UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2018

☐ 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 **000-50009**

PACIFIC HEALTH CARE ORGANIZATION, INC.
(Exact name of registrant as specified in its charter)

Utah	**87-0285238**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)
1201 Dove Street, Suite 300 **Newport Beach, California**	**92660**
(Address of principal executive offices)	(Zip Code)

(949) 721-8272
(Registrant's telephone number, including area code)

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 any 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.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer (Do not check if a smaller reporting company) ☐	Smaller reporting company ☒
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 14, 2018, the registrant had 3,200,000 shares of common stock, par value $0.001, issued and outstanding.

PACIFIC HEALTH CARE ORGANIZATION, INC.
FORM 10-Q
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Information

Pacific Health Care Organization, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

ASSETS

	September 30, 2018	December 31, 2017
Current Assets		
Cash	$ 6,846,162	$ 5,815,071
Accounts receivable, net of allowance of $25,150 and $60,150	985,737	1,041,242
Deferred tax asset	43,670	43,670
Prepaid income tax	20,692	-
Prepaid expenses	190,123	166,782
Total current assets	8,086,384	7,066,765
Property and Equipment, net		
Computer equipment	393,904	363,627
Furniture and fixtures	215,959	209,779
Office equipment	9,556	15,595
Total property and equipment	619,419	589,001
Less: accumulated depreciation and amortization	(472,223)	(422,024)
Net property and equipment	147,196	166,977
Other assets	26,788	26,788
Total Assets	$ 8,260,368	$ 7,260,530

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2018	December 31, 2017
Current Liabilities		
Accounts payable	$ 39,857	$ 71,138
Accrued expenses	349,549	255,205
Credit card payable	1,647	-
Income tax payable	-	81,715
Deferred rent expense	28,767	35,214
Dividend payable	37,000	56,923
Unearned revenue	39,659	38,357
Total current liabilities	496,479	538,552
Total Liabilities	496,479	538,552
Commitments and Contingencies	-	-
Stockholders' Equity		
Preferred stock, 5,000,000 shares authorized at $0.001 par value of which 10,000 shares designated as Series A preferred and 4,000 shares issued and outstanding at September 30, 2018 and December 31, 2017	4	4
Common stock, $0.001 par value, 200,000,000 shares authorized, 3,200,000 shares issued and outstanding at September 30, 2018 and December 31, 2017	3,200	3,200
Additional paid-in capital	425,669	1,237,348
Deferred stock compensation	-	(811,679)
Retained earnings	7,335,016	6,293,105
Total stockholders' equity	7,763,889	6,721,978
Total Liabilities and Stockholders' Equity	$ 8,260,368	$ 7,260,530

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

Pacific Health Care Organization, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	For three months ended September 30, 2018	For three months ended September 30, 2017	For nine months ended September 30, 2018	For nine months ended September 30, 2017
Revenues				
HCO fees	$ 372,664	$ 377,923	$ 1,132,371	$ 1,041,328
MPN fees	128,113	142,257	393,390	427,228
UR fees	327,744	277,886	914,262	788,229
MBR fees	140,084	147,094	380,293	481,352
NCM fees	624,655	582,544	1,822,826	1,824,121
Other	83,049	73,203	277,993	255,542
Total revenues	1,676,309	1,600,907	4,921,135	4,817,800
Expenses				
Depreciation and amortization	17,412	19,462	50,199	58,859
Bad debt provision	-	15,750	(35,000)	30,500
Consulting fees	91,619	90,079	255,882	246,073
Salaries and wages	644,407	547,963	1,763,235	1,734,321
Professional fees	91,080	109,064	246,293	308,295
Insurance	73,042	79,489	213,242	257,495
Outsource service fees	92,122	146,287	351,962	404,538
Data maintenance	16,661	12,160	65,890	71,261
General and administrative	209,156	162,164	560,928	495,474
Total expenses	1,235,499	1,182,418	3,472,631	3,606,816
Income from operations	440,810	418,489	1,448,504	1,210,984
Income before taxes	440,810	418,489	1,448,504	1,210,984
Income tax provision	123,734	174,560	406,593	504,318
Net income	$ 317,076	$ 243,929	$ 1,041,911	$ 706,666
Basic and fully diluted earnings per share:				
Earnings per share amount	$ 0.10	$ .08	$ 0.33	$ 0.22
Weighted average common shares outstanding	3,204,000	3,204,000	3,204,000	3,204,000

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

Pacific Health Care Organization, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	$ 1,041,911	$ 706,666
Adjustments to reconcile net income to net cash from operations:		
Depreciation and amortization	50,199	58,859
(Decrease) in bad debt provision	(35,000)	(4,000)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	90,505	(132,139)
(Increase) in prepaid expenses	(23,341)	(6,088)
(Increase) in prepaid income tax	(20,692)	-
(Decrease) in accounts payable	(31,281)	(38,370)
(Decrease) increase in deferred rent expense	(6,447)	21,873
Increase in accrued expenses	94,344	25,536
Increase in credit card payable	1,647	-
(Decrease) in income tax payable	(81,715)	(10,111)
Increase (decrease) in unearned revenue	1,302	(985)
Net cash provided from operating activities	1,081,432	621,241
Cash flows from investing activities:		
Purchase of computer equipment, furniture and office equipment	(30,418)	(13,446)
Net cash used in investing activities	(30,418)	(13,446)
Cash flows from financing activities:		
Issuance of cash dividend	(19,923)	-
Net cash used in financing activities	(19,923)	-
Increase in cash	1,031,091	607,795
Cash at beginning of period	5,815,071	5,005,617
Cash at end of period	$ 6,846,162	$ 5,613,412
Supplemental cash flow information		
Cash paid for:		
Interest	$ -	$ -
Net income taxes paid	$ 558,999	$ 514,429

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

Pacific Health Care Organization, Inc.
Notes to Condensed Consolidated Financial Statements
For the Nine Months Ended September 30, 2018
(Unaudited)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission") and in accordance with accounting principles generally accepted in the United States ("GAAP"). Certain information and footnote disclosures normally included in consolidated financial statements have been condensed or omitted in accordance with GAAP rules and regulations. The information furnished in these interim condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect both the recorded values of assets and liabilities at the date of the condensed consolidated financial statements and the revenues recognized and expenses incurred during the reporting period. These estimates and assumptions affect the Company's recognition of deferred expenses, bad debts, income taxes, the carrying value of its long-lived assets and its provision for certain contingencies. The reasonableness of these estimates and assumptions is evaluated continually based on a combination of historical information and other information that comes to the Company's attention that may vary its outlook for the future. While management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's audited financial statements and notes thereto included in its annual report on Form 10-K for the year ended December 31, 2017. Operating results for the nine months ended September 30, 2018, are not necessarily indicative of the results to be expected for the year ending December 31, 2018.

Principles of Consolidation — The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting — The Company uses the accrual method of accounting.

Revenue Recognition — In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." Either a retrospective or cumulative effect transition method, referred to as the modified retrospective method, is permitted. The Company adopted Topic 606 on January 1, 2018, using the modified retrospective method. The adoption of Topic 606 had no material impact on the Company's interim financial statements.

The core principle underlying Topic 606 is that the Company will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This will require the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

The ASU requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The application of the five-step model to revenue streams compared to the prior guidance did not result in significant changes in the way the Company records its revenue. Revenues are generated as services are provided to the customer based on the sales price agreed and collected. The Company recognizes revenue as the time is worked or as units of production are completed, which is when the revenue is earned and realized. Labor costs are recognized as the costs are incurred.

Pacific Health Care Organization, Inc.
Notes to Condensed Consolidated Financial Statements
For the Nine Months Ended September 30, 2018
(Unaudited)

The Company derives its revenue from the sale of managed care, bill review, utilization review and nurse case management services. These services are billed individually as separate components to our customers. These fees include monthly administration fees, claim network fees, legal support fees, Medicare set-aside fees, lien service fees, workers' compensation carve-outs, flat rate fees or hourly fees depending on the agreement with the client.

The Company enters into arrangements for bundled managed care which includes various units of accounting such as network solutions and patient management, including managed care. Such elements are considered separate units of accounting due to each element having value to the customer on a stand-alone basis and are billed separately. The selling price for each unit of accounting is determined using the contract price. When the Company's customers purchase several products the pricing of the products sold is generally the same as if the products were sold on an individual basis. Revenue is recognized as the work is performed in accordance with the Company's customer contracts. Based upon the nature of the Company's products, bundled managed care elements are generally delivered in the same accounting period. The Company recognizes revenue for patient management services ratably over the life of the customer contract. Based upon prior experience in managed care, the Company estimates the deferral amount from when the customer's claim is received to when the customer contract expires. Advance payments from subscribers and billings made in advance are recorded on the balance sheet as deferred revenue.

Accounts Receivables and Bad Debt Allowance – In the normal course of business the Company extends credit to its customers on a short-term basis. Although the credit risk associated with these customers is minimal, the Company routinely reviews its accounts receivable balances and makes provisions for doubtful accounts. The Company ages its receivables by date of invoice. Management reviews bad debt reserves quarterly and reserves specific accounts as warranted or sets up a general reserve based on amounts over 90 days past due. When an account is deemed uncollectible, the Company charges off the receivable against the bad debt reserve. A considerable amount of judgment is required in assessing the realization of these receivables including the current creditworthiness of each customer and related aging of the past-due balances, including any billing disputes. In order to assess the collectability of these receivables, the Company performs ongoing credit evaluations of its customers' financial condition. Through these evaluations, the Company may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit rating or bankruptcy. The allowance for doubtful accounts is based on the best information available to the Company and is reevaluated and adjusted as additional information is received. We evaluate the allowance based on historical write-off experience, the size of the individual customer balances, past-due amounts and the overall national economy. At September 30, 2018 and December 31, 2017, bad debt reserves of $25,150 and $60,150, respectively, was a general reserve for certain balances over 90 days past due and for accounts that are potentially uncollectible.

The percentages of the amounts due from major customers to total accounts receivable as of September 30, 2018 and December 31, 2017, are as follows:

	9/30/2018	12/31/2017
Customer A	28%	35%
Customer B	12%	13%
Customer C	11%	5%

Significant Customers - We provide services to insurers, third party administrators, self-administered employers, municipalities and other industries. We are able to provide our full range of services to virtually any size employer in the state of California. We are also able to provide utilization review ("UR"), medical bill review ("MBR") and nurse case management ("NCM") services outside the state of California.

During the period ended September 30, 2018 and 2017, we had three customers that accounted for more than 10% of our total sales. The following table sets forth details regarding the percentage of total sales attributable to our significant customers in the past two years:

	9/30/2018	9/30/2017
Customer A	28%	20%
Customer B	12%	13%
Customer C	11%	11%

Pacific Health Care Organization, Inc.
Notes to Condensed Consolidated Financial Statements
For the Nine Months Ended September 30, 2018
(Unaudited)

NOTE 2 - SUBSEQUENT EVENTS

In accordance with ASC 855-10 Company management reviewed all material events through the date of issuance and there are no material subsequent events to report.

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

This quarterly report on Form 10-Q contains 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"), that are based on our management's beliefs and assumptions and on information currently available to them. For this purpose any statement contained in this report that is not a statement of historical fact may be deemed to be forward-looking, including statements about our revenue, spending, cash flow, products, new customer acquisitions, trends, actions, intentions, plans, strategies and objectives. Without limiting the foregoing, words such as "may," "hope," "will," "expect," "believe," "anticipate," "estimate," "project," "intend," "budget," "plan," "forecast," "predict," "could," "should," or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risk and uncertainty, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industry in which we and our customers participate; cost reduction efforts by our existing and prospective customers; competition within our industry, including competition from much larger competitors; business combinations; legislative requirements or changes which could render our services less competitive or obsolete; our failure to successfully develop new services, and/or products or to anticipate current or prospective customers' needs; our ability to retain existing customers and to attract new customers; price increases; employee limitations; and delays, reductions, or cancellations of contracts we have previously entered.

Forward-looking statements are predictions and not guarantees of future performance or events. Forward-looking statements are based on current industry, financial and economic information, which we have assessed but which, by its nature, is dynamic and subject to rapid and possibly abrupt changes. Our actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. We hereby qualify all our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of their dates and should not be relied upon. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise (other than pursuant to reporting obligations imposed on registrants pursuant to the Exchange Act) to reflect subsequent events or circumstances.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes contained elsewhere in this report and in our other filings with the Commission.

Throughout this quarterly report on Form 10-Q, unless the context indicates otherwise, the terms, "we," "us," "our" or "the Company" refer to Pacific Health Care Organization, Inc., ("PHCO") and our wholly-owned subsidiaries Medex Healthcare, Inc. ("Medex"), Industrial Resolutions Coalition, Inc. ("IRC"), Medex Managed Care, Inc. ("MMC"), Medex Medical Management, Inc. ("MMM") and Medex Legal Support, Inc. ("MLS").

Overview

We are workers' compensation cost containment specialists. Our business objective is to deliver value to our clients that reduces their workers' compensation related medical claims expense in a manner that will assure that injured employees receive high quality healthcare that allows them to recover from injury and return to gainful employment without undue delay. According to studies conducted by auditing bodies on behalf of the California Division of Workers' Compensation, ("DWC") the two most significant cost drivers for workers' compensation are claims frequency and medical treatment costs.

Our core service focuses on the reduction of medical treatment costs by enabling our client/employers to share the control over the medical treatment process. This control is obtained by participation in one of our medical treatment networks. We hold several valuable government-issued licenses to operate medical treatment networks. Through Medex we hold two of the total of nine licenses issued by the State of California to establish and manage a Health Care Organization ("HCO") within the state of California. We also hold approvals issued by the State of California to act as a Medical Provider Network ("MPN"). Our HCO and MPN programs provide our client/employers with provider networks within which the client/employer has some ability to direct the administration of the claim. This is designed to decrease the incidence of fraudulent claims and disability awards and ensure injured employees receive the necessary back-to-work rehabilitation and training they need. We also offer a Nurse Case Management program that keeps medical treatment claims progressing to a resolution and assures treatment plans are aligned from a medical perspective. Nurse oversight is a collaborative process that assesses plans, implements, coordinates, monitors and evaluates the options and services required to meet an injured worker's health needs.

Our clients include self-administered employers, insurers, third party administrators, municipalities and others. Our principal clients are located in the State of California where the high cost of workers' compensation insurance is a critical problem for employers. Our networks have contracted with approximately 3,900 individual medical providers and clinics, as well as hospitals, pharmacies, rehabilitation centers and other ancillary services enabling our networks to provide comprehensive medical services throughout California. Our provider networks are composed of experts in treating worker injuries.

Beyond the core services we provide to facilitate client/employer's involvement in employee medical treatment claims administration and patient treatment options, we also provide to our HCO and MPN clients a number of claims-related services that bring efficiencies to claim processing and management that further reduce the overall burden of workers' compensation claims resolution. These services include various back office type functions that assure cost efficiency and accuracy in claim processing, claim reimbursement and claim dispute resolution.

Results of Operations

Comparison of the three months ended September 30, 2018 and 2017

The following represents selected components of our consolidated results of operations, for the three-month periods ended September 30, 2018 and 2017, respectively, together with changes from period-to-period:

	For three months ended September 30,			
	2018	**2017**	**Amount Change**	**% Change**
Revenues:				
HCO fees	$ 372,664	$ 377,923	$ (5,259)	-1%
MPN fees	128,113	142,257	(14,144)	-10%
NCM fees	624,655	582,544	42,111	7%
UR fees	327,744	277,886	49,858	18%
MBR fees	140,084	147,094	(7,010)	-5%
Other	83,049	73,203	9,846	13%
Total revenues	1,676,309	1,600,907	75,402	5%
Expense:				
Depreciation and amortization	17,412	19,462	(2,050)	-11%
Bad debt provision	-	15,750	(15,750)	-100%
Consulting fees	91,619	90,079	1,540	2%
Salaries and wages	644,407	547,963	96,444	18%
Professional fees	91,080	109,064	(17,984)	-16%
Insurance	73,042	79,489	(6,447)	-8%
Outsource service fees	92,122	146,287	(54,165)	-37%
Data maintenance	16,661	12,160	4,501	37%
General and administrative	209,156	162,164	46,992	29%
Total expenses	1,235,499	1,182,418	53,081	4%
Income from operations	440,810	418,489	22,321	5%
Income before taxes	440,810	418,489	22,321	5%
Income tax provision	123,734	174,560	(50,826)	-29%
Net income	$ 317,076	$ 243,929	$ 73,147	30%

Revenue

Total revenues during the three-month period ended September 30, 2018, increased 5% to $1,676,309 compared to $1,600,907 during the three-month period ended September 30, 2017.

During the third quarter 2018, nurse case management, utilization review, and other fees increased 7%, 18%, and 13% respectively, while MPN, HCO, and medical bill review decreased by 10%, 1% and 5%, respectively. Other revenues consisted of revenues derived primarily from network claims repricing services, lien representation services, legal support services, workers' compensation carve out revenues and Medicare set-aside revenues.

HCO fees

During the three-month periods ended September 30, 2018 and 2017, HCO fee revenues were $372,664 and $377,923, respectively. The 1% decrease in HCO revenue was primarily attributable to the loss of a customer at the end of our first quarter of 2018.

MPN fees

MPN fee revenue for the three-month periods ended September 30, 2018 and 2017, were $128,113 and $142,257, respectively, a decrease of 10%, due to the loss of one customer at the beginning of our fourth quarter of 2017 and one customer at the end of our first quarter of 2018.

NCM fees

During the three months ended September 30, 2018 and 2017, nurse case management revenue was $624,655 and $582,544, respectively. The increase in nurse case management revenue of $42,111 was primarily from a new customer and the hiring of additional nurse case managers to handle more claims.

UR fees

During the three-month periods ended September 30, 2018 and 2017, utilization review revenue was $327,744 and $277,886, respectively. The increase of $49,858 in the 2018 period was primarily attributable to the increase in utilization review referrals from existing customers and the addition of two new customers.

MBR fees

During the three-month period ended September 30, 2018, medical bill review revenue decreased $7,010 to $140,084 when compared to the same period a year earlier. This decrease was mainly caused by processing fewer hospital bills from existing customers. We believe this decrease in hospital bill reviews is principally the result of the implementation of hospital fee schedules. Many of our existing customers have elected to pay the fee schedule, as opposed to having us review their hospital bills. Medical bill review involves analyzing medical provider services and equipment billing to ascertain proper reimbursement. Such services include, but are not limited to, coding review and re-bundling, confirming that the services are customary and reasonable, fee schedule compliance, out-of-network bill review, pharmacy review, and preferred provider organization repricing arrangements. Our medical bill review services can result in significant network savings.

Other

Other fees consist of revenue derived from network access and claims repricing, lien representation, legal support services, Medicare set-aside and workers' compensation carve-out services. Other fee revenue for three-month periods ended September 30, 2018 and 2017, were $83,049 and $73,203, respectively. The increase of $9,846 was the result of current clients referring more Medicare set-asides to be processed. We recorded no carve-out, lien representation, or legal support services during the three-month period ended September 30, 2018.

Expenses

Total expenses for the three months ended September 30, 2018 and 2017, were $1,235,499 and $1,182,418, respectively. The increase of $53,081 was the result of increases in consulting fees, salaries and wages, data maintenance expense, and general and administrative expense partially offset by decreases in depreciation and amortization, bad debt provision, professional fees, insurance and outsource service fees.

Depreciation and Amortization

During the three-month period ended September 30, 2018, we recorded depreciation and amortization expense of $17,412 compared to $19,462 during the comparable 2017 period. The decrease in depreciation and amortization was primarily attributable to certain fixed assets being fully depreciated during the three-months ended September 30, 2018.

Bad Debt Provision

During the three-month period ended September 30, 2018, bad debt provision decreased to $0 from $15,750 during the three-month period ended September 30, 2017. This decrease was primarily the result of clients paying certain invoices that were outstanding over 90 days during fiscal 2018.

Consulting Fees

During the three months ended September 30, 2018, consulting fees increased to $91,619 from $90,079 during the three months ended September 30, 2017. This increase was primarily the result of a net increase in consulting fees resulting from hiring a new consultant. This expense was partially offset by the termination of another consultant.

Salaries and Wages

During the three-month period ended September 30, 2018, salaries and wages increased 18% to $644,407 compared to $547,963 during the same period in 2017. The increase in salaries and wages of $96,444 was primarily the result of hiring a Director of Healthcare and other employees for various departments.

Professional Fees

For the three months ended September 30, 2018, we incurred professional fees of $91,080 compared to $109,064 during the three months ended September 30, 2017. The $17,984 decrease in professional fees was primarily the decrease in medical consultant fees partially offset by a net increase in other professional fees.

Insurance

During the three-month period ended September 30, 2018, we incurred insurance expenses of $73,042, an 8% decrease over the same three-month period in 2017. This decrease in insurance expense was primarily attributable to lower group health insurance premiums when compared to the same period in 2017 because we had fewer employees in the 2018 period. We do not expect current insurance fees to increase significantly over the remaining months of 2018.

Outsource Service Fees

Outsource service fees consist of costs incurred by our subsidiaries in outsourcing utilization review, medical bill review, Medicare set-aside services and field case management fees and typically tends to increase and decrease in correspondence with increases and decreases in demand for those services. We incurred $92,122 and $146,287 in outsource service fees during the three-month periods ended September 30, 2018 and 2017, respectively. The decrease of $54,165 was primarily the result of decreases in outsource services required for utilization review, medical bill review and nurse case management. We anticipate our outsource service fees will continue to move in correspondence with the level of utilization review, medical bill review and certain nurse case management services we provide in the future.

Data Maintenance

During the three-month periods ended September 30, 2018 and 2017, data maintenance fees were $16,661 and $12,160, respectively. The increase of $4,501 was primarily the result of higher levels of customer notification fees realized for new and existing customers during the three-month period ended September 30, 2018 when compared to the same period in 2017. Data maintenance fees tend to fluctuate from month to month depending on when new customers are enrolled, when the annual renewal of existing customer notification is due, and how many new employees our customers enroll in our HCO or MPN program.

General and Administrative

During the three-month period ended September 30, 2018, general and administrative expenses increased 29% to $209,156 when compared to the three-month period ended September 30, 2017. This increase of $46,992 was primarily attributable to increases in auto expense, dues and subscriptions, licenses and permits, parking, rent-expense equipment, rent expense, and transfer agent fees partially offset by decreases in IT enhancement, postage and delivery, and travel and entertainment. We do not expect current levels of general and administrative expenses to materially increase during the remaining months of 2018.

Income from Operations

As a result of the 5% increase in total revenue during the three-month period ended September 30, 2018, which was partially offset by the 4% increase in total expenses during the same period, our income from operations increased by 5% during the three-month period ended September 30, 2018, when compared to the same period in 2017.

Income Tax Provision

We realized income before taxes of $440,810 and $418,489 during the three-month periods ended September 30, 2018 and 2017, respectively. However, we realized a $50,826, or 29%, decrease in our income tax provision. The lower provision of income taxes was the result of implementing the lower corporate tax rate at the beginning of fiscal 2018 partially offset by higher income taxes resulting from the increase in income before taxes.

Net Income

During the three-month period ended September 30, 2018, total revenues of $1,676,309 was 5% higher when compared to the same period in 2017. This increase in total revenues was partially offset by a 4% increase in total expenses, resulting in a 5% increase in income from operations compared to the three months ended September 30, 2017. Correspondingly, we realized net income of $317,076 for the three-month period ended September 30, 2018, which reflects a 30% increase compared to the three-month period ended September 30, 2017.

Comparison of nine months ended September 30, 2018 and 2017

The following represents selected components of our consolidated results of operations, for the nine-month periods ended September 30, 2018 and 2017, respectively, together with changes from period-to-period:

	For nine months ended September 30, 2018	2017	Amount Change	% Change
Revenues:				
HCO fees	$ 1,132,371	$ 1,041,328	$ 91,043	9%
MPN fees	393,390	427,228	(33,838)	-8%
NCM fees	1,822,826	1,824,121	(1,295)	-0%
UR fees	914,262	788,229	126,033	16%
MBR fees	380,293	481,352	(101,059)	-21%
Other	277,993	255,542	22,451	9%
Total revenues	4,921,135	4,817,800	103,335	2%
Expense:				
Depreciation and amortization	50,199	58,859	(8,660)	-15%
Bad debt provision	(35,000)	30,500	(65,500)	-215%
Consulting fees	255,882	246,073	9,809	4%
Salaries and wages	1,763,235	1,734,321	28,914	2%
Professional fees	246,293	308,295	(62,002)	-20%
Insurance	213,242	257,495	(44,253)	-17%
Outsource service fees	351,962	404,538	(52,576)	-13%
Data maintenance	65,890	71,261	(5,371)	-8%
General and administrative	560,928	495,474	65,454	13%
Total expenses	3,472,631	3,606,816	(134,185)	-4%
Income from operations	1,448,504	1,210,984	237,520	20%
Income before taxes	1,448,504	1,210,984	237,520	20%
Income tax provision	406,593	504,318	(97,725)	-19%
Net income	$ 1,041,911	$ 706,666	$ 335,245	47%

Revenue

Total revenues during the nine-month period ended September 30, 2018, increased 2% to $4,921,135 compared to $4,817,800 during the nine-month period ended September 30, 2017.

During the first nine-months of 2018, HCO, utilization review, and other revenue increased 9%, 16% and 9% respectively, while MPN and medical bill review decreased by 8% and 21%, respectively. NCM revenue was slightly lower. Other revenues consisted of revenues derived primarily from network claims repricing services, lien representation services, legal support services, workers' compensation carve-out revenues and Medicare set-aside revenues.

HCO fees

During the nine-month periods ended September 30, 2018 and 2017, HCO fee revenues were $1,132,371 and $1,041,328 respectively. The 9% increase in HCO revenue was primarily attributable to increases by one major client, partially offset by lower revenues from several existing HCO customers when compared to the same period in 2017.

MPN fees

MPN fee revenue for the nine-month periods ended September 30, 2018 and 2017, was $393,390 and $427,228 respectively, a decrease of 8%, resulting from the loss of two customers and decreases in revenue from others.

NCM fees

During the nine-months ended September 30, 2018 and 2017, nurse case management revenue was $1,822,826 and $1,824,121, respectively. The decrease in nurse case management revenue of $1,295 was primarily the result of losing a customer during our first quarter 2018 which was partially offset by increases in revenues from existing customers and gaining one new customer. As a result of losing a significant customer in the first quarter 2018, there is no assurance that nurse case management revenue will decrease at the rate realized during the nine months ended September 30, 2018, for the remainder of fiscal 2018.

UR fees

During the nine-month periods ended September 30, 2018 and 2017, utilization review revenue was $914,262 and $788,229, respectively. The increase of $126,033 in the 2018 period was attributable to increased volume from existing customers and the addition of two new customers in third quarter 2018. Utilization review can provide a safeguard against unnecessary and inappropriate medical treatment from the perspective of medical necessity, quality of care, appropriateness of decision-making, etc. Through our skilled staff and automated review system, we are able to deliver utilization review services that cut overhead costs for the self-insured clients, insurance companies and the public entities we service.

MBR fees

During the nine-month period ended September 30, 2018, medical bill review revenue decreased $101,059 to $380,293 when compared to the same period a year earlier. This 21% decrease was mainly caused by processing fewer hospital bills from existing customers. As mentioned above, we believe this decrease in hospital bill reviews is principally the result of the implementation of hospital fee schedules. Many of our existing customers have elected to pay the fee schedule, as opposed to having us review their hospital bills.

Other

Other fees consist of revenue derived from network access and claims repricing, lien representation, legal support services, Medicare set-aside and workers' compensation carve-out services. Other fees revenue for nine-month periods ended September 30, 2018 and 2017, were $277,993 and $255,542, respectively. The increase of $22,451 was primarily the result of increased Medicare set-aside referrals. We did not record any revenue for lien representation, legal support services, and workers' compensation carve-out services.

Expenses

Total expenses for the nine-months ended September 30, 2018 and 2017, were $3,472,631 and $3,606,816, respectively. The decrease of $134,185 was the result of decreases in depreciation, bad debt, professional fees, insurance, outsource service fees and data maintenance, partially offset by increases in consulting fees, salaries and wages and general and administrative fees.

Depreciation and Amortization

During the nine-month period ended September 30, 2018, we recorded depreciation and amortization expense of $50,199 compared to $58,859 during the comparable 2017 period. The decrease in depreciation and amortization was primarily attributable to certain fixed assets being fully depreciated during the nine-months ended September 30, 2018.

Bad Debt Provision

During the nine-month period ended September 30, 2018, bad debt provision decreased by $65,500 compared to the nine-month period ended September 30, 2017. This decrease was primarily the result of various delinquent customers making payments which resolved their uncollectible status.

Consulting Fees

During the nine-months ended September 30, 2018, consulting fees increased to $255,882 from $246,073, when compared the nine months ended September 30, 2017. This 4% increase was mainly the result of hiring a consultant to assist us in our merger and acquisition strategies.

Salaries and Wages

During the nine-month period ended September 30, 2018, salaries and wages increased 2% to $1,763,235 compared to $1,734,321 during the same period in 2017. This increase was primarily the result of additional staffing in nurse case management, HCO, MPN, and on July 1, 2018, we reinstated the senior executive 10% salary reductions implemented in June 2016.

Professional Fees

For the nine-months ended September 30, 2018, we incurred professional fees of $246,293 compared to $308,295 during the nine months ended September 30, 2017. The decrease of $62,002 in professional fees was primarily the result of lower fees paid for accounting, legal, and nurse case management services, partially offset by increased fees for medical consulting and other fees related to Medicare set-asides.

Insurance

During the nine-month period ended September 30, 2018, we incurred insurance expenses of $213,242, a 17% decrease over the same nine-month period in 2017. The decrease in insurance expense was primarily attributed to lower workers' compensation premiums for our employees and lower directors' and officers' insurance premiums during the nine-month period ended September 30, 2018 compared to the same period in 2017. We do not expect current insurance fees to increase significantly over the remaining months of 2018.

Outsource Service Fees

Outsource service fees consist of costs incurred by our subsidiaries in outsourcing utilization review, medical bill review, Medicare set-aside services, field nurse case management services, and typically tends to fluctuate in correspondence with demand for those services.

We incurred $351,962 and $404,538 in outsource service fees during the nine-month periods ended September 2018 and 2017, respectively. The decrease of $52,576 was primarily the result of decreases in outsource services required for field nurse case management fees. We anticipate our outsource service fees will continue to move in correspondence with the level of utilization review, medical bill review and certain nurse case management services we provide in the future.

Data Maintenance

During the nine-month period ended September 30, 2018 and 2017, data maintenance fees were $65,890 and $71,261, respectively. The decrease of $5,371 was primarily the result of losing a major customer, which was partially offset by increases in data maintenance by other existing customers during the nine-month period ended September 30, 2018.

General and Administrative

During the nine-month period ended September 30, 2018, general and administrative expense increased 13% to $560,928 when compared to the nine-month period ended September 30, 2017. This increase of $65,454 was primarily attributable to increases in auto expense, bank charges, dues and subscriptions, education expense, employment agency fees, licenses and permits, telephone expense, rent expense, partially offset by decreases in charitable contributions, IT enhancement, postage, travel and entertainment expense, and miscellaneous expense. We do not expect current levels of general and administrative expenses to materially increase during the remaining months of 2018.

Income from Operations

As a result of the 2% increase in total revenue during the nine-month period ended September 30, 2018, coupled with a 4% decrease in total expenses, our income from operations before taxes increased to $1,448,504 a 20% increase compared to the same period in 2017.

Income Tax Provision

We realized income before taxes of $1,448,504 and $1,210,984 during the nine-month periods ended September 30, 2018 and 2017, respectively. However, as a result of implementing the lower corporate tax rate at the beginning of fiscal 2018 we realized a $97,725, or 19%, decrease in our income tax provision.

Net Income

During the nine-month period ended September 30, 2018, total revenues of $4,921,135 was 2% higher when compared to the same period in 2017. This increase in total revenues together with a decrease of 4% in total expenses resulted in a 20% increase in income from operations. Correspondingly, we realized net income of $1,041,911 for the nine-month period ended September 30, 2018, a 47% increase compared to the nine-month period ended September 30, 2017.

Liquidity and Capital Resources

As of September 30, 2018, we had cash on hand of $6,846,162 compared to $5,815,071 at December 31, 2017. The $1,031,091 increase was the result of net cash provided by our operating activities, partially offset by cash used in investing activities and financing activities. The increase in cash flow from operating activities was primarily the result of increases in net income, depreciation and amortization, credit card payables, accrued expenses and a decrease in accounts receivable and unearned revenues, partially offset by decreases in bad debt provision, income tax payable, deferred rent expenses, accounts payable and increases in prepaid expenses and prepaid income tax. We used $30,418 in investing activities to purchase computers, furniture and equipment. Cash for financing activities of $19,923 was used to issue cash dividends previously authorized by the Company. Barring a significant downturn in the economy or the loss of major customers, we believe that cash on hand and anticipated revenues from operations will be sufficient to cover our operating expenses over the next twelve months.

We currently have planned certain capital expenditures during 2018, to expand our IT capabilities. We believe we have adequate capital on hand to cover these expenditures and do not anticipate this will require us to seek outside sources of funding.

We continue to investigate potential opportunities to expand our business either through the creation of new business lines or the acquisition of existing businesses. We are also looking to expand our business into the insurance industry. We are actively conducting a search to for a suitable insurance company to acquire. At the current time, there is no assurance we can identify a suitable candidate or negotiate acceptable terms of an acquisition. If we do find a suitable acquisition candidate, we anticipate an acquisition of this sort will require greater capital resources than we currently possess, which would likely require us to seek debt and/or equity financing. We do not currently possess an institutional source of financing and there is no assurance that we could be successful in obtaining equity or debt financing when needed on favorable terms, or at all. We could also use shares of our capital stock as consideration for a business acquisition transaction. The use of our capital stock either for an equity financing or as consideration for an acquisition could lead to substantial dilution to our existing shareholders.

Cash Flow

During the nine months ended September 30, 2018, cash was primarily used to fund operations. We had a net increase in cash of $1,031,091 during the nine months ended September 30, 2018. See below for additional information.

	For the nine months ended September 2018 (unaudited)	2017 (unaudited)
Net cash provided from operating activities	$ 1,081,432	$ 621,241
Net cash used in investing activities	(30,418)	(13,446)
Net cash used in financing activities	(19,923)	-
Net increase in cash	$ 1,031,091	$ 607,795

During the nine months ended September 30, 2018 and 2017, net cash provided by operating activities was $1,081,432 and $621,241, respectively. As discussed herein, we realized net income of $1,041,911 during the nine months ended September 30, 2018, compared to net income of $706,666 during the nine months ended September 30, 2017.

Net cash used in investing activities was $30,418 and $13,446 during the nine-month periods ended September 30, 2018 and 2017, respectively. During the nine-month periods ended September 30, 2018 and 2017, net cash used in investing activities was used to purchase computer equipment, furniture and office equipment.

Net cash used in financing activities during the nine-month periods ended September 30, 2018 and 2017 was $19,923 and $0, respectively. During the 2018 period certain shareholders submitted the necessary paperwork to receive payment of the cash dividend declared on their shares in 2015. We received no similar requests during the 2017 period.

Summary of Material Contractual Commitments

The following is a summary of our material contractual commitments as of September 30, 2018.

	Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases:					
Operating Leases – Equipment	$ 36,182	$ 20,675	$ 15,507	$ -	$ -
Office Leases	$ 903,973	238,146	665,827	-	-
Total Operating Leases	$ 940,155	$ 258,821	$ 681,334	$ -	$ -

Off-Balance Sheet Financing Arrangements

As of September 30, 2018, we had no off-balance sheet financing arrangements.

Inflation

We experience pricing pressures in the form of competitive prices. We are also impacted by rising costs for certain inflation-sensitive operating expenses such as labor and employee benefits and facility leases. However, we generally do not believe these impacts are material to our revenues or net income.

Critical Accounting Policies and Estimates

See Note 1 to our condensed consolidated financial statements included elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

This information is not required for smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, which are controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, conducted an evaluation the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. Based on the evaluation of our disclosure controls and procedures as of September 30, 2018, the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2018, that materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Management does not believe there have been any material changes to the risk factors listed in Part I, “Item 1A, Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2017. These risk factors should be carefully considered with the information provided elsewhere in this report, which could materially adversely affect our business, financial condition or results of operations.

Item 6. Exhibits

Exhibits. The following exhibits are filed or furnished, as applicable, as part of this report:

Exhibit Number	Title of Document
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101	The following materials from Pacific Health Care Organization, Inc.’s Quarterly Report on Form 10-Q for the period ended September 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Balance Sheets, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to the Unaudited Condensed Consolidated Financial Statements.

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.

PACIFIC HEALTH CARE ORGANIZATION, INC.

Date:	November 14, 2018	/s/ Tom Kubota Tom Kubota Chief Executive Officer
Date:	November 14, 2018	/s/ Fred Odaka Fred Odaka Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tom Kubota, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Pacific Health Care Organization, 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 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 we have:

(a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls 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: November 14, 2018

By: /s/ Tom Kubota
Tom Kubota
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Fred Odaka, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Pacific Health Care Organization, 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 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 we have:

(a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls 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: November 14, 2018

By: /s/ Fred Odaka
Fred Odaka
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the quarterly report on Form 10-Q of Pacific Health Care Organization, Inc. (the "Company") for the period ended September 30, 2018, as filed with the Securities and Exchange Commission (the "Report"), the undersigned 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 the best of their 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 result of operations of the Company.

Date: November 14, 2018

/s/ Tom Kubota
Tom Kubota
Chief Executive Officer

Date: November 14, 2018

/s/ Fred Odaka
Fred Odaka
Chief Financial Officer

This certification is not deemed filed with the Securities and Exchange Commission and is not incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Report), irrespective of any general incorporation language contained in such filing.