Risk Factors Comparison 2024-02-27 to 2023-02-28 Form: 10-K

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We operate in a rapidly changing environment that involves a number of risks. The following discussion highlights some of these risks and others are discussed elsewhere in this report. These and other risks could materially adversely affect our business, revenue, financial condition and results of operations. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. Risks Related to Our Business and Industry Reliance on relatively few suppliers for the majority of AdaptHealth' s patient service equipment and supplies could adversely affect its ability to operate. AdaptHealth currently relies on a relatively small number of suppliers to provide it with the majority of its patient service equipment and supplies. Significant price increases, or disruptions in the ability to obtain such equipment and supplies from existing suppliers, may force AdaptHealth to use alternative suppliers. Additionally, any new excise taxes imposed on manufacturers of certain medical equipment could be passed on to customers, such as AdaptHealth. Such manufacturers may be forced to make other changes to their products or manufacturing processes that are unacceptable to AdaptHealth, resulting in a need to change suppliers. Any change in suppliers AdaptHealth uses could cause delays in the delivery of such products and possible losses in revenue, which could adversely affect AdaptHealth' s results of operations. In addition, alternative suppliers may not be available, or may not provide their products and services at similar or favorable prices. If AdaptHealth cannot obtain the patient service equipment and supplies it currently uses, or alternatives at similar or favorable prices, AdaptHealth' s ability to provide such products may be severely impacted, which could have an adverse effect on its business, financial condition, results of operations, cash flow, capital resources and liquidity. ~~The COVID- 19 pandemic impacted manufacturing in all of the regions where AdaptHealth' s suppliers manufacture their products. While the global closures and limitations on movement related to COVID- 19 were temporary, and while such closures, limitations and related impacts have not materially disrupted AdaptHealth' s supply chain to date, such supply chain disruption remains possible. Should such closures and limitations on movement related to COVID- 19 be reinstated or~~ **For example** ~~continue for an extended period of time~~ , **in** ~~the impact on AdaptHealth' s supply chain could materially adversely affect our business and results of operations. On~~ June ~~14,~~ 2021, AdaptHealth received notice from Philips that certain ventilator, BiPAP, and CPAP devices would be included in a Philips voluntary recall due to potential health risks to patients. ~~The polyester- based polyurethane (PE- PUR) sound abatement~~ **As a result, it was not possible to purchase these products** ~~foam~~ - **from Philips** , which **led** ~~is used~~ to **shortages** ~~reduce sound and vibration~~ in **the supply chain, and other suppliers were unable to meet the strong patient demand for** these **products, which materially** affected **AdaptHealth** ~~devices, may break down and potentially enter the device~~ ' s **ability to** ~~air pathway and may off- gas certain chemicals. If this occurs, black debris from the foam or certain chemicals released into the device~~ **service** ~~' s air pathway may be inhaled or swallowed by the person using the device. Patients~~ - **patient** ~~using~~ **demand for** these devices **during** ~~were instructed to talk with their~~ -- **the year ended December 31** ~~health care provider and doctor regarding use on a suitable treatment for their condition. Since June 14~~ , 2021 **. Subsequent** ~~, AdaptHealth has worked with affected patients~~ to ~~register~~ **December 31, 2021,** ~~their~~ - **there** ~~devices on~~ **was improved ability to purchase** ~~the~~ **these** ~~Philips~~ **products from alternative suppliers. This** recall **caused** ~~website and~~ AdaptHealth ~~' s management team has devoted, and will likely continue~~ to ~~devote~~ **incur significant costs** , ~~substantial time and resources to coordinating recall- related activity and to supporting AdaptHealth' s home~~ **some** ~~healthcare patients' needs~~ **or all of which may not be recoverable from the product manufacturer** . AdaptHealth cannot predict fully the potential legal, regulatory, and financial risks that may arise out of the recall ~~. It is possible that some patients will discontinue use of their device, which could affect AdaptHealth' s ability to continue billing for service~~ . Additionally, AdaptHealth has been named in and may be subject to future litigation related to the recall, including but not limited to individual and putative class action claims related to personal injury for devices affected by the recall as well as claims regarding repair and replacement of devices affected by the recall. AdaptHealth cannot predict what additional actions will be required of AdaptHealth by the FDA or other state or federal agencies related to the recall. ~~It was not possible to purchase~~ **In addition, in November 2023,** ~~these~~ -- **the** ~~products from~~ **FDA issued a Safety Communication warning patients and healthcare providers to carefully monitor** Philips ~~, which led~~ **DreamStation 2 CPAP machines for signs of overheating due** to ~~shortages~~ **an increase** in ~~the supply chain~~ **reports about thermal issues such as fire** , **smoke, burns** and other **signs** ~~suppliers were unable to meet the strong patient demand for these products, which materially affected AdaptHealth' s ability to service patient demand for these devices during the year ended December 31, 2021. During 2022, there was improved ability to purchase these products from alternative suppliers but continued shortages in the supply chain materially impacted AdaptHealth' s ability to service patient demand for these devices. This recall has caused AdaptHealth to incur significant costs, some or all~~ of **overheating while people are** ~~which may not be recoverable from the product manufacturer. The recall has, and may continue to, materially negatively affect AdaptHealth' s business and results of operations as a result of patients not~~ using ~~their~~ -- **the** ~~impacted devices~~ - **device** ~~, current shortages in the availability of both replacement devices for impacted patients and new devices for new patients, patient hesitancy to use respiratory devices generally or other reasons~~ . **AdaptHealth cannot predict fully** ~~It is unclear how long~~ the potential **legal** ~~shortages could last~~ , **regulatory,** ~~but if the inability to purchase these products continues for an~~ **and** ~~extended period~~ **financial risks that may arise out** of ~~time,~~ the **warning related** ~~impact could continue~~ to ~~materially adversely affect AdaptHealth' s business and results of operations. AdaptHealth is closely monitoring~~ the **DreamStation 2 CPAP machines** ~~impact of the recall on AdaptHealth' s business~~ and **cannot predict whether** the ~~uncertainty surrounding~~ **FDA or Philips will take further action regarding** the **DreamStation 2 CPAP machines** ~~availability and supply of devices due to the recall~~ . Supply chain disruptions and economy- wide labor shortages in the U. S. ~~could~~ **have negatively impacted, and may continue to** negatively impact **,** AdaptHealth' s businesses. Many companies **, including AdaptHealth,** recently have experienced increased supply chain and labor challenges. Materials, equipment and labor shortages, shipping, logistics and other delays and other supply chain and related disruptions ~~, whether due to the COVID- 19 pandemic or otherwise,~~ have made it more difficult and costly for AdaptHealth to obtain products or services from third parties. If these types of disruptions continue to occur, it would have a material adverse effect on AdaptHealth' s business, financial condition, results of operations and cash flows. Continued labor shortages have driven a significant increase in competition throughout the industry to attract and retain talent and have also led to increased labor costs. **Union activity is another factor that may contribute to increased labor costs. AdaptHealth currently has a minimal number of union employees, so an increase in labor union activity could have a significant impact on AdaptHealth' s labor costs. AdaptHealth' s failure to recruit and retain qualified employees, or to control its labor costs, could have a material adverse effect on its business, financial position, results of operations, and cash flows.** While AdaptHealth seeks to mitigate any cost increases, labor impacts and supply chain delays and shortages, these efforts may not be successful and AdaptHealth may experience adverse impacts due to such factors. AdaptHealth cannot predict the extent of these current trends or other future increases in operating costs. To the extent such costs continue to increase, AdaptHealth may be prevented, in whole or in part, from passing such cost increases through to its existing and prospective customers, or AdaptHealth' s customers may seek other competitive sources due to supply chain delays, which could have a material adverse impact on AdaptHealth' s business, financial position, results of operations and cash flows. AdaptHealth ~~may be~~ **has been** negatively impacted by inflation **and rising interest rates** . Increases in inflation ~~may~~ have **had, and may continue to have,** an adverse effect on AdaptHealth. Current and future inflationary effects may be driven by, among other things, general inflationary cost increases, supply chain disruptions and governmental stimulus or fiscal policies. The cost to manufacture and distribute the equipment and products that AdaptHealth provides to patients is influenced by the cost of materials, labor, and transportation, including fuel costs. AdaptHealth ~~has recently~~ **continues to** ~~experienced~~ **experience** inflationary pressure and higher costs as a result of the increasing cost of materials, labor and transportation. The increase in the cost of equipment and products is due in part to a shortage in the availability of certain products, the higher cost of shipping, and general inflationary cost increases. Additionally, it is not certain that AdaptHealth will be able to pass increased costs onto customers to offset inflationary pressures. Continuing increases in inflation could impact the overall demand for AdaptHealth' s products and services, its costs for labor, equipment and products, and the margins it is able to realize on its products, all of which could have an adverse impact on AdaptHealth' s business, financial position, results of operations and cash flows. In addition, future volatility of general price inflation and the impact of inflation on costs and availability of materials, costs for shipping and warehousing, workforce wage pressure, and other operational overhead could adversely affect AdaptHealth' s financial results. Although there have been recent increases in inflation, AdaptHealth cannot predict whether these trends will continue. AdaptHealth' s primary mitigation efforts relating to these inflationary pressures include utilizing AdaptHealth' s purchasing power in negotiations with vendors and the increased use of technology to drive operating efficiencies and control costs, such as AdaptHealth' s digital platform for prescriptions, orders and delivery. Current inflationary increases have resulted in higher interest rates, which in turn have resulted in higher interest expense related to AdaptHealth' s variable rate indebtedness. Future increases in inflation may result in higher interest rates which could increase interest expense related to AdaptHealth' s variable rate indebtedness and any borrowings it may undertake to refinance existing fixed rate indebtedness. Higher interest rates also impact the discount rate used in the valuation of intangible assets **, including goodwill,** and the impact on the discount rate could result in **additional** impairment charges for such assets **. In addition, there can be no assurance that we will be able to refinance our term loan upon maturity, or that any such refinancing would be on terms as favorable as the terms of the existing term loan. If we are unable to refinance the term loan at maturity or are only able to do so at higher interest rates, our interest expense would increase and the amount of our cash flow and our financial condition could be adversely affected** . AdaptHealth' s business depends on its information systems, including software licensed from **or hosted by** third parties, and any failure or significant ~~disruptions~~ **disruption or effective cyber- attack on any** of these systems, security breaches **or improper disclosure of** or loss of data could materially affect our business, results of operations and financial condition. AdaptHealth' s business depends on the proper functioning and availability of its computer systems and networks. AdaptHealth relies on an external service provider to provide continual maintenance, upgrading and enhancement of AdaptHealth' s primary information systems used for its operational needs. AdaptHealth licenses third- party software that supports intake, personnel scheduling and other human resources functions, office clinical and centralized billing and receivables management in an integrated database, enabling AdaptHealth to standardize the care delivered across its network of locations and monitor its performance and consumer outcomes. AdaptHealth also uses a third- party software provider for its order processing and inventory management platform. To the extent that its third- party providers fail to support, maintain and upgrade such software or systems, or if AdaptHealth loses its licenses with third- party providers, the efficiency of AdaptHealth' s operations could be disrupted or reduced. The risk of a security breach or disruption, particularly through cyber- attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. In addition, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information or other intellectual property. ~~It is possible that~~ AdaptHealth or its third- party vendors may experience cybersecurity and other breach **incidents, including such** incidents that remain undetected for an extended period. A ~~cyber security~~ **cybersecurity** attack or other incident that bypasses AdaptHealth' s **or its third- party vendors'** information systems security could cause a security breach ~~which~~ **that** may lead to a material disruption to ~~its~~ **AdaptHealth' s** information systems infrastructure or business and ~~may~~ **/ or** involve a significant loss of business or patient health **or other protected data or** information. If a ~~cyber- security~~ **cybersecurity** attack or ~~other~~ **another** unauthorized attempt to access AdaptHealth' s **or its third- party vendors'** systems or facilities were to be successful, it could result in the theft, destruction, loss, misappropriation or release of confidential information or intellectual property, and could cause operational or business delays that may materially impact AdaptHealth' s ability to provide various healthcare services. Even when a security breach is detected, the full extent of the breach may not be determined immediately. If AdaptHealth experiences a reduction in the performance, reliability, or availability of its information systems, its operations and ability to process transactions and produce timely and accurate reports could be **materially** adversely affected. If AdaptHealth experiences difficulties with the transition and integration of information systems or is unable to implement, maintain, or expand its systems properly, AdaptHealth could suffer from, among other things, operational disruptions, delays, cessation of service, regulatory problems, increases in administrative expenses and other harm to its business and competitive position **. For example, in February 2024, AdaptHealth learned that one of its third- party software providers who interfaces with UnitedHealth Group' s Change Healthcare (" Change Healthcare ") information technology systems in connection with AdaptHealth' s claims processing activity had a cybersecurity threat actor gain access to some of the Change Healthcare information technology systems. UnitedHealth Group isolated the impacted systems upon learning of this threat and Change Healthcare has suspended its claims processing activity with AdaptHealth' s third- party software provider. The full impact of this incident has yet to be determined but depending on the duration of the impact and the availability of alternative claims processing engines, it could have an adverse effect on AdaptHealth' s business and results of operations** . There can be no assurance that AdaptHealth' s and its third- party software providers' safety and security measures and disaster recovery ~~plan~~ **plans** will prevent damage, interruption ~~or~~ **,** breach of ~~its~~ **their** information systems and operations **or data loss** . Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect, AdaptHealth **its third- party software providers'** may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications AdaptHealth develops or procures from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise the security of its information systems. Unauthorized parties may attempt to gain access to AdaptHealth' s systems or facilities, or those of third parties with whom AdaptHealth does business, **including its confidential managed file transfer software providers,** through fraud or other forms of deceiving its employees or contractors. Costs and potential problems and interruptions associated with **any such unauthorized access or** the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems **and technology, including systems and technology intended to protect against unauthorized access,** also could disrupt or reduce the efficiency of AdaptHealth' s operations. Any successful ~~cyber security~~ **cybersecurity** attack or other unauthorized ~~attempt to~~ access **to** AdaptHealth' s **, AdaptHealth' s third- party vendors',** or **any of** its **or their** acquisition targets' systems ~~or~~ **,** facilities **or patient health information** also could result in negative publicity **,** which could damage ~~its~~ **AdaptHealth' s** reputation or brand with its patients, referral sources, payors or other third parties and could subject AdaptHealth to substantial penalties under HIPAA and other federal and state data protection laws, in addition to **costs and potential damages associated with** private litigation ~~with~~ **related to** those affected. Failure to maintain the security and functionality of AdaptHealth' s information systems and related software **or to contract with third parties which do** , or a failure to defend a ~~cyber- security~~ **cybersecurity** attack or other attempt to gain unauthorized access to AdaptHealth' s **, AdaptHealth' s third- party vendors',** or **any of** its **or their** acquisition targets' systems, facilities or patient health information, could expose AdaptHealth to a number of adverse consequences, the vast majority of which are not insurable, including **,** but not limited to **,** disruptions in AdaptHealth' s operations, regulatory and other civil and criminal penalties, fines, investigations and enforcement actions (including, but not limited to, those arising from the SEC, **FTC** ~~Federal Trade Commission~~ , the Office of Inspector General or state attorneys general), private litigation with those affected by the data breach, loss of customers, disputes with payors and increased operating expense, **all or any of** which could adversely impact AdaptHealth' s financial condition and results of operations. AdaptHealth **' s financial performance** is affected by continuing efforts by private third- party payors to control their costs ~~. If~~ **, and if** AdaptHealth agrees to lower its reimbursement rates due to pricing pressures from **such** private third- party payors, AdaptHealth' s financial condition and results of operations would likely deteriorate. AdaptHealth derived approximately **60 % and** 61 % of its net revenue for the years ended December 31, **2023 and** 2022 ~~and 2021~~ **, respectively,** from third- party private payors. Such payors continually seek to control the cost of providing healthcare services through direct contracts with healthcare providers, increased oversight and greater enrollment of patients in managed care programs and preferred provider organizations. These private payors are increasingly demanding discounted fee structures, including setting reimbursement rates based on Medicare fee schedules or requiring healthcare providers or suppliers to assume a greater degree of financial risk related to patient care. Reimbursement rates under private payor programs may not remain at current levels and may not be sufficient to cover the costs of caring for patients enrolled in such programs, and AdaptHealth may experience a deterioration in pricing flexibility, changes in payor mix and growth in operating expenses in excess of increases in payments by private third-party payors. AdaptHealth may be compelled to lower its prices due to increased pricing pressures, which could adversely impact AdaptHealth' s financial condition and results of operations. AdaptHealth' s payor contracts are subject to renegotiation or termination, which could result in a decrease in AdaptHealth' s revenue or profits. The majority of AdaptHealth' s payor contracts are subject to unilateral termination by either party on between 30 and 90 days' prior written notice. Such contracts are routinely amended (sometimes by unilateral action by payors regarding payment policy), renegotiated, subjected to a bidding process with AdaptHealth' s competitors, or terminated altogether. Sometimes in the renegotiation process, certain lines of business may not be renewed or a payor may enlarge its provider network or otherwise change the way it conducts its business in a way that adversely impacts AdaptHealth' s revenue. In other cases, a payor may reduce its provider network in exchange for lower payment rates. AdaptHealth' s revenue from a payor may also be adversely affected if the payor alters its utilization management expectations and / or administrative procedures for payments and audits, changes its order of preference among the providers to which it refers business or imposes a third- party administrator, network manager or other intermediary. Payors may also decide to refer business to their owned provider subsidiaries, such as specialty pharmaceuticals and / or HME networks owned by such payors or by third- party management companies. Any of these activities could materially reduce AdaptHealth' s revenue from these payors. Changes made by payors to the way they cover products supplied by AdaptHealth could have an adverse impact on AdaptHealth' s revenue and operations. Payors that provide coverage for products supplied by AdaptHealth can make changes to their plans and benefit designs that can have an adverse impact on AdaptHealth' s revenue and operations. For example, some payors have shifted coverage for continuous glucose monitors (" CGM ") from the medical benefit to the pharmacy benefit for their insureds. The impact of changing the benefit can include changes to the types of providers that can provide CGM, increased competition from pharmacies, changes to covered amounts, and changes to patient deductibles. Additionally, including CGM under the pharmacy benefit could allow pharmacy benefit managers to attempt to restrict how beneficiaries obtain CGM, including attempts to shift to specifically contracted providers with reduced reimbursement to the supplier or pharmacy. **Net revenue from AdaptHealth' s diabetes business declined for the year ended December 31, 2023, primarily due to a shift in diabetes patients by certain large commercial insurance and other payors from DME suppliers to dual- benefit and pharmacy- only suppliers and lower net revenue from insulin pumps and supplies as a result of a shift toward more pumps being sold to patients through the pharmacy channel.** Changes in governmental or private payor supply replenishment schedules could adversely affect AdaptHealth. AdaptHealth generated approximately **28 % and** 27 % of its net revenue for the years ended December 31, **2023 and** 2022 ~~and 2021~~ **, respectively,** through the sale of masks, tubing and other ancillary products related to patients utilizing CPAP devices. Medicare, Medicaid and private payors limit the number of times per year that patients may purchase such supplies. To the extent that any governmental or private payor revises their resupply guidelines to reduce the number of times such supplies can be purchased, such reductions could adversely impact AdaptHealth' s revenue, financial condition and results of operations. If AdaptHealth fails to manage the complex and lengthy reimbursement process, its revenue, financial condition and results of operations could suffer. Because AdaptHealth depends upon reimbursement from Medicare, Medicaid and third- party payors for a significant majority of its revenues, AdaptHealth' s revenue, financial condition and results of operations may be affected by the reimbursement process, which in the healthcare industry is complex and can involve lengthy delays between the time that services are rendered and the time that the reimbursement amounts are settled. Depending on the payor, AdaptHealth may be required to obtain certain payor- specific documentation from physicians and other healthcare providers before submitting claims for reimbursement. Certain payors have filing deadlines and will not pay claims submitted after such deadlines. AdaptHealth cannot ensure that it will be able to effectively manage the reimbursement process and collect payments for its equipment and services promptly. AdaptHealth generates a significant portion of its revenue from the provision of sleep therapy equipment and supplies to patients, and AdaptHealth' s success is therefore highly dependent **on** its ability to furnish these items. Approximately **39 % and** 36 % of AdaptHealth' s net revenue for the years ended December 31, **2023 and** 2022 ~~and 2021~~ **, respectively,** was generated from the provision of sleep therapy equipment and supplies to patients. AdaptHealth' s ability to execute its growth strategy therefore depends upon the adoption by patients, physicians and sleep centers, among others, of AdaptHealth' s sleep therapy equipment and supplies to treat their patients suffering from OSA. There can be no assurance that AdaptHealth' s sleep therapy equipment and supplies will continue to maintain broad acceptance among physicians and patients. Any failure by AdaptHealth to satisfy physician or patient demand for its equipment and supplies or to maintain meaningful market acceptance will harm its business and future prospects. AdaptHealth may be adversely affected by consolidation among health insurers and other industry participants. In recent years, **there has been** a ~~number~~ **continuing trend** of health insurers **merging** ~~have merged~~ or ~~increased~~ **increasing** efforts to consolidate with other non- governmental payors. Insurers are also increasingly pursuing alignment initiatives with healthcare providers. Consolidation within the health insurance industry may result in insurers having increased negotiating leverage and competitive advantages, such as greater access to performance and pricing data. AdaptHealth' s ability to negotiate prices and favorable terms with health insurers in certain markets could be affected negatively as a result of this consolidation. In addition, the shift toward value- based payment models could be accelerated if larger insurers, including those engaging in consolidation activities, find these models to be financially beneficial. There can be no assurance that AdaptHealth will be able to negotiate favorable terms with payors and otherwise respond effectively to the impact of increased consolidation in the payor industry or vertical integration efforts. ~~Failure~~ **AdaptHealth may be adversely affected if it is unable to maintain current levels of collectability and** by ~~AdaptHealth to maintain controls and processes over billing and collections or~~ the deterioration of the financial condition of AdaptHealth' s payors or disputes with third parties could have a significant negative impact on its financial condition and results of operations. The collection of accounts receivable requires constant focus and involvement by management and ongoing enhancements to information systems and billing center operating procedures. There can be no assurance that AdaptHealth will be able to improve upon or maintain its current levels of collectability and days sales outstanding in future periods. Further, some of AdaptHealth' s payors and / or patients may experience financial difficulties, or may otherwise not pay accounts receivable when due, resulting in increased write- offs. If AdaptHealth is unable to properly bill and collect its accounts receivable, its financial condition and results of operations will be adversely affected. In addition, from time to time AdaptHealth is involved in disputes with various parties, including its payors and their intermediaries regarding their performance of various contractual or regulatory obligations. These disputes sometimes lead to legal and other proceedings and cause AdaptHealth to incur costs or experience delays in collections, increases in its accounts receivable or loss of revenue. In addition, in the event such disputes are not resolved in AdaptHealth' s favor or cause AdaptHealth to terminate its relationships with such parties, there may be an adverse impact on its financial condition and results of operations. If AdaptHealth is unable to maintain or develop relationships with patient referral sources, its growth and profitability could be adversely affected. AdaptHealth' s growth and profitability depend in large part on referrals from acute care hospitals, sleep laboratories, pulmonologist and endocrinologist offices, skilled nursing facilities, hospice operators and other patient referral sources in the communities served by AdaptHealth, its ability to establish and maintain close working relationships with such patient referral sources and to increase awareness and acceptance of the benefits of inpatient rehabilitation, home health, and hospice care by its referral sources and their patients. By law, referral sources cannot be contractually obligated to refer patients to any specific provider. In addition, AdaptHealth' s relationships with referral sources are subject to federal and state healthcare laws such as the federal Anti- Kickback Statute and the Stark Law to the extent these services provide a financial benefit to or relieve a financial burden for a potential referral source, or are subsequently found not to be for fair market value. However, there can be no assurance that other market participants will not attempt to steer patients to competing post- acute providers or otherwise limit AdaptHealth' s access to potential referrals. The establishment of joint ventures or networks between referral sources, such as acute care hospitals, and other post- acute providers may hinder patient referrals to AdaptHealth. AdaptHealth' s loss of, or failure to maintain, existing relationships or its failure to develop new relationships with referral sources could adversely affect its ability to grow its business and operate profitably. AdaptHealth experiences competition from numerous other **sleep therapy equipment,** home respiratory, mobility equipment and diabetes medical devices and supplies providers, and this competition could adversely affect its revenues and its business. The **sleep therapy equipment,** home respiratory, mobility equipment and diabetes medical devices and supplies markets are highly competitive and include a large number of providers, some of which are national providers, but most of which are either regional or local providers, including hospital systems, physician specialists and sleep labs. The primary competitive factors are quality considerations such as responsiveness, access to payor contracts, the technical ability of the professional staff and the ability to provide comprehensive services. These markets are very fragmented. Some of AdaptHealth' s competitors may now or in the future have greater financial resources or more effective sales and marketing activities. AdaptHealth' s largest national home respiratory / home medical equipment provider competitors include Owens & Minor Inc., Lincare Holdings Inc., Rotech Healthcare, Inc. and Cardinal Health, Inc. The rest of the homecare market in the United States consists of regional providers and product- specific providers, as well as numerous local organizations. Hospitals and health systems are routinely looking to provide coverage and better control of post- acute healthcare services, including homecare services of the types AdaptHealth provides. These trends may continue as new payment models evolve, including bundled payment models, shared savings programs, value- based purchasing and other payment systems. New entrants to the **sleep therapy equipment,** home respiratory / home medical equipment and diabetes medical devices and supplies markets could have a material adverse effect on AdaptHealth' s business, results of operations and financial condition. A number of manufacturers of home respiratory equipment currently provide equipment directly to patients on a limited basis. Such manufacturers have the ability to provide their equipment at prices below those charged by AdaptHealth, and there can be no assurance that such direct- to- patient sales efforts will not increase in the future or that such manufacturers will not seek reimbursement contracts directly with AdaptHealth' s third- party payors, who could seek to provide equipment directly to patients from the manufacturer. In addition, pharmacy benefit managers, including CVS Health Corporation and the OptumRx business of UnitedHealth Group Incorporated, could enter the HME market and compete with AdaptHealth. Large technology companies, such as Amazon. com, Inc. and Alphabet Inc., have disrupted other supply businesses and have entered the healthcare market. In the event such companies enter the HME market, AdaptHealth may experience a loss of referrals or revenue. Changes in medical equipment technology and development of new treatments may cause AdaptHealth' s current equipment or services to become obsolete. AdaptHealth evaluates changes in home medical equipment technology and treatments on an ongoing basis for purposes of determining the feasibility of replacing or supplementing items currently included in the patient service equipment inventory and services that AdaptHealth offers patients. AdaptHealth' s selection of medical equipment and services is formulated on the basis of a variety of factors, including overall quality, functional reliability, availability of supply, payor reimbursement policies, product features, labor costs associated with the technology, acquisition, repair and ownership costs and overall patient and referral source demand, as well as patient therapeutic and lifestyle benefits. Manufacturers continue to invest in research and development to introduce new products to the marketplace. It is possible that major changes in available technology, payor benefit or coverage policies related to those changes or the preferences of patients and referral sources may cause AdaptHealth' s current product offerings to become less competitive or obsolete, and it will be necessary to adapt to those changes. Unanticipated changes could cause AdaptHealth to incur increased capital expenditures and accelerated equipment write- offs, and could force AdaptHealth to alter its sales, operations and marketing strategies. **In addition, the development and commercialization of new drugs to address obesity and type 2 diabetes may limit the prospects for AdaptHealth' s current equipment or services. A number of new glucagon- like peptide (GLP- 1) receptor agonist drugs, including Mounjaro, Wegovy, and Ozempic, have entered the market. The long- term effect of these drugs on AdaptHealth' s business is uncertain. However, these drugs may have a significant impact on obesity rates over time, which may result in reduced demand for our current equipment or services and we may not be able to adapt to those changes to stay competitive.** AdaptHealth' s operations involve the transport of compressed and liquid oxygen, which carries an inherent risk of rupture or other accidents with the potential to cause substantial loss **, and have involved the operation of medical gas facilities that are subject to federal and state regulations, which requires significant compliance oversight and expenses** . AdaptHealth' s operations are subject to the many hazards inherent in the transportation of medical gas products and compressed and liquid oxygen, including ruptures, leaks and fires. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of AdaptHealth' s related operations. If a significant accident or event occurs, it could adversely affect AdaptHealth' s business, financial position and results of operations. Additionally, corrective action plans, fines or other sanctions may be levied by government regulators who oversee transportation of hazardous materials such as compressed or liquid oxygen. AdaptHealth provides a significant number of patients with oxygen- based therapy, and from time to time, AdaptHealth has operated medical gas facilities in several states subject to federal and state regulatory requirements. AdaptHealth' s medical gas facilities and operations are subject to extensive regulation by the Food and Drug

Administration (" FDA ") and other federal and state authorities. The FDA regulates medical gases, including medical oxygen, pursuant to its authority under the federal Food, Drug and Cosmetic Act. Among other requirements, the FDA' s current Good Manufacturing Practice (" cGMP ") regulations impose certain quality control, documentation and record keeping requirements on the receipt, processing and distribution of medical gas. Further, in each such state, its medical gas facilities would be subject to regulation under state health and safety laws, which vary from state to state. The FDA and state authorities conduct periodic, unannounced inspections at medical gas facilities to assess compliance with the cGMP and other regulations, and AdaptHealth expends significant time, money and resources in an effort to achieve substantial compliance with the cGMP regulations and other federal and state law requirements at each of its medical gas facilities. AdaptHealth also complies with the FDA' s requirement for medical gas providers to register their sites with the agency. There can be no assurance, however, that these efforts will be successful and that AdaptHealth' s medical gas facilities will maintain compliance with federal and state law regulations. Failure by AdaptHealth to maintain regulatory compliance at its medical gas facilities could result in enforcement action, including warning letters, fines, product recalls or seizures, temporary or permanent injunctions, or suspensions in operations at one or more locations, and civil or criminal penalties which would materially harm its business, financial condition, results of operations, cash flow, capital resources and liquidity. The timing and amount of AdaptHealth'...... to, the factors listed above. AdaptHealth currently outsources, and from time to time in the future may outsource, a portion of its internal business functions to third- party providers **, which** ~~. Outsourcing these functions~~ has significant risks, and AdaptHealth' s failure to manage these risks successfully could materially adversely affect its business, results of operations, and financial condition. AdaptHealth currently **outsources** , and from time to time in the future ~~,~~ may outsource **,** portions of its internal business functions, including billing and administrative functions relating to revenue cycle management **and accounts payable** , to third- party providers in India and the Philippines **, and utilizes third- party managed file transfer software providers to transfer its sensitive and protected customer data** . These third- party providers may not comply on a timely basis with all of AdaptHealth' s requirements, or may not provide AdaptHealth with an acceptable level of service **or may not protect properly AdaptHealth' s and its customers' confidential or protected data** . This could result in significant disruptions in ~~its~~ **AdaptHealth' s** operations and significantly ~~increased~~ - **increase** costs to undertake AdaptHealth ~~'-~~ **'** s operations, either of which could damage AdaptHealth' s relationships with its customers. In addition, AdaptHealth' s outsourced functions may be negatively impacted by any number of factors, including **:** political unrest; public health crises; ~~including the COVID- 19 pandemic,~~ social unrest **; cyber- attacks** ; terrorism; war; vandalism; currency fluctuations; changes to the laws of India, the Philippines, the United States or any ~~of the states or~~ other jurisdictions in which AdaptHealth does business or outsources operations; or increases in the cost of labor and supplies in India and the Philippines or any other jurisdiction in which AdaptHealth outsources any portion of its internal **or other** business functions. AdaptHealth' s outsourced operations may also be affected by trade restrictions, such as tariffs or other trade controls. As a result of its outsourcing activities, it may also be more difficult for AdaptHealth to recruit and retain qualified employees for its business needs at any time. AdaptHealth' s failure to successfully outsource certain of its business functions could materially adversely affect its business, results of operations, and financial condition. AdaptHealth' s ability to successfully operate ~~our~~ **its** business is largely dependent upon the efforts of ~~certain~~ key personnel of AdaptHealth, including senior management ~~. The~~ **, the** loss of ~~such key personnel~~ **any of whom** could negatively impact AdaptHealth' s operations and financial results. AdaptHealth is highly dependent on the performance and continued efforts of its senior management team. AdaptHealth' s future success is dependent on its ability to continue to attract and retain qualified executive officers and senior management. Any inability to manage AdaptHealth' s operations effectively could adversely impact its financial condition and results of operations. AdaptHealth' s ability to successfully operate its business is also dependent upon the efforts of certain other key personnel of AdaptHealth. It is possible that AdaptHealth will lose some key personnel, the loss of which could negatively impact its operations and profitability. **As previously disclosed, Richard Barasch, Chairman of the Board of AdaptHealth and Interim Chief Executive Officer, has been serving as its Interim Chief Executive Officer since the resignation of Stephen Griggs, effective June 30, 2023. Mr. Barasch is expected to continue to serve as Interim Chief Executive Officer until a successor chief executive officer is appointed. AdaptHealth remains highly focused on identifying a replacement chief executive officer; however, there can be no assurances as to the timing of any such appointment.** AdaptHealth' s strategic growth plan, which **has historically** ~~involves~~ **involved** the acquisition of other companies, may not succeed. AdaptHealth' s strategic plan calls for significant growth in its business over the next several years through an increase in its density in select markets where it is established as well as the expansion of its geographic footprint into new markets. This growth would place (and has placed) significant demands on AdaptHealth' s management team, systems, internal controls and financial and professional resources. As a result, AdaptHealth could be required to incur (and has incurred) expenses for hiring additional qualified personnel, retaining professionals to assist in developing the appropriate control systems and expanding AdaptHealth' s information technology infrastructure. If AdaptHealth is unable to effectively manage growth, its financial results could be adversely impacted. AdaptHealth' s strategic plan **has historically involved** ~~also contemplates continued growth from future~~ acquisitions of home medical equipment providers **and such acquisitions remain an element of AdaptHealth' s strategy** . AdaptHealth may face increased competition for attractive acquisition candidates, which may limit the number of acquisition opportunities available to AdaptHealth or lead to the payment of higher prices for its acquisitions. Without successful acquisitions, AdaptHealth' s future growth rate could decline. In addition, AdaptHealth cannot guarantee that any future acquisitions, if consummated, will result in further growth. AdaptHealth' s strategic plan contemplates successful integration of acquired home medical equipment providers with AdaptHealth' s existing business, including reduction in operating expenses with respect to the acquired companies. Integrating an acquisition could be expensive and time- consuming and could disrupt AdaptHealth' s ongoing business, negatively affect cash flow and distract management and other key personnel from day- to- day operations. AdaptHealth may not be able to combine successfully the operations of recently acquired companies with its operations, and, even if such integration is accomplished, AdaptHealth may never realize the potential benefits of such acquisition. The integration of acquisitions requires significant attention from management, may impose substantial demands on AdaptHealth' s operations or other projects and may impose challenges on us including, but not limited to, consistencies in business standards, procedures, policies and business cultures. There can be no assurance that any future acquisitions, if consummated, will result in further growth. Specific integration risks relating to the acquisition of other companies by AdaptHealth may include: • difficulties related to combining previously separate businesses into a single unit, including patient transitions, product and service offerings, distribution and operational capabilities and business cultures; • availability of financing to the extent needed to fund acquisitions; • customer loss and other general business disruption; • managing the integration process while completing other independent acquisitions or dispositions; • diversion of management' s attention from day- to- day operations; • assumption of liabilities of an acquired business, including unforeseen or contingent liabilities or liabilities in excess of the amounts estimated; • failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements; • potentially substantial costs and expenses associated with acquisitions and dispositions; • failure to retain and motivate key employees; • coordinating research and development activities to enhance the introduction of new products and services; • difficulties in establishing and applying AdaptHealth' s internal control over financial reporting and disclosure controls and procedures to an acquired business; • obtaining necessary regulatory licenses and payor- specific approvals, which may impact the timing of when AdaptHealth is to bill and collect for services rendered; • AdaptHealth' s ability to transition patients in a timely manner may impact AdaptHealth' s ability to collect amounts for services rendered; • AdaptHealth' s estimates for revenue accruals during the integration of acquisitions may require adjustments in future periods as the transition of patient information is finalized; and • delays in obtaining new government and commercial insurance payor identification numbers for acquired branches, resulting in a slowdown and / or loss of associated revenue. Political and economic conditions, including significant global or regional developments such as economic and political events, international conflicts (including the ongoing **war in Ukraine and the Hamas- Israel** conflict ~~in Ukraine~~), natural disasters and public health crises that are out of AdaptHealth' s control, could adversely affect its revenue, financial condition and results of operations. AdaptHealth' s business can be affected by a number of factors that are beyond its control, such as general geopolitical, economic and business conditions, including slower economic growth, disruptions in financial markets, economic downturns in the form of either contained or widespread recessionary conditions, inflation, elevated unemployment levels, sluggish or uneven economic recovery, government actions impacting trade agreements including the imposition of trade restrictions such as tariffs and retaliatory counter measures, government deficit reduction, tax legislation increasing the federal corporate income tax rates, natural and other disasters, public health crises affecting the operations of AdaptHealth or its customers or suppliers, staffing shortages, production slowdowns or stoppages, raw material shortages and disruptions in delivery systems. **We continue to monitor the worsening macroeconomic conditions, such as the war in Ukraine, the Hamas- Israel conflict and global geopolitical tension.** Turmoil in the financial markets, including in the capital and credit markets, and any uncertainty over its breadth, depth and duration may put pressure on the global economy and could have a negative effect on AdaptHealth' s business ~~, including with respect to the expansion of AdaptHealth' s business operations worldwide~~ . The shortage of liquidity and credit combined with substantial losses in worldwide equity markets could cause an economic recession in the United States or worldwide. If global financial markets experience extreme disruption, governments may take unprecedented actions intended to address extreme market conditions that may include severely restricted credit and declines in real estate values. If conditions in the global economy, U. S. economy or other key vertical or geographic markets are weak or uncertain, AdaptHealth could experience material adverse impacts on its revenue, financial condition and results of operations. AdaptHealth' s current insurance program **is expensive to maintain and** may expose it to unexpected costs and negatively affect its business, financial condition and results of operations, particularly if it incurs losses not covered by its insurance or if claims or losses differ from its estimates. There is an inherent risk of liability in the provision of healthcare services. As participants in the healthcare industry, AdaptHealth may periodically be subject to lawsuits, some of which may involve large claims and significant costs to defend, such as mass tort or other class actions. Although AdaptHealth' s insurance coverage reflects deductibles, self- insured retentions, limits of liability and similar provisions that it believes are reasonable based on its operations, the coverage under its insurance programs may not be adequate to protect it in all circumstances. AdaptHealth' s insurance policies contain exclusions and conditions that could have a materially adverse impact on AdaptHealth' s ability to receive indemnification thereunder, as well as customary sub- limits for particular types of losses. Additionally, insurance companies that currently insure companies in AdaptHealth' s industry may cease to do so, may change the coverage provided or may substantially increase premiums in the future. The incurrence of losses and liabilities that exceed AdaptHealth' s available coverage, therefore, could have a material adverse effect on its business, financial condition and results of operations. AdaptHealth **also maintains Directors and Officers (D & O) Liability insurance coverage to protect all of its directors and executive officers. As premiums for insurance covering directors' and officers' liability are rising, AdaptHealth may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. There can be no assurance that this D & O coverage will be sufficient to cover the costs of the events that may lead to its invocation, in which case, there could be an adverse impact on AdaptHealth' s financial condition, should such an unforeseen event occur. As a result, it may be more difficult for us to attract and retain qualified people to serve on AdaptHealth' s board of directors, its board committees, or as executive officers. AdaptHealth** currently self- insures a significant portion of expected losses under its workers' compensation, automobile liability and employee health insurance programs and, to offset negative insurance market trends, AdaptHealth may elect to increase its self- insurance coverage, accept higher deductibles or reduce the amount of coverage. Unanticipated changes in any applicable actuarial assumptions and management estimates underlying its liabilities for these losses could result in materially different expenses than expected under these programs, which could have a material adverse effect on AdaptHealth' s financial condition and results of operations. In addition, if AdaptHealth experiences a greater number of these losses than it anticipates, it could have a material adverse effect on its business, financial condition and results of operations. Risks Related to Regulation AdaptHealth' s revenue could be impacted by federal and state changes to reimbursement and other Medicaid and Medicare policies. AdaptHealth derived approximately **27 % and** 26 ~~% and 28~~ % of its net revenue for the years ended December 31, **2023 and** 2022 ~~and 2021~~, respectively, from Medicare and various state- based Medicaid programs. These programs are subject to statutory and regulatory changes affecting overall spending, base rates or basis of payment, retroactive rate adjustments, annual caps that limit the amount that can be paid (including deductible and coinsurance amounts) for rehabilitation therapy services rendered to Medicare beneficiaries, administrative or executive orders and government funding restrictions, all of which may materially adversely affect the rates and frequency at which these programs reimburse AdaptHealth ~~. For example, the Medicaid Integrity Program is increasing the scrutiny placed on Medicaid payments and could result in recoupments of alleged overpayments~~ . Healthcare providers, suppliers, and payors are facing increasing pressure to reduce healthcare costs, and recent budget proposals and legislation at both the federal and state levels have called for cuts in Medicare and Medicaid reimbursement rates. Enactment and implementation of measures to reduce or delay reimbursement or overall Medicare or Medicaid spending could result in substantial reductions in AdaptHealth' s revenue and profitability. Payors may disallow AdaptHealth' s requests for reimbursement based on determinations that certain costs are not reimbursable or reasonable because either adequate or additional documentation was not provided or because certain services were not covered or considered medically necessary. Revenue from third- party payors can be retroactively adjusted after a new examination during the claims settlement process or as a result of post- payment audits. AdaptHealth may also be subject to pre- payment review of certain service lines or **products and** equipment ~~segments~~ as a result of negative audit findings or other third- party payor determinations, which can result in significant delays in claims processing and could materially impact its revenue. As a result of the Public Health Emergency Declaration, National Emergency Declaration, and pursuant to the provisions of the CARES Act, among other things, CMS ~~has~~ issued regulatory guidance indicating enforcement discretion and flexibility regarding the provisions of items and services by ~~Durable Medical Equipment, Prosthetics, Orthotics, & Supplies ("~~ DMEPOS ~~")~~ suppliers like AdaptHealth. These provisions **were** ~~have been~~ announced through blanket waivers under Section 1135 of the Social Security Act, two Interim Final Rules with Requests for Comment on April 6, 2020 and May 8, 2020, respectively, and through numerous forms of subregulatory guidance. These provisions ~~include~~ **included** modifications of various requirements under CMS regulations and Medicare and Medicaid program rules that aim to expand the capacity of healthcare providers and suppliers to deliver healthcare services while minimizing the risk of viral exposure. ~~Even through the end of the public health emergency, many of the provisions regarding documentation, coverage and flexibilities remain subject to further guidance and interpretation by CMS and Medicare Administrative Contractors (" MACs "), among others. Due to the speed with which this guidance was issued, neither CMS nor the MACs have fully addressed the impact of this guidance on medical review of claims or audits. CMS and MACs continued to update guidance regarding coverage criteria, documentation requirements, and in-person encounter requirements for Durable Medical Equipment (" DME ") through their websites and other media through the public health emergency.~~ CMS' s changes ~~include~~ **included** the exercise of enforcement discretion with respect to the clinical conditions and face- to- face encounter requirements required under certain national and local coverage determinations applicable to certain items and supplies AdaptHealth offers. **The** ~~However, because these waivers and flexibilities may not fully describe the precise scope of the waiver or enforcement discretion, CMS, MACs and other Medicare or Medicaid auditors may challenge documentation for individual claims in pre- payment or post- payment audits. Further, the CMS or MACs may continue to modify or clarify this guidance during the COVID- 19 pandemic in a way that affects AdaptHealth' s operations or cash flows. Because the guidance issued changes frequently, AdaptHealth may be required to modify its compliance process and operations to remain in compliance with such guidance. In addition, AdaptHealth may be required to alter its operations and processes to ensure compliance once these flexibilities and waivers terminate (including flexibilities and waivers terminated by CMS prior to the end of the~~ public health emergency ~~). On January 30, 2023, President Biden announced the intent to end~~ **ended** ~~the public health emergency~~ on May 11, 2023, which ~~will trigger~~ **triggered** the expiration of many of the waivers, enforcement discretion and flexibilities. AdaptHealth may be required to alter its operations and processes to ensure compliance once these flexibilities and waivers terminate (including flexibilities and waivers terminated by CMS prior to the end of the public health emergency). The Coronavirus Aid, Relief, and Economic Security Act (the" CARES Act") also ~~provides~~ **provided** for a temporary suspension of reduced rates for items and services provided by AdaptHealth. Previously, CMS applied a blended payment rate for DME furnished in rural or noncontiguous non- competitive bidding areas. Pursuant to provisions of the CARES Act, through the end of the public health emergency, that blended rate **was** ~~will be~~ based on 50 % of the adjusted fee schedule amount (adjusted based on competitively bid prices) and 50 % of the unadjusted DMEPOS fee schedule amount. On December 28, 2021, CMS extended the temporary 50 / 50 blended rate for rural and noncontiguous non- competitive bidding areas after the public health emergency. This 50 / 50 blended rate was continued in the 2023 DMEPOS Fee Schedule. The CARES Act introduced a new blended rate for DME furnished in non- rural or contiguous non- competitive bidding areas that is based on 75 % of the adjusted fee schedule amount and 25 % of the unadjusted fee schedule amount. The Consolidated Appropriations Act, 2023 further extended the 75 / 25 blended Medicare reimbursement rate in non- competitive bidding / non-rural areas through ~~the end of the public health emergency or~~ December 31, 2023 **.** ~~, whichever is later, after~~ **After** ~~which it will~~ **December 31, 2023, the reimbursement rate has** ~~revert~~ **reverted** to 100 % of the Medicare fee schedule **, adjusted to inflation** . While AdaptHealth cannot predict what Medicare payment rates or coverage determinations will be in effect in future years, changes to payment rates or benefit coverages may materially impact its financial condition and results of operations. The CARES Act temporarily suspended the 2 % payment adjustment applied to all Medicare fee- for- service claims ~~due to sequestration~~ under The Budget Control Act of 2011. The ~~suspension was extended through December 31, 2021 in Public Law 117- 7, an act to prevent across- the- board direct spending cuts, and for other purposes. On December 10, 2021, the Protecting~~

~~Medicare and American Farmers from Sequester Cuts Act was signed into law, extending the suspension of the~~ 2 % **BDCA** sequestration **was** ~~through March 31, 2022. This law also contained a phase- in of sequestration, implementing a 1 % payment adjustment from April 1, 2022 through June 30 2022 and reinstatement~~ **reinstated** ~~of the 2 % payment adjustment~~ as of July 1, 2022. The payment adjustment has, and may continue to, adversely affect AdaptHealth. Additionally, ~~the~~ **sequestration may have a continued revenue** impact ~~of the termination of temporary suspension of sequestration for Medicare Advantage may depend~~ on ~~specific~~ AdaptHealth **' s** individual contracts with Medicare Advantage Organizations **depending on individual contracts** . The Statutory Pay- As- You- Go Act of 2010 (PAYGO) required that automatic payment cuts of 4 % be put into place if a statutory action is projected to create a net increase in the deficit over either five or 10 years. The enactment of the American Rescue Plan Act in 2021 would have triggered PAYGO sequestration in 2021. In the Protecting Medicare & American Farmers from Sequester Cuts Act, Congress delayed the PAYGO sequestration until January 1, 2023. The Consolidated Appropriations Act, 2023 (Public Law No: 117- 328) further prevented implementation of the PAYGO Medicare 4 % sequester through the end of 2024. If not renewed, the PAYGO payment adjustment may adversely affect AdaptHealth. ~~On December 28, 2021, CMS issued a final rule addressing, among other topics, the classification and payment for continuous glucose monitors (" CGM "). In the final rule, CMS expanded the classification of DME to a larger category of CGMs, regardless of whether they are non- adjunctive (i. e., that replace traditional blood glucose monitors) or adjunctive (i. e., that do not replace traditional blood glucose monitors), as long as such CGMs satisfy the regulatory definition of DME (i. e., can withstand repeated use for at least 3 years). In its 2023 DMEPOS Fee Schedule, CMS also announced the fee schedule adjustment based on the annual change to the Consumer Pricing Index for all urban areas. Items that were subject to the CBP in former CBAs will receive a 6. 4 % adjustment. Items that were subject to the CBP in non- CBAs will receive a 9. 1 % adjustment. Items not subject to the CBP will receive an 8. 7 % adjustment. AdaptHealth' s business may be adversely impacted by healthcare reform efforts, including repeal of or significant modifications to the ACA. In recent years, the U. S. Congress and certain state legislatures have considered and passed a number of laws that are intended to result in significant changes to the healthcare industry. For example, there have been numerous political and legal efforts to expand, repeal, replace or modify the Patient Protection and Affordable Care Act, as amended (" ACA "), since the law' s enactment, some of which have been successful, in part, in modifying the law, as well as court challenges to the constitutionality of the law. The U. S. Supreme Court rejected the latest such case on June 17, 2021, when the Court held that the plaintiffs lacked standing to challenge the ACA' s requirement to obtain minimum essential health insurance coverage or the individual mandate and dismissed the case without specifically ruling on the constitutionality of the ACA. Federal regulatory agencies continue to modify ACA regulations and guidance related to the ACA, often as a result of presidential directives. The ultimate outcome of efforts to expand the ACA, substantially amend its provisions, or change funding for the ACA is unknown. Though we cannot predict what, if any, reform proposals will be adopted, healthcare reform and legislation may have a material adverse effect on AdaptHealth' s business, financial condition and results of operations. Any future efforts to challenge, repeal or replace the ACA or implement alternative reform measures may result in reduced funding for state Medicaid programs, lower numbers of insured individuals, reduced coverage for insured individuals, and could impact providers and other healthcare industry participants and cause AdaptHealth' s revenues to decrease to the extent such legislation reduces Medicaid and / or Medicare reimbursement rates.~~ AdaptHealth is subject ~~, directly or indirectly,~~ to United States federal and state healthcare fraud and abuse and false claims laws and regulations ~~.~~ **, the** ~~Prosecutions~~ **prosecutions** under **which** ~~such laws~~ have increased in recent years and AdaptHealth may become subject to such litigation ~~. If~~ **, and if** AdaptHealth is unable to comply or has not fully complied with such laws, it could face substantial penalties. AdaptHealth' s operations are subject to various state and federal fraud and abuse laws, including, without limitation, the federal Anti- Kickback Statute, the federal Stark Law and the federal False Claims Act. These laws may impact, among other things, AdaptHealth' s sales, marketing and education programs. The federal Anti- Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. Several courts have interpreted the statute' s intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. In addition, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The Anti- Kickback Statute is broad and, despite a series of narrow safe harbors, prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. Penalties for violations of the federal Anti- Kickback Statute include criminal penalties and civil sanctions such as fines, imprisonment and possible exclusion from Medicare, Medicaid and other federal healthcare programs. Many states have also adopted laws similar to the federal Anti- Kickback Statute, some of which apply to the referral of patients for healthcare items or services reimbursed by any source, not only the Medicare and Medicaid programs. The federal Ethics in Patient Referrals Act of 1989, commonly known as the " Stark Law, " prohibits, subject to certain exceptions, physician referrals of Medicare and, as applicable under state law, Medicaid patients to an entity providing certain " designated health services " if the physician or an immediate family member has any financial relationship with the entity. The Stark Law also prohibits the entity receiving the referral from billing any good or service furnished pursuant to an unlawful referral. Various states have corollary laws to the Stark Law, including laws that require physicians to disclose any financial interest they may have with a healthcare provider to their patients when referring patients to that provider. Both the scope and exceptions for such laws vary from state to state. The federal False Claims Act prohibits persons from knowingly filing, or causing to be filed, a false claim to, or the knowing use of false statements to obtain payment from the federal government. The False Claims Act defines " knowingly " to include actual knowledge, acting in deliberate ignorance of the truth or falsity of information, or acting in deliberate disregard of the truth or falsity of information. False Claims Act liability includes liability for reverse false claims for avoiding or decreasing an obligation to pay or transmit money to the government. This includes False Claims Act liability for failing to report and return overpayments within 60 days of the date on which the overpayment is " identified. " Penalties under the False Claims Act can include exclusion from the Medicare program. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti- Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act. Suits filed under the False Claims Act, known as qui tam actions, can be brought by any individual on behalf of the government and such individuals, commonly known as " whistleblowers, " may share in any amounts paid by the entity to the government in fines or settlement. The frequency of filing qui tam actions has increased significantly in recent years, causing greater numbers of medical device, pharmaceutical and healthcare companies to have to defend a False Claims Act action. When an entity is determined to have violated the federal False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties for each separate false claim. Various states have also enacted laws modeled after the federal False Claims Act. ~~For example~~ **On May 2** , **2022** ~~as previously disclosed~~ , ~~on July 25, 2017, AdaptHealth was served with a subpoena by~~ the U. S. Attorney' s Office for the **Southern** ~~United States~~ District ~~Court for the Eastern District~~ of **New York issued** ~~Pennsylvania (" EDPA ") pursuant to 18 U. S. C. § 3486 (investigation of a federal health care offense) to produce certain audit records and internal communications regarding ventilator billing. The investigation focused on billing practices regarding one payor that contracted for bundled payments for certain ventilators. AdaptHealth has cooperated with investigators and, through agreement with the EDPA, has submitted all information requested in AdaptHealth' s possession. An independent third party was retained by AdaptHealth that identified overpayments and underpayments for ventilator billings related to the payor, and a remittance was sent to reconcile that account. On October 3, 2019, AdaptHealth received a follow- up civil investigative demand from the EDPA regarding a document previously produced to the EDPA and patients included in the review by the independent third party. AdaptHealth has responded to the EDPA and supplemented its production as requested with any relevant documents in AdaptHealth' s possession. During subsequent communications, the EDPA indicated to the Company that the investigation remained ongoing. The EDPA also requested additional information regarding certain patient services and claims refunds processed by AdaptHealth in 2017. The Company produced this information in coordination with the EDPA. The EDPA has also raised questions regarding other aspects of ventilator billing. While AdaptHealth cannot provide any assurance as to whether the EDPA will seek additional information or pursue this matter further, it does not believe that the investigation will have a material adverse effect on AdaptHealth. Additionally, in March 2019, prior to its acquisition by AdaptHealth, AeroCare was served with~~ a civil investigative demand ~~(" CID ") issued by the United States Attorney for the Western District of Kentucky (" WDKY "). The CID seeks~~ to **a subsidiary of AdaptHealth** ~~investigate allegations that AeroCare improperly billed~~ , **pursuant** ~~or caused others~~ to ~~improperly bill, for oxygen tank contents that were not delivered to beneficiaries. The WDKY has requested documents related to such oxygen tank content billing as well as other~~ -- **the** ~~categories of information. AeroCare has cooperated with the WDKY and has produced documents and provided explanations of its billing practices. In September 2020, the WDKY indicated the investigation includes alleged violations of the federal~~ False Claims Act ~~and as well as alleged violations of state Medicaid~~ **, 31 U. S. C. § 3733 (" FCA") surrounding whether the subsidiary submitted** false claims ~~acts~~ in ~~ten states~~ **violation of the FCA related to its billing of, and reimbursements from, federal health care programs for ventilators provided to patients from January 1, 2015 to the present** . **AdaptHealth is** ~~AeroCare has cooperated~~ fully **cooperating** with the investigation **. Given** ~~and has indicated to~~ the ~~WDKY that concerns raised do~~ **investigation is in the early stages, it is** not **possible** ~~accurately identify Medicare coverage criteria and that state Medicaid coverage requirements generally do not provide for separate reimbursement for portable gaseous oxygen contents in the circumstances at issue. While AdaptHealth cannot provide any assurance as~~ to **determine** whether ~~the WDKY will seek additional information or pursue this matter further,~~ it ~~does not believe that the investigation~~ will have a material adverse effect on AdaptHealth. HIPAA, and its implementing regulations, also created additional federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e. g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters. Similar to the federal Anti- Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. From time to time, AdaptHealth has been and is involved in various governmental audits, investigations and reviews related to its operations. Reviews and investigations can lead to government actions, resulting in the assessment of damages, civil or criminal fines or penalties, or other sanctions, including restrictions or changes in the way AdaptHealth conducts business, loss of licensure or exclusion from participation in Medicare, Medicaid or other government programs. Additionally, as a result of these investigations, healthcare providers and entities may face litigation or have to agree to settlements that can include monetary penalties and onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement. If AdaptHealth fails to comply with applicable laws, regulations and rules, its financial condition and results of operations could be adversely affected. Furthermore, becoming subject to these governmental investigations, audits and reviews may result in substantial costs and divert management' s attention from the business as AdaptHealth cooperates with the government authorities, regardless of whether the particular investigation, audit or review leads to the identification of underlying issues. AdaptHealth is unable to predict whether it could be subject to actions under any of these laws, or the impact of such actions. If AdaptHealth is found to be in violation of any of the laws described above or other applicable state and federal fraud and abuse laws, AdaptHealth may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from Medicare, Medicaid and other government healthcare reimbursement programs and the curtailment or restructuring of its operations. Failure by AdaptHealth to successfully design, modify and implement technology- based and other process changes to maximize productivity and ensure compliance could ultimately have a significant negative impact on AdaptHealth' s financial condition, reputation and results of operations. AdaptHealth has identified a number of areas throughout its operations, including revenue cycle management ~~and~~ **,** ~~fulfilment~~ **fulfillment** logistics **, and accounts payable** , where it **has** ~~intends to centralize~~ **centralized** and / or **modified** ~~modify current~~ processes or systems in order to attain a higher level of productivity or ensure compliance. Failure to achieve the cost savings or enhanced quality control expected from the successful design and implementation of such initiatives may adversely impact AdaptHealth' s financial condition and results of operations. Additionally, Medicare and Medicaid often change their documentation requirements with respect to claims submissions. The standards and rules for healthcare transactions, code sets and unique identifiers also continue to evolve, such as ICD 10 and HIPAA 5010 and other data security requirements. Moreover, government programs and / or commercial insurance payors may have difficulties administering new standards and rules for healthcare transactions and this may adversely affect timelines of payment or payment error rates. The DMEPOS Competitive Bidding Program also imposes new reporting requirements on contracted providers. Failure by AdaptHealth to successfully design and implement system or process modifications could have a significant impact on its operations and financial condition. From time to time, AdaptHealth' s outsourced contractors for certain information systems functions, such as Brightree LLC and Parachute Health LLC, may make operational, leadership or other changes that could impact AdaptHealth' s plans and cost- savings goals. The implementation of many of the new standards and rules will require AdaptHealth to make substantial investments. Further, the implementation of these system or process changes could have a disruptive effect on related transaction processing and operations. If AdaptHealth' s implementation efforts related to systems development are unsuccessful, AdaptHealth may need to write off amounts that it has capitalized related to systems development projects. Additionally, if systems development implementations do not occur, AdaptHealth may need to incur additional costs to support its existing systems. If CMS requires prior authorization or implements changes in documentation necessary for AdaptHealth' s products, AdaptHealth' s revenue, financial condition and results of operations could be negatively impacted. CMS has established and maintains a Master List of Items Frequently Subject to Unnecessary Utilization of certain DMEPOS items identified as being subject to unnecessary utilization. This list identifies items that CMS has determined could potentially be subject to prior authorization as a condition of Medicare payment. Since 2012, CMS has also maintained a list of categories of DMEPOS items that require face- to- face encounters with practitioners and written orders before the DMEPOS supplier may furnish the items to beneficiaries. In a final rule issued in 2019, CMS combined and harmonized the two lists to create a single unified list (the " Master List "). CMS also reduced the financial threshold for inclusion on the Master List. With certain exceptions for reductions in Payment Threshold (defined as an average purchase fee of $ 1, 000 or greater, adjusted annually for inflation, or an average monthly rental fee of $ 100 or greater, adjusted annually for inflation), items remain on the Master List for ten years from the date the item was added to the Master List. The presence of an item on the Master List does not automatically mean that prior authorization is required. Under the 2019 final rule, CMS selects items from the Master List for inclusion on the " Required Prior Authorization List. " The expanded Master List would increase the number of DMEPOS items potentially eligible to be selected for prior authorization, face- to- face encounter and written order prior to delivery requirements as a condition of payment. CMS has added certain items that are part of AdaptHealth' s product lines to the Master List and CMS may include the Company' s products on the Required Prior Authorization List. In August 2022, CMS suspended the prior authorization requirement for specified orthosis items on the Required Prior Authorization List under certain circumstances when reported with certain modifiers, effective April 13, 2022. On January 17, 2023, CMS published the annual F2F / WOPD Required List update in a federal register announcement, which added 10 orthosis codes that go into effect on April 17, 2023. To ensure practitioner involvement, these items will require an in person face- to- face encounter or telehealth encounter and also require a written order prior to delivery (WOPD). If CMS adds additional products to the Master List, expands the list of items subject to prior authorization, or expands face- to- face encounter requirements or provisions requiring a written order prior to delivery, these changes may adversely impact AdaptHealth' s revenue, financial condition and results from operations. Reimbursement claims are subject to audits by various governmental and private payor entities from time to time and such audits may negatively affect AdaptHealth' s revenue, financial condition and results of operations. AdaptHealth receives a substantial portion of its revenues from the Medicare program. Medicare reimbursement claims made by healthcare providers, including HME providers, are subject to audit from time to time by governmental payors and their agents, such as MACs that, among other things, process and pay Medicare claims, auditors contracted by CMS, and insurance carriers, as well as the Office of Inspector General of the Department of Health and Human Services (the " OIG- HHS "), CMS and state Medicaid programs. These include specific requirements imposed by the Durable Medical Equipment Medicare Administrative Contractor (" DME MAC ") Supplier Manuals, Medicare DMEPOS enrollment requirements and Medicare DMEPOS Supplier Standards. To ensure compliance with Medicare, Medicaid and other regulations, government agencies or their contractors, including MACs, Recovery Audit Contractors (" RACs "), Unified Program Integrity Contractors (" UPICs ") and Zone Program Integrity Contractors (" ZPICs "), often conduct audits and request customer records and other documents to support AdaptHealth' s claims submitted for payment of services rendered and compliance with government program claim submission requirements. Some contractors are paid a percentage of the overpayments recovered. Negative audit findings or allegations of fraud or abuse may subject AdaptHealth or its individual subsidiaries to liability, such as overpayment liability, refunds or recoupments of previously paid claims, payment suspension, or the revocation of billing or payment privileges in governmental healthcare programs. If CMS or a state Medicaid agency determines that certain actions of the Company or an affiliated subsidiary present an undue risk of fraud, waste, or abuse, they may suspend the billing or payment privileges of the entity, deny the entity' s enrollment or revalidation for Medicare or Medicaid participation, and potentially deny the re- enrollments of other commonly owned entities. Such actions, if imposed on the Company or its subsidiaries, could materially adversely impact the Company' s revenue, financial condition and results of operations. In many instances, there are only limited publicly available guidelines and methodologies for determining errors with certain audits. As a result, there can be a significant lack of clarity regarding required documentation and audit methodology. The clarity and completeness of each patient medical file, some of which is the work product of physicians not employed by AdaptHealth, is essential to successfully challenging any payment denials. For example, certain provisions under CMS guidance manuals, local coverage determinations, and the DME MAC Supplier Manuals provide that clinical information from the " patient' s medical record " is required to justify the initial and ongoing medical necessity for the provision of DME. Some DME MACs, CMS staff and other government contractors have taken the position, that the " patient' s medical record " refers not to documentation maintained by the DME supplier but instead to documentation maintained by the patient' s physician, healthcare facility or other clinician, and that clinical information created by the DME supplier' s personnel and confirmed by the patient' s physician is not sufficient to establish medical necessity. If treating physicians do not adequately document, among other things, their diagnoses and plans of care, the risks that the Company will be subject to audits and payment denials are likely to increase. Moreover, auditors' interpretations of these policies are inconsistent and subject to individual interpretation, leading to significant increases in individual supplier and industry- wide perceived error rates. High error rates could lead to further audit activity and regulatory burdens, and could result in AdaptHealth making significant refunds and other payments to Medicare and other government programs. Accordingly, AdaptHealth' s future revenues and cash flows from government healthcare programs may be reduced. Private payors also may conduct audits and may take legal action to recover alleged overpayments. AdaptHealth could be adversely affected in some of the markets in which it operates if the auditing payor alleges substantial overpayments were made to AdaptHealth due to coding errors or lack of documentation to support medical necessity determinations. AdaptHealth cannot currently predict the adverse impact these measures might have on its financial condition and results of operations, but such impact could be material. Moreover, provisions of the **Patient Protection and Affordable Care Act ("** ACA **")** implemented by CMS require that overpayments be reported and returned within 60 days of the date on which the overpayment is " identified. " Any overpayment retained after this deadline may be considered an " obligation " for purposes of the False Claims Act, liability for which can result in the imposition of substantial fines and penalties. CMS currently requires a six- year " lookback period, " for reporting and returning overpayments. ~~On June 26, 2020 and February 17, 2021, respectively, two acquired subsidiaries of AdaptHealth received notices of suspension of Medicare payment privileges from the CMS UPIC for the western jurisdiction. Both notices stated that the suspension was based upon a determination that such subsidiaries, each single supplier entities, had billed for services which were not rendered and / or were medically unnecessary, and improperly solicited beneficiaries. The Company has responded to both suspensions, and on June 8, 2021, the Company received notice that one of the payment suspensions had been lifted. As previously noted, the remaining subsidiary subject to the payment suspension will not be paid for items provided to Medicare beneficiaries until the suspension is lifted, and there can be no assurance that the Company will be successful in reinstating such payment privileges. These supplier entities represent less than two percent (2 %) of the Company' s annual revenue. The Company does not believe that these suspensions will have a material adverse effect on the Company.~~ AdaptHealth cannot currently predict the adverse impact, if any, that these audits, determinations, methodologies and interpretations might have on its financial condition and results of operations. Significant reimbursement reductions and / or exclusion from markets or product lines could adversely affect AdaptHealth. In March 2019, CMS announced that it would consolidate all rounds and areas of the DMEPOS Competitive Bidding Program into a single round of competition effective January 1, 2021 named " Round 2021 ", to consolidate prior ~~competitive bidding areas ("~~ CBAs ~~")~~. Round 2021 contracts became effective on January 1, 2021 and extend through December 31, 2023. CMS included 16 product categories in the Round 2021. On April 10, 2020, CMS announced that due to the COVID- 19 pandemic, it removed the non- invasive ventilators product category from the Round 2021 DMEPOS Competitive Bidding Program. On October 27, 2020, CMS announced that it would not award competitive bid contracts in 13 of the 15 remaining product categories due to a failure to achieve expected savings, and that Round 2021 contract awards would only be made for off- the- shelf (OTS) knee and back braces. For the years ended December 31, **2023 and** 2022 ~~and 2021~~, net revenue generated with respect to providing OTS knee and back braces (excluding amounts generated in non- rural and rural non- bid areas) were not material. AdaptHealth has obtained contracts for OTS knee and back braces, and does not expect the single payment amounts imposed by CMS under such contracts to have a material impact on the Company **. On May 25, 2023, CMS announced a temporary gap period for the CBP starting January 1, 2024, following the expiration of all Round 2021 contracts for OTS knee and back braces on December 31, 2023. The gap period commenced as anticipated and CMS has yet to announce when the temporary gap period for the CBP would end, but indicated that it would start bidding for the next CBP round after it completes the formal notice and comment rulemaking process and implements necessary changes to the CBP to establish sustainable process, save money for Medicare patients and taxpayers, help limit fraud, waste, and abuse, and ensure patient access to quality items and services. During the temporary gap period, any Medicare- enrolled DMEPOS supplier may furnish DMEPOS items and services to patients, with payment in former CBAs based on 100 % of the single payment amount for that CBA (increased by the projected percentage change in Consumer Price Index for All Urban Consumers), and payment in non-CBAs based on fully adjusted rates per the applicable methodology under 42 C. F. R. § 414. 210 (g)** . The competitive bidding process (which is expected to be re- bid every three years) has historically put pressure on the amount AdaptHealth is reimbursed in the markets in which it exists, as well as in areas that are not subject to the DMEPOS Competitive Bidding Program. The rates required to win future competitive bids could continue to depress reimbursement rates. AdaptHealth will continue to monitor developments regarding the DMEPOS Competitive Bidding Program. While AdaptHealth cannot predict the outcome of the DMEPOS Competitive Bidding Program on its business in the future nor the Medicare payment rates that will be in effect in future years for the items subjected to competitive bidding, the program may materially adversely affect its financial condition and results of operations. Failure by AdaptHealth to maintain required licenses and accreditation could impact its operations. AdaptHealth is required to maintain a significant number of state and / or federal licenses for its operations and facilities. Certain employees are required to maintain licenses in the states in which they practice. AdaptHealth manages the facility licensing function centrally. In addition, individual clinical employees are responsible for obtaining, maintaining and renewing their professional licenses, and AdaptHealth has processes in place designed to notify branch or pharmacy managers of renewal dates for the clinical employees under their supervision. State and federal licensing requirements are complex and often open to subjective interpretation by various regulatory agencies. Accurate licensure is also a critical threshold issue for the Medicare enrollment and the Medicare competitive bidding program. From time to time, AdaptHealth may also become subject to new or different licensing requirements due to legislative or regulatory requirements developments or changes in its business, and such developments may cause AdaptHealth to make further changes in its business, the results of which may be material. Although AdaptHealth believes it has appropriate systems in place to monitor licensure, violations of licensing requirements may occur and failure by AdaptHealth to acquire or maintain appropriate licensure for its operations, facilities and clinicians could result in interruptions in its operations, refunds to state and / or federal payors, sanctions or fines or the inability to serve Medicare beneficiaries in competitive bidding markets which could adversely impact AdaptHealth' s financial condition and results of operations. Accreditation is required by most of AdaptHealth' s managed care payors and is a mandatory requirement for all Medicare DMEPOS providers. If AdaptHealth or any of its branches lose accreditation, or if any of its new branches are unable to become accredited, such failure to maintain accreditation or become accredited could adversely impact AdaptHealth' s financial condition and results of operations. Actual or perceived failures to comply with applicable data protection, privacy and security, and consumer protection laws, regulations, standards and other requirements could adversely affect AdaptHealth' s business, results of operations and financial condition. Numerous federal and state laws and regulations addressing patient privacy and consumer privacy, including HIPAA and the HITECH Act, govern the collection, dissemination, security, use and confidentiality of patient- identifiable health information or personal information. Such laws and regulations relating to privacy, data protection, marketing and advertising, and consumer protection are evolving and subject to potentially differing interpretations. These requirements may be interpreted and applied in a manner that varies from one jurisdiction to another and / or may conflict with other laws or regulations. As a result, AdaptHealth' s practices may not have complied or may not comply in the future with all such laws, regulations, requirements and obligations. Any failure, or perceived failure, by AdaptHealth or any of its third- party partners or service providers to comply with privacy policies or federal or state privacy or consumer protection- related laws, regulations, industry self- regulatory principles, industry standards or codes of conduct, regulatory guidance, orders to which they may be subject, or other legal obligations relating to privacy or consumer protection, could adversely affect AdaptHealth' s reputation, brand and business, and may result in claims, proceedings or actions against AdaptHealth by governmental entities, consumers, users, suppliers or others. These proceedings may result in financial liabilities or may require AdaptHealth to change its operations, including ceasing the use or sharing of certain data sets. HIPAA and the HITECH Act, and their implementing regulations, require AdaptHealth to comply with standards for the use and disclosure of health information within AdaptHealth and with third parties. HIPAA and the HITECH Act also include standards for common healthcare electronic transactions and code sets, such as claims information, plan eligibility, payment information, and privacy and security of individually identifiable health information. HIPAA requires healthcare providers, including AdaptHealth, in addition to health plans and clearinghouses, to develop and maintain policies and procedures with respect to protected health information that is used or disclosed. The HITECH Act included notification requirement for breaches of patient- identifiable health information, restricts certain disclosures and sales of patient- identifiable health information and provides a tiered system for civil monetary penalties for HIPAA violations. HIPAA also provides for criminal penalties. In addition, various federal and state legislative and regulatory bodies, or self- regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection and consumer protection. For instance, the ~~California Consumer Privacy Act ("~~ CCPA ~~")~~ became effective on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used by requiring covered companies to provide new disclosures to California consumers (as that term is broadly defined) and provide such consumers new ways to opt- out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Although there are limited exemptions for protected health information and the CCPA' s implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, the CCPA may increase AdaptHealth' s compliance costs and potential liability. Many similar privacy laws have been proposed at the federal level and in other states. Additionally, the FTC and many state attorneys general are interpreting existing federal and state consumer protection laws to impose evolving standards for the online collection, use, dissemination and security of health- related and other personal information. Courts may also adopt the standards for fair information practices promulgated by the FTC, which concern consumer notice, choice, security and access. Consumer protection laws require AdaptHealth to publish statements that describe how it handles personal information and choices individuals may have about the way AdaptHealth handles their personal information. If such information that AdaptHealth publishes is considered untrue, it may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Furthermore, according to the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5 of the FTC Act. Under the Federal CAN- SPAM Act, the TCPA and the Telemarketing Sales Rule and Medicare regulations, AdaptHealth is limited in the ways in which it can market and service its products and services by use of email, text or telephone marketing. The actual or perceived improper sending of text messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws. Numerous class- action suits under federal and state laws have been filed in recent years against companies who conduct SMS texting programs, with many resulting in multi- million- dollar settlements to the plaintiffs. Any future such litigation against us could be costly and time- consuming to defend. For example, the TCPA, a federal statute that protects consumers from unwanted telephone calls, faxes and text messages, restricts telemarketing and the use of automated SMS text messages without proper consent. On April

1, 2021, in Facebook, Inc. v. Duguid, 141 S. Ct. 1163 (2021), the U. S. Supreme Court adopted a narrow definition of the type of automated dialers that are subject to the TCPA, thereby removing some automated text messages from the scope of the TCPA consent requirements. As a result, there may be an increase in litigation under state laws and new legislation at the federal and state level in an effort to ensure that consent is required for calls and text messages that are now outside the scope of the TCPA. For example, in May 2021, the Florida legislature passed a bill that expands restrictions for telephonic sales calls, including text messages, made using automated selection and dialing systems and creates a private right of action for violations of the law. Additionally, state regulators may determine that telephone calls to patients of AdaptHealth are subject to state telemarketing regulations. If AdaptHealth does not comply with existing or new laws and regulations related to telephone contacts or patient health information, it could be subject to criminal or civil sanctions. New health information standards, whether implemented pursuant to HIPAA, the HITECH Act, congressional action or otherwise, could have a significant effect on the manner in which AdaptHealth handles healthcare- related data and communicates with payors, and the cost of complying with these standards could be significant. The scope and interpretation of the laws that are or may be applicable to the delivery of consumer phone calls, emails and text messages are continuously evolving and developing. If AdaptHealth does not comply with these laws or regulations or if it becomes liable under these laws or regulations, it could face direct liability, could be required to change some portions of its business model, could face negative publicity and its business, financial condition and results of operations could be adversely affected. Even an unsuccessful challenge of AdaptHealth' s phone, email or SMS text practices by its consumers, regulatory authorities or other third parties could result in negative publicity and could require a costly response from and defense by AdaptHealth. AdaptHealth may be adversely affected by global climate change or by legal, regulatory or market responses to such change. The long- term effects of climate change are difficult to predict and may be widespread. The impacts may include physical risks (such as rising sea levels or frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well- being), compliance costs and transition risks (such as regulatory or technology changes) and other adverse effects. The effects could impair, for example, the availability and cost of certain products, commodities and energy (including utilities), which in turn may impact AdaptHealth' s ability to procure goods or services required for the operation of its business at the quantities and levels it requires. AdaptHealth may bear losses incurred as a result of, for example, physical damage to or destruction of its facilities (such as patient service offices and warehouses), loss or spoilage of inventory, and business interruption due to weather events that may be attributable to climate change. Governments in the U. S. and abroad are considering new or expanded laws to address climate change. Such laws may include limitations on GHG emissions, mandates that companies implement processes to monitor and disclose climate- related matters, additional taxes or offset charges on specified energy sources, and other requirements. **In October 2023, the state of California enacted the Climate Corporate Data Accountability Act (" SB- 253"), which mandates the disclosure of GHG emissions, including Scope 1, Scope 2 and Scope 3 emissions; and the Climate- Related Financial Risk Act (" SB- 261"), which mandates the disclosure of climate- related financial risks, and measures adopted to reduce and adapt to such risks. Both California laws require initial disclosures in 2026.** Compliance with climate- related laws may be further complicated by disparate regulatory approaches in various jurisdictions. New or expanded climate- related laws could impose substantial costs on AdaptHealth. At the present time, ~~we~~ **AdaptHealth** cannot predict their potential effect on **its** ~~AdaptHealth' s~~ capital expenditures or results of operations. These events and impacts could materially adversely affect ~~our~~ **AdaptHealth' s** business and results of operations. Risks Related to Our Financial Condition If AdaptHealth were required to write down all or part of its goodwill **,** its net earnings and net worth could be materially adversely affected. AdaptHealth had $ ~~3~~ **2** . ~~5~~ **7** billion of goodwill recorded on its Consolidated Balance Sheets at December 31, ~~2022~~ **2023** . Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. **If** ~~For example, if~~ AdaptHealth' s market capitalization drops significantly below the amount of net equity recorded on its balance sheet, it might indicate a decline in its fair value and would require AdaptHealth to further evaluate whether its goodwill has been impaired. If, as part of AdaptHealth' s annual review of goodwill, or if any triggering events are identified on an interim basis indicating a possible impairment of goodwill, AdaptHealth is required to write down all or a significant part of its goodwill, its net earnings and net worth would be materially adversely affected, which could affect AdaptHealth' s flexibility to obtain additional financing. In addition, if AdaptHealth' s assumptions used in preparing its valuations for purposes of impairment testing differ materially from actual future results, AdaptHealth may record impairment charges in the future and its financial results may be materially adversely affected. **Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors, such as estimates of a reporting unit' s fair value, including the revenue growth rates, discount rate, and control premium used to estimate the reporting unit' s fair value, and judgment about impairment triggering events. During the year ended December 31, 2023, AdaptHealth experienced declines in its market capitalization as a result of a sustained decrease in AdaptHealth' s stock price and also revised its financial projections. AdaptHealth considered these items to represent triggering events and performed a goodwill impairment test at each quarterly reporting date during 2023. Based on the results of the tests performed as of September 30, 2023 and December 31, 2023, it was concluded that the estimated fair value of AdaptHealth' s reporting unit was less than its carrying values at such dates, as such, AdaptHealth recognized an aggregate non- cash goodwill impairment charge of $ 830. 8 million during the year ended December 31, 2023. If in future periods AdaptHealth were to experience a further decline in its market capitalization or expected results for a sustained period of time, AdaptHealth may be required to perform an additional goodwill impairment test at an interim or annual period and could be required to recognize an additional non- cash goodwill impairment charge at that time, which could be material.** AdaptHealth may not be able to generate sufficient cash flow to cover required payments or comply with financial and operating covenants under its long- term debt and long- term operating leases. Failure to generate sufficient cash flow to cover required payments or comply with financial and operating covenants under AdaptHealth' s long- term debt and long- term operating leases could result in defaults under such agreements and crossdefaults under other debt or operating lease arrangements, which could harm its operating subsidiaries. AdaptHealth may not generate sufficient cash flow from operations to cover required interest, principal and lease payments. In addition, AdaptHealth' s current indebtedness contain restrictive covenants and require AdaptHealth to maintain or satisfy specified coverage tests. These restrictions and financial and operating covenants include, among other things, requirements with respect to total leverage ratios and an interest charge coverage ratio. These restrictions may interfere with AdaptHealth' s ability to obtain additional advances under its existing credit facility or to obtain new financing or to engage in other business activities, which may inhibit AdaptHealth' s ability to grow its business and increase revenue. In addition, failure by AdaptHealth to comply with these restrictive covenants could result in an event of default which, if not cured or waived, could result in the acceleration of its debt. AdaptHealth may need additional capital to fund its operating subsidiaries and finance its growth, and AdaptHealth may not be able to obtain it on acceptable terms, or at all, which may limit its ability to grow. AdaptHealth' s ability to maintain and enhance its operating subsidiaries and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets requires AdaptHealth to commit substantial resources to continued investment in its affiliated facilities and equipment. Additionally, the continued expansion of its business through the acquisition of existing facilities, expansion of existing facilities and construction of new facilities may require additional capital, particularly if AdaptHealth were to accelerate its acquisition and expansion plans. Financing may not be available or may be available only on terms that are not favorable. In addition, some of AdaptHealth' s outstanding indebtedness restricts, among other things, its ability to incur additional debt. If AdaptHealth is unable to raise additional funds or obtain additional funds on acceptable terms, it may have to delay or abandon some or all of its growth strategies. Further, if additional funds are raised through the issuance of additional equity securities, the percentage ownership of AdaptHealth' s stockholders would be diluted. Any newly issued equity securities may have rights, preferences or privileges senior to those of the Common Stock ~~. Changes in the method of determining the London Interbank Offered Rate (" LIBOR "), or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates on AdaptHealth' s outstanding variable rate indebtedness. Certain of AdaptHealth' s indebtedness, including LIBOR Rate Loans under its credit facility, bears interest at variable interest rates that use LIBOR as a benchmark rate. LIBOR is the subject of recent proposals for reform and, on March 5, 2021, the LIBOR Administrator announced that it will cease publication of U. S. dollar LIBOR for the most common tenors (overnight and one, three, six and twelve months) as of June 30, 2023. The Federal Reserve Bank of New York has begun publishing a Secured Overnight Funding Rate (" SOFR "), which is intended to replace U. S. dollar LIBOR, and central banks in several other jurisdictions have also announced plans for alternative reference rates for other currencies. The consequences of these developments with respect to LIBOR cannot be entirely predicted but may result in an increase in the interest cost of AdaptHealth' s variable rate indebtedness. In the event that LIBOR is no longer available as a reference rate or is replaced by SOFR in the future, AdaptHealth' s credit facility permits its lenders, in good faith, to unilaterally suspend maintaining LIBOR Rate Loans under the credit facility and to adopt a new rate, such as SOFR. As a result, AdaptHealth may need to renegotiate its outstanding indebtedness or incur other indebtedness, and the phase- out of LIBOR may negatively impact the terms of such indebtedness~~ . We will continue to incur significant increased expenses and administrative burdens as a result of being a public company, which could have a material adverse effect on AdaptHealth' s business, financial condition and results of operations. As a public company, AdaptHealth is subject to the reporting requirements and other obligations of the Exchange Act, the Sarbanes- Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Dodd- Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, the Public Company Accounting Oversight Board and the securities exchanges. The SEC and other regulators continue to adopt new rules and regulations and make additional changes to existing regulations that require AdaptHealth' s compliance. Regulatory reform may lead to substantial new disclosure obligations, which may lead to additional compliance costs and impact, in ways AdaptHealth cannot currently anticipate, the manner in which AdaptHealth operates its business. Compliance with such requirements may cause AdaptHealth to continue to incur additional accounting, legal and other expenses and may make certain activities more time-consuming. AdaptHealth also incurs costs associated with corporate governance requirements, including requirements under securities laws, as well as rules and regulations implemented by the SEC and Nasdaq, particularly as a large accelerated filer. Such rules and regulations increase AdaptHealth' s legal and financial compliance costs and AdaptHealth continues to devote significant time to comply with these requirements. AdaptHealth is currently evaluating and monitoring developments with respect to these rules and regulations, and cannot predict or estimate the amount of additional costs it may incur or the timing of such costs. AdaptHealth has and will continue to incur additional costs to remediate material weaknesses in its internal control over financial reporting, as described in Item 9A, " Controls and Procedures ". It may also be more expensive to obtain director and officer liability insurance. Risks associated with AdaptHealth' s status as a public company may make it more difficult to attract and retain qualified persons to serve on the board of directors or as executive officers. Furthermore, certain of the key personnel of AdaptHealth may be unfamiliar with the requirements of operating a company regulated by the SEC, which could cause AdaptHealth to have to expend time and resources helping them become familiar with such requirements. These increased costs will require AdaptHealth to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase costs. AdaptHealth' s only significant asset is its ownership of AdaptHealth Holdings, and such ownership may not be sufficient to generate the funds necessary to meet its financial obligations or to pay any dividends on its Common Stock. AdaptHealth has no direct operations and no significant assets other than the ownership of AdaptHealth Holdings. We depend on AdaptHealth Holdings and its subsidiaries for distributions, loans and other payments to generate the funds necessary to meet our financial obligations or to pay any dividends with respect to our Common Stock. Legal and contractual restrictions in agreements governing the indebtedness of subsidiaries of AdaptHealth Holdings may limit our ability to ultimately obtain cash from AdaptHealth Holdings. The earnings from, or other available assets of, AdaptHealth Holdings and its subsidiaries may not be sufficient to enable us to satisfy our financial obligations or pay any dividends on our Common Stock. To the extent that we require funds and AdaptHealth Holdings or its subsidiaries are restricted from making distributions under applicable law or regulation or under the terms of their financing arrangements, or are otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition, including our ability to pay our income taxes when due. Risks Related to Our Securities We may not be able to effectively ~~implement~~ **maintain** controls and procedures required by Section 404 of the Sarbanes- Oxley Act that are applicable to us **or remediate existing material weaknesses** . As a public company, AdaptHealth is required to comply with the SEC' s rules implementing Sections 302 and 404 of the Sarbanes- Oxley Act, which require management to certify financial and other information in AdaptHealth' s quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. To comply with the requirements of being a public company, we may continue to undertake various actions, such as implementing additional internal controls and procedures and hiring additional accounting or internal audit staff. These rules and regulations also increase our legal and financial compliance costs and make some activities more time- consuming and costly. Further, as we are no longer an emerging growth company, our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. As described in Item 9A. " Controls and Procedures, " we concluded that our internal control over financial reporting was ineffective as of December 31, ~~2022~~ **2023** and our independent registered public accounting firm has expressed an adverse report on the operating effectiveness of our internal control over financial reporting as of December 31, ~~2022~~ **2023** . We concluded that our internal control over financial reporting was ineffective as of December 31, ~~2022~~ **2023** because material weaknesses existed in our internal control over financial reporting which were identified in connection with the preparation of the Company' s consolidated financial statements for the fiscal year ended December 31, ~~2022~~ **2023** . As described in Item 9A. " Controls and Procedures, " we concluded that our internal control over financial reporting was ineffective as of December 31, ~~2021~~ **2022** as described in our December 31, ~~2021~~ **2022** Annual Report on Form 10- K **because material weaknesses existed in our internal control over financial reporting which were identified in connection with the preparation of the Company' s consolidated financial statements for the fiscal year ended December 31, 2022** . We have taken a number of measures to remediate the material weaknesses identified as of December 31, ~~2021~~ **2022 , and such material weaknesses have been remediated as of December 31, 2023** as described in Item 9A ~~.~~ **,** " Controls and Procedures ". With respect to the material weaknesses identified as of December 31, ~~2022~~ **2023** , we plan **to continue** to implement measures to remediate such material weaknesses as described in Item 9A. " Controls and Procedures "; however, if we are unable to remediate our material weaknesses in a timely manner or we identify additional material weaknesses, we may be unable to provide required financial information in a timely and reliable manner and we may incorrectly report financial information. In the future, our independent registered public accounting firm may issue a report that is adverse in the event that it continues to not be satisfied with the level at which our controls are documented, designed or operating effectively. If we are not able to implement additional internal controls and procedures in accordance with the requirements of Section 404 in a timely manner or with adequate compliance, we may not be able to conclude that our internal control over financial reporting is effective, which may subject us to adverse regulatory consequences and could harm investor confidence and the market price of our Common Stock. The existence of material weaknesses or significant deficiencies in internal control over financial reporting could adversely affect our reputation or investor perceptions of us. In addition, we have and will continue to incur additional costs to remediate the material weaknesses in our internal control over financial reporting that are described in Item 9A. " Controls and Procedures ". Fluctuations in the price of AdaptHealth' s securities could contribute to the loss of all or part of your investment. The trading price of our Common Stock could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in our Common Stock and our Common Stock may trade at prices significantly below the price you paid for it. In such circumstances, the trading price of our Common Stock may not recover and may experience a further decline. Factors affecting the trading price of our Common Stock may include: • actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us; • changes in the market' s expectations about our operating results; • our operating results failing to meet the expectation of securities analysts, investors or our guidance in a particular period; • changes in financial estimates and recommendations by securities analysts concerning AdaptHealth or the home medical equipment industry in general; • operating and stock price performance of other companies that investors deem comparable to us; • our ability to market new and enhanced products on a timely basis; • changes in laws and regulations affecting our business; • our ability to meet compliance requirements; • commencement of, or involvement in, litigation involving us; • inability to quickly remediate material weaknesses or the continued identification of material weaknesses in internal control over financial reporting; • changes in our capital structure, such as future issuances of securities or the incurrence of additional debt; • the volume of shares of our Common Stock available for public sale; • any major change in our board of directors or management; • sales of substantial amounts of common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and • general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism, including the ~~ongoing~~ **war in Ukraine and the Hamas- Israel** conflict ~~in Ukraine~~ . Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general, and Nasdaq in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our Common Stock, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial condition or results of operations. A decline in the market price of our Common Stock also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future. The timing and amount of AdaptHealth’ s share repurchases are subject to a number of uncertainties **that could negatively impact the value of AdaptHealth’ s shares and its liquidity** .AdaptHealth’ s board of directors authorized a share repurchase program for up to $ 200 **.0** million of AdaptHealth’ s Common Stock ~~through~~ **,which expired on** December 31,2023.As of December 31, ~~2022~~ **2023** , ~~there~~ **$ 43.3 million** was **repurchased** ~~$ 186 million available~~ under the **share repurchase** program. **In the future,AdaptHealth' s board of directors could authorize a share repurchase program.There can be no assurance as to the timing or amount of future share repurchases.If authorized by the board,** ~~Shares~~ **shares** may be repurchased from time to time on the open market,through privately negotiated transactions or otherwise,as permitted under Exchange Act Rule 10b- 18.The timing and actual number of shares to be repurchased will depend upon market conditions and other factors.Purchases may be started or stopped at any time without prior notice depending on market conditions and other factors.The Inflation Reduction Act of 2022,enacted on August 16,2022,imposes a 1 % excise tax on net repurchases of shares by AdaptHealth beginning January 1,2023.The imposition of the excise tax on repurchases of AdaptHealth’ s shares ~~will~~ **have and could continue to** increase the cost to AdaptHealth of making repurchases and may cause management to reduce the number of shares repurchased **in** ~~pursuant to~~ the **future if a similar** program **is authorized** .Additional considerations that could cause management to limit,suspend or delay future stock repurchases include:• unfavorable market conditions;• trading price of AdaptHealth’ s common stock;• nature and magnitude of other investment opportunities available to AdaptHealth from time to time;• use of available cash to pay down indebtedness;and • other allocations of available cash. ~~The coronavirus (COVID- 19) pandemic and the global attempt to contain it may harm AdaptHealth' s business,results of operations and ability to execute on its business plan.The global spread of the coronavirus (COVID- 19) and the various attempts to contain it created significant volatility,uncertainty and economic disruption.If COVID- 19 pandemic- related impacts begin~~ Certain of AdaptHealth' s principal stockholders have significant influence over us. As of December 31, ~~2022~~ **2023** , ~~Q~~ **OEP AHCO Investment Holdings, LLC and Deerfield** Management **Company** ~~Services (PTC) Ltd.~~ , **L. P.** ~~as Trustee of Everest Trust,~~ beneficially owned approximately 10. ~~31~~ **42** % **and 10. 26 %** of AdaptHealth ~~'~~ **’** s Common Stock, **respectively. Additionally** ~~assuming the exercise of 665~~ , ~~628 private placement~~ **Deerfield Management Company, L. P. beneficially owns 124, 060. 02 shares of Series B- 1 Preferred Stock, which is convertible into 12, 406, 002 shares of Common Stock, and 1, 640, 981** warrants ~~held by Clifton Bay Offshore Investments L. P. and 41~~ , ~~473 private placement warrants held by Quadrant Management LLC~~ **which may be exercised for equal number of shares of Common Stock, each of which are subject to certain restrictions** . As **long as** ~~of December 31, 2022,~~ OEP AHCO Investment Holdings, LLC **and / or Deerfield** ~~beneficially owned approximately 10. 23 % of AdaptHealth' s Common Stock. As long as Q~~ Management **Company** ~~Services (PTC) Ltd.~~ , **L. P.** ~~as Trustee of the Everest Trust, and / or OEP AHCO Investment Holdings, LLC~~ own or control a significant percentage of our outstanding voting power, they will have the ability to significantly influence all corporate actions requiring stockholder approval, including the election and removal of directors and the size of our board of directors, any amendment to our Charter or Amended and Restated Bylaws (our “ Bylaws ”), or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. The interests of ~~Q Management Services (PTC) Ltd., as Trustee of the Everest Trust, and / or~~ OEP AHCO Investment Holdings, LLC **and / or Deerfield Management Company, L. P.** may not align with the interests of our other stockholders. Each of ~~Q Management Services (PTC) Ltd., as Trustee of the Everest Trust, and~~ OEP AHCO Investment Holdings, LLC ~~is~~ **and Deerfield Management Company, L. P. are** in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Each of ~~Q Management Services (PTC) Ltd., as Trustee of the Everest Trust, and~~ OEP AHCO Investment Holdings, LLC **and Deerfield Management Company, L. P.** may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. Our Charter provides that our stockholders and our directors, including any who were designated by any of our stockholders, other than any such persons who are employees of us or any of our subsidiaries, do not have any obligation to offer to us any corporate opportunity of which he or she may become aware prior to offering such opportunities to other entities with which they may be affiliated, subject to certain limited exceptions. Because AdaptHealth has no current plans to pay cash dividends on its Common Stock for the foreseeable future, you may not receive any return on investment unless you sell your Common Stock for a price greater than that which you paid for it. We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur. As a result, you may not receive any return on an investment in our Common Stock unless you sell our Common Stock for a price greater than that which you paid for it. We are required to make payments under the Tax Receivable Agreement for certain tax benefits we may claim, and the amounts of such payments could be significant. **AdaptHealth, f / k / a DFB Healthcare Acquisitions Corp. (" DFB"), was originally formed in November 2017 as a publicly traded special purpose acquisition company for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination involving one or more businesses. On July 8, 2019, AdaptHealth Holdings LLC (" AdaptHealth Holdings") entered into an Agreement and Plan of Merger (the" Merger Agreement"), as amended on October 15, 2019, with DFB, pursuant to which AdaptHealth Holdings combined with DFB (the" Business Combination"). The Business Combination closed on November 8, 2019. In connection with the Business Combination, the name of the combined company was changed to AdaptHealth Corp.** The Tax Receivable Agreement, which we entered into at the closing of the Business Combination with certain pre- Business Combination owners of AdaptHealth Units (collectively, the “ TRA Holders ”), generally provides for the payment by us of 85 % of the net cash savings, if any, in U. S. federal, state and local income tax that we actually realize (or are deemed to realize in certain circumstances) in periods after the closing as a result of: (i) certain tax attributes of Access Point Medical, Inc. existing prior to the Business Combination; (ii) certain increases in tax basis resulting from exchanges of AdaptHealth Units; (iii) imputed interest deemed to be paid by us as a result of payments we make under the Tax Receivable Agreement; and (iv) certain increases in tax basis resulting from payments we make under the Tax Receivable Agreement. We will retain the benefit of the remaining 15 % of these cash savings. The amount of the cash payments that we may be required to make under the Tax Receivable Agreement could be significant and is dependent upon significant future events and assumptions, including the timing of the exchanges of AdaptHealth Units, the price of our Common Stock at the time of each exchange, the extent to which such exchanges are taxable transactions and the amount of the exchanging TRA Holder' s tax basis in its AdaptHealth Units at the time of the relevant exchange. The amount of such cash payments is also based on assumptions as to the amount and timing of taxable income we generate in the future, the U. S. federal income tax rate then applicable and the portion of our payments under the Tax Receivable Agreement that constitute interest or give rise to depreciable or amortizable tax basis. Moreover, payments under the Tax Receivable Agreement will be based on the tax reporting positions that we determine, which tax reporting positions are subject to challenge by taxing authorities. We are dependent on distributions from AdaptHealth Holdings to make payments under the Tax Receivable Agreement, and we cannot guarantee that such distributions will be made in sufficient amounts or at the times needed to enable us to make our required payments under the Tax Receivable Agreement, or at all. Any payments made by us to the TRA Holders under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make timely payments under the Tax Receivable Agreement for any reason, the unpaid amounts will be deferred and will accrue interest until paid by us. Nonpayment for a specified period may constitute a breach of a material obligation under the Tax Receivable Agreement, and therefore, may accelerate payments due under the Tax Receivable Agreement. The payments under the Tax Receivable Agreement are also not conditioned upon the TRA Holders maintaining a continued ownership interest in AdaptHealth Holdings or us. In certain cases, payments under the Tax Receivable Agreement may be accelerated and / or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement. The Tax Receivable Agreement provides that if we breach any of our material obligations under the Tax Receivable Agreement, if we undergo a change of control or if, at any time, we elect an early termination of the Tax Receivable Agreement, then the Tax Receivable Agreement will terminate and our obligations, or our successor' s obligations, to make payments under the Tax Receivable Agreement would accelerate and become immediately due and payable. The amount due and payable in those circumstances is determined based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement. We may need to incur debt to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement as a result of timing discrepancies or otherwise. As a result of the foregoing, (i) we could be required to make cash payments to the TRA Holders that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the Tax Receivable Agreement, and (ii) we would be required to make a cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combination, or other changes of control due to the additional transaction costs a potential acquirer may attribute to satisfying such obligations. There can be no assurance that we will be able to finance our obligations under the Tax Receivable Agreement. We will not be reimbursed for any payments made to TRA Holders under the Tax Receivable Agreement in the event that any tax benefits are disallowed. We will not be reimbursed for any cash payments previously made to the TRA Holders pursuant to the Tax Receivable Agreement if any tax benefits initially claimed by us are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to a TRA Holder will be netted against any future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there might not be future cash payments from which to net against. The applicable U. S. federal income tax rules are complex and factual in nature, and there can be no assurance that the Internal Revenue Service or a court will not disagree with our tax reporting positions. As a result, it is possible that we could make cash payments under the Tax Receivable Agreement that are substantially greater than our actual cash tax savings. The interests of the TRA Holders in our business may conflict with the interests of our stockholders. The interests of the TRA Holders may conflict with the interests of holders of our Common Stock. For example, the TRA Holders may have different tax positions from us which could influence their decisions regarding whether and when to dispose of assets, whether and when to incur new or refinance existing indebtedness, especially in light of the existence of the Tax Receivable Agreement, and whether and when we should terminate the Tax Receivable Agreement and accelerate our obligations thereunder. In addition, the structuring of future transactions may take into consideration tax or other considerations of TRA Holders even in situations where no similar considerations are relevant to us. AdaptHealth' s warrants may have an adverse effect on the market price of its Common Stock. Simultaneously with the closing of our IPO, we issued in a private placement an aggregate of 4, 333, 333 private placement warrants, each exercisable to purchase one share of Common Stock at $ 11. 50 per share. As of December 31, ~~2022~~ **2023** , there were 3, 871, 557 private placement warrants outstanding, which have an expiration date of November 20, 2024. To the extent such warrants are exercised, additional shares of our Common Stock will be issued, which will result in dilution to our stockholders and increase the number of shares of Common Stock eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised could adversely affect the market price of our Common Stock. AdaptHealth' s Charter requires that the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America be the exclusive forums for substantially all disputes between AdaptHealth and its stockholders, which may have the effect of discouraging lawsuits against AdaptHealth' s directors and officers. AdaptHealth’ s Charter requires, to the fullest extent permitted by law, other than any claim to enforce a duty or liability created by the Exchange Act or other claim for which federal courts have exclusive jurisdiction, that derivative actions brought in AdaptHealth’ s name, actions against directors, officers and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware and, if brought outside of the State of Delaware, the stockholder bringing such suit will be deemed to have consented to service of process on such stockholder’ s counsel. AdaptHealth’ s Charter further provides that the federal district courts of the United States of America are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. These provisions may have the effect of discouraging lawsuits against AdaptHealth’ s directors and officers. If a court were to find either exclusive forum provision in AdaptHealth’ s Charter to be inapplicable or unenforceable in an action, AdaptHealth may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm its business. Although the Delaware Supreme Court held in March 2020 that exclusive forum provisions of federal district courts of the United States of America for resolving any complaint asserting a cause of action arising under the Securities Act are facially valid, courts in other jurisdictions may find such provisions to be unenforceable.