Risk Factors Comparison 2024-02-29 to 2023-03-01 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

We face various risks related to health epidemics and other outbreaks, which may have a material adverse effect on our business, financial condition, results of operations and cash flows. We face various risks related to health epidemics and other outbreaks, ~~including the global outbreak of COVID- 19 (including the virus' variants~~ that have emerged and could emerge in the future ~~)~~ **, including** : • ~~Restrictions~~ **restrictions** intended to slow the spread of **outbreaks** ~~COVID- 19~~ , including quarantines, government- mandated actions, stay- at- home orders and other restrictions, have led and may in the future lead to periods where **our imaging** procedure volumes drop significantly; • ~~Disruptions~~ **disruptions** in supply chains can affect the cost and availability of reagents and other materials needed for certain procedures; • ~~Significant~~ **significant** portions of our workforce may be unable to work **due to** illness, quarantines, facility closures, ineffective remote work arrangements or technology failures or limitations; • ~~General~~ **general** economic downturns as a result of **outbreaks** ~~COVID- 19~~ may affect demand or pricing for our services; and • ~~Volatility~~ **volatility** in the global capital markets may result in a decrease in the price of our common stock, or an increase in our cost of capital. ~~Our results of operations have recovered from the initial outbreak of COVID- 19, but a further outbreak or similar pandemic event would negatively impact our results of operations. In addition, changes to statutes, regulations or regulatory policies or practices as a result of, in response to or otherwise relating to COVID- 19, including the wind- down of the COVID- 19 Public Health Emergency (PHE) and similar federal and state regulatory measures, could affect us in substantial and unpredictable ways. Given the many uncertainties and far- reaching consequences of potential developments, we cannot assure that the COVID- 19 outbreak or similar event will not require extended or additional diagnostic center closures and other disruptions to our business or will not materially and adversely affect our business, results of operations and financial condition for significant periods of time moving forward.~~ Business interruptions due to natural disasters or other external events beyond our control can adversely affect our business, financial condition or results of operations. Our operations can be ~~subject to~~ **impacted by** external events beyond our control, such as the effects of earthquakes, fires, floods, severe weather, public health issues, power failures, telecommunication loss, and other natural and man- made events, some of which may be intensified by the effects of climate change and changing weather patterns. Our corporate headquarters and over 100 of our radiology centers are located in California, which is subject to wildfires, blackouts, and potentially damaging earthquakes. In addition, several of our **imaging** centers located in parts of the east coast have suffered from weather events that caused us to temporarily close centers. These or other similar events could cause disruption or interruption to our operations and significantly impact our employees. Any disruption to our services may result in decreases in revenues or increased operating and capital expenses. Historically, when we have experienced a reduction in business due to inclement weather or external events for a period of time, our operations have returned to a normalized level, but we have not ~~experience~~ **experienced** a significant increase of procedures that would fully compensate for the revenues lost during the slower periods. Changes in the method or rates of third- party reimbursement could have a negative impact on our results A significant portion of our business is derived from federal and state reimbursement programs such as Medicare or Medicaid. From time to time those programs implement changes designed to contain healthcare costs, some of which have resulted in decreased reimbursement rates for diagnostic imaging services that impact our business. On November ~~22~~ **16** , ~~2022~~ **2023** , Centers for Medicare and Medicaid Services (" CMS ") released the ~~2022~~ **2023** Medicare Physician Fee Schedule final rule, which contained significant payment reductions **for radiology services,** effective January 1, ~~2023~~ **2024 , largely** ~~for radiology services~~ as a result of changes to relative value units, redistributive effects of the CMS proposed clinical labor pricing update and statutorily mandated budget neutrality rules. The **January 18,** ~~Consolidated Appropriations Act of 2023~~ **2024** ~~, enacted on December 29, 2022,~~ **continuing resolution passed by Congress and signed into law by President Biden did not contain provisions to stop or** ~~mitigated~~ **mitigate** ~~to a certain extent the~~ **these** reimbursement cuts ~~, but did not completely eliminate them~~ . Furthermore, absent further and more permanent intervention from Congress, CMS could propose and impose similar or more significant reimbursement cuts in the months and years ahead. One of the principal objectives of health maintenance organizations and preferred provider organizations is to control the cost of healthcare services. Managed care contracting has become very competitive, and reimbursement schedules are at or below Medicare reimbursement levels. The expansion of health maintenance organizations, preferred provider organizations and other managed care organizations within the geographic areas covered by our network could have a negative impact on the utilization and pricing of our services, because these organizations will exert greater control over patients' access to diagnostic imaging services, the selections of the provider of such services and reimbursement rates for those services. Relatedly, reimbursement rate cuts may be pursued as a cost- saving measure by third party payors resulting from the implementation of the federal No Surprises Act (H. R. 133) and similar insurer- provider payment dispute laws, which also may negatively impact our revenue. Any reduction in the rate that we can charge for our imaging services under these programs will reduce our net revenues and our operating margins per procedure under those reimbursement programs. Unless we can secure additional procedure volumes, increase utilization of our equipment, or change the overall mix of service procedures that we provide, a decline in reimbursement rates will reduce our net revenues and results of operations. We experience competition from other diagnostic imaging companies and hospitals, and this competition could adversely affect our revenue and business. The market for diagnostic imaging services is highly competitive. We compete for patients principally on the basis of our reputation, our ability to provide multiple modalities at many of our centers, the location of our centers and the quality of our diagnostic imaging services. Our competitors include independent imaging operators, such as Akumin, Inc., ~~which recently acquired Alliance Healthcare Services,~~ and smaller regional operators, as well as hospitals, clinics and radiology groups that operate their own imaging equipment. Some of our competitors may have, now or in the future, access to greater financial resources than we do and may have access to newer, more advanced equipment. If we are unable to successfully compete, our business and financial condition would be adversely affected. Technological change in our industry could reduce the demand for our services and require us to incur significant costs to upgrade our equipment. The development of new technologies or refinements of existing modalities may require us to upgrade and enhance our existing equipment before we may otherwise intend. Many companies currently manufacture diagnostic imaging equipment. Competition among manufacturers for a greater share of the diagnostic imaging equipment market may result in technological advances in the speed and imaging capacity of new equipment. In addition, advances in technology may enable physicians and others to perform diagnostic imaging procedures without us. Our scale in both the number of our locations and the number and types of imaging equipment we offer is one of our competitive advantages. If the development of new technologies accelerates the obsolescence of our current equipment, we may lose some of our competitive advantage. We may also be required to accelerate the depreciation on existing equipment and incur significant capital expenditures to acquire the new technologies. We may not have the financial ability to acquire the new or improved equipment and may not be able to maintain a competitive equipment base. Business Risks If our contracted radiology practices terminate their agreements with us, our business could substantially diminish. Our business is substantially dependent on the radiology groups that we contract with to provide medical services **at our imaging centers** . The radiology groups are party to substantially all of the managed care contracts from which we derive revenue. Under the terms of our management agreements, ~~these~~ -- **the** radiology groups ~~must~~ **are required** use their best efforts to provide medical services at our centers as well as any new centers that we open or acquire in their areas of operation. Although our management agreements are for multiple years, the radiology groups have the right to terminate the agreements if we default on our obligations and fail to cure the default. Also, the various radiology groups' ability to continue performing under the management agreements may be curtailed or eliminated due to the radiology groups' own financial difficulties, loss of physicians or other circumstances. If any of our contracted radiology groups cannot perform their obligations to us, we would need to contract with one or more other radiology groups to provide the professional medical services. We may not be able to locate radiology groups willing to provide those services on terms acceptable to us, if at all. In addition, the radiology group' s relationships with referring physicians are largely responsible for the revenue generated at the centers they service. Any replacement radiology group' s relationships with referring physicians may not be as extensive as those of the terminated group. The termination of a management agreement with a radiology group could result in both short and long- term loss of revenue and adversely affect our performance and competitive position in the markets served by the departing radiology group. **Each of the Group and our third party contracted radiology practices has entered into agreements with its physician shareholders and full- time employed radiologists that generally prohibit those shareholders and radiologists from competing for a period of two to five years within defined geographic regions after they cease to be owners or employees, as applicable. In certain states, like California, a covenant not to compete is enforced in limited circumstances involving the sale of a business. In other states, a covenant not to compete will be enforced only: • to the extent it is necessary to protect a legitimate business interest of the party seeking enforcement; • if it does not unreasonably restrain the party against whom enforcement is sought; and • if it is not contrary to public interest. Enforceability of a non- compete covenant is determined by a court based on all of the facts and circumstances of the specific case at the time enforcement is sought. For this reason, it is not possible to predict whether or to what extent a court will enforce the contracted radiology practices' covenants. The inability of the contracted radiology practices or us to enforce a radiologist' s non- compete covenants could result in increased competition from individuals who are knowledgeable about our business strategies and operations.** We are dependent on the ability of our contracted radiology practices, including the Group, to hire and retain qualified radiologists. At times, there has been a shortage of qualified radiologists in some of the regional markets we serve. Competition in recruiting radiologists may make it difficult for our contracted radiology practices to maintain adequate levels of radiologists. If a significant number of radiologists terminate their relationships with our contracted radiology practices and those radiology practices cannot recruit sufficient qualified radiologists to fulfill their obligations under our agreements with them, our ability to maximize the use of our diagnostic imaging centers and our financial results could be adversely affected. We are experiencing tighter labor conditions in some of the markets we serve. As a result our contracting radiological practices have experienced increased salary and professional services expenses. Increased expenses for the contracting radiological practices, including the Group, impacts our financial results because the management fee we receive from them, which is based on a percentage of their collections, is adjusted annually to take into account their expenses. Neither we, nor our contracted radiology practices, maintain insurance on the lives of any affiliated physicians. Our ability to generate revenue depends in large part on referrals from physicians. ~~We depend on~~ **A significant portion of the services that we perform are derived from patient referrals from** unaffiliated physicians and other third parties ~~who~~ **. Those physicians and other third parties do not** have ~~no~~ **any** contractual ~~obligations~~ - **obligation** to refer patients to us ~~for a substantial portion of the services we perform~~ . If a sufficiently large number of these physicians and other third parties were to discontinue referring patients to us, our imaging procedure volume would decrease, which would reduce our net revenue and operating margins. Further, commercial third- party payors have implemented managed care programs that could limit the ability of physicians to refer patients to us. For example, health maintenance organizations sometimes contract directly with providers and require their enrollees to obtain these services exclusively from those contracted providers. Some insurance companies and self- insured employers also limit these services to contracted providers. These " closed panel " systems are now common in the managed care environment. Other systems such as preferred physician organizations create an economic disincentive for referrals to providers outside the system' s designated panel of providers. We seek to be the designated provider under these systems. If we are unable to compete successfully for these managed care contracts, our net revenues and our prospects for growth could be adversely affected. We may become subject to professional malpractice liability, which could be costly and negatively impact our reputation and business. The physicians employed by our contracted radiology groups are from time to time subject to malpractice claims. ~~We structure~~ **Under the terms of** our ~~relationships~~ **management agreements** with ~~the~~ **those** radiology groups ~~under our management agreements~~ **, we structure the relationship** in a manner that we believe does not constitute ~~the~~ **our** practice of medicine ~~by us~~, or subject us to professional malpractice claims for acts or omissions of physicians employed by the contracted radiology practices. Nevertheless, claims relating to services provided by the contracted radiology practices have been asserted against us in the past and may be asserted against us in the future. In addition, we may be subject to other professional liability claims, including for improper use or malfunction of our diagnostic imaging equipment, or for accidental contamination, or injury from exposure to radiation. We seek to ~~manage~~ **mitigate** this risk through the purchase of professional liability insurance. Any claim made against us that is not fully covered by insurance could be costly to defend, result in a substantial damage award against us and divert the attention of our management from our operations, all of which could have an adverse effect on our financial performance. In addition, successful claims against us may adversely affect our business or reputation. Although California places a $ 250, 000 limit on non- economic damages for medical malpractice cases, no limit applies to economic damages and no such limits exist in the other states in which we provide services. ~~Even if we purchase professional liability insurance we are dependent on the creditworthiness of the insurance provider. For a period of time ending in July 2017 we purchased professional liability insurance from Fairway Physicians Insurance Company, A Risk Retention Group (" Fairway "). Fairway experienced financial hardship. As a result, on August 29, 2017, the District of Columbia Department of Insurance, Securities and Banking (" DISB ") found that Fairway was statutorily insolvent and that its continued operation would be hazardous to its policyholders, creditors and the general public. On October 25, 2017, the Superior Court for the District of Columbia issued an order authorizing the DISB Commissioner to liquidate Fairway. Fairway' s liquidation is currently pending, and it is presently unknown whether the Fairway liquidation estate will be able to pay covered policyholder claims, including claims asserted against us.~~ We may not receive payment from some of our healthcare provider customers because of their financial circumstances. We contract with commercial insurance and managed care providers to provide diagnostic imaging services to their members. Some of our healthcare provider customers do not have significant financial resources, liquidity or access to capital. If these customers experience financial difficulties they may be unable to pay us for the services that we provide. A significant deterioration in general or local economic conditions could have a material adverse effect on the financial health of certain of our healthcare provider customers. If our health care provider customers suffer financial hardship they could delay or default on their payment obligations to us, reducing our accounts receivable and negatively impacting our results of operations. Capitation fee arrangements could reduce our operating margins. For the year ended December 31, ~~2022~~ **2023** , we derived approximately ~~11~~ **9** % of our total net revenue from capitation arrangements, and we expect to continue to derive a significant portion of our revenue from capitation arrangements in the future. Under capitation arrangements, the payor pays us a pre- determined amount per- patient per- month, and in exchange we are required to provide all necessary covered services to the patients covered under the arrangement. These contracts pass much of the financial risk of providing diagnostic imaging services, including the risk of over- use, from the payor to us as the provider. Our ability to generate profit from these arrangements is dependent on our ability to correctly forecast demand for services for the patient base, negotiate appropriate pre- determined amounts with the payor and efficiently manage the utilization of those services. If we are not successful in forecasting demand patients or enrollees covered by these contracts require more frequent or extensive care than anticipated, or if we are not efficient in managing the utilization of services under these capitation arrangements, we would incur unanticipated costs not offset by additional revenue, which would reduce operating margins. **Cybersecurity threats and other** ~~Disruption~~ **disruption** or malfunction in our information **technology** systems could adversely affect our business. We rely on information technology systems to process, transmit and store electronic information **including legally- protected personal information, such as diagnostic image results and other patient health information, credit card and other financial information, insurance information, and personally identifiable information** . A significant portion of the communication between **our** personnel, ~~customers~~ **patients** , business partners, and suppliers depends on information technology. We rely on our information systems to perform functions critical to our ability to operate, including patient scheduling, billing, collections, image storage and image transmission. We also use information technology systems and networks in our operations and supporting departments such as **research and development,** marketing, accounting, finance, and human resources. The future success and growth of our business depends on streamlined processes made available through information systems, global communications, internet activity and other network processes. Our information technology system is vulnerable to damage or interruption from: • **Cybersecurity attacks and breaches, ransomware and computer viruses, coordinated attacks by hackers, activist entities, organized criminal threat actors, and nation- state sponsored actors, seeking to disrupt operations or misappropriate information; • technology service provider outages and technology supply chain cyber- security weaknesses; • power losses, computer systems failures, internet and telecommunications or data network failures, operator negligence, improper operation by or supervision of employees, physical and electronic losses of data and similar events; •** earthquakes, fires, floods and other natural disasters; **and** • **acts of vandalism** ~~power losses, computer systems failures, internet and telecommunications~~ or **theft, misplaced or lost** data ~~network failures~~ , **programming** ~~operator negligence, improper operation by~~ or **human errors** ~~supervision of employees, physical and electronic losses of data~~ and similar events **.** ~~; and • computer viruses, security~~ **Cybersecurity** ~~attacks and breaches, coordinated attacks by hackers or activist entities seeking to disrupt operations or misappropriate information and other breaches of security; and • acts of vandalism or theft, misplaced or lost data, programming or human errors and similar events. These~~ threats are constantly changing, increasing the difficulty of successfully defending against them or implementing adequate preventive measures. ~~We~~ **While we** maintain multiple layers of security measures and are continuously enhancing our security technologies to address new threats **,** ~~. Our defenses are monitored and routinely tested internally and by external parties. Emerging~~ **emerging** and advanced ~~security~~ **cybersecurity** threats, including coordinated attacks, require additional layers of security which may disrupt or impact efficiency of operations.

We have in the past experienced unauthorized access to our network and could again face attempts by others to gain unauthorized access to information or to introduce malicious software to disrupt the operation of our information technology systems. ~~Any unauthorized access to~~ **While management is not aware of a cybersecurity incident that has had a material effect on** our ~~information technology systems~~ **operations, there can be no assurances that a cybersecurity incident that** could have a material ~~adverse~~ impact on **us will not occur in the future. In particular, severe ransomware attacks are becoming increasingly prevalent and can lead to significant interruptions in our operations, loss of sensitive data and income, reputational harm, and diversion of funds. A successful ransomware or similar attack could disrupt or limit our ability to operate and generate revenue for an extended period of time including our ability to retrieve patient records, schedule imaging procedures, store and transmit diagnostic images, bill payors or patients, provide customer assistance services, conduct research and development activities, collect, process and prepare company financial information, and manage the administrative aspects of** our business **, any of which could materially adversely affect** ~~or~~ **our** ~~operations~~ **business. Extortion payments may alleviate the negative impact of a ransomware attack, but there is the risk that the threat actor may not destroy the stolen information and we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Any such interruption in access, improper access, disclosure, modification, or other loss of information could result in legal claims or proceedings, liability or penalties under laws and regulations that protect the privacy of personal information, such as HIPAA, European data privacy regulations, such as the General Data Protection Regulation, or GDPR, or state privacy regulations, such as the California Consumer Privacy Act. We may be required to comply with state breach notification laws or become subject to mandatory corrective action** . Responding to such incidents could require us to incur significant costs related to rebuilding internal systems, defending against litigation, responding to regulatory inquiries or actions, paying damages, complying with consumer protection laws or taking other remedial steps with respect to third parties ~~. An extended interruption in our information technology system' s function could significantly limit our ability to conduct our business and generate revenue~~ . If our data storage system was compromised, it could also give rise to unwanted media attention, materially damage our payor and physician relationships, and harm our business reputation. While we maintain cyber liability insurance, our insurance may not be sufficient to protect against all losses we may incur if we suffer significant or multiple attacks. Our success depends in part on our key personnel and loss of key executives could adversely affect our operations. Our success depends in part on our ability to attract and retain qualified senior and executive management, and managerial and technical personnel. The loss of the services of Dr. Howard G. Berger, our President and Chief Executive Officer, and Norman R. Hames or Stephen M. Forthuber, our **Presidents and** Chief Operating Officers, West Coast and East Coast, respectively, could hinder our ability to execute our business strategy and have a significant negative impact on our operations. We believe that they could not easily be replaced with executives of equal experience and capabilities, which would adversely affect our business. ~~Former employees and radiology practices we have previously contracted with could use the experience and relationships developed while employed or under contract with us to compete with us. A former executive, manager or other key employee who joins one of our competitors could use the relationships he or she established with third party payors, radiologists or referring physicians while our employee and the industry knowledge he or she acquired during that tenure to enhance the new employer' s ability to compete with us. The agreements with most of our radiology practices contain non- compete provisions; however the enforceability of these provisions is generally subject to a " reasonableness " standard determined by a court based on the facts and circumstances of the specific case at the time enforcement is sought. Many of the states in which we operate do not enforce agreements that prohibit a former employee from competing with a former employer. As a result, many of our employees whose employment is terminated are free to compete with us, subject to prohibitions on the use of trade secret information and, depending on the terms of the employee' s employment agreement, on solicitation of existing employees and customers (if enforceable). Our inability to enforce radiologists' non- compete provisions could result in increased competition from individuals who are knowledgeable about our business strategies and operations.~~ The future growth of our imaging business is partially dependent on our ability to continue to ~~identify, complete and~~ successfully integrate acquired businesses. Historically, we have experienced substantial growth through acquisitions that have increased our size, scope and geographic distribution **of our imaging center business** . During the past ~~two~~ **three** fiscal years, we have completed ~~24~~ acquisitions **that** ~~. These acquisitions~~ have added ~~35~~ **45** centers to our fixed- site outpatient diagnostic imaging services ~~. Our ability to successfully expand through acquiring centers, developing new centers, adding equipment at existing centers, and directly or indirectly entering into contractual relationships with high- quality radiology practices depends upon many factors, including our ability to: • identify attractive and willing candidates for acquisitions; • identify locations in existing or new markets for development of new centers; • comply with legal requirements affecting our arrangements with contracted radiology practices; • obtain regulatory approvals where necessary and comply with licensing and certification requirements applicable to our diagnostic imaging centers, the contracted radiology practices and their associated physicians; • recruit a sufficient number of qualified radiology technologists and other non- medical personnel; • expand our infrastructure and management; and • compete for opportunities. We may not be able to compete effectively for the acquisition of diagnostic imaging centers. Our competitors may have more established operating histories and greater resources than we do. Competition may also make any acquisitions more expensive. If we are unable to successfully grow our business through acquisitions it could have an adverse effect on our financial condition and results of operations. Our failure to successfully, and in a timely manner, integrate acquired businesses and / or new lines of businesses could reduce our profitability~~ . We may never realize expected synergies or capitalize on expected business opportunities in connection with an acquisition. Moreover, assumptions underlying estimates of expected cost savings may be inaccurate, or general industry and business conditions may deteriorate. Integrating operations requires significant efforts and expense on our part. Our management may have its attention diverted while trying to integrate an acquisition. Personnel may leave or be terminated because of an acquisition. If these factors limit our ability to integrate the operations of an acquisition successfully or on a timely basis, our expectations of future results of operations, including certain cost savings and synergies as a result of the acquisition, may not be met. In the past we have acquired,...... condition, and results of operations. We may not generate the expected benefits from our ~~recent~~ investment in AI technologies **or other new lines of business** . We believe that technology advancements including AI will significantly impact diagnostic imaging services in the future. As part of our growth strategy we have acquired or invested in a number of AI companies and technologies, including DeepHealth, Inc., ~~NeuroLogix~~ --- **NuLogix Health** , Inc., WhiteRabbit. ai, Aidence Holding B. V. and Quantib B. V. ~~Our focus in~~ **with the expectation that these** AI technologies ~~is aimed at developing~~ **can be developed into** solutions that ~~improve~~ **enhance** the quality of **outcomes for patients via improved** diagnostic imaging, reduce operating costs, and correspondingly improve our competitive position. ~~The~~ **However, the** success of our AI investments will depend upon a number of factors, some of which are out of our control, such as: • our ability to effectively integrate the operations of the acquired companies, including retaining key personnel; • the timeline and related expenses associated with applying for regulatory approvals necessary for commercialization; • whether any of our existing or future AI products will receive European CE or U. S. FDA 510 (k) clearance or other clearances and or regulatory approvals necessary for commercialization; • whether our AI solutions will prove effective for improving health care quality, patient services or business procedures; • our ability to successfully commercialize and secure market acceptance of our AI solutions from patients and health care providers; and • the development of competing technologies by other companies, and the relative efficacy, cost and ease of use of those technologies. There is no guarantee that we will receive the anticipated benefits from the investments we have made and may continue to make in the area of AI. Any failure would result in reduced operating profits and the potential impairment of goodwill related to those investments, which would further impact our profitability. **In** ~~acquired,and may again in~~ the future **we may** acquire ~~,~~ companies that create a new line of business.The process of integrating the acquired business,technology,service and research and development component into our business and operations and entry into a new line of business in which we are inexperienced may result in unforeseen operating difficulties and expenditures.In developing a new line of business,we may invest significant time and resources that take away the attention of management that would otherwise be available for ongoing development of our business.In addition,there can be no assurance that our new lines of business will ultimately be successful.The failure to successfully manage these risks in the development and implementation of new lines of business could have a material,adverse effect on our business,financial condition,and **results of operations.** Healthcare and Regulatory Risks The regulatory framework in which we operate is **continually** ~~uncertain and~~ evolving. Although we believe that we are operating in compliance with applicable federal and state laws, neither our current or anticipated business operations nor the operations of our contracted radiology practices have been the subject of judicial or regulatory interpretation. We cannot assure you that a review of our business by courts or regulatory authorities will not result in a determination that could adversely affect our operations. In addition, healthcare laws and regulations may change significantly in the future in a way that restricts our operations. We continuously monitor these developments and modify our operations from time to time as the regulatory environment changes. We cannot assure you **,** however, that we will be able to adapt our operations to address new regulations or that new regulations will not adversely affect our business. Certain states have enacted statutes or adopted regulations affecting risk assumption in the healthcare industry, including statutes and regulations that subject any physician or physician network engaged in risk- based managed care contracting to comply with applicable insurance laws. These laws, if adopted in the states in which we operate, may require physicians and physician networks to meet minimum capital requirements and other safety and soundness requirements. Implementing additional regulations or compliance requirements could result in substantial costs to us and the contracted radiology practices and limit our ability to enter into capitation or other risk- sharing managed care arrangements. We may be impacted by eligibility changes to government and private insurance programs. Due to potential decreased availability of healthcare through private employers, the number of patients who are uninsured or participate in governmental programs may increase. Healthcare reform legislation will increase the participation of individuals in the Medicaid program in states that elect to participate in the expanded Medicaid coverage. A shift in payor mix from managed care and other private payors to government payors as well as an increase in the number of uninsured patients may result in a reduction in the rates of reimbursement or an increase in uncollectible receivables or uncompensated care, with a corresponding decrease in net revenue. Changes in the eligibility requirements for governmental programs and state decisions on whether to participate in the expansion of such programs also could increase the number of patients who participate in such programs and the number of uninsured patients. Even for those patients who remain in private insurance plans, changes to those plans could increase patient financial responsibility, resulting in a greater risk of uncollectible receivables. Furthermore, additional changes to, or rollback of, the **PPACA** ~~Patient Protection and Affordable Care Act~~ , whether through legislation or judicial action, may also affect reimbursement and coverage in ways that are currently unpredictable. These factors and events could have a material adverse effect on our business, financial condition, and results of operations. Complying with federal and state regulations is an expensive and time- consuming process, and any failure to comply could result in substantial penalties. We are directly or indirectly, through the radiology practices with which we contract, subject to extensive regulation by both the federal government and the state governments in which we provide services, including: • the federal False Claims Act; • the federal Medicare and Medicaid Anti- Kickback Statute, and state anti- kickback prohibitions; • federal and state billing and claims submission laws and regulations; • HIPAA, as amended by HITECH, and comparable state laws; • the federal physician self- referral prohibition commonly known as the Stark Law and state equivalents; • state laws that prohibit the corporate practice of medicine and prohibit similar fee- splitting arrangements; **• state laws governing the approval of healthcare transactions and complying with cost targets, including the California Health Care Quality and Affordability Act and its implementing regulations.** • federal and state laws governing the diagnostic imaging and therapeutic equipment we use in our business concerning patient safety, equipment operating specifications and radiation exposure levels; • state laws governing reimbursement for diagnostic services related to services compensable under workers' compensation rules; and • federal and state environmental and health and safety laws. If our operations are found to be in violation of any of the laws and regulations to which we or the radiology practices with which we contract are subject, we may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment of our operations. Any penalties, damages, fines or curtailment of our operations, individually or in the aggregate, could adversely affect our ability to operate our business and our financial results. The risks of our being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action brought against us for violation of these laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management' s attention from the operation of our business. State and federal anti- kickback and anti- self- referral laws may adversely affect income. Various federal and state laws govern financial arrangements among healthcare providers. The federal Anti- Kickback Statute prohibits the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of Medicare, Medicaid, or other federal healthcare program patients, or in return for, or to induce, the purchase, lease or order of items or services that are covered by Medicare, Medicaid, or other federal healthcare programs. Similarly, many state laws prohibit the solicitation, payment or receipt of remuneration in return for, or to induce the referral of patients in private as well as government programs. Violation of these anti- kickback laws may result in substantial civil or criminal penalties for individuals or entities and / or exclusion from federal or state healthcare programs. We believe we are operating in compliance with applicable law and believe that our arrangements with providers would not be found to violate the anti- kickback laws. However, these laws could be interpreted in a manner inconsistent with our operations. Federal law prohibiting certain physician self- referrals, known as the Stark Law, prohibits a physician from referring Medicare or Medicaid patients to an entity for certain " designated health services " if the physician has a prohibited financial relationship with that entity, unless an exception applies. Certain radiology services are considered " designated health services " under the Stark Law. Although we believe our operations do not violate the Stark Law, our activities may be challenged. If a challenge is successful, it could have an adverse effect on our operations. In addition, legislation may be enacted in the future that further addresses Medicare and Medicaid fraud and abuse or imposes additional regulatory burdens on us. In addition, under the Deficit Recovery Act, states enacting false claims statutes similar to the federal False Claims Act, which establish liability for submission of fraudulent claims to the State Medicaid program and contain qui tam or whistleblower provisions, receive an increased percentage of any recovery from a State Medicaid judgment or settlement. Adoption of new false claims statutes in states where we operate may impose additional burdens on us. If we fail to comply with various licensure, certification and accreditation standards, we may be subject to loss of licensure, certification or accreditation, which would adversely affect our operations. Ownership, construction, operation, expansion and acquisition of our diagnostic imaging centers are subject to various federal and state laws, regulations and approvals concerning licensing of personnel, other required certificates for certain types of healthcare facilities and certain medical equipment. In addition, freestanding diagnostic imaging centers that provide services independent of a physician' s office must be enrolled by Medicare as an independent diagnostic treatment facility, or IDTF, to bill the Medicare program. Medicare carriers have discretion in applying the IDTF requirements and therefore the application of these requirements may vary from jurisdiction to jurisdiction. In addition, federal legislation requires all suppliers that provide the technical component of diagnostic MRI, PET / CT, CT, and nuclear medicine to be accredited by an accreditation organization designated by CMS (which currently include the American College of Radiology ~~(ACR)~~ , the Intersocietal Accreditation Commission ~~(IAC)~~ and the Joint Commission). Our MRI, CT, nuclear medicine, ultrasound and mammography centers are currently accredited by the American College of Radiology. We may not be able to receive the required regulatory approvals or accreditation for any future acquisitions, expansions or replacements, and the failure to obtain these approvals could limit the opportunity to expand our services. ~~Credentialing of~~ **Our payors required that the** physicians ~~is required by our~~ **providing imaging services are credentialed, before the** ~~payors~~ - **payor will** ~~prior to commencing~~ **commence** payment. We have experienced a slowdown in the credentialing of our physicians over the last several years which has lengthened our billing and collection cycle, and could negatively impact our ability to collect revenue from patients covered by Medicare. Our centers are subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensure and certification. If any facility loses its certification under the Medicare program, then the facility will be ineligible to receive reimbursement from the Medicare and Medicaid programs. For the year ended December 31, ~~2022~~ **2023** , approximately ~~22~~ **23** % and 3 % of our net service fee revenue came from Medicare and various state Medicaid programs, respectively. A change in the applicable certification status of one of our centers could adversely affect our other centers and **,** in turn **,** us as a whole. Our agreements with the contracted radiology practices must be structured to avoid the corporate practice of medicine and fee- splitting. The laws of certain states prohibit us from exercising control over the medical judgments or decisions of physicians and from engaging in certain financial arrangements, such as splitting professional fees with physicians. These laws are enforced by state courts and regulatory authorities, each with broad discretion. A component of our business has been to enter into management agreements with radiology practices. We provide management, administrative, technical and other non- medical services to the radiology practices in exchange for a service fee typically based on a percentage of the practice' s revenue. We structure our relationships with the radiology practices, including the purchase of diagnostic imaging centers, in a manner that we believe keeps us from engaging in the practice of medicine or exercising control over the medical judgments or decisions of the radiology practices or their physicians, or violating the prohibitions against fee- splitting. State laws and enforcement efforts regarding corporate practice of medicine and fee- splitting are often subject to change. As a consequence, there can be no assurance that our present arrangements with the Group or the physicians providing medical services and medical supervision at our imaging centers will not be challenged, and, if challenged, that they will not be found to violate the corporate practice of medicine or fee splitting prohibitions ~~, thus~~ **. Any violation would** ~~subjecting~~ --- **subject** us to potential damages, injunction and / or civil and criminal penalties or require us to restructure our arrangements in a way that would affect the control or quality of our services and / or change the amounts we receive under our management agreements. If we fail to comply with federal and state privacy and information security laws mandating protection of certain confidential data against disclosure, including cybersecurity attacks, we may be subject to government or private actions. We must comply with numerous federal and state laws and regulations governing the collection, dissemination, access, use, security and privacy of PHI, including HIPAA and its implementing privacy and security regulations, as amended by the federal HITECH Act ~~(collectively, " HIPAA ")~~. Information security risks have significantly increased in recent years in part because of the proliferation of new technologies, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state agents. Failure to adequately protect and maintain the integrity of our information systems (including our networks) and data, or to defend against cybersecurity attacks, could subject us to monetary fines, civil suits, civil penalties or criminal sanctions. We could also be required to disclose the breach publicly, which may damage our business reputation with our patients and vendors and cause a further material adverse effect on our results of operations, financial position, and cash flows. Some of our imaging modalities use radioactive materials, which generate regulated waste and could subject us to liabilities for injuries or violations of environmental and health and safety laws. Some of our imaging procedures use radioactive materials, which generate medical and other regulated wastes. For example, patients are injected with a radioactive substance before undergoing a PET scan. Storage, use and disposal of these materials and waste products present the risk of accidental environmental contamination and physical injury. We are subject to federal, state and local regulations governing storage, handling and disposal of these materials. We could incur significant costs and the diversion of our management' s attention in order to comply with current or future environmental and health and safety laws and regulations. Also, we cannot completely eliminate the risk of accidental contamination or injury from these hazardous materials. Although we maintain professional liability insurance coverage in amounts we believe is consistent with industry practice in the event of an accident, we could be held liable for any resulting damages, and any liability could exceed the limits of or fall outside the coverage of our professional liability insurance. Financial Risks Because we have high fixed costs, lower scan volumes ~~and~~ **or other decreases** revenues could adversely affect **the profitability of** our business. The principal components of our expenses are debt service, ~~capital lease payments,~~ depreciation, compensation paid to technologists, salaries, real estate lease expenses and equipment maintenance costs. Because a majority of these expenses are fixed, a relatively small change in our revenue could have a disproportionate effect on our operating and financial results depending on the source of our revenue. Thus, decreased revenue as a result of lower scan volumes ~~per system~~ **, product mix, or reductions in reimbursement rates** could result in lower margins, which would materially adversely affect the profitability **of** our business. Our substantial debt could adversely affect our financial condition and prevent us from fulfilling our obligations under our outstanding indebtedness. Our current substantial indebtedness and any future indebtedness we incur could adversely affect our financial condition. We are highly leveraged. As of December 31, ~~2022~~ **2023** term loan indebtedness, excluding related discount, was $ ~~864~~ **823** . 1 million, of which the Barclays credit facility term loans were $ ~~714~~ **678** . ~~1~~ **7** million and the Truist credit facility term loan was $ ~~150~~ **144** . ~~0~~ **4** million. Our substantial indebtedness could also: • make it difficult for us to satisfy our payment obligations with respect to our outstanding indebtedness; • require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes; • expose us to the risk of interest rate increases on our variable rate borrowings, including borrowings under our ~~new senior secured~~ **Barclays and Truist** credit facilities; • increase our vulnerability to adverse general economic and industry conditions; • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • place us at a competitive disadvantage compared to our competitors that have less debt; and • limit our ability to borrow additional funds on terms that are satisfactory to us **,** or at all. A restriction in our ability to make capital expenditures would restrict our growth and could adversely affect our business. We operate in a capital intensive, high fixed- cost industry that requires significant amounts of capital to fund operations, particularly the initial start- up and development expenses of new diagnostic imaging centers and the acquisition of additional centers and new diagnostic imaging equipment. We incur capital expenditures to, among other things, upgrade and replace equipment for existing centers and expand within our existing markets and enter new markets. If we open or acquire additional imaging centers, we may have to incur material capital lease obligations. To the extent we are unable to generate sufficient cash from our operations, funds are not available under our credit facilities or we are unable to structure or obtain financing through operating leases, finance leases or long- term installment notes, we may be unable to meet the capital expenditure requirements necessary to support the maintenance and continued growth of our operations. We may be required to recognize an impairment of our goodwill, other intangible assets, or other long- lived assets, which could have an adverse effect on our financial position and results of operations. When we acquire businesses we are generally required to allocate the purchase price to various assets including goodwill and other intangible assets ~~. During 2020 we ceased employing certain indefinite lived trade names with a total value of $ 4. 2 million and they were written off in full~~ . We are required to perform impairment tests for goodwill and other indefinite- lived intangible assets annually and whenever events or circumstances indicate that it is more likely than not that impairment exists. We are also required to perform an impairment test of definite lived intangible or other long- lived assets when indicators of impairment are present. ~~A decline~~ **We have been required to recognize impairment charges** in the ~~Company~~ **past, and may again. In September 2023, we determined that an In-process Research and Development (" IPR & D") indefinite- lived intangible asset related to Aidence Holding B. V.** ' s **Ai Veye Lung Nodule and Veye Clinic would not receive FDA approval for sale in the US without a new submission and additional expenditures for rework in the original projected timeline. The additional expenditures, delay and reduction of US sales affected the estimated fair value of the related IPR & D intangible asset and resulted in impairment charges of $ 3. 9 million. A future decline in our** operating results, future estimated cash flows and other assumptions could impact our estimated fair values, potentially leading to a material impairment of goodwill, other intangible assets, or other long- lived assets, which could adversely affect our financial position and results of operations. Our credit facilities and instruments governing our other indebtedness restrict certain operations of our business. Our credit facilities contain affirmative and negative covenants which restrict, among other things, our ability to: • pay dividends or make certain other restricted payments or investments; • incur additional indebtedness and certain disqualified equity interests; • create liens (other than permitted liens) securing indebtedness or trade payables; • sell certain assets or merge with or into other companies or otherwise dispose of all or substantially all of our assets; • enter into certain transactions with affiliates; • create restrictions on dividends or other payments by our restricted subsidiaries; and • create guarantees of indebtedness by restricted subsidiaries. All of these restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. A failure to comply with these covenants and restrictions would permit the relevant creditors to declare all amounts borrowed under the applicable agreement governing such indebtedness, together with accrued interest and fees, to be immediately due and payable. If the indebtedness under our credit facilities is accelerated, we may not have sufficient assets to repay amounts due under the credit facilities or on other indebtedness then outstanding. Capital Markets Risks Possible volatility in our stock price could negatively affect us and our stockholders. The trading price of our common stock on the NASDAQ Global Market has fluctuated significantly in the past. During the period from January 1, 2021 through December 31, ~~2022~~ **2023**, the trading price of our common stock fluctuated from a high of $ 38. 84 per share to a low of $ 12. 03 per share. In the past, we have experienced a drop in stock price following an announcement of disappointing earnings or earnings guidance. Any such announcement in the future could lead to a similar drop in stock price. The price of our common stock could also be subject to wide fluctuations in the future as a result of a number of other factors, including the following: • changes in expectations as to future financial performance or buy / sell recommendations of securities analysts; • our, or a competitor' s, announcement of new services, or significant acquisitions, strategic partnerships, joint ventures or capital commitments; and • the operating and stock price performance of other comparable companies. In addition, the U. S. securities markets periodically experience significant price and volume fluctuations. These fluctuations often have been unrelated to the operating performance of companies in these markets. Broad market and industry factors may lead to volatility in the price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of an individual company' s securities, securities class action litigation often has been instituted against that company. The institution of similar litigation against us could result in substantial costs and a diversion of management' s attention and resources, which could negatively affect our business, results of operations or financial condition. Provisions of the Delaware General Corporation Law and our organizational documents may discourage an acquisition of us. In the future, we could become the subject of an unsolicited attempted takeover of our company. Although an unsolicited takeover could be in the best interests of our stockholders, our organizational documents and the General Corporation Law of the State of Delaware both contain provisions that will impede the removal of directors and may discourage a third- party from making a proposal to acquire us. For example, ~~the~~ provisions **in our organizational documents** : • permit the board of directors to increase its own size, within the maximum limitations set forth in the bylaws, and fill the resulting vacancies; • authorize the issuance of shares of preferred stock in one or more series without a stockholder vote; • establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors; and • prohibit transfers and / or acquisitions of stock (without consent of the Board of Directors) that would result in any stockholder owning greater than 5 % of the currently outstanding stock resulting in a limitation on net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any loss or deduction attributable to a " net unrealized built- in loss " within the meaning of Section 382 of the internal revenue code of 1986, as amended. We are subject to Section 203 of the Delaware General Corporation Law, which could have the effect of delaying or preventing a change in control. Item 1B. Unresolved Staff Comments