

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission file number: 001-11993



option care health®

**OPTION CARE HEALTH, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

3000 Lakeside Dr. Suite 300N, Bannockburn, IL

(Address of principal executive offices)

05-0489664

(I.R.S. Employer Identification No.)

60015

(Zip Code)

Registrant's telephone number, including area code:

312-940-2443

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

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	OPCH	Nasdaq Global Select Market

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

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

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

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

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

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

On May 4, 2021, there were 179,826,946 shares of the registrant's Common Stock outstanding.

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**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**OPTION CARE HEALTH, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(IN THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)**

	(unaudited)	
	March 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 109,362	\$ 99,265
Accounts receivable, net	323,890	328,340
Inventories	173,622	158,601
Prepaid expenses and other current assets	57,860	70,806
Total current assets	<u>664,734</u>	<u>657,012</u>
<b>NONCURRENT ASSETS:</b>		
Property and equipment, net	116,311	121,149
Operating lease right-of-use asset	66,563	68,795
Intangible assets, net	342,379	351,052
Goodwill	1,428,610	1,428,610
Other noncurrent assets	21,873	20,821
Total noncurrent assets	<u>1,975,736</u>	<u>1,990,427</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,640,470</u>	<u>\$ 2,647,439</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 290,939	\$ 282,913
Accrued compensation and employee benefits	40,691	58,899
Accrued expenses and other current liabilities	57,748	64,075
Current portion of operating lease liability	19,011	18,886
Current portion of long-term debt	11,775	9,250
Total current liabilities	<u>420,164</u>	<u>434,023</u>
<b>NONCURRENT LIABILITIES:</b>		
Long-term debt, net of discount, deferred financing costs and current portion	1,121,143	1,115,103
Operating lease liability, net of current portion	68,136	70,776
Deferred income taxes	3,973	3,339
Other noncurrent liabilities	8,974	8,474
Total noncurrent liabilities	<u>1,202,226</u>	<u>1,197,692</u>
Total liabilities	<u>1,622,390</u>	<u>1,631,715</u>
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock; \$0.0001 par value; 12,500,000 shares authorized, no shares outstanding as of March 31, 2021 and December 31, 2020, respectively	—	—
Common stock; \$0.0001 par value: 250,000,000 shares authorized, 180,203,422 shares issued and 179,819,700 shares outstanding as of March 31, 2021; 180,178,308 shares issued and 179,794,586 shares outstanding as of December 31, 2020	18	18
Treasury stock; 383,722 shares outstanding, at cost, as of March 31, 2021 and December 31, 2020, respectively	(2,403)	(2,403)
Paid-in capital	1,130,448	1,129,312
Accumulated deficit	(102,892)	(100,031)
Accumulated other comprehensive loss	(7,091)	(11,172)
Total stockholders' equity	<u>1,018,080</u>	<u>1,015,724</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 2,640,470</u>	<u>\$ 2,647,439</u>

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

**OPTION CARE HEALTH, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
NET REVENUE	\$ 759,237	\$ 705,440
COST OF REVENUE	593,764	547,411
GROSS PROFIT	165,473	158,029
<b>OPERATING COSTS AND EXPENSES:</b>		
Selling, general and administrative expenses	120,040	129,280
Depreciation and amortization expense	16,339	20,101
Total operating expenses	136,379	149,381
OPERATING INCOME	29,094	8,648
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense, net	(19,481)	(28,087)
Equity in earnings of joint ventures	1,205	562
Other, net	(12,401)	8
Total other expense	(30,677)	(27,517)
LOSS BEFORE INCOME TAXES	(1,583)	(18,869)
INCOME TAX EXPENSE	1,278	1,041
NET LOSS	\$ (2,861)	\$ (19,910)
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:</b>		
Change in unrealized gains (losses) on cash flow hedges, net of income tax expense of \$0 and \$0, respectively	4,081	(16,632)
OTHER COMPREHENSIVE INCOME (LOSS)	4,081	(16,632)
NET COMPREHENSIVE INCOME (LOSS)	\$ 1,220	\$ (36,542)
<b>LOSS PER COMMON SHARE</b>		
Loss per share, basic and diluted	\$ (0.02)	\$ (0.11)
Weighted average common shares outstanding, basic and diluted	179,808	176,661

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

**OPTION CARE HEALTH, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(IN THOUSANDS)**

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,861)	\$ (19,910)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization expense	17,716	21,844
Non-cash operating lease costs	3,810	4,764
Deferred income taxes - net	634	300
Loss on extinguishment of debt	12,403	—
Amortization of deferred financing costs	1,253	1,396
Equity in earnings of joint ventures	(1,205)	(562)
Stock-based incentive compensation expense	1,205	757
Other adjustments	96	(882)
Changes in operating assets and liabilities:		
Accounts receivable, net	4,450	(12,781)
Inventories	(15,021)	(23,252)
Prepaid expenses and other current assets	12,946	3,603
Accounts payable	8,026	42,302
Accrued compensation and employee benefits	(18,208)	6,651
Accrued expenses and other current liabilities	(2,357)	(1,650)
Operating lease liabilities	(5,160)	(4,740)
Other noncurrent assets and liabilities	653	563
Net cash provided by operating activities	<u>18,380</u>	<u>18,403</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(3,123)	(5,353)
Net cash used in investing activities	<u>(3,123)</u>	<u>(5,353)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of debt	355,200	—
Exercise of stock options, vesting of restricted stock, and related tax withholdings	(69)	(549)
Repayments of debt	(2,944)	(2,313)
Deferred financing costs	(2,880)	—
Debt prepayment fees	(2,458)	—
Retirement of debt	(352,009)	—
Net cash used in financing activities	<u>(5,160)</u>	<u>(2,862)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>10,097</b>	<b>10,188</b>
Cash and cash equivalents - beginning of the period	99,265	67,056
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b><u>\$ 109,362</u></b>	<b><u>\$ 77,244</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 21,502	\$ 25,936
Cash paid for income taxes	\$ 111	\$ 307
Cash paid for operating leases	\$ 6,768	\$ 6,798

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

**OPTION CARE HEALTH, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(IN THOUSANDS)**

	Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
Balance - December 31, 2019	\$ —	\$ 18	\$ (2,403)	\$ 1,008,362	\$ (91,955)	\$ (7,195)	\$ 906,827
Exercise of stock options, vesting of restricted stock and related tax withholdings	—	—	—	(549)	—	—	(549)
Stock-based incentive compensation	—	—	—	757	—	—	757
Net loss	—	—	—	—	(19,910)	—	(19,910)
Other comprehensive loss	—	—	—	—	—	(16,632)	(16,632)
Balance - March 31, 2020	<u>\$ —</u>	<u>\$ 18</u>	<u>\$ (2,403)</u>	<u>\$ 1,008,570</u>	<u>\$ (111,865)</u>	<u>\$ (23,827)</u>	<u>\$ 870,493</u>
Balance - December 31, 2020	\$ —	\$ 18	\$ (2,403)	\$ 1,129,312	\$ (100,031)	\$ (11,172)	\$ 1,015,724
Exercise of stock options, vesting of restricted stock, and related tax withholdings	—	—	—	(69)	—	—	(69)
Stock-based incentive compensation	—	—	—	1,205	—	—	1,205
Net loss	—	—	—	—	(2,861)	—	(2,861)
Other comprehensive income	—	—	—	—	—	4,081	4,081
Balance - March 31, 2021	<u>\$ —</u>	<u>\$ 18</u>	<u>\$ (2,403)</u>	<u>\$ 1,130,448</u>	<u>\$ (102,892)</u>	<u>\$ (7,091)</u>	<u>\$ 1,018,080</u>

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

**OPTION CARE HEALTH, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF OPERATIONS AND PRESENTATION OF FINANCIAL STATEMENTS**

**Corporate Organization and Business** — HC Group Holdings II, Inc. (“HC II”) was incorporated under the laws of the State of Delaware on January 7, 2015, with its sole shareholder being HC Group Holdings I, LLC. (“HC I”). On April 7, 2015, HC I and HC II collectively acquired Walgreens Infusion Services, Inc. and its subsidiaries from Walgreen Co., and the business was rebranded as Option Care (“Option Care”).

On March 14, 2019, HC I and HC II entered into a definitive agreement (the “Merger Agreement”) to merge with and into a wholly-owned subsidiary of BioScrip, Inc. (“BioScrip”), a national provider of infusion and home care management solutions, along with certain other subsidiaries of BioScrip and HC II. The merger contemplated by the Merger Agreement (the “Merger”) was completed on August 6, 2019 (the “Merger Date”). The Merger was accounted for as a reverse merger under the acquisition method of accounting for business combinations with Option Care being considered the accounting acquirer and BioScrip being considered the legal acquirer. Following the close of the transaction, BioScrip was rebranded as Option Care Health, Inc. (“Option Care Health”, or the “Company”). The combined company’s stock is listed on the Nasdaq Global Select Market as of March 31, 2021. See Note 14, *Stockholders’ Equity*, for further discussion of HC I’s ownership as of March 31, 2021.

Option Care Health, and its wholly-owned subsidiaries, provides infusion therapy and other ancillary health care services through a national network of 98 full service pharmacies. The Company contracts with managed care organizations, third-party payers, hospitals, physicians, and other referral sources to provide pharmaceuticals and complex compounded solutions to patients for intravenous delivery in the patients’ homes or other nonhospital settings. The Company operates in one segment, infusion services.

**Basis of Presentation** — The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States and contain all adjustments, including normal recurring adjustments, necessary to present fairly the Company’s financial position, results of operations and cash flows for interim financial reporting. The results of operations for the interim periods presented are not necessarily indicative of the results of operations for the entire year. These unaudited condensed consolidated financial statements do not include all of the information and notes to the financial statements required by GAAP for complete financial statements and should be read in conjunction with the 2020 audited consolidated financial statements, including the notes thereto, as presented in the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2021.

**Principles of Consolidation** — The Company’s unaudited condensed consolidated financial statements include the accounts of Option Care Health, Inc. and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

The Company has investments in companies that are 50% owned and are accounted for as equity-method investments. The Company’s share of earnings from equity-method investments is included in the line entitled “Equity in earnings of joint ventures” in the unaudited condensed consolidated statements of comprehensive income (loss). See Equity-Method Investments within Note 2, *Summary of Significant Accounting Policies*, for further discussion of the Company’s equity-method investments.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Prepaid expenses and other current assets** — Included in prepaid expenses and other current assets are rebates receivable from pharmaceutical and medical supply manufacturers of \$31.7 million and \$35.2 million as of March 31, 2021 and December 31, 2020, respectively. There were no other items included in prepaid expenses and other current assets that comprised 5% or more of total current assets.

**Equity Method Investments** — The Company's investments in certain unconsolidated entities are accounted for under the equity method. The balance of these investments is included in other noncurrent assets in the accompanying condensed consolidated balance sheets. As of March 31, 2021 and December 31, 2020, the balance of the investments were \$18.2 million and \$17.0 million, respectively. The investments are increased to reflect the Company's capital contributions and equity in earnings of the investees. The investments are decreased to reflect the Company's equity in losses of the investees and for distributions received that are not in excess of the carrying amount of the investments. The Company's proportionate share of earnings or losses of the investees are recorded in equity in earnings of joint ventures in the accompanying unaudited condensed consolidated statements of comprehensive income (loss). The Company's proportionate share of earnings was \$1.2 million and \$0.6 million for the three months ended March 31, 2021 and 2020, respectively. Distributions from the investees are treated as cash inflows from operating activities within other adjustments in the unaudited condensed consolidated statements of cash flows. The Company did not receive a distribution from the investees for the three months ended March 31, 2021. During the three months ended March 31, 2020, the Company received distributions from the investees of \$0.5 million. See Footnote 16, *Related-Party Transactions*, for discussion of related-party transactions with these investees.

**Concentrations of Business Risk** — The Company generates revenue from managed care contracts and other agreements with commercial third-party payers. Revenue related to the Company's largest payer was approximately 16% and 13% for the three months ended March 31, 2021 and 2020, respectively. In December 2019, the Company renewed and expanded its multi-year contract with this payer. The contract renewal was effective in February 2020 for a two-year term and auto-renews annually thereafter unless notice is provided. There were no other managed care contracts that represent greater than 10% of revenue for the periods presented.

For the three months ended March 31, 2021 and 2020, approximately 18% and 12%, respectively, of the Company's revenue was reimbursable through direct government healthcare programs, such as Medicare and Medicaid. As of March 31, 2021 and December 31, 2020, approximately 13% and 15%, respectively, of the Company's accounts receivable was related to these programs. Governmental programs pay for services based on fee schedules and rates that are determined by the related governmental agency. Laws and regulations pertaining to government programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

The Company does not require its patients nor other payers to carry collateral for any amounts owed for goods or services provided. Other than as discussed above, concentration of credit risk relating to trade accounts receivable is limited due to the Company's diversity of patients and payers. Further, the Company generally does not provide charity care, however, Option Care Health offers a financial assistance program for patients that meet certain defined hardship criteria.

For the three months ended March 31, 2021 and 2020, approximately 67% and 70%, respectively, of the Company's pharmaceutical and medical supply purchases were from three vendors. Although there are a limited number of suppliers, the Company believes that other vendors could provide similar products on comparable terms. However, a change in suppliers could cause delays in service delivery and possible losses in revenue, which could adversely affect the Company's financial condition or operating results. Although there remains some uncertainty regarding the COVID-19 pandemic, as of March 31, 2021 the Company has been able to maintain adequate levels of supplies and pharmaceuticals to support its operations.

### 3. REVENUE

The following table sets forth the net revenue earned by category of payer for the three months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,	
	2021	2020
Commercial payers	\$ 611,434	\$ 605,994
Government payers	134,914	86,271
Patients	12,889	13,175
Net revenue	<u>\$ 759,237</u>	<u>\$ 705,440</u>

### 4. INCOME TAXES

During the three months ended March 31, 2021, the Company recorded tax expense of \$1.3 million, which represents a negative effective tax rate of 80.7%. During the three months ended March 31, 2020, the Company recorded a tax expense of \$1.0 million, which represents a negative effective tax rate of 5.5%.

The Company maintains a full valuation allowance of \$112.3 million against all of its net U.S. federal and state deferred tax assets with the exception of \$0.5 million of estimated state net operating losses ("NOL"). In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. The Company considers the scheduled reversal of deferred tax liabilities, including the effect in available carryback and carryforward periods, projected taxable income and tax-planning strategies, in making this assessment. On a quarterly basis, the Company evaluates all positive and negative evidence in determining if the valuation allowance is fairly stated.

Based on the Company's full valuation allowance, as noted above, the Company's tax expense for the three months ended March 31, 2021 of \$1.3 million consists of quarterly tax liabilities attributable to specific state taxing authorities as well as recognized deferred tax expense.

The Company has accumulated U.S. federal net operating loss carryovers that are subject to one or more Section 382 limitations. This may limit the Company's ability to utilize its U.S. federal net operating losses.

## 5. (LOSS) EARNINGS PER SHARE

The Company presents basic and diluted (loss) earnings per share for its common stock. Basic (loss) earnings per share is calculated by dividing the net (loss) income of the Company by the weighted average number of shares of common stock outstanding during the period. Diluted (loss) earnings per share is determined by adjusting the profit or loss and the weighted average number of shares of common stock outstanding for the effects of all potentially dilutive securities.

The (loss) earnings is used as the basis of determining whether the inclusion of common stock equivalents would be anti-dilutive. The computation of diluted shares for the three months ended March 31, 2021 and 2020 excludes the effect of these common stock equivalents as their inclusion would be anti-dilutive to the loss per share recorded in those periods. As of March 31, 2021 there were 2,285,784 warrants, 789,586 stock options and 1,080,334 restricted stock awards outstanding that were excluded from the calculation of loss per share for the three months ended March 31, 2021 as they would be anti-dilutive. As of March 31, 2020, there were 2,328,120 warrants, 531,747 stock options and 484,326 restricted stock awards outstanding that were excluded from the calculation of loss per share for the three months ended March 31, 2020 as they would be anti-dilutive.

The following table presents the Company's basic and diluted (loss) earnings per share and shares outstanding (in thousands, except per share data):

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Numerator:		
Net loss	\$ (2,861)	\$ (19,910)
Denominator:		
Weighted average number of common shares outstanding	179,808	176,661
Loss per common share:		
Loss per common share, basic	\$ (0.02)	\$ (0.11)

## 6. LEASES

During the three months ended March 31, 2021 and 2020, the Company incurred operating lease expenses of \$7.5 million and \$7.7 million, respectively, including short-term lease expenses, which were included as a component of selling, general and administrative expenses in the unaudited condensed consolidated statements of comprehensive income (loss). As of March 31, 2021, the weighted-average remaining lease term was 6.6 years and the weighted-average discount rate was 5.22%.

Operating leases mature as follows (in thousands):

Fiscal Year Ending December 31,	Minimum Payments
2021	\$ 19,618
2022	19,642
2023	16,323
2024	11,081
2025	8,656
Thereafter	28,423
Total lease payments	\$ 103,743
Less: Interest	(16,596)
Present value of lease liabilities	\$ 87,147

During the three months ended March 31, 2020, the Company did not enter into any significant new operating or financing leases. During the three months ended March 31, 2021, the Company commenced new leases, extensions and amendments, resulting in non-cash investing and financing activities in the unaudited condensed consolidated statements of cash flow of \$1.6 million related to increases in the operating lease right-of-use asset and operating lease liabilities, respectively. As of March 31, 2021, the Company did not have any significant operating or financing leases that had not yet commenced.

## 7. PROPERTY AND EQUIPMENT

Property and equipment was as follows as of March 31, 2021 and December 31, 2020 (in thousands):

	March 31, 2021	December 31, 2020
Infusion pumps	\$ 31,419	\$ 31,678
Equipment, furniture and other	50,281	47,886
Leasehold improvements	87,711	87,483
Computer software, purchased and internally developed	28,331	27,799
Assets under development	11,911	10,793
	209,653	205,639
Less: accumulated depreciation	93,342	84,490
Property and equipment, net	\$ 116,311	\$ 121,149

Depreciation expense is recorded within cost of revenue and operating expenses within the unaudited condensed consolidated statements of comprehensive income (loss), depending on the nature of the underlying fixed assets. The depreciation expense included in cost of revenue relates to revenue-generating assets, such as infusion pumps. The depreciation expense included in operating expenses is related to infrastructure items, such as furniture, computer and office equipment, and leasehold improvements. The following table presents the amount of depreciation expense recorded in cost of revenue and operating expenses for the three months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,	
	2021	2020
Depreciation expense in cost of revenue	\$ 1,377	\$ 1,742
Depreciation expense in operating expenses	7,598	11,319
Total depreciation expense	\$ 8,975	\$ 13,061

**8. GOODWILL AND OTHER INTANGIBLE ASSETS**

There was no change in the carrying amount of goodwill for the three months ended March 31, 2021.

Changes in the carrying amount of goodwill consists of the following activity for the three months March 31, 2020 (in thousands):

<b>Balance at December 31, 2019</b>	1,425,542
Merger purchase accounting adjustments	2,341
<b>Balance at March 31, 2020</b>	<u>1,427,883</u>

The carrying amount and accumulated amortization of intangible assets consists of the following as of March 31, 2021 and December 31, 2020 (in thousands):

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Gross intangible assets:		
Referral sources	\$ 438,121	\$ 438,121
Trademarks/names	44,536	44,536
Other amortizable intangible assets	402	402
Total gross intangible assets	<u>483,059</u>	<u>483,059</u>
Accumulated amortization:		
Referral sources	(117,048)	(110,498)
Trademarks/names	(23,247)	(21,146)
Other amortizable intangible assets	(385)	(363)
Total accumulated amortization	<u>(140,680)</u>	<u>(132,007)</u>
Total intangible assets, net	<u>\$ 342,379</u>	<u>\$ 351,052</u>

Amortization expense for intangible assets was \$8.7 million and \$8.8 million for the three months ended March 31, 2021 and 2020, respectively.

## 9. INDEBTEDNESS

Long-term debt consisted of the following as of March 31, 2021 (in thousands):

	Principal Amount	Discount	Debt Issuance Costs	Net Balance
ABL facility	\$ —	\$ —	\$ —	\$ —
First lien term loan	1,162,806	(9,560)	(20,328)	1,132,918
Second lien notes	—	—	—	—
	<u>\$ 1,162,806</u>	<u>\$ (9,560)</u>	<u>\$ (20,328)</u>	<u>1,132,918</u>
Less: current portion				(11,775)
Total long-term debt				<u>\$ 1,121,143</u>

Long-term debt consisted of the following as of December 31, 2020 (in thousands):

	Principal Amount	Discount	Debt Issuance Costs	Net Balance
ABL facility	\$ —	\$ —	\$ —	\$ —
First lien term loan	915,750	(7,253)	(19,710)	888,787
Second lien notes	245,781	(6,102)	(4,113)	235,566
	<u>\$ 1,161,531</u>	<u>\$ (13,355)</u>	<u>\$ (23,823)</u>	<u>1,124,353</u>
Less: current portion				(9,250)
Total long-term debt				<u>\$ 1,115,103</u>

In January 2021, the Company entered into an amendment on the First Lien Term Loan (the “First Lien Credit Agreement Amendment”). The First Lien Credit Agreement Amendment resulted in an additional \$250.0 million of incremental First Lien Term Loan indebtedness being issued and reduced the interest rate on all outstanding First Lien Term Loan indebtedness from LIBOR plus 4.25% to LIBOR plus 3.75%. The proceeds of the \$250.0 million incremental First Lien Term Loan indebtedness were used to prepay the remaining \$245.8 million outstanding balance of the Second Lien Notes. Following the First Lien Credit Agreement Amendment, the First Lien Term Loan is repayable in quarterly installments of \$2.9 million plus interest, with a final payment of all remaining outstanding principal due on August 6, 2026.

The Company assessed whether the repayment of the Second Lien Notes by issuing incremental First Lien Term Loan indebtedness resulted in an insubstantial modification or an extinguishment of the existing debt for each loan in the syndication by grouping lenders as follows: (i) Lenders participating in both the First Lien Term Loan and Second Lien Notes; (ii) previous lenders that exited; and (iii) new lenders. The Company determined that \$161.2 million of the First Lien Term Loan was extinguished and \$122.9 million of the Second Lien Term Loan was extinguished, which is disclosed as an outflow from financing activities in the condensed consolidated statements of cash flows. The First Lien Term Loan and Second Lien Notes had insubstantial modifications for lenders that participated in both debt instruments, which resulted in a cash outflow from financing activities of \$352.0 million in the condensed consolidated statements of cash flows. The Company determined that \$356.2 million of new debt was issued related to the First Lien Term Loan, which is disclosed as an inflow from financing activities in the condensed consolidated statements of cash flows. In connection with the prepayment of the Second Lien Notes and incremental First Lien Term Loan indebtedness, the Company incurred \$7.2 million in debt issuance costs and third-party fees, of which \$3.7 million was capitalized, \$0.9 million was expensed as a component of other expense and \$2.6 million was expensed as a loss on extinguishment as a component of other expense in the condensed consolidated statements of comprehensive income (loss). Further, \$1.0 million of the total fees incurred of \$7.2 million was netted against the \$356.2 million of proceeds from debt as a component of the cash flows from financing activities, \$2.9 million was presented as deferred financing costs as a component of cash flows from financing activities, \$2.4 million was presented as debt prepayment fees as a component of cash flows from financing activities, and the remaining \$0.9 million was included in cash flows from operating activities in the condensed consolidated statements of cash flows.

The Company recognized a loss on extinguishment of debt of \$12.4 million included in the line entitled “Other, net” in the unaudited condensed consolidated statements of comprehensive income (loss), of which \$2.6 million related to debt issue costs incurred with the incremental First Lien Term Loan indebtedness and prepayment of the Second Lien Notes, as discussed above, and \$9.8 million related to existing deferred financing fees that were written off upon extinguishment. All remaining

deferred financing fees that existed prior to the First Lien Credit Agreement Amendment were attributed to modified loans, and were capitalized and amortized over the remaining term of the First Lien Term Loan.

The interest rate on the First Lien Term Loan was 3.86% and 4.40% as of March 31, 2021 and December 31, 2020, respectively. The weighted average interest rate incurred on the First Lien Term Loan was 3.97% and 6.18% for the three months ended March 31, 2021 and 2020, respectively. The interest rate on the Second Lien Notes was 8.98% as of December 31, 2020. The weighted average interest rate incurred on the Second Lien Notes was 8.98% for the period January 1, 2021 through January 20, 2021, prior to the repayment of the outstanding balance. The weighted average interest rate incurred on the Second Lien Notes was 10.54% for the three months ended March 31, 2020.

Long-term debt matures as follows (in thousands):

Year Ending December 31,	Minimum Payments
2021	\$ 8,831
2022	11,775
2023	11,775
2024	11,775
2025	11,775
Thereafter	1,106,875
<b>Total</b>	<b>1,162,806</b>

During the three months ended March 31, 2021 and 2020, the Company engaged in hedging activities to limit its exposure to changes in interest rates. See Note 10, *Derivative Instruments*, for further discussion.

The following table presents the estimated fair values of the Company's debt obligations as of March 31, 2021 (in thousands):

Financial Instrument	Carrying Value as of March 31, 2021	Markets for Identical Item (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
First lien term loan	\$ 1,132,918	\$ —	\$ 1,158,504	\$ —
Second lien notes	—	—	—	—
<b>Total debt instruments</b>	<b>\$ 1,132,918</b>	<b>\$ —</b>	<b>\$ 1,158,504</b>	<b>\$ —</b>

The following table sets forth the changes in Level 3 measurements for the three months ended March 31, 2021 (in thousands):

	Level 3 Measurements
Second lien notes fair value as of January 1, 2021	\$ 266,438
Principal prepayment	(245,781)
Change in fair value	(20,657)
Second lien notes fair value as of March 31, 2021	<u>\$ —</u>

See Note 11, *Fair Value Measurements*, for further discussion.

## 10. DERIVATIVE INSTRUMENTS

The Company uses derivative financial instruments for hedging and non-trading purposes to limit the Company's exposure to increases in interest rates related to its variable interest rate debt. Use of derivative financial instruments in hedging programs subjects the Company to certain risks, such as market and credit risks. Market risk represents the possibility that the value of the derivative financial instrument will change. In a hedging relationship, the change in the value of the derivative financial instrument is offset to a great extent by the change in the value of the underlying hedged item. Credit risk related to a derivative financial instrument represents the possibility that the counterparty will not fulfill the terms of the contract. The notional, or contractual, amount of the Company's derivative financial instruments is used to measure interest to be paid or received and does not represent the Company's exposure due to credit risk. Credit risk is monitored through established approval procedures, including reviewing credit ratings when appropriate.

In August 2019, the Company entered into interest rate swap agreements that reduce the variability in the interest rates on the newly-issued debt obligations following the Merger with BioScrip. The first interest rate swap for \$925.0 million notional was effective in August 2019 with \$911.1 million designated as a cash flow hedge against the underlying interest rate on the first lien term loan interest payments indexed to one-month London Interbank Offered Rate ("LIBOR") through August 2021. In accordance with ASU 2017-12, Targeted Improvements to Accounting for Hedges, the Company has determined that the \$911.1 million designated cash flow hedge is perfectly effective. The remaining \$13.9 million notional amount of the interest rate swap is not designated as a hedging instrument. The second interest rate swap of \$400.0 million notional was effective in November 2019 and was designated as a cash flow hedge against the underlying interest rate on the second lien notes interest payments indexed to three-month LIBOR through November 2020.

The following table summarizes the amount and location of the Company's derivative instruments in the condensed consolidated balance sheets (in thousands):

Derivative	Balance Sheet Caption	Fair value - Derivatives in liability position	
		March 31, 2021	December 31, 2020
Interest rate swaps designated as cash flow hedges	Accrued expenses and other current liabilities	\$ 7,091	\$ 11,172
Interest rate swaps not designated as cash flow hedges	Accrued expenses and other current liabilities	108	170
<b>Total derivatives</b>		<b>\$ 7,199</b>	<b>\$ 11,342</b>

The gain and loss associated with the changes in the fair value of the effective portion of the hedging instrument are recorded into other comprehensive (loss) income. The gain and loss associated with the changes in the fair value of the \$13.9 million notional amount not designated as a hedging instrument is recognized in net income (loss) through interest expense. The following table presents the pre-tax gains (losses) from derivative instruments recognized in other comprehensive (loss) income in the Company's unaudited condensed consolidated statements of comprehensive income (loss) (in thousands):

Derivative	Three Months Ended March 31,	
	2021	2020
Interest rate swaps designated as cash flow hedges	4,081	(16,632)
	<b>\$ 4,081</b>	<b>\$ (16,632)</b>

The following table presents the amount and location of pre-tax income (loss) recognized in the Company's unaudited condensed consolidated statement of comprehensive income (loss) related to the Company's derivative instruments (in thousands):

Derivative	Income Statement Caption	Three Months Ended March 31,	
		2021	2020
Interest rate swaps designated as cash flow hedges	Interest expense	(4,149)	(799)
Interest rate swaps not designated as hedges	Interest expense	(1)	(234)
		<b>\$ (4,150)</b>	<b>\$ (1,033)</b>

The Company expects to reclassify \$7.1 million of total interest rate costs from accumulated other comprehensive loss against interest expense during the next 12 months.



## 11. FAIR VALUE MEASUREMENTS

Fair value measurements are determined by maximizing the use of observable inputs and minimizing the use of unobservable inputs. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements). The categories within the valuation hierarchy are described as follows:

- Level 1 — Inputs to the fair value measurement are quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs to the fair value measurement include quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Inputs to the fair value measurement are unobservable inputs or valuation techniques.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*First lien term loan:* The fair value of the first lien term loan is derived from a broker quote on the loans in the syndication (Level 2 inputs). See Note 9, *Indebtedness*, for further discussion of the carrying amount and fair value of the first lien term loan.

*Second lien notes:* The fair value of the second lien notes was derived from a cash flow model that discounted the cash flows based on market interest rates (Level 3 inputs). See Note 9, *Indebtedness*, for further discussion of the carrying amount and fair value of the second lien notes.

*Interest rate swaps:* The fair values of interest rate swaps are derived from the interest rates prevalent in the market and future expectations of those interest rates (Level 2 inputs). The Company determines the fair value of the investments based on quoted prices from third-party brokers. See Note 10, *Derivative Instruments*, for further discussion of the fair value of interest rate swaps.

There were no other assets or liabilities measured at fair value at March 31, 2021 and December 31, 2020.

## 12. COMMITMENTS AND CONTINGENCIES

The Company is involved in legal proceedings and is subject to investigations, inspections, audits, inquiries, and similar actions by governmental authorities, arising in the normal course of the Company's business. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. From time to time, the Company may also be involved in legal proceedings as a plaintiff involving antitrust, tax, contract, intellectual property, and other matters. Gain contingencies, if any, are recognized when they are realized. The results of legal proceedings are often uncertain and difficult to predict, and the costs incurred in litigation can be substantial, regardless of the outcome. The Company believes that its defenses and assertions in pending legal proceedings have merit and does not believe that any of these pending matters, after consideration of applicable reserves and rights to indemnification, will have a material adverse effect on the Company's condensed consolidated balance sheets. However, substantial unanticipated verdicts, fines, and rulings may occur. As a result, the Company may from time to time incur judgments, enter into settlements, or revise expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on its results of operations in the period in which the amounts are accrued and/or its cash flows in the period in which the amounts are paid.

### 13. STOCK-BASED INCENTIVE COMPENSATION

**Equity Incentive Plans** — Under the Company’s 2018 Equity Incentive Plan (the “2018 Plan”), approved at the annual meeting by the BioScrip stockholders on May 3, 2018, the Company may issue, among other things, incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock units, stock grants, and performance units to key employees and directors. The 2018 plan is administered by the Company’s Compensation Committee, a standing committee of the Board of Directors. A total of 4,101,735 shares of common stock were initially authorized for issuance under the 2018 Plan. The Company had stock options, restricted stock and performance stock units outstanding related to the 2018 Plan as of March 31, 2021. As of March 31, 2021, the Company also had incentive units outstanding related to the HC I equity incentive plan, which was implemented in October 2015, for certain officers and employees of the Company. During the three months ended March 31, 2021 and 2020, total stock-based incentive compensation expense recognized by the Company related to these plans was \$1.2 million and \$0.8 million, respectively.

### 14. STOCKHOLDERS’ EQUITY

On January 3, 2020, the Company’s board of directors and HC I, the stockholder of a majority of the Company’s common stock, approved a reverse stock split of the Company’s issued and outstanding common stock on a one share for four share basis and appropriately amended the Company’s Third Amended and Restated Certificate of Incorporation to reflect the change. On February 3, 2020, the reverse stock split became effective. In connection with the reverse stock split, the Company changed its ticker symbol from “BIOS” to “OPCH” and transferred the Company’s common stock from the Nasdaq Capital Market to the Nasdaq Global Select Market. The par value of the Company’s common stock remained unchanged as a result of the reverse stock split, resulting in a decrease to the aggregate par value of common stock and corresponding increase to paid-in capital in the Company’s unaudited condensed consolidated financial statements, which was retrospectively applied to all periods presented in the unaudited condensed consolidated financial statements. All common shares, warrants and stock awards presented in the unaudited condensed consolidated financial statements have been retrospectively adjusted for the reverse stock split. During the three months ended March 31, 2021, HC I completed secondary offerings of 29,250,000 shares of common stock. Following these offerings, HC I holds approximately 47.3% of the common stock of the Company.

**2017 Warrants** — During the three months ended March 31, 2021 and 2020, warrant holders did not elect to exercise any warrants to purchase shares of common stock. As of March 31, 2021 and December 31, 2020, the remaining warrant holders are entitled to purchase 1.4 million shares of common stock, respectively.

**2015 Warrants** — During the three months ended March 31, 2021 and 2020, warrant holders did not elect to exercise any warrants to purchase shares of common stock. As of March 31, 2021 and December 31, 2020, warrant holders are entitled to purchase 0.9 million shares of common stock, respectively.

### 15. RELATED-PARTY TRANSACTIONS

**Transactions with Equity-Method Investees** — The Company provides management services to its joint ventures such as accounting, invoicing and collections in addition to day-to-day managerial support of the operations of the businesses. The Company recorded management fee income of \$0.8 million and \$0.7 million for the three months ended March 31, 2021 and 2020, respectively. Management fees are recorded in net revenues in the accompanying unaudited condensed consolidated statements of comprehensive income (loss).

The Company had amounts due to its joint ventures of \$1.1 million as of March 31, 2021. The Company had amounts due from its joint ventures of \$2.4 million as of December 31, 2020. These payables were included in accrued expenses and other current liabilities and these receivables were included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets. These balances primarily relate to cash collections received by the Company on behalf of the joint ventures, offset by certain pharmaceutical inventories and other expenses paid for by the Company on behalf of the joint ventures.

### 16. SUBSEQUENT EVENTS

The Company has evaluated whether any subsequent events occurred since March 31, 2021, and noted the following subsequent event:

On April 7, 2021, the Company completed the acquisition of certain assets from BioCure, LLC for a purchase price of \$18.5 million. The assets acquired were primarily comprised of referral sources and inventories.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*Unless the context requires otherwise, references in this report to "Option Care Health," the "Company," "we," "us" and "our" refer to Option Care Health, Inc. and its consolidated subsidiaries. The following discussion and analysis of the financial condition and results of operations of Option Care Health, Inc. ("Option Care Health", or the "Company") should be read in conjunction with the audited consolidated financial statements and related notes, as presented in the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2021, as well as the Company's unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this report.*

### Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains statements not purely historical and which may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding our expectations, beliefs, future plans and strategies, anticipated events or trends concerning matters that are not historical facts or that necessarily depend upon future events. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential," and similar expressions. Such forward-looking statements include, but are not limited to, the effect of the novel coronavirus ("COVID-19") on our business, financial condition and results of operations. This Quarterly Report contains, among others, forward-looking statements based upon current expectations that involve numerous risks and uncertainties, including those described in Item 1A "Risk Factors".

Investors are cautioned that any such forward-looking statements are not guarantees of future performance, involve risks and uncertainties and that actual results may differ materially from those possible results discussed in the forward-looking statements as a result of various factors.

Do not place undue reliance on such forward-looking statements as they speak only as of the date they are made. Except as required by law, the Company assumes no obligation to publicly update or revise any forward-looking statement even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

### Business Overview

Option Care Health, and its wholly-owned subsidiaries, provides infusion therapy and other ancillary health care services through a national network of 145 locations around the United States. The Company contracts with managed care organizations, third-party payers, hospitals, physicians, and other referral sources to provide pharmaceuticals and complex compounded solutions to patients for intravenous delivery in the patients' homes or other nonhospital settings. Our services are provided in coordination with, and under the direction of, the patient's physician. Our multidisciplinary team of clinicians, including pharmacists, nurses, dietitians and respiratory therapists, work with the physician to develop a plan of care suited to each patient's specific needs. We provide home infusion services consisting of anti-infectives, nutrition support, bleeding disorder therapies, immunoglobulin therapy, and other therapies for chronic and acute conditions.

HC Group Holdings II, Inc. ("HC II") was incorporated under the laws of the State of Delaware on January 7, 2015, with its sole shareholder being HC Group Holdings I, LLC. ("HC I"). On April 7, 2015, HC I and HC II collectively acquired Walgreens Infusion Services, Inc. and its subsidiaries from Walgreen Co., and the business was rebranded as Option Care, Inc. ("Option Care").

On March 14, 2019, HC I and HC II entered into a definitive agreement (the "Merger Agreement") to merge with and into a wholly-owned subsidiary of BioScrip, Inc. ("BioScrip") (the "Merger"), a national provider of infusion and home care management solutions, which was completed on August 6, 2019 (the "Merger Date"). The Merger was accounted for as a reverse merger under the acquisition method of accounting for business combinations with Option Care being considered the accounting acquirer and BioScrip being considered the legal acquirer. Following the close of the transaction, BioScrip was rebranded as Option Care Health, Inc. and the combined company's stock, par value \$0.0001, was listed on the Nasdaq Global Select Market as of March 31, 2021.

## **Update on the Impact of the COVID-19 Pandemic**

The primary operations of the Company focus on providing infusion therapy services and based on the recent impact of the pandemic across the healthcare ecosystem, the Company began experiencing a related impact across a number of facets beginning in March 2020.

The Company relies upon patient referrals from multiple sources, including but not limited to patients discharged from acute care settings (e.g., hospitals) and patients requiring treatment for chronic conditions from specialty physicians. As expected, the pandemic has negatively affected new patient referrals for both acute and chronic conditions; however, the Company did experience an increase in patient transfers from hospital and outpatient settings which positively affected revenues. For the three months ended March 31, 2021, the revenue results reflect flat acute revenues relative to the prior year while chronic revenue had low double-digit growth. Option Care Health continues to collaborate with payers and health systems to transition patients into the home or one of our alternate treatment sites to receive vital infusion therapy.

The Company continued to experience cost inefficiencies during the three months ended March 31, 2021 with respect to clinical labor and other staffing challenges. The integration-related initiatives that were accelerated during the year ended December 31, 2020 continue to offset the negative impacts resulting from the COVID-19 pandemic. Further, to date, the Company has experienced no material deceleration in cash collections and collaboration with payers continues to be productive. The Company anticipates that the pandemic could affect its operations for an extended period; however, at this time it cannot confidently forecast the duration nor the ultimate financial impact on its operations. See Item 1A. "Risk Factors" under the caption "The COVID-19 pandemic could adversely impact our business, results of operations, cash flows and financial position" include in our Annual Report on Form 10-K for the year ended December 31, 2020 for further discussion of risks.

## Composition of Results of Operations

The following results of operations include the accounts of Option Care Health and our subsidiaries for the three months ended March 31, 2021 and 2020.

### **Gross Profit**

Gross profit represents our net revenue less cost of revenue.

*Net Revenue.* Infusion and related health care services revenue is reported at the estimated net realizable amounts from third-party payers and patients for goods sold and services rendered. When pharmaceuticals are provided to a patient, revenue is recognized upon delivery of the goods. When nursing services are provided, revenue is recognized when the services are rendered.

Due to the nature of the health care industry and the reimbursement environment in which the Company operates, certain estimates are required to record revenue and accounts receivable at their net realizable values at the time goods or services are provided. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payers may result in adjustments to amounts originally recorded.

*Cost of Revenue.* Cost of revenue consists of the actual cost of pharmaceuticals and other medical supplies dispensed to patients. In addition to product costs, cost of revenue includes warehousing costs, purchasing costs, depreciation expense relating to revenue-generating assets, such as infusion pumps, shipping and handling costs, and wages and related costs for the pharmacists, nurses, and all other employees and contracted workers directly involved in providing service to the patient.

The Company receives volume-based rebates and prompt payment discounts from some of its pharmaceutical and medical supplies vendors. These payments are recorded as a reduction of inventory and are accounted for as a reduction of cost of revenue when the related inventory is sold.

### **Operating Costs and Expenses**

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses consist principally of salaries for administrative employees that directly and indirectly support the operations, occupancy costs, marketing expenditures, insurance, and professional fees.

*Depreciation and Amortization Expense.* Depreciation within this caption includes infrastructure items such as computer hardware and software, office equipment and leasehold improvements. Depreciation of revenue-generating assets, such as infusion pumps, is included in cost of revenue.

### **Other Income (Expense)**

*Interest Expense, Net.* Interest expense consists principally of interest payments on the Company's outstanding borrowings under the ABL Facility, the first lien term loan and second lien notes, amortization of discount and deferred financing fees, and changes in derivatives not designated as hedging instruments related to the interest rate swaps. Refer to the "Liquidity and Capital Resources" section below for further discussion of these outstanding borrowings.

*Equity in Earnings of Joint Ventures.* Equity in earnings of joint ventures consists of our proportionate share of equity earnings or losses from equity investments in two infusion joint ventures with health systems.

*Other, Net.* Other income (expense) primarily includes loss on extinguishment of debt incurred in connection with the 2021 debt refinancing and miscellaneous non-operating expenses.

*Income Tax Expense (Benefit).* The Company is subject to taxation in the United States and various states. The Company's income tax expense (benefit) is reflective of the current federal and state tax rates.

*Change in unrealized gains (losses) on cash flow hedges, net of income tax expense (benefit).* Change in unrealized gains (losses) on cash flow hedges, net of income taxes, consists of the gains and losses associated with the changes in the fair value of derivatives designated as hedging instruments related to the interest rate caps and interest rate swaps, net of income taxes.

## Results of Operations

The following table presents Option Care Health's consolidated results of operations for the three months ended March 31, 2021 and 2020 (in thousands):

	<b>Three Months Ended March 31,</b>			
	<b>2021 (unaudited)</b>		<b>2020 (unaudited)</b>	
	<b>Amount</b>	<b>% of Revenue</b>	<b>Amount</b>	<b>% of Revenue</b>
NET REVENUE	\$ 759,237	100.0 %	\$ 705,440	100.0 %
COST OF REVENUE	593,764	78.2 %	547,411	77.6 %
GROSS PROFIT	165,473	21.8 %	158,029	22.4 %
<b>OPERATING COSTS AND EXPENSES:</b>				
Selling, general and administrative expenses	120,040	15.8 %	129,280	18.3 %
Depreciation and amortization expense	16,339	2.2 %	20,101	2.8 %
Total operating expenses	136,379	18.0 %	149,381	21.2 %
OPERATING INCOME	29,094	3.8 %	8,648	1.2 %
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense, net	(19,481)	(2.6)%	(28,087)	(4.0)%
Equity in earnings of joint ventures	1,205	0.2 %	562	0.1 %
Other, net	(12,401)	(1.6)%	8	— %
Total other expense	(30,677)	(4.0)%	(27,517)	(3.9)%
LOSS BEFORE INCOME TAXES	(1,583)	(0.2)%	(18,869)	(2.7)%
INCOME TAX EXPENSE	1,278	0.2 %	1,041	0.1 %
NET LOSS	\$ (2,861)	(0.4)%	\$ (19,910)	(2.8)%
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:</b>				
Change in unrealized gains (losses) on cash flow hedges, net of income tax expense (benefit) of \$0 and \$0, respectively	4,081	0.5 %	(16,632)	(2.4)%
OTHER COMPREHENSIVE INCOME (LOSS)	4,081	0.5 %	(16,632)	(2.4)%
NET COMPREHENSIVE INCOME (LOSS)	\$ 1,220	0.2 %	\$ (36,542)	(5.2)%

**Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020**

The following tables present selected consolidated comparative results of operations from Option Care Health's unaudited condensed consolidated financial statements for the three month periods ended March 31, 2021 and March 31, 2020.

**Gross Profit**

	Three Months Ended March 31,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Net revenue	\$ 759,237	\$ 705,440	\$ 53,797	7.6 %
Cost of revenue	593,764	547,411	46,353	8.5 %
Gross profit	<u>\$ 165,473</u>	<u>\$ 158,029</u>	<u>\$ 7,444</u>	4.7 %
Gross profit margin	21.8 %	22.4 %		

The increase in net revenue was primarily driven by organic growth in the Company's portfolio of therapies. The increase in cost of revenue was driven by the growth in revenue. The increase in gross profit was primarily related to contribution margin from the increase in net revenue. The slight decrease in gross profit margin was driven by mix shift toward lower profit chronic therapies.

**Operating Expenses**

	Three Months Ended March 31,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Selling, general and administrative expenses	\$ 120,040	\$ 129,280	\$ (9,240)	(7.1)%
Depreciation and amortization expense	16,339	20,101	(3,762)	(18.7)%
Total operating expenses	<u>\$ 136,379</u>	<u>\$ 149,381</u>	<u>\$ (13,002)</u>	(8.7)%

Selling, general and administrative expenses decreased for the three months ended March 31, 2021 due to a full period of synergy realization from Merger integration activities as well as spending reductions to offset the impacts of the COVID-19 pandemic.

The decrease in depreciation and amortization was primarily related to completing Merger integration activities during the year ended December 31, 2020.

**Other Income (Expense)**

	Three Months Ended March 31,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Interest expense, net	\$ (19,481)	\$ (28,087)	\$ 8,606	(30.6)%
Equity in earnings of joint ventures	1,205	562	643	114.4 %
Other, net	(12,401)	8	(12,409)	(155,112.5)%
Total other expense	<u>\$ (30,677)</u>	<u>\$ (27,517)</u>	<u>\$ (3,160)</u>	11.5 %

The decrease in interest expense was primarily attributable to the debt refinancing of the first lien term loan and prepayment of the second lien notes during the three months ended March 31, 2021, as well as the reduction in the outstanding debt balance due to retirement of debt obligations which were completed during 2020. See Note 9, Indebtedness, of the unaudited condensed consolidated financial statements.

The increase in other, net relates to the loss on extinguishment of debt of \$12.4 million incurred in the first quarter of 2021 in conjunction with the refinancing of the first lien term loan and prepayment of all outstanding principal of the second lien notes.

**Income Tax Expense (Benefit)**

	Three Months Ended March 31,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Income tax expense (benefit)	\$ 1,278	\$ 1,041	\$ 237	22.8 %

The Company maintains a full valuation allowance, established at the time of Merger, against all of its net U.S. federal and state deferred tax assets with the exception of approximately \$0.5 million of estimated state net operating losses (“NOL”). Because of the Company’s full valuation allowance, the Company’s tax expense for the three months ended March 31, 2021 only consists of quarterly tax liabilities attributable to separate company state tax returns as well as recognized deferred tax expense. These tax expense items resulted in an effective tax rate of negative 80.7% during the three months ended March 31, 2021. During the three months ended March 31, 2020, the effective tax rate was negative 5.5%. The variance in the year-over-year effective tax rates is primarily attributable to changes in the valuation allowance combined with year-over-year variances in income/loss before income taxes for the Company. The quarterly tax rates of both periods differ from the Company’s 21% federal statutory rate primarily due to changes in valuation allowance, certain state and local taxes, non-deductible costs and resolution of certain tax matters.



### Net Loss and Other Comprehensive Income (Loss)

	Three Months Ended March 31,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Net loss	\$ (2,861)	\$ (19,910)	\$ 17,049	(85.6)%
Other comprehensive income (loss), net of tax:				
Changes in unrealized gains (losses) on cash flow hedges, net of income taxes	4,081	(16,632)	20,713	(124.5)%
Other comprehensive income (loss)	4,081	(16,632)	20,713	(124.5)%
Net comprehensive income (loss)	<u>\$ 1,220</u>	<u>\$ (36,542)</u>	<u>\$ 37,762</u>	<u>(103.3)%</u>

The change in net loss was primarily attributed to contribution margin from additional revenue related to organic growth and realizing a full quarter of integration savings that resulted in total operating expenses decreasing as a percentage of revenue.

The change in unrealized gains (losses) on cash flow hedges, net of income taxes, primarily related to the increase in fair value on the \$925.0 million notional swap as the swap nears maturity in August 2021. The change in unrealized loss for the three months ended March 31, 2020 related to decreases in variable interest rates, resulting in a corresponding liability on the fair value of the interest rate swaps.

Net comprehensive income was \$1.2 million for the three months ended March 31, 2021, compared to net comprehensive loss of \$36.5 million for the three months ended March 31, 2020, as a result of the changes in net income (loss), discussed above, along with the impact of the interest rate swaps.

### Liquidity and Capital Resources

For the three months ended March 31, 2021 and the twelve months ended December 31, 2020, the Company's primary sources of liquidity were cash on hand of \$109.4 million and \$99.3 million, respectively, as well as the \$165.4 million of borrowings available under its credit facilities. During the three months ended March 31, 2021 and the year ended December 31, 2020, the Company's positive cash flows from operations enabled investments in pharmacy and information technology infrastructure to support growth and create additional capacity in the future, as well as pursue acquisitions.

The Company's primary uses of cash include supporting our ongoing business activities and investing in various acquisitions and our infrastructure to support additional business volumes. Ongoing operating cash outflows are primarily associated with procuring and dispensing prescription drugs, personnel and other costs associated with servicing patients, as well as paying cash interest on the outstanding debt. Ongoing investing cash flows are primarily associated with capital projects related to business acquisitions, the improvement and maintenance of our pharmacy facilities and investment in our information technology systems. Ongoing financing cash flows are primarily associated with the quarterly principal payments on our outstanding debt.

Our business strategy includes the selective acquisition of additional infusion pharmacies and other related healthcare businesses. We continue to evaluate acquisition opportunities and view acquisitions as a key part of our growth strategy. The Company historically has funded its acquisitions with cash with the exception of the Merger. The Company may require additional capital in excess of current availability in order to complete future acquisitions. It is impossible to predict the amount of capital that may be required for acquisitions, and there is no assurance that sufficient financing for these activities will be available on acceptable terms.

### Short-Term and Long-Term Liquidity Requirements

The Company's ability to make principal and interest payments on any borrowings under our credit facilities and our ability to fund planned capital expenditures will depend on our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, regulatory and other conditions. Based on our current level of operations and planned capital expenditures, we believe that our existing cash balances and expected cash flows generated from operations will be sufficient to meet our operating requirements for at least the next 12 months. We may require additional borrowings under our credit facilities and alternative forms of financings or investments to achieve our longer-term strategic plans.

## **Credit Facilities**

The Company's asset-based-lending ("ABL") revolving credit facility provides for borrowings up to \$175.0 million, which matures on August 6, 2024. The ABL facility bears interest at a per annum rate that is determined by the Company's periodic selection of rate type, either the Base Rate or the Eurocurrency Rate. The Base Rate is charged between 1.25% and 1.75% and the Eurocurrency Rate is charged between 2.25% and 2.75% based on the historical excess availability as a percentage of the Line Cap, as defined in the ABL facility credit agreement. The revolving credit facility contains commitment fees payable on the unused portion of the ABL facility ranging from 0.25% to 0.375%, depending on various factors including the Company's leverage ratio, type of loan and rate type, and letter of credit fees of 2.5%. The Company had no outstanding borrowings under the ABL facility at March 31, 2021. The Company had \$9.6 million of undrawn letters of credit issued and outstanding, resulting in net borrowing availability under the ABL facility of \$165.4 million as of March 31, 2021.

The principal balance of the first lien term loan was initially repayable in quarterly installments of \$2.3 million plus interest, with a final payment of all remaining outstanding principal due on August 6, 2026. The quarterly principal payments commenced in March of 2020. Interest on the first lien term loan was initially payable monthly on Base Rate loans at Base Rate, as defined, plus 3.25% to 3.50%, depending on the Company's leverage ratio. Interest was initially charged on Eurocurrency Rate loans at the Eurocurrency Rate, as defined, plus 4.25% to 4.50%, depending on the Company's leverage ratio.

The second lien notes initially matured on August 6, 2027. Interest on the second lien notes was initially payable quarterly at London Interbank Offered Rate ("LIBOR"), plus 8.75%. The Company paid the second and third quarterly interest payments, due in February 2020 and May 2020. The Company elected to pay-in-kind the quarterly interest payment due in August 2020, which resulted in the Company capitalizing the interest payment to the principal balance on the interest payment date. In August 2020, the Company prepaid \$125.0 million of the outstanding principal balance. In December 2020, the Company utilized available cash on hand to prepay an additional \$49.0 million of the outstanding principal balance, reducing the outstanding principal balance to \$245.8 million as of December 31, 2020.

During the three months ended March 31, 2021, the Company entered into an amendment on the first lien term loan (the "First Lien Credit Agreement Amendment"). The First Lien Credit Agreement Amendment resulted in an additional \$250.0 million of incremental First Lien Term Loan indebtedness being issued and reduced the interest rate on all outstanding First Lien Term Loan indebtedness from LIBOR plus 4.25% to LIBOR plus 3.75%. The proceeds of the \$250.0 million incremental First Lien term Loan indebtedness were used to prepay the remaining \$245.8 million outstanding balance of the Second Lien Notes. Following the First Lien Credit Agreement Amendment, the first lien term loan is repayable in quarterly installments of \$2.9 million plus interest, with a final payment of all outstanding principal due on August 6, 2026. See Note 9, *Indebtedness*, of the unaudited condensed consolidated financial statements included in Item 1 of this report for further discussion. The interest rate on the first lien term loan was 3.86% as of March 31, 2021.

## Cash Flows

### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

The following table presents selected data from Option Care Health's unaudited condensed consolidated statements of cash flows:

	Three Months Ended March 31,		
	2021 (unaudited)	2020 (unaudited)	Variance
	(in thousands)		
Net cash provided by operating activities	\$ 18,380	\$ 18,403	\$ (23)
Net cash used in investing activities	(3,123)	(5,353)	2,230
Net cash used in financing activities	(5,160)	(2,862)	(2,298)
Net increase in cash and cash equivalents	10,097	10,188	(91)
Cash and cash equivalents - beginning of period	99,265	67,056	32,209
Cash and cash equivalents - end of period	\$ 109,362	\$ 77,244	\$ 32,118

#### Cash Flows from Operating Activities

Cash flows from operating activities for the three months ended March 31, 2021 were relatively consistent with the prior year as working capital efficiencies and timing of vendor payments continued to drive positive cash flows from operations.

#### Cash Flows from Investing Activities

The decrease in cash flows used in investing activities is primarily due to the amount of investments in our pharmacies and infrastructure.

#### Cash Flows from Financing Activities

The increase in cash used in financing activities is related to the current year debt refinancing, which resulted in proceeds of debt of \$355.2 million, retirement of debt obligations of \$352.0 million, deferred financing costs of \$2.9 million and debt prepayment penalties of 2.5 million. The remaining cash used in financing activities was related to quarterly repayments of debt principal of \$2.9 million during the three months ended March 31, 2021 compared to \$2.3 million for the three months ended March 31, 2020.

#### Commitments and Contractual Obligations

The following table presents Option Care Health's commitments and contractual obligations as of March 31, 2021, as well as its long-term obligations that changed materially from the Company's annual report on form 10-K (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	(in thousands)				
Long-term debt obligations <sup>(1)</sup>	\$ 1,162,806	\$ 11,775	\$ 23,550	\$ 23,550	\$ 1,103,931
Interest payments on long-term debt obligations <sup>(2)</sup>	243,438	52,511	89,177	87,334	14,416
Total	\$ 1,406,244	\$ 64,286	\$ 112,727	\$ 110,884	\$ 1,118,347

(1) Includes aggregate principal payment from the first lien term loan.

(2) Interest payments calculated based on LIBOR rate as of March 31, 2021. Actual payments are based on changes in LIBOR. Calculated interest payments exclude interest rate swap agreements the Company entered into in connection with the long-term debt obligations.

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding.

### **Off-Balance Sheet Arrangements**

As of March 31, 2021, Option Care Health did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

### **Critical Accounting Policies and Estimates**

The Company prepares its unaudited condensed consolidated financial statements in accordance with United States generally accepted accounting principles (“GAAP”), which requires the Company to make estimates and assumptions. The Company evaluates its estimates and judgments on an ongoing basis. Estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period presented. The Company’s actual results may differ from these estimates, and different assumptions or conditions may yield different estimates.

There have been no significant changes in the critical accounting estimates from those described in the Company’s audited consolidated financial statements and related notes, as presented in our Annual report on 10-K for the year ended December 31, 2020, hereby incorporated by reference.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There have been no material changes to our exposure to market risk from those included in our Annual Report on Form 10-K for the year ended December 31, 2020, hereby incorporated by reference.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures (as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act) that are designed to ensure that information required to be disclosed by the Company in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, management evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2021. Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2021.

#### **Changes in Internal Controls over Financial Reporting**

There were no changes in our internal control over financial reporting during the three months ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings**

For a summary of legal proceedings, refer to Note 13, *Commitments and Contingencies*, of the unaudited condensed consolidated financial statements included in Item 1 of this report.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors affecting our business, financial condition or results of operations from those set forth in Part I, Item 1A. "Risk Factors" in our Annual Report on form 10-K for the year ended December 31, 2020. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

**Item 6. Exhibits**

(a) Exhibits.

Exhibit Number	Description
10.1	<a href="#">First Amendment to First Lien Credit Agreement, dated as of January 21, 2021, by and among Option Care Health, Inc., the guarantors party thereto, Bank of America, N.A. and the financial institutions party thereto.</a>
10.2	<a href="#">Second Amendment to ABL Credit Agreement, dated as of January 21, 2021, by and among Option Care Health, Inc., the guarantors party thereto, Bank of America, N.A. and the financial institutions party thereto.</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	XBRL Formatted Cover Page

**SIGNATURES**

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

**OPTION CARE HEALTH, INC.**

Date: May 6, 2021

/s/ Michael Shapiro  
Michael Shapiro

Chief Financial Officer (Principal Financial Officer and Duly Authorized Officer)

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Rademacher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Option Care Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

/s/ John Rademacher  
John Rademacher  
President, Chief Executive Officer and Principal Executive Officer

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Shapiro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Option Care Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

/s/ Michael Shapiro  
Michael Shapiro  
Chief Financial Officer and Principal Financial Officer



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Option Care Health, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Rademacher, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2021

/s/ John Rademacher  
John Rademacher  
President, Chief Executive Officer and Principal Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Option Care Health, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Shapiro, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2021

/s/ Michael Shapiro  
Michael Shapiro  
Chief Financial Officer and Principal Financial Officer