. The Term Loan Facility contains various restrictions and nonfinancial covenants, along with a senior secured net leverage ratio test. The nonfinancial covenants include restrictions on dividends, investments, dispositions, future borrowings and other specified payments, as well as additional reporting and disclosure requirements. The senior secured net leverage test must be met as a condition to incur additional indebtedness, but otherwise is applicable only to the extent that amounts drawn exceed 35% of the Revolving Facility at the end of any fiscal quarter. As of September 30, 2020, we were in compliance with all debt covenants.

Our ability to meet liquidity needs depends on our subsidiaries' earnings and cash flows, the terms of our indebtedness along with our subsidiaries' indebtedness, and other contractual restrictions.

Cautionary Notice Regarding Forward-Looking Statements

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

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

- our ability to retain or renew existing customers and attract new customers;
- macroeconomic and industry trends and adverse developments in the debt, consumer credit and financial services markets;
- uncertainty and risks related to the impact of the COVID-19 pandemic on the national and global economy, our business, suppliers, customers, and employees;
- our ability to connect a large number of payers and providers;
- our ability to provide competitive services and prices while maintaining our margins;
- further consolidation in our end-customer markets;
- our ability to effectively manage our costs;
- our ability to effectively develop and maintain relationships with our channel partners;
- a decline in transaction volume in the U.S. healthcare industry;
- our ability to timely develop new services and the market's willingness to adopt our new services;
- our ability to maintain our access to data sources;
- our ability to maintain the security and integrity of our data;
- our ability to deliver services timely without interruption;
- our ability to make acquisitions and integrate the operations of acquired businesses;
- government regulation and changes in the regulatory environment;
- economic and political instability in the U.S. and international markets where we operate;
- risks related to our international operations;
- the ability of our outside service providers and key vendors to fulfill their obligations to us;
- litigation or regulatory proceedings;
- our ability to protect and enforce our intellectual property, trade secrets and other forms of unpatented intellectual property;

- our ability to defend our intellectual property from infringement claims by third parties;
- changes in local, state, federal and international laws and regulations, including related to taxation;
- our reliance on key management personnel;

- our ability to manage and expand our operations and keep up with rapidly changing technologies;
- our adoption of new, or amendments to existing, accounting standards;
- losses against which we do not insure;
- our ability to make timely payments of principal and interest on our indebtedness;
- our ability to satisfy covenants in the agreements governing our indebtedness;
- our ability to maintain our liquidity;
- the potential dilutive effect of future issuances of our common stock; and
- the impact of anti-takeover provisions in our organizational documents and under Delaware law, which may discourage or delay acquisition attempts.

There may be other factors, many of which are beyond our control, that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 in the section entitled "Risk Factors" and in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. You should evaluate all forward-looking statements made in this report and the other public statements we may make from time to time in the context of these risks and uncertainties.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of business.

Interest Rate Risk

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

As of September 30, 2020, we had Term Loan borrowings of $3,758.3 million (before unamortized debt discount) and no Revolving Facility borrowings under the Senior Credit Facilities. As of September 30, 2020, the LIBOR-based interest rate on the Term Loan Facility was LIBOR plus 2.5%.

We manage economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into interest rate cap agreements to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our interest rate cap agreements are used to manage differences in the amount, timing and duration of our known or expected cash receipts and our known or expected cash payments principally related to our borrowings. As of September 30, 2020, our outstanding interest rate cap agreements were designated as cash flow hedges of interest rate risk and were determined to be highly effective.

A change in interest rates on variable rate debt may impact our pretax earnings and cash flows. Based on the outstanding debt as of September 30, 2020, and assuming that our mix of debt instruments, derivative financial instruments and other variables remain the same, the annualized effect of a one percentage point change in variable interest rates would have an annualized pretax impact on the earnings and cash flows of approximately $12.6 million.

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. The term "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosures.

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

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal proceedings in the ordinary course of business. We believe that the ultimate disposition of such proceedings will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. See Note 15, *Legal Proceedings*, in Part I, Item 1 of this Quarterly Report**.**

ITEM 1A. RISK FACTORS

In addition to the other information included in this report, you should carefully consider the factors discussed in the section entitled "Risk Factors" included in the most recent Annual Report, as well as the factors identified under "Cautionary Statement Regarding Forward-Looking Statements" at the end of Part I, Item 2 of this Quarterly Report, which could materially affect the business, financial condition or future results. The risks described in the Annual Report and this Quarterly Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or operating results.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Change Healthcare Inc., dated as of June 26, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 on February 4, 2020)
3.2	Amended and Restated Bylaws of Change Healthcare Inc., dated as of June 26, 2019 (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 filed on February 4, 2020)
10.1†*	Amended and Restated Change Healthcare LLC Supplemental 401(k) Plan
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1*	Supplemental Information of Change Healthcare LLC for the fiscal years ended March 31, 2020 and 2019.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.
† Indicates management contract or compensatory plan.

SIGNATURES

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

	Change Healthcare Inc.
November 5, 2020	By: /s/ Neil E. de Crescenzo Neil E. de Crescenzo Chief Executive Officer and Director (Principal Executive Officer)
November 5, 2020	By: /s/ Fredrik Eliasson Fredrik Eliasson Executive Vice President, Chief Financial Officer (Principal Financial Officer)

EXECUTION COPY

CHANGE HEALTHCARE LLC

SUPPLEMENTAL 401(k) PLAN

Effective March 1, 2017

(Amended and Restated September 1, 2020)

TABLE OF CONTENTS

CHANGE HEALTHCARE LLC

SUPPLEMENTAL 401(k) PLAN

Effective March 1, 2017
(Amended and Restated September 1, 2020)

A. PURPOSE

1. This Plan is established to allow certain executives of the Company to elect to defer compensation which cannot be deferred under the 401(k) Plan because of limitations of tax laws and to provide for matching contributions on those deferrals at a rate equivalent to the 401(k) Plan's "Matching Employer Contribution" and "Additional Matching Employer Contribution."

2. This Plan is intended to comply with the requirements of Section 409A of the Code.

3. Capitalized terms used in this Plan shall have the meaning set forth in Section M of this Plan.

B. ERISA PLAN

This Plan is an unfunded deferred compensation program intended primarily for a select group of management or highly compensated employees of the Company. This Plan, therefore, is covered by Title I of ERISA except that it is exempt from Parts 2, 3, and 4 of Title I of ERISA.

C. PARTICIPATION

1. **Eligibility to Participate**. The Administrator may, at his or her discretion, and at any time, and from time to time, select Eligible Participants who may elect to participate in this Plan. Selection of Eligible Participants may be evidenced by the terms of the executive's employment contract with the Company, or by inclusion among the persons or classes of persons specified in writing by the Administrator. The Administrator may, at his or her discretion, and at any time, and from time to time, provide that executives previously designated as Eligible Participants are no longer Eligible Participants. If the Administrator determines that an executive is no longer an Eligible Participant, he or she shall remain a Participant in this Plan until all amounts credited to his or her Account are paid out under the terms of this Plan (or until death, if earlier); provided that such executive may not elect to defer Compensation in the Plan Year(s) after the Administrator determines that the executive is no longer an Eligible Participant, until the Plan Year in which the Administrator re-designates him or her as an Eligible Participant.

2. **Election to Participate by Eligible Participants and Deferral Election**. Each Eligible Participant may become a Participant in this Plan by electing to defer Compensation, or by the Company crediting a Discretionary Contribution to an Account on behalf of an Eligible Participant, in accordance with the terms of this Plan. An election to defer Compensation shall be in writing and shall be made at the time and in the form specified by the Administrator. Upon electing to defer Compensation (or by accepting a Discretionary Contribution credited by the Company to an Account on behalf of an Eligible Participant) under this Plan, the Eligible Participant shall be deemed to accept all other terms and conditions of this Plan.

(a) **Timing of Elections**. Subject to the provisions of Section C.2(b) of this Plan, all elections to defer Compensation under this Plan shall be made pursuant to a written election executed and filed with the Administrator prior to the beginning of the Plan Year in which such Compensation is earned. The deferral election shall become irrevocable on the date that the Administrator prescribes, but in no event later than December 31 of the Year preceding the beginning of such Plan Year to which the election applies.

(b) **Newly Eligible Participant Elections**. However, if an executive becomes an Eligible Participant after the beginning of a Plan Year, he or she may make an election to defer Compensation for such Plan Year no later than 30 days after the date he or she becomes an Eligible Participant, which election shall become irrevocable at the end of the 30-day period or an earlier date that the Administrator prescribes; provided, however, such election shall apply only to Compensation earned after the election becomes irrevocable or at such later time the Administrator prescribes , and only a prorated portion of an Eligible Participant's bonus may be deferred if the Eligible Participant's initial deferral election is made after the performance period applicable to the bonus has begun.

(c) **Modification of Elections**. An election filed in accordance with the provisions of Sections C.2(a) and C.2(b) of this Plan shall be applicable to the Plan Year with respect to which it is made and shall continue for subsequent Plan Years until suspended or modified in a writing delivered by the Participant to the Administrator, as described in this Section C.2(c). An election to suspend further deferrals or to increase or decrease the amount deferred under this Plan shall apply only to Compensation otherwise earned and payable to the Participant after the end of the Plan Year in which the election is delivered to the Administrator and such election shall become irrevocable on the date that the Administrator prescribes, but in no event later than December 31 preceding such Plan Year to which the modification or suspension applies.

(d) **Cancellation of Elections**. Notwithstanding anything else contained herein to the contrary, a Participant's election shall be cancelled pursuant to Treasury Regulation section 1.401(k)-1(d)(3) if the Participant receives a hardship distribution under the 401(k) Plan, and the discontinuance of deferrals under this Plan shall remain in effect for the remainder of the then-current Plan Year. Such a Participant's election shall neither resume, nor shall Participant be permitted to make a new deferral election, under this Plan for six months after he or she receives the hardship distribution, or such longer time as the Administrator determines in his or her discretion.

3. **Relation to Other Plans**.

(a) **Other Plans**. An Eligible Participant may participate in this Plan and may also participate in DCAP or any successor plan. No Compensation may be deferred under this Plan which has been deferred under any other plan of the Company, and the Administrator may modify or render invalid a Participant's election prior to such election becoming irrevocable to accommodate deferrals made under other plan(s).

(b) **Effect on Other Plans**. Compensation deferred by an Eligible Participant under this Plan may result in a reduction of benefits payable under other benefit programs, including the Social Security Act and the 401(k) Plan.

D. AMOUNTS OF DEFERRAL

1. **401(k) Plan Supplement**. This Plan allows an Eligible Participant to defer Compensation, and receive credit for a Monthly Company Match and Additional Company Match, to the extent that such deferrals (and the corresponding Monthly Company Match and Additional Company Match) cannot be made under the 401(k) Plan because of the limitations in Section 401(a)(17) of the Code (limiting the amount of annual compensation to be taken into account under the 401(k) Plan to $285,000 in 2020, and thereafter as adjusted from time to time under the Code).

2. **Amount of Deferrals**. As illustrated in Appendix A, an Eligible Participant may elect to defer under this Plan up to an amount equal to (a) minus (b) that is eligible for a Monthly Company Match or Additional Company Match (if applicable), where:

(a) the maximum rate of deferral for the maximum matched deferral percentage under the 401(k) Plan multiplied by the Eligible Participant's Compensation, and

(b) the maximum amount that the Eligible Participant is able to defer as a "Basic Contribution" under the 401(k) Plan, taking into account the limits of Section 401(a)(17) of the Code.

For the avoidance of doubt, Eligible Participants may elect to defer an additional amount, as determined in the discretion of the Company, for which no Monthly Company Match or Additional Company Match will be provided.

E. COMPANY CONTRIBUTIONS

1. **The Company Match**.

(a) **Eligibility**.

(i) Monthly Company Match. A Monthly Company Match shall be credited, with respect to each calendar month, to the Accounts of Eligible Participants who actually defer Compensation under this Plan for such calendar month.

(ii) Additional Company Match. An Additional Company Match may be credited, with respect to each 401(k) Plan plan year, to the Accounts of Eligible Participants who actually defer Compensation under this Plan.

(b) **Amount of Match**.

(i) Monthly Company Match. The amount of the Monthly Company Match to be credited to the Account of an Eligible Participant for any calendar month shall be a percentage of the Eligible Participant's deferrals under this Plan for the calendar month. This percentage shall be the same percentage as the "Matching Employer Contribution" (as defined in the 401(k) Plan) percentage that would have been credited to the Eligible Participant's 401(k) Plan account if the Eligible Participant's deferrals under this Plan had been made under the 401(k) Plan. In determining this amount, the Administrator shall take into account the different "Matching Employer Contribution" rates that may apply.

(ii) **Additional Company Match**. The amount of the Additional Company Match to be credited to the Account of an Eligible Participant for any 401(k) Plan plan year shall be a percentage of the Eligible Participant's deferrals under this Plan for the 401(k) Plan plan year. This percentage shall be the same percentage as the "Additional Matching Employer Contribution" (as defined in the 401(k) Plan) percentage that would have been credited to the Eligible Participant's 401(k) Plan account if the Eligible Participant's deferrals under this Plan had been made under the 4 01(k) Plan. In determining this amount, the Administrator shall take into account the different "Additional Matching Employer Contribution" rates that may apply.

2. **Discretionary Contribution by the Company**. The Compensation Committee shall have the sole discretion to determine an amount credited to an Eligible Participant's Account as a "Discretionary Contribution." A Discretionary Contribution may be subject to such terms or conditions, including but not limited to vesting, as the Compensation Committee may specify in its discretion at the time the Discretionary Contribution is credited to a Participant's Account. Except with respect to the Company's executive officers, the Compensation Committee may delegate its authority under this Section E.2 to the Administrator.

F. PAYMENT OF DEFERRED COMPENSATION

1. **Account and Investment Options**. Both Compensation deferred by a Participant and any Monthly Company Match, Additional Company Match or vested Discretionary Contribution for the benefit of a Participant shall be credited to a separate bookkeeping account maintained for such Participant (the "Account"). The Administrator shall select the Investment Options to be made available to Participants for the deemed investment of their Accounts under this Plan. The Administrator may change, discontinue, or add to the Investment Options made available under this Plan at any time in its sole discretion. A Participant must select the Investment Options for his or her Account in the Participant's deferral election form and may make changes to his or her selections in accordance with procedures established by the Administrator. Each Account shall be adjusted for earnings or losses based on the performance of the Investment Options selected, with earnings and losses shall be computed on each Valuation Date. The amount paid to a Participant shall be determined as of the Valuation Date immediately preceding the applicable payment date. Accounts are not actually invested in the Investment Options available under this Plan and Participants do not have any real or beneficial ownership in any Investment Option. A Participant's Account is solely a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan and shall not constitute or be treated as a trust fund of any kind.

2. **Vesting**.

(a) A Participant shall be 100% vested at all times in the value of the Participant's elective deferrals and earnings thereon credited to the Participant's Account.

(b) A Participant shall vest in the amounts of Monthly Company Match and the Additional Company Match and earnings thereon credited to the Participant's Account at the same time and in the same manner as if these amounts were "Matching Employer Contributions" or "Additional Matching Employer Contributions" under the 401(k) Plan and as if the rules of the 401(k) Plan concerning vesting applied to such amounts. For this purpose, any Monthly Company Match shall be deemed to be credited to an Account as of the last day of the calendar month with respect to which such Monthly Company Match is determined and any Additional Company Match shall be deemed to be credited to an Account as of the March 31 of the Plan Year with respect to which such Additional Company Match is determined. Any amounts that would be forfeited under the rules of the 401(k) Plan applicable to "Matching Employer Contributions" or "Additional Matching Employer Contributions" under the 401(k) Plan shall be forfeited hereunder. Any forfeiture under this Plan of any portion of the Monthly Company Match or the Additional Company Match credited to a Participant's Account shall eliminate any obligation of the Company to pay the forfeited amount hereunder.

(c) Unless the Compensation Committee determines otherwise, a Participant's Discretionary Contribution shall be forfeited at the time of Participant's Separation from Service for any reason, if such Participant has not satisfied the applicable terms and conditions, including vesting requirements, that the Compensation Committee imposed on the Discretionary Contribution under Section E.2 of this Plan. Any forfeiture under this Plan of any portion of the Discretionary Contribution credited to a Participant's Account shall eliminate any obligation of the Company to pay the forfeited amount hereunder.

3. **Election of Methods of Payment**. A Participant shall elect in writing, and file with the Administrator, a method of payment of benefits under this Plan from the following methods based upon the nature of the Payment Event.

(a) **Retirement or Disability**. If the Payment Event is due to the Participant's Retirement or Disability, the Participant may choose one of the following payment methods:

(i) Payment of the vested amounts credited to the Participant's Account in any specified number of approximately equal annual installments, which shall not exceed 10 installments, the first installment to be paid at a designated interval following the Participant's Retirement or Disability. For purposes of this Plan, installment payments shall be treated as a single distribution under Section 409A of the Code.

(ii) Payment of the vested amounts credited to the Participant's Account in a single lump sum upon the occurrence of the Retirement or Disability.

(iii) If a Participant does not make any election with respect to the payment of the Participant's Account, then such benefit shall be payable in a lump sum upon the occurrence of Participant's Retirement or Disability, whichever is applicable.

Payment under this Section F.3(a) pursuant to Participant's Retirement, is subject to Section F.6 of this Plan.

(b) **Death**. Each Participant shall make an election of the manner in which any amount remaining in the Participant's Account at the time of the Participant's death shall be paid to his or her Beneficiary. At the election of the Participant, benefits shall be paid in a lump sum or in up to ten annual installments; provided, however, if a Participant is in-pay status at the time of death, distribution of the Account shall continue to be distributed to the Beneficiary as Participant elected to receive such distribution.

(c) **Separation from Service Not Due to Retirement, Disability or Death**. If the Payment Event occurs as a result of the Participant's Separation from Service, and such separation is not due to the Participant's Retirement, Disability or death, then payment of the vested amounts credited to the Participant's Account shall be made in a single lump sum upon the occurrence of the Participant's Separation from Service, subject to Section F.6 of this Plan.

(If any Monthly Company Match or Additional Company Match is payable under Section E of this Plan, that amount or first installment amount, whichever is applicable, may be paid separately and at a later date as provided in such section but not later than the end of the calendar year in which the Monthly Company Match or Additional Company Match is credited to the Participant's Account.)

(d) **Specified Date**. For Plan Years beginning on or after January 1, 2021, a Participant may elect at the time of the initial deferral election for a Plan Year to receive a payment on a specified fixed date in the future. If the Payment Event occurs prior to a Participant's Separation from Service as a result of such election, then payment of the vested amounts credited to the Participant's Account for such election shall be made as soon as reasonably practicable following such date, but in no event later than March 15 of the calendar year following the end of the Plan Year in which such Specified Date occurred.

4. **Subsequent Change in Form of Payment**. Once an election is made as to the time and form of payment, a Participant may modify the time and/or form of distributions under this Plan by a writing filed with the Administrator; provided that such alteration (i) is made at least one year prior to the earliest date the Participant could have received a distribution of his or her Account under the earlier election, (ii) does not take effect for at least one year after the modification is made, and (iii) does not provide for the receipt of such amounts earlier than five years from the originally scheduled distribution date. A change to the time and/or form of a distribution may be modified or revoked until one year prior to the time a distribution is scheduled to be made, at which time such change shall become irrevocable. The last valid election accepted by the Administrator shall govern the time and/or form of distribution.

5. **De minimis Cashout**. Notwithstanding the Participant's election, the Administrator in its sole discretion may distribute an Account to a Participant or a Beneficiary in a single payment if the value of the Account, and any other plan or arrangement with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Treasury Regulation section 1.409A-1(c)(2), is less than the limit under Section 402(g)(1)(B) of the Code.

6. **Date Payment Occurs**. Payment shall be made or commence not later than 90 days following the date the earliest Payment Event occurs. Notwithstanding the foregoing, a distribution scheduled to be made upon Separation from Service to a Participant who is identified as a Specified Employee as of the date he or she Separates from Service shall be delayed until the seventh month following the Participant's Separation from Service. Any payment that otherwise would have been made pursuant to Section F of this Plan during the six-month period following the Participant's Separation from Service shall be paid on the first day of the seventh month following the Participant's Separation from Service. The identification of a Participant as a Specified Employee shall be made by the Administrator in his or her sole discretion in accordance with Section M of this Plan and Sections 416(i) and 409A of the Code and the regulations promulgated thereunder.

7. **Prohibition on Acceleration**. Notwithstanding any other provision of this Plan to the contrary, no distribution will be made from this Plan that would constitute an impermissible acceleration of payment as defined in Section 409A(a)(3) of the Code and the regulations promulgated thereunder.

8. **Unforeseeable Emergency**. The Administrator may, in his or her sole discretion and in accordance with Section 409A of the Code, direct payment to a Participant of all or any portion of the Participant's Account balance, if necessary, notwithstanding an election under Section F.3 of this Plan, at any time that the Administrator determines that such Participant has suffered an Unforeseeable Emergency.

G. BENEFICIARY DESIGNATION

A Participant may designate any person(s) or entity as his or her Beneficiary. Designation shall be in writing and shall become effective only when filed with the Administrator. Such filing must occur before the Participant's death. A Participant may change the Beneficiary, from time to time, by filing a completed beneficiary designation with the Administrator in the manner prescribed by the Administrator in his or her sole discretion. If the Participant fails to effectively designate a Beneficiary in accordance with the Administrator's procedures or the person designated by the Participant is not living at the time the distribution is to be made, then his or her Beneficiary shall be his or her beneficiary under the 401(k) Plan. If Participant has no Beneficiary designated under the 401(k) Plan, the Participant's Beneficiary shall be the Participant's surviving spouse, if any, or, if there is no surviving spouse, the Participant's surviving children, if any, in equal shares, or if there are no surviving children, the Participant's estate.

H. SOURCE OF PAYMENT

Amounts paid under this Plan shall be paid from the general funds of the Company, and each Participant and his or her Beneficiaries shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder. Nothing contained in this Plan shall be deemed to create a trust of any kind for the benefit of any Participant or Beneficiary or create any fiduciary relationship between an Employer and any Participant or Beneficiary with respect to any assets of the Company. The Company may, but is not obligated to, set aside funds in a rabbi trust for the purpose of meeting its obligations under this Plan; provided that any funds set aside shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of its bankruptcy or insolvency.

I. MISCELLANEOUS

1. **Withholding**. Each Participant and Beneficiary shall make appropriate arrangements with the Company for the satisfaction of any federal, state, or local income tax withholding requirements and Social Security or other employment tax requirements applicable to the payment of benefits under this Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

2. **No Assignment**. Except as otherwise provided in this Section I.2 or by applicable law, the benefits provided under this Plan may not be alienated, assigned, transferred, pledged, or hypothecated by any person, at any time. These benefits shall be exempt from the claims of creditors or other claimants and from all orders, decrees, levies, garnishments or executions to the fullest extent allowed by law.

If a court of competent jurisdiction determines pursuant to a judgment, order or approval of a marital settlement agreement that all or any portion of the benefits payable hereunder to a Participant constitute community property of the Participant and his or her spouse or former spouse (hereafter, the “Alternate Payee”) or property which is otherwise subject to division by the Participant and the Alternative Payee, a division of such property shall not constitute a violation of this Section I.2, and any portion of such property may be paid or set aside for payment to the Alternate Payee. The preceding sentence, however, shall not create any additional rights and privileges for the Alternate Payee (or the Participant) not already provided under this Plan; in this regard, the Administrator shall have the right to refuse to recognize any judgment, order or approval of a martial settlement agreement that provides for any additional rights and privileges not already provided under this Plan, including without limitation with respect to form and time of payment.

3. **Applicable Law; Severability**. This Plan hereby created shall be construed, administered, and governed in all respects in accordance with ERISA and the laws of the State of Delaware to the extent that the latter are not preempted by ERISA. If any provision of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereunder shall continue to be effective.

4. **No Right to Continued Employment, Etc**. Neither the establishment or maintenance of this Plan nor the crediting of any amount to any Participant’s Account, nor the designation of an executive as an Eligible Participant, shall confer upon any individual any right to be continued as an employee of an Employer or shall affect the right of an Employer to terminate any executive’s employment or change any terms of any executive’s employment at any time.

J. ADMINISTRATION OF THIS PLAN

1. **<u>In General</u>**. The Administrator shall be the Senior Vice President – Total Rewards of the Company. If the Administrator is a Participant, any discretionary action taken as Administrator which directly affects him or her as a Participant shall be specifically approved by the Compensation Committee. The Compensation Committee shall have authority and responsibility to interpret this Plan, to adopt such rules and regulations for carrying out this Plan as it may deem necessary or appropriate, to exercise discretion to make any and all other determinations which it determines to be necessary or advisable for the administration of this Plan, and to reconcile any inconsistency in, correct any defect in and/or supply any omission in this Plan and any election notice or agreement relating to this Plan. Decisions of the Compensation Committee shall be final and binding on all parties who have or claim any interest in this Plan. The Administrator or Compensation Committee shall have the authority to delegate its authority under this Plan to an officer or group of officers of Change Healthcare LLC.

2. **<u>Elections and Notices</u>**. All elections and notices made under this Plan shall be in writing and filed with the Administrator at the time and in the manner specified by the Administrator. All elections to defer compensation under this Plan shall be irrevocable.

K. AMENDMENT OR TERMINATION OF THIS PLAN

1. **<u>Amendment</u>**. The Compensation Committee may at any time, and from time to time, amend this Plan. Such action shall be prospective only and shall not adversely affect the rights of any Participant or Beneficiary to any benefit previously earned under this Plan.

2. **<u>Termination</u>**. The Board in its discretion may at any time terminate this Plan in accordance with Treasury Regulation section 1.409A-3(j)(4)(ix).

L. CLAIMS AND APPEALS

1. **<u>Informal Resolution of Questions</u>**. Any Participant or Beneficiary who has questions or concerns about his or her benefits under this Plan is encouraged to communicate with the Human Resources Department of the Company. If this discussion does not give the Participant or Beneficiary satisfactory results, a formal claim for benefits may be made in accordance with the procedures of this Section L.

2. **<u>Formal Benefits Claim Review</u>** . A Participant or Beneficiary may make a written request for review of any matter concerning his or her benefits under this Plan. The claim must be addressed to the Vice President – Global Benefits, Change Healthcare, 3055 Lebanon Pike, Nashville, TN 37214. The Vice President – Global Benefits or his or her delegate (“VP of Global Benefits”) shall decide the action to be taken with respect to any such request and may require additional information if necessary to process the request. The VP of Global Benefits shall review the request and shall issue his or her decision, in writing, no later than 90 days after the date the request is received, unless the circumstances require an extension of time. If such an extension is required, written notice of the extension shall be furnished to the person making the request within the initial 90-day period, and the notice shall state the circumstances requiring the extension and the date by which the VP of Global Benefits expects to reach a decision on the request. In no event shall the extension exceed a period of 90 days from the end of the initial period.

3. **Notice of Denied Request**. If the VP of Global Benefits denies a request in whole or in part, he or she shall provide the person making the request with written notice of the denial within the period specified in Section L.2 of this Plan. The notice shall set forth the specific reason for the denial, reference to the specific Plan provisions upon which the denial is based, a description of any additional material or information necessary to perfect the request, an explanation of why such information is required, and an explanation of this Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal.

4. **Appeal to the Senior Vice President**.

(a) A person whose request has been denied in whole or in part (or such person's authorized representative) may file an appeal of the decision in writing with the Senior Vice President —Total Rewards (the "Senior Vice President") within 60 days of receipt of the notification of denial. The appeal must be addressed to: Senior Vice President – Total Rewards, Change Healthcare, 3055 Lebanon Pike, Nashville, TN 37214. The appellant and/or his or her authorized representative shall be permitted to submit written comments, documents, records and other information relating to the claim for benefits. Upon request and free of charge, the applicant should be provided reasonable access to and copies of, all documents, records or other information relevant to the appellant's claim.

(b) The Senior Vice President's review shall take into account all comments, documents, records and other information submitted by the appellant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Senior Vice President shall not be restricted in his or her review to those provisions of this Plan cited in the original denial of the claim.

(c) The Senior Vice President shall issue a written decision within a reasonable period of time but not later than 60 days after receipt of the appeal, unless special circumstances require an extension of time for processing, in which case the written decision shall be issued as soon as possible, but not later than 120 days after receipt of an appeal. If such an extension is required, written notice shall be furnished to the appellant within the initial 60-day period. This notice shall state the circumstances requiring the extension and the date by which the Senior Vice President expects to reach a decision on the appeal.

(d) If the decision on the appeal denies the claim in whole or in part, written notice shall be furnished to the appellant. Such notice shall state the reason(s) for the denial, including references to specific Plan provisions upon which the denial was based. The notice shall state that the appellant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. The notice shall describe any voluntary appeal procedures offered by this Plan and the appellant's right to obtain the information about such procedures. The notice shall also include a statement of the appellant's right to bring an action under Section 502(a) of ERISA.

(e) The decision of the Senior Vice President on the appeal shall be final, conclusive and binding upon all persons and shall be given the maximum possible deference allowed by law.

5. **Exhaustion of Remedies**. No legal or equitable action for benefits under this Plan shall be brought unless and until the claimant has submitted a written claim for benefits in accordance with Section L.2 of this Plan, has been notified that the claim is denied in accordance with Section L.3 of this Plan, has filed a written request for an appeal of the claim in accordance with Section L.4 of this Plan, and has been notified in writing that the Senior Vice President has affirmed the denial of the claim in accordance with Section L.4 of this Plan.

M. DEFINITIONS

For purposes of this Plan, the following terms shall have the meanings indicated:

"**Account**" shall mean the "Account" as defined in Section F.1 of this Plan.

"**Additional Company Match**" shall mean, with respect to any Plan Year, the amount credited to the Account of an Eligible Participant in accordance with Section E.1(a)(ii) of this Plan.

"**Administrator**" shall mean the person specified in Section J.1 of this Plan.

"**Alternate Payee**" shall mean the "Alternate Payee" as defined in Section I.2 of this Plan.

"**Beneficiary**" shall mean the person or entity described by Section G of this Plan.

"**Board**" shall mean the Board of Directors of Change Healthcare.

"**Change Healthcare**" shall mean Change Healthcare LLC, a Delaware limited liability company.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Company**" shall mean Change Healthcare LLC and any affiliate that would be considered a service recipient for purposes of Treasury Regulation section 1.409A-1(g).

"**Compensation**" shall mean "Compensation" as defined in Section 15.17 of the 401(k) Plan; provided, however, that Compensation for purposes of this Plan shall be determined without regard to the limit of Section 401(a)(17) of the Code.

"**Compensation Committee**" shall mean the Compensation Committee of the Board.

"**DCAP**" shall mean the Change Healthcare LLC. Deferred Compensation Administration Plan or successor plans, if applicable.

"**Disability**" shall mean the inability of the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months..

"**Discretionary Contribution**" shall mean a Company contribution to a Participant's Account made in the Compensation Committee's discretion pursuant to Section E.2 of this Plan.

"**Eligible Participant**" shall mean an employee and executive of the Employer, or its affiliate or subsidiary, who is eligible to participate in this Plan under Section C of this Plan.

"**Employer**" shall mean Change Healthcare LLC and any other affiliate that would be considered a service recipient or employer for purposes of Treasury Regulation section 1.409A-1(h)(3).

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"**Senior Vice President**" shall mean the "Senior Vice President" as defined in Section L.2 of this Plan.

"**Investment Option**" shall mean an investment fund, index or vehicle selected by the Administrator and made available to Participants for the deemed hypothetical investment of their Accounts.

"**Monthly Company Match**" shall mean, with respect to a calendar month, the amount credited to the Account of an Eligible Participant in accordance with Section E.1(a)(i) of this Plan.

"**Participant**" shall be any Eligible Participant or former Eligible Participant for whom amounts are credited to an Account under this Plan. Upon a Participant's death his or her Beneficiary shall be a Participant until all amounts are paid out of the decedent-Participant's Account.

"**Payment Event**" shall mean the earliest of the following: Retirement, death, Separation from Service other than due to Retirement or death, Disability or Specified Date.

"**Plan**" shall mean this Change Healthcare LLC Supplemental 401(k) Plan.

"**Plan Year**" shall mean the calendar year.

"**401(k) Plan**" shall mean the Change Healthcare 401(k) Savings Plan, as amended from time to time.

"**Retirement**" shall mean Separation from Service from the Employer after the date on which the Participant has attained age 50 and has at least five Years of Service.

"**Separation from Service**" shall mean termination of employment with the Employer, except in the event of death or Disability, as provided under Treasury Regulation section 1.409A-1(h). A Participant shall be deemed to have had a Separation from Service if the Participant's service with the Employer is reduced to an annual rate that is equal to or less than twenty percent of the services rendered, on average, during the immediately preceding three years of service with the Employer (or if providing service to the Employer less than three years, such lesser period).

“**Service**” shall mean an Eligible Participant’s employment with the Company, commencing with the first day of such employment and ending on the day the Eligible Participant has a Separation from Service.

“**Specified Date**” shall mean a specified payment date elected by a Participant at the time of the deferral election.

“**Specified Employee**” shall mean a Participant who has been identified as a Specified Employee in accordance with the Company’s Specified Employee Policy.

“**Unforeseeable Emergency**” shall have the meaning as provided in Section 409A(a)(2)(B)(ii) of the Code.

“**Valuation Date**” shall mean each business day of the Year, unless the Administrator approves a less frequent amount of time as determined in his or discretion.

“**Year of Service**” shall mean a period of 365 aggregate days of Service (including holidays, weekends and other non-working days).

N. SUCCESSORS

This Plan shall be binding on the Company and any successors or assigns thereto.

O. EXECUTION

This amendment and restatement of the Plan as set forth herein is effective as of September 1, 2020.

APPENDIX A

EXAMPLE OF DEFERRALS UNDER THIS PLAN

The following example illustrates the extent to which a Participant could make deferrals under this Plan. The example assumes that the applicable compensation limit under Section 401(a)(17) of the Code is $285,000 and the maximum additional percentage that may be deferred is 25%.

E's Compensation is $450,000. E elects to make maximum matched deferral percentage under the 401(k) Plan at the rate of 5% of his Compensation. Because Section 401(a)(17) of the Code limits the amount of E's compensation which may be considered by the 401(k) Plan to $285,000, E's maximum matched deferral percentage for the year is limited to $14,250 (5% of $285,000). E may defer $41,250 (25% of his Compensation in excess of $285,000) into this Plan. However, the total Monthly Company Match and Additional Company Match is limited to 5% based on the 401(k) Plan's "Matching Employer Contribution" and "Additional Matching Employer Contribution" for the relevant 401(k) Plan calendar months and Plan Year.

For Illustrative Purposes Only

Exhibit 31.1

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Neil E. de Crescenzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Change Healthcare Inc. (the “registrant”);

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)) for the registrant and have:

    a. Designed such disclosure control 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. [Reserved]

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

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

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

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

Date: November 5, 2020

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

Exhibit 31.2

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Fredrik Eliasson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Change Healthcare Inc. (the “registrant”);

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)) for the registrant and have:

    a. Designed such disclosure control 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. [Reserved]

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

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

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

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

Date: November 5, 2020

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

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Change Healthcare Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neil E. de Crescenzo, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2020

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

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Change Healthcare Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Fredrik Eliasson, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2020

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

Financial Information of Consolidated Subsidiary
Change Healthcare LLC

EXPLANATORY NOTE

During the first quarter of fiscal year 2021, the Company decided to allocate all administrative and certain other corporate expenses to the respective reportable segments. This allocation methodology differs from the methodology utilized by the Joint Venture in prior fiscal years. The financial results of the Joint Venture's reportable segments were presented for periods prior to the Merger in the notes to the Change Healthcare LLC financial statements that were included as an exhibit the Company's financial statements. Therefore, the adjusted EBITDA of the Joint Venture's reportable segments has been retrospectively adjusted for those periods to be consistent with the Company's current allocation methodology as presented in the tables below.

SEGMENT ADJUSTED EBITDA
(unaudited, amounts in thousands)

	Software and Analytics	Network Solutions	Technology-Enabled Services	Postage and Eliminations	Total
Fiscal Year 2020:					
First Quarter	$ 176,501	$ 79,222	$ 25,333	$ —	$281,056
Second Quarter	110,993	79,526	27,174	—	217,693
Third Quarter	127,793	87,571	17,262	—	232,626
Fourth Quarter	150,341	85,340	28,677	—	264,358
Total	$ 565,629	$331,659	$ 98,445	$ —	$995,733
Fiscal Year 2019:					
First Quarter	$ 121,098	$ 76,852	$ 29,798	$ —	$227,749
Second Quarter	117,132	78,775	20,045	—	215,952
Third Quarter	126,416	83,367	24,294	—	234,077
Fourth Quarter	154,434	78,191	24,556	—	257,180
Total	$ 519,081	$317,185	$ 98,693	$ —	$934,958