

**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 March 31, 2026

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 **000-50009**

PACIFIC HEALTH CARE ORGANIZATION, INC.

(Exact name of registrant as specified in its charter)

<p style="text-align: center;">Utah (State or other jurisdiction of incorporation or organization)</p>	<p style="text-align: center;">87-0285238 (I.R.S. Employer Identification No.)</p>
<p style="text-align: center;">19800 MacArthur Boulevard, Suites 306 & 307 Irvine, California (Address of principal executive offices)</p>	<p style="text-align: center;">92612 (Zip Code)</p>

(949) 721-8272

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
None	N/A	N/A

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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

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 April 30, 2026, the registrant had 12,800,000 shares of common stock, par value \$0.001, issued and outstanding.

PACIFIC HEALTH CARE ORGANIZATION, INC.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Pacific Health Care Organization, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited) March 31, 2026	December 31, 2025
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 2,396,835	\$ 2,168,808
Investments	10,138,003	10,042,817
Accounts receivable, net	1,066,324	1,005,687
Prepaid expenses	92,216	157,458
Income tax receivable	-	13,273
Total current assets	<u>13,693,378</u>	<u>13,388,043</u>
<i>Long-term Assets</i>		
Property and equipment, net	46,431	51,724
Deferred tax assets	17,182	16,187
Other assets	8,060	7,492
Total long-term assets	<u>71,673</u>	<u>75,403</u>
Total Assets	\$ 13,765,051	\$ 13,463,446
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current Liabilities</i>		
Accounts payable	\$ 213,542	\$ 228,025
Accrued expenses	179,009	127,027
Income tax payable	61,924	-
Unearned revenue	42,057	33,544
Total current liabilities	<u>496,532</u>	<u>388,596</u>
<i>Commitments and Contingencies</i>		
Stockholders' Equity		
Convertible preferred stock, 5,000,000 shares authorized at \$0.001 par value of which 40,000 shares designated as Series A preferred and 16,000 shares issued and outstanding at March 31, 2026 and December 31, 2025	16	16
Common stock, \$0.001 par value, 800,000,000 shares authorized, 12,800,000 shares issued and outstanding at March 31, 2026 and December 31, 2025	12,800	12,800
Additional paid-in capital	416,057	416,057
Retained earnings	12,839,646	12,645,977
Total stockholders' equity	<u>13,268,519</u>	<u>13,074,850</u>
Total Liabilities and Stockholders' Equity	\$ 13,765,051	\$ 13,463,446

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

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

	For three months ended March 31,	
	2026	2025
Revenues		
HCO	\$ 186,226	\$ 494,129
MPN	154,934	159,005
Medical bill review	119,035	128,577
Utilization review	537,597	495,042
Medical case management	499,862	516,311
Other	50	25,750
Total revenues	1,497,704	1,818,814
Expenses		
Salaries and wages	633,353	689,482
Professional fees	186,389	235,130
Insurance	83,114	82,608
Outsource service fees	215,076	173,550
Data maintenance	26,295	136,115
General and administrative	180,793	187,510
Total expenses	1,325,020	1,504,395
Income from operations	172,684	314,419
Other income (expense)		
Interest income	95,186	93,744
Interest expense	-	(1,522)
Total other income, net	95,186	92,222
Income before taxes	267,870	406,641
Income tax provision	74,201	113,978
Net income	\$ 193,669	\$ 292,663
Basic earnings per share:		
Net Income per share amount	\$ 0.02	\$ 0.02
Weighted average shares outstanding, basic	12,800,000	12,800,000
Fully diluted earnings per share:		
Net Income per share amount	\$ 0.02	\$ 0.02
Weighted average shares outstanding, diluted	12,816,000	12,816,000

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

Pacific Health Care Organization, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance December 31, 2024	16,000	\$ 16	12,800,000	\$ 12,800	\$ 416,057	\$11,258,330	\$ 11,687,203
Net income	-	-	-	-	-	292,663	292,663
Balance March 31, 2025	<u>16,000</u>	<u>\$ 16</u>	<u>12,800,000</u>	<u>\$ 12,800</u>	<u>\$ 416,057</u>	<u>\$11,550,993</u>	<u>\$ 11,979,866</u>
Balance December 31, 2025	16,000	\$ 16	12,800,000	\$ 12,800	\$ 416,057	\$12,645,977	\$ 13,074,850
Net income	-	-	-	-	-	193,669	193,669
Balance March 31, 2026	<u>16,000</u>	<u>\$ 16</u>	<u>12,800,000</u>	<u>\$ 12,800</u>	<u>\$ 416,057</u>	<u>\$12,839,646</u>	<u>\$ 13,268,519</u>

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

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

	Three Months Ended March 31,	
	2026	2025
Cash flows from Operating Activities		
Net income	\$ 193,669	\$ 292,663
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,293	7,155
Provision for credit losses	(5,582)	(2,700)
Noncash interest on investments	(95,186)	(93,744)
Deferred taxes	(995)	280
Changes in operating assets and liabilities		
Accounts receivable	(55,055)	98,315
Other assets	(568)	(382)
Prepaid expenses	65,242	62,374
Income tax receivable	13,273	-
Accounts payable	(14,483)	70,816
Accrued expenses	51,982	(150,150)
Income tax payable	61,924	29,536
Unearned revenue	8,513	16,563
Net cash provided by operating activities	228,027	330,726
Cash flows from Investing Activities		
Purchase of property and equipment	-	(8,510)
Net cash used in investing activities	-	(8,510)
Cash flows from Financing Activities		
Payments made on insurance financing agreement	-	(35,305)
Net cash used in financing activities	-	(35,305)
Net increase in cash and cash equivalents	228,027	286,911
Cash and cash equivalents at beginning of period	2,168,808	2,070,476
Cash and cash equivalents at end of period	\$ 2,396,835	\$ 2,357,387
Supplemental Cash Flow Information		
Cash paid for:		
Interest	\$ -	\$ 1,522
Income taxes	-	80,000

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

Pacific Health Care Organization, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 – BASIS OF FINANCIAL STATEMENT PRESENTATION AND NATURE OF BUSINESS

The accompanying unaudited condensed consolidated financial statements of Pacific Health Care Organization, Inc. (the “Company” or “PHCO”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and Article 10 of Securities and Exchange Commission (the “SEC”) Regulation S-X. Certain information and footnote disclosures normally included in consolidated financial statements have been condensed or omitted in accordance with SEC rules and regulations. The information furnished in these unaudited 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.

While management believes the disclosures and information presented are adequate to make the information not misleading, the accompanying unaudited condensed consolidated financial statements should 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, 2025. Operating results for the three months ended March 31, 2026, are not necessarily indicative of the results to be expected for the year ended December 31, 2026.

PHCO is a workers’ compensation cost containment company providing a range of services principally to California employers and claims administrators. The Company was incorporated under the laws of the state of Utah in April 1970, under the name Clear Air, Inc. The Company changed its name to Pacific Health Care Organization, Inc., in January 2001. In February 2001, the Company acquired Medex, a California corporation organized in March 1994, in a share for share exchange. Medex is a wholly owned subsidiary of the Company. Medex is in the business of managing and administering both Health Care Organizations (“HCO”) and Medical Provider Networks (“MPN”) in the state of California, and providing workers’ compensation carve-out and Medicare set-aside services. In March 2011, the Company incorporated MMC, a Nevada corporation, as a wholly owned subsidiary of the Company. MMC oversees and manages the Company’s utilization review and bill review services. In February 2012, the Company incorporated MMM, a Nevada corporation, as a wholly owned subsidiary of the Company. MMM is responsible for overseeing and managing medical case management. The Company discontinued lien representation services in the third quarter of 2023 due to the lack of demand.

On October 19, 2021, the Company completed short-form mergers between PHCO and each of its wholly owned subsidiaries Industrial Resolutions Coalition (“IRC”), Medex Legal Support, Inc. (“MLS”), and Pacific Medical Holding Company (“PMHC”). As a result of the short-form mergers the separate existence of IRC, MLS and PMHC terminated and the business, assets and liabilities of those entities have been transferred to PHCO and to its other subsidiaries. The Company continues to offer the services of IRC and MLS through its other subsidiaries as described in the preceding paragraph.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation

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

B. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in these unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include the values assigned to the allowance for credit losses, legal contingencies, and accruals for income taxes.

C. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year’s presentation. These changes had no impact on the Company’s total assets, stockholders’ equity or reported net income.

D. Revenue Recognition

The Company recognizes revenue in accordance with ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).” The core principle underlying Topic 606 is that the Company recognizes 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 requires 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.

ASC 606 requires the use of a 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.

Revenues are generated as services are provided to the customer based on the agreed upon sales price in accordance with customers’ contracts. Contracts are typically written for an initial annual period with automatic renewals on an annual or monthly basis, cancellable with 30 to 90 days’ notice, except as required by law for the Company’s HCO and MPN services, which require up to 180 days’ notice in some cases. When performing services for a public entity customer, the Company may be required to agree to the contract terms of the customer which are typically aligned with specific laws and regulations governing the customer.

The Company’s customers are typically large, well-established businesses with a significant workforce. The Company determines whether it is probable to collect substantially all of the consideration for services based on the creditworthiness of the customers at the time of commencing services.

The Company offers multiple services under its workers’ compensation cost containment specialty service lines. The Company typically provides a menu of offerings from which the customer may choose to purchase as bundled managed care, standalone services, or add-on ancillary services. The price of each service is separate and distinct and provides a separate and distinct value to the customer. Pricing is generally consistent for each service irrespective of the other services or quantities requested by the customer. Bundled managed care contracts are therefore accounted for as separate performance obligations. Customers are typically invoiced monthly in arrears or annually in advance, depending on the service provided and the customer’s preferences, and payment is due within 30 days. In cases where a customer is invoiced annually prior to services being rendered or remits payment in advance, typically for the Company’s HCO/MPN services, the Company records the cash collected as unearned revenue and recognizes the revenue over the contract term as services are rendered.

Contracts with customers often include promises to transfer multiple products and services to a customer, referred to as distinct performance obligations. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

The Company allocates revenue to each performance obligation based on its stand-alone selling price (SSP). Judgment is required to determine unobservable SSP for each distinct performance obligation as most services provided by the Company are not directly observable. In instances where SSP is not directly observable, such as when the Company does not sell the product or service separately, the Company determines the SSP using information that may include market conditions and other observable inputs. The Company typically has more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, the Company determines SSP using a cost-plus margin approach. Discounts and other concessions are rarely awarded, and returns and refunds are not part of the normal course of business.

As of January 1, 2025, the balance of accounts receivable, net and unearned revenue was \$1,028,920 and \$33,544, respectively.

The Company recognizes revenue as described below for each type of service.

HCO/MPN

An HCO is a network of health care providers specializing in the treatment of workplace injuries and in back-to-work rehabilitation for the Company’s customers’ injured employees. HCOs provide injured employees with a network of health care providers in the event of a workers’ compensation injury, while providing their employer (the Company’s customer) control over medical treatment and costs. Like an HCO, an MPN is a network of health care providers, but health care providers participating in MPNs are not required to have the same level of medical expertise in treating workplace injuries. As a licensed HCO and approved MPN, in addition to offering HCO and MPN programs, the Company is also able to offer its customers a combination of the HCO and MPN programs.

The Company derives its HCO and MPN revenue from fees charged for various aspects of these programs. Monthly and annual HCO/MPN program administration is provided over time and invoiced monthly or annually for a fixed fee, with revenue recognized ratably over the applicable contractual term. HCO/MPN claim network fees are generated at specific points in time throughout the month and invoiced at the end of the month for an agreed upon per item fee. Monthly HCO/MPN custom network fees are provided over time and invoiced monthly for a fixed fee. Revenue is recognized ratably over time. Annual or one-time HCO notification letters are generated and mailed at a point in time during the year, at which time the customer is invoiced for the service for a fixed fee.

For the three months ended March 31, 2026 and 2025, the Company’s HCO programs generated approximately \$136,892 and \$152,647, respectively, from services performed over time and approximately \$49,334 and \$341,482, respectively, from services performed at a point in time.

For the three months ended March 31, 2026 and 2025, the Company’s MPN programs generated approximately \$110,504 and \$126,930, respectively, from services performed over time and approximately \$44,430 and \$32,075, respectively, from services performed at a point in time.

Medical Bill Review

Medical bills are one of the biggest expenses that an employer's workers' compensation insurance company must pay for. To curtail these expenses, the Company's customers utilize our medical bill review services to review medical bills for services rendered to an injured employee. The Company provides professional analysis of medical provider services and equipment billing to ascertain proper reimbursement.

The Company derives its medical bill review revenue from fees generated and delivered at a point in time and invoiced upon completion of the services. These services are invoiced at a fixed fee with certain items also invoiced for a percentage of savings produced for the customer.

Utilization Review

Utilization review, also known as utilization management, is required by law in all states for workers' compensation claims. Utilization review evaluates the medical necessity of proposed treatment by comparing medical treatment requests against accepted medical guidelines. Its purpose is to serve as a safeguard against payor liability for medical costs that are not medically appropriate or approved by the relevant medical and legal authorities.

The Company derives its utilization review revenue from fees generated and delivered at a point in time and invoiced upon completion of the services. These services are invoiced at a fixed fee with certain items also invoiced for a percentage of savings produced for the customer.

Medical Case Management

Medical case management oversees injured employees' medical treatment to ensure that it progresses to a resolution and ensures treatment plans are aligned from a medical perspective. Medical case management is a collaborative process that assesses, evaluates, coordinates, implements and monitors medical treatment plans and the options and services required for occupational injuries.

The Company derives its medical case management revenue from services performed and delivered over time and invoiced monthly for those services at a fixed hourly rate. The types of services offered include both telephonic and field case management as well as employee advocate services.

Other Revenues

Other revenues consist of services performed for Medicare set-aside requests, network access fees charged for network access for preferred provider organizations, ancillary legal support services, and workers' compensation carve-out services. Medicare set-aside services for workers' compensation claims is a financial agreement that allocates a portion of a workers' compensation settlement to pay for future medical services related to the workplace injury, illness, or disease. The purpose of the set-aside arrangement is to provide funds to the injured party to pay for future medical expenses that would not be covered by Medicare. Network access for preferred provider organizations gives customers access to provider groups that include a specialized network of medical providers related to workers' compensation and the lower fees associated with the Company's affiliation to those groups.

These services are performed at a point in time and invoiced upon completion of the service. Medicare set-aside requests are invoiced at a fixed fee or hourly rate, depending on the request type. Network access fees are invoiced at a percentage of savings produced for the customer. Ancillary legal services are invoiced at a fixed fee or hourly rate, depending on the service performed. Workers' compensation carve-out services are invoiced at a fixed fee or hourly rate, depending on the service performed.

E. Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments that are readily convertible, within three months of origination, to known amounts as cash equivalents. As of March 31, 2026 and December 31, 2025, the Company had no cash equivalents.

F. Investments

The Company maintains its investments in U.S. treasury bills and has classified them as held-to-maturity at the time of purchase. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold until maturity. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums and discounts. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security using a straight-line method.

The amortized cost basis, gross unrealized gains and losses, and fair value of the Company's held-to-maturity securities at March 31, 2026 and December 31, 2025 are shown below.

	<u>Held-to-maturity securities</u>			<u>Fair Value</u>
	<u>Amortized Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	
March 31, 2026				
U.S. Treasury Bills	\$ 10,138,003	\$ 1,475	\$ -	\$ 10,139,478
Totals	<u>\$ 10,138,003</u>	<u>\$ 1,475</u>	<u>\$ -</u>	<u>\$ 10,139,478</u>
December 31, 2025				
U.S. Treasury Bills	\$ 10,042,817	\$ 9,871	\$ -	\$ 10,052,688
Totals	<u>\$ 10,042,817</u>	<u>\$ 9,871</u>	<u>\$ -</u>	<u>\$ 10,052,688</u>

The amortized cost basis and fair value of the Company's securities at March 31, 2026, by contractual maturity, are shown below.

	<u>Amortized Cost</u>	<u>Fair Value</u>
March 31, 2026		
Held-to-maturity securities		
Due in one year or less	\$ 10,138,003	\$ 10,139,478
	<u>\$ 10,138,003</u>	<u>\$ 10,139,478</u>

The fair value of the Company's held-to-maturity debt securities is determined based upon inputs, other than the quoted prices in active markets, that are observable either directly or indirectly and are classified as level 2 fair value investments.

G. Fair Value of Financial Instruments

The Company applies ASC 820, "Fair Value Measurements." This guidance defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying amounts reported in the balance sheets for cash and cash equivalents, receivables and current assets and liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest.

H. Accounts Receivable and Allowance for Credit

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 credit losses. The Company ages its receivables by date of invoice. The Company has adopted the practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating the expected credit losses on these assets. Management reviews the allowance for credit loss quarterly and evaluates the balance of accounts receivable based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. When a specific account is deemed uncollectible, the Company charges off the receivable against the allowance for credit loss. 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. 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 ratings or bankruptcy. The allowance for credit losses is based on the best information available to the Company and is reevaluated and adjusted as additional information is received. The Company evaluates the allowance based on historical write-off experience, the size of the individual customer balances, and past-due amounts. At March 31, 2026 and December 31, 2025, the Company had an allowance for credit losses of \$12,619 and \$18,925, respectively.

A roll-forward of the Company's allowance for credit losses for the three-month periods ended is as follows:

	March 31, 2026	March 31, 2025
Allowance for credit losses, beginning of period	\$ 18,925	\$ 12,489
Current period provision	(5,582)	(2,700)
Write-off	(724)	-
Recovery	-	19
Allowance for credit losses, end of period	<u>\$ 12,619</u>	<u>\$ 9,808</u>

I. Concentrations of Risk

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risks are comprised of cash deposits in excess of federally insured limits. The Company places its cash and cash equivalents at one well-known, quality financial institution. At times, such cash and investments may be in excess of the \$250,000 FDIC insurance limit. The Company believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Major Customers

During the three months ended March 31, 2026, three major customers, who represented 10% or more of operating revenue, accounted for approximately 49% of the Company's total sales; whereas during the three months ended March 31, 2025, three major customers, who represented 10% or more of operating revenue, accounted for approximately 46% of total sales. Below are the respective percentages of total operating revenue that each of these customers represented during the three months ended March 31, 2026 and 2025:

	March 31, 2026	March 31, 2025
Customer A	25%	19%
Customer B	13%	17%
Customer C	11%	10%

The percentages of the amounts due from customers who represented 10% or more of total accounts receivable as of March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Customer A	28%	21%
Customer B	17%	20%
Customer C	13%	14%
Customer D	-	11%

J. Leases

On April 1, 2022, the Company moved office locations from 1201 Dove Street, Suite 300 in Newport Beach, California to 19800 MacArthur Boulevard, Suites 306 and 307, in Irvine, California. The Company's current lease was set to expire as of March 31, 2026, but was renewed on December 10, 2025 for an additional 12-month lease, with a new expiration of March 31, 2027 with no extension options.

The Company follows the guidance of ASC 842, Leases, which requires an entity to recognize a right-of-use asset and a lease liability for all leases. As of March 31, 2026 and December 31, 2025, there were no operating lease right-of-use assets or liabilities. The Company elected to not apply the requirements of ASC 842 for short-term leases. Short-term leases are defined as leases that, at the commencement date, have a lease term of 12 months or less. Lease expense is recognized on a straight-line basis over the lease term. If a Company lease does not provide an implicit rate, the Company develops an estimated incremental borrowing rate at the commencement date based on the estimated rate at which it would borrow, in the current economic environment, an amount equal to the lease payments over a similar term on a collateralized basis which is used to determine the present value of lease payments. The Company had no finance leases at March 31, 2026 and December 31, 2025.

K. Depreciation

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated over the lesser of the length of the lease of the related assets or the estimated lives of the assets. Depreciation is computed on the straight-line method which is five years for computer equipment, office equipment, and furniture and fixtures.

L. General and Administrative Expenses

General and administrative expenses include fees for advertising, charity, depreciation, bad debt and recoveries, rent expense for office, shareholders' expense, auto expenses, bank charges, dues and subscriptions, education, equipment/repairs, IT enhancement and internet expenses, licenses and permits, office supplies, parking, postage and delivery, printing and reproduction, rent expense for equipment, telephone and travel expenses, and entertainment costs.

M. Income Taxes

The Company accounts for income taxes by following the asset and liability approach to accounting for income taxes. Deferred tax assets and liabilities represent the future tax consequences of the differences between the financial statement carrying amounts of assets and liabilities versus the tax basis of assets and liabilities. Under this method, deferred tax assets are recognized for deductible temporary differences, operating loss, and tax credit carry forwards. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The impact of the tax rate changes on deferred tax assets and liabilities is recognized in the year that the change is enacted. Management believes that any write-off not allowed will not have a material impact on the Company's financial position.

The Company is subject to taxation in United States federal and state jurisdictions. Based on its evaluation, the Company believes that it has no significant unrecognized tax positions. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months. The years 2022, 2023, and 2024 are still open for examination. The Company is not currently under audit by the Internal Revenue Service or any other tax authority.

The Company may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In accordance with current guidance, the Company classifies interest and penalties as income tax expense as incurred.

N. Share Based Compensation

The Company follows the fair value method of accounting for stock-based employee and non-employee compensation in accordance with statement of ASC Topic 718, "Compensation – Stock Compensation" which requires that equity-based payments (to the extent they are compensatory) be recognized in these unaudited condensed consolidated statements of operations as compensation expense over the requisite service (vesting) period, based on the award's fair value at grant date. No awards or grants have been awarded or granted under the Company's current equity incentive plan. See "Note 10 – EQUITY INCENTIVE AWARDS" of this Part I, Item 1 *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information about the Company's current equity incentive plan.

O. Legal Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with the loss contingencies are expensed as incurred.

NOTE 3 – SEGMENT INFORMATION

The Company conducts its business activities and reports financial results as a single reportable segment, the workers’ compensation cost containment specialists segment, based on the nature of its business and accounting policies. The Chief Operating Decision Maker (“CODM”) is its executive team. The CODM makes decisions about allocating resources and assessing performance in a manner consistent with the way the Company operates its business and presents its financial results, using the same net income that is also reported on the consolidated statements of operations as net income. There are no reconciling items to the consolidated statements of operations. The measurement of segment assets is reported on the consolidated balance sheet as total assets. The CODM uses net income to evaluate income generated from segment assets (return on assets) in deciding whether to reinvest profits into the workers’ compensation cost containment specialists segment or into other parts of the entity. All of the Company’s customers are based in the United States.

NOTE 4 – PROPERTY AND EQUIPMENT

Scheduled below are the assets, costs, and accumulated depreciation at March 31, 2026 and December 31, 2025.

	March 31, 2026	December 31, 2025
Computer equipment	\$ 267,798	\$ 267,798
Furniture and fixtures	13,284	13,284
Totals	<u>\$ 281,082</u>	<u>\$ 281,082</u>
Less: accumulated depreciation	(234,651)	(229,358)
Total Property and Equipment, net	<u>\$ 46,431</u>	<u>\$ 51,724</u>

Depreciation expense for the three months ended March 31, 2026 and 2025, totaled \$5,293 and \$7,155, respectively.

NOTE 5 – LEASES

The Company rents office space at 19800 MacArthur Boulevard, Suites 306 & 307, in Irvine, California. This lease was to expire as of March 31, 2026, but was renewed on December 10, 2025, for an additional 12 months, with a new expiration of March 31, 2027 with no extension options. The lease provides 320 square feet of office space for the executive team and a shared office space for key employees to use as needed. All other employees will continue to work remotely.

Lease expenses were \$12,763 and \$12,138 during the three-month periods ended March 31, 2026 and 2025, respectively.

NOTE 6 – ACCRUED EXPENSES

As of March 31, 2026 and December 31, 2025, accrued expenses consisted of the following:

	March 31, 2026	December 31, 2025
Salaries and wages	\$ 75,593	\$ 28,431
Compensated absences	77,403	82,416
Accounting fees	100	100
Sales commissions	25,913	13,793
Other	-	2,287
Total	<u>\$ 179,009</u>	<u>\$ 127,027</u>

NOTE 7 – INSURANCE FINANCING AGREEMENT

The Company entered into an insurance policy finance arrangement for business insurance coverage effective May 2024. The agreement matured in March 2025 and had monthly payments of principal and interest of approximately \$12,276 with interest at 9.3%.

NOTE 8 – INCOME TAXES

For the three months ended March 31, 2026, the Company recognized expense from income taxes of \$74,201, representing an effective tax rate of 27.7%. For the three months ended March 31, 2025, the Company recognized expense from income taxes of \$113,978, representing an effective tax rate of 28.0%. The Company’s effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0% due to state taxes, permanent items, and discrete items.

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act, which includes a broad range of tax reform provisions affecting businesses, including extending and modifying certain key Tax Cuts & Jobs Act provisions, expanding certain Inflation Reduction Act incentives while accelerating the phase-out of others, and modifying the endowment excise tax for higher education institutions. The Company is currently evaluating the impact of this new bill but does not believe it will have a material impact.

NOTE 9 – BENEFITS AND OTHER COMPENSATION

The Company offers a 401(k)-profit sharing plan for employees who meet the eligibility requirements. Pursuant to the plan, the Company may make discretionary matching contributions and/or discretionary profit-sharing contributions to the plan. All such contributions must comply with federal pension laws, non-discrimination requirements and the terms of the plan. In determining whether to make a discretionary contribution, the board of directors would evaluate current and prospective costs of such awards to the Company and management's desire to reward and retain employees and attract new employees. To date, the Company has never made matching contributions and/or discretionary profit-sharing contributions to the plan.

NOTE 10 – EQUITY INCENTIVE AWARDS2018 Plan

The Pacific Health Care Organization 2018 Equity Incentive Plan (the "2018 Plan") became effective on April 6, 2018. The 2018 Plan permits the granting of 8,000,000 shares of Common Stock (adjusted to reflect the four-shares-for-one-share forward split of the Company's common stock that took effect on January 6, 2020). No awards or grants have been awarded or granted under the 2018 Plan. The 2018 Plan provides for grants of equity incentive compensation to employees and consultants of the Company and such other individuals the Company reasonably expects to become employees or consultants of the Company. The 2018 Plan allows for awards of (a) incentive stock options, (b) non-qualified stock options, (c) stock appreciation rights, (d) restricted awards, and (e) other equity-based awards. The 2018 Plan will terminate automatically on the tenth anniversary of the 2018 Plan's Effective Date. The 2018 Plan is currently administered by the full board of directors.

NOTE 11 – STOCKHOLDERS' EQUITY

On January 6, 2020, the Company effected a four-shares-for-one-share (4:1) forward stock split ("Forward Split") of its common stock and its Series A convertible preferred stock. Unless otherwise noted, impacted amounts, share and per share information included in the financial statements and notes thereto have been retroactively adjusted for the Forward Split as if such Forward Split occurred on the first day of the first period presented.

The Company has two classes of stock. The Company had 800,000,000 shares of voting common stock authorized, and 12,800,000 shares issued and outstanding at both March 31, 2026 and 2025. The Articles of Incorporation of the Company, as amended, also authorizes 5,000,000 shares of \$0.001 par value preferred stock, which may be issued in one or more series, with designation, rights and privileges of such preferred stock to be set by the board of directors of the Company from time to time. On November 21, 2016, the board of directors of the Company approved a Certificate of Designation of Rights, Privileges and Preferences of Series A convertible preferred stock and authorized the Company's officers to file such with the Utah Division of Corporations and Commercial Code to create the Series A convertible preferred stock. The Series A convertible preferred stock has a par value of \$0.001 and consists of 40,000 shares, and may be converted into common stock on a one-share for one-share basis at the election of the holder thereof. The holders of Series A convertible preferred stock are entitled to vote with the common stockholders on all matters brought for approval of the common stockholders. In connection with any such matter, each outstanding share of Series A convertible preferred stock is entitled to 20,000 votes of common stock of the Company. In the event of a liquidation, dissolution or winding up of the Company, the Series A convertible preferred stock shall rank in parity with the Company's common stock. Holders of Series A convertible preferred stock are entitled to receive dividends, when, as and if declared by the board of directors. The Series A convertible preferred stock shall rank in parity with the Company's common stock as to any dividends. As of March 31, 2026 and 2025, 16,000 shares of the Series A convertible preferred stock were outstanding.

The Company purchased no shares of treasury stock during the three-month periods ended March 31, 2026 and 2025. The Company does not have a plan to repurchase outstanding shares of common stock.

NOTE 12 – EARNINGS PER SHARE OF COMMON STOCK

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of these unaudited condensed consolidated financial statements. The fully diluted earnings per share includes 16,000 shares of Series A convertible preferred stock, as disclosed in "Note 11 – STOCKHOLDERS' EQUITY" of this Part I, Item 1 *Notes to Condensed Consolidated Financial Statements (Unaudited)*.

	For the Three Months Ended	
	March 31,	
	2026	2025
Basic and Diluted Net Income per share calculation		
Net Income to common stockholders	\$ 193,669	\$ 292,663
Weighted average shares outstanding, basic	12,800,000	12,800,000
Basic Net Income per share	<u>\$ 0.02</u>	<u>\$ 0.02</u>
Weighted average shares outstanding, diluted	12,816,000	12,816,000
Diluted Net Income per share	<u>\$ 0.02</u>	<u>\$ 0.02</u>

For the quarters ended March 31, 2026 and 2025, there were common stock equivalents related to convertible preferred stock that had a dilutive effect of 16,000 shares.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Company defines a related party as an individual or entity that has the ability to exercise significant influence over the Company's management or operations. Related parties include, among others, the Company's principal stockholders, directors, executive officers, and members of their immediate families, as well as entities controlled by, or under common control with, such individuals.

The Company retained Donald P. Balzano, a shareholder owning 6.9% of the Company's common stock, as legal counsel through September 2025. Mr. Balzano provided legal guidance and expertise in the workers' compensation industry on behalf of the Company. The fees paid to Mr. Balzano are recorded in Professional Fees on the consolidated statement of operations. For the three months ended March 31, 2025, Mr. Balzano earned \$36,036 related to the retainer agreement.

The Company's former CFO and board member, Kristina Kubota, provides financial consulting services for the Company. Kristina Kubota is the daughter of Tom Kubota, the Company's CEO, President, Chairman of the board and majority shareholder. Ms. Kubota's consulting arrangement commenced upon her resignation from the CFO position with the Company on March 5, 2024. The fees paid to Ms. Kubota are recorded in Professional Fees on the consolidated income statement. Fees for services not yet billed are included in Accrued Expenses on the consolidated balance sheet, totaling \$100 at both March 31, 2026 and December 31, 2025. For the three months ended March 31, 2026 and 2025, Ms. Kubota earned \$0 and \$295, respectively, for such services.

The Company's former Vice President, Secretary and board member, Lauren Kubota, resigned from her positions with the Company during the third quarter of 2025. After her resignation, Lauren Kubota provided consulting services for the Company. The consulting arrangement commenced on August 4, 2025 and expired on August 31, 2025. Lauren Kubota is the daughter of Tom Kubota, the Company's CEO, President, Chairman of the board and majority shareholder. No fees related to these consulting services were included in accrued expenses at March 31, 2026 and December 31, 2025. No fees related to these services were earned during the three months ended March 31, 2026 and 2025.

NOTE 15 – EMPLOYEE RETENTION CREDIT

The employee retention credit ("ERC"), as originally enacted through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020, is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The Disaster Tax Relief Act, enacted on December 27, 2020, extended the ERC for qualified wages paid from January 1, 2021 to June 30, 2021, and the credit was increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the ERC through December 31, 2021. Employers are eligible for the credit if they experienced full or partial suspension or modification of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on a comparison of quarterly revenue results for 2020 and/or 2021 with the comparable quarter in 2019.

In 2023, the Company applied for the ERC through external tax consultants after determining that the Company was eligible for the credit. The Company's ERC application was based on qualified wages paid to employees during periods in 2020 and 2021. The consulting arrangement was structured as a flat fee per employee for which the credit was applied, with payment terms providing that no fees were due until the credit was received from the Internal Revenue Service ("IRS"). Since there are no specific generally accepted accounting principles for for-profit business entities that receive government assistance that is not a loan, an income tax credit, or revenue from a contract with a customer, the Company has elected to apply International Accounting Standard (IAS) 20, "Accounting for Government Grants and Disclosure of Government Assistance," by analogy in accordance with ASC 105-10-05-3. Under IAS 20, government grants should be recognized when there is reasonable assurance that (1) the entity will comply with the conditions attached to the grant, and (2) the grant will be received. Given the unprecedented nature of the program, the Company determined that reasonable assurance was not achieved until the refund was actually received from the IRS.

During 2025, the Company received ERC refund checks from the IRS totaling \$488,655, which included interest in the amount of \$68,854. The Company has additional ERC applications pending with the IRS for eligible periods that could result in additional refunds of up to approximately \$202,657. The Company has not recognized any amounts related to these pending applications as the reasonable assurance criteria under IAS 20 have not been met. The Company will recognize any additional ERC refunds when received from the IRS and when reasonable assurance of compliance is achieved. The Company's ERC eligibility remains subject to audit by the IRS for a period of five years from the date of filing. While the Company believes it has substantial support for its ERC claims and eligibility, there can be no assurance that the IRS will not challenge the Company's eligibility or calculations during any future audit process. During the first three months of fiscal years 2026 and 2025, no ERC refund checks were received from the IRS.

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

Throughout this Quarterly Report on Form 10-Q (this "quarterly report"), 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"), Medex Managed Care, Inc. ("MMC") and Medex Medical Management, Inc. ("MMM").

Our Management's Discussion and Analysis of Financial Condition and Results of Operations set forth below should be read in conjunction with our unaudited condensed consolidated financial statements, and notes thereto, contained in this quarterly report, as well as our audited consolidated financial statements, and notes thereto, contained in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the Securities and Exchange Commission (the "SEC") on March 17, 2026 (the "Annual Report").

All statements other than statements of historical fact included herein and in the documents incorporated by reference in this quarterly report, if any, including without limitation, statements regarding future events, financial condition or results of operations, business strategy, potential acquisitions, budgets, projected costs, liquidity, capital resources, and plans and objectives of management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "foresee," "future," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "should," "strategy," "will," "would," and other similar expressions and their negatives.

Forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which may be beyond our control. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof, and actual results could differ materially as a result of various factors. The following include some but not all of the factors that could cause actual results and financial condition to differ materially from those expressed or implied by forward-looking statements:

- competition within our industry, including competition from much larger competitors;
- our ability to retain existing customers and to attract new customers;
- legislative and regulatory requirements or changes which could render our services less competitive or obsolete;
- cost reduction efforts by our existing and prospective customers;
- failure to retain or recruit, or changes in, officers and key employees, and uncertainties in our ability to maintain key consultants and advisors;
- reductions in workers' compensation claims or the demand for our services, from whatever source;
- the loss, ineffective management, malfunction (including those resulting from cybersecurity incidents and breaches), or increased costs of third-party-provided technologies and services on which our operations rely;
- cybersecurity incidents and breaches, and other software system failures, and the imposition of laws imposing costly cybersecurity and data protection compliance;
- delays, reductions, or cancellations of contracts we have previously entered into;
- changes in U.S. trade policies and retaliatory responses from other countries, including tariffs;
- the effects of and uncertainty surrounding the adoption, use and reliability of disruptive technologies such as artificial intelligence;
- the loss of or inability to obtain adequate insurance coverage;
- business combinations involving our customers or competitors;
- economic and labor market conditions generally and in the industries in which we and our customers participate, including the effects resulting from immigration laws and enforcement, economic recessions, financial sector turmoil, partial or full federal government shutdown, international conflicts, and rising domestic inflation and related economic policy responses; and
- our failure to successfully develop new services and/or products either organically or through acquisition, or to anticipate current or prospective customers' needs.

For more detailed information about particular risk factors related to us and our business, see Part I, Item 1A *Risk Factors* of our Annual Report.

New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

One should not place undue reliance on forward-looking statements. Forward-looking statements are based on the beliefs of management as well as assumptions made by and information currently available to management and apply only as of the date of this quarterly report or the respective dates of the documents it incorporates by reference. Neither we nor any other person assumes any responsibility for the accuracy or completeness of forward-looking statements. Further, except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or a change in events, conditions, circumstances, or assumptions underlying such statements, or otherwise.

Overview

We are workers' compensation cost containment specialists providing a range of services principally to California employers and claims administrators. We incorporated under the laws of the State of Utah in April 1970, under the name Clear Air, Inc. We changed our name to Pacific Health Care Organization, Inc., in January 2001. In February 2001, we acquired Medex, a California corporation organized in March 1994, in a share for share exchange. Medex is in the business of managing and administering both Health Care Organizations ("HCOs") and Medical Provider Networks ("MPNs") in the state of California and providing workers' compensation carve-out and Medicare set-aside services. In March 2011, we incorporated MMC, a Nevada corporation, as a wholly owned subsidiary of the Company. MMC oversees and manages the Company's utilization review and bill review services. In February 2012, we incorporated MMM, a Nevada corporation, as a wholly owned subsidiary of the Company. MMM is responsible for overseeing and managing medical case management and employee advocate services. We discontinued lien representation services in the third quarter of 2023 due to the lack of demand.

Business of the Company

We offer an integrated and layered array of complementary business solutions that enable our customers to better manage their workers' compensation-related healthcare administration costs. We are constantly looking for ways to expand the suite of services we can provide our customers, either through strategic acquisitions or organic development.

Our business objective is to deliver value to our customers by reducing their workers' compensation-related medical claims expenses in a manner that will ensure injured employees receive high quality healthcare, returning them 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 longer than average treatment duration. Our services focus on ensuring timely medical treatment to reduce the claim duration and medical treatment costs.

Our services include providing customers access to our HCOs and MPNs. We also provide medical bill review, medical case management, employee advocate services, utilization review, workers' compensation carve-outs and Medicare set-aside services. Complementary to these services, we also provide expert witness testimony. We offer our services as a bundled managed care solution, as standalone services, or as add-on ancillary services.

Our core services focus on reducing medical treatment costs by enabling our customers to have control and oversight of the medical treatment of their injured employees to ensure treatment is timely and appropriate. This control is primarily obtained by participation in our HCOs or one of our MPNs. Through Medex, we hold two of three total licenses issued by the state of California to establish and manage HCOs within the state of California. We hold several government-issued licenses to operate medical provider networks. We also hold approvals issued by the state of California to function as an MPN and currently administer 19 MPNs. Our HCO and MPN programs provide our customers with provider networks within which the customer 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 necessary vocational rehabilitation and training. Our medical bill and utilization review services provide oversight of medical billing and treatment requests, and our medical case management and employee advocate services keep workers' compensation claims progressing to a resolution and assure treatment plans are aligned from a medical perspective.

Our customers include self-administered employers, insurers, third party administrators, municipalities, and others. Our principal customers are companies with operations located in the state of California where the cost of workers' compensation insurance is a critical problem for employers, though we process medical bill reviews, utilization reviews and provide medical case management and employee advocate services in several other states. Our provider networks, which are located only in California, are comprised of providers experienced in treating occupational injuries.

Our business has a long sales cycle, typically eight months or more. Once we have established a customer relationship and enrolled the employees of our employer customers, we anticipate our revenue to adjust with the growth or retraction of our customers' employee headcount. We also expect growth and contraction of employee headcounts throughout the year as we gain new customers and lose existing customers. The reasons for customer terminations vary but include when a customer opts to use a different workers' compensation administration vendor; engages an insurance carrier or third-party administrator that uses a different workers' compensation administration vendor; and when our contract ends with state and local governments and they are required to engage in a public bidding process for their workers' compensation administration vendor.

Key trends affecting results of operations

The employee enrollment numbers in our HCO and MPN programs typically correlate with general economic conditions and the size and activities of our customers' workforce. If economic conditions become challenging, including from the effects of inflationary pressures, elevated interest rates, and difficult labor market conditions, our customers may reduce their workforce or seek price-competitive alternatives to our services, in which case we would expect a decline in the number of employees enrolled in our HCO and MPN programs and the volume of medical bills reviewed, which could materially affect related revenues. During the three months ended March 31, 2026, our operating revenue decreased primarily due to the significant customer terminations discussed below. We believe these terminations were influenced, at least in part, by challenging economic conditions and the customers' efforts to seek more price-competitive alternatives to our services.

Though we continue our efforts to increase our customer base and reduce customer concentration across all service lines, the addition or loss of a single customer can materially impact our results of operations. For example, in October 2024 we received notice of termination from one of our significant customers. This termination did not materially impact our operating revenues in 2025, but did materially impact our operating revenues during the first three months of 2026, and will likely continue to impact our operating revenues in future periods. Further, in January 2026, we received notice of termination from another significant customer, which we anticipate will have material impacts on our operating revenues in future periods. However, we also expect these impacts will be partially offset in future periods by increased services and new programs requested by our other customers. We expect to continue to be susceptible to risks associated with customer concentration, and related potential material impacts on our results of operations for the foreseeable future.

Our utilization review program grew by 9% during fiscal year 2025 due to increased requests for our services, which partially offset the overall decreases in HCO program revenue and medical bill review revenue. We believe that increased demand for our utilization review services is driven by rising and difficult to control healthcare costs, as this service is an additional means to decrease healthcare costs. However, as labor markets change, our customers may reduce their workforce which would decrease the opportunities to provide this specialized function.

The expansion of our employee advocate services to six states outside of California continues to bolster our medical case management revenues. During the first three months of 2026, revenue from our employee advocate services increased 15% when compared to the same period of 2025, which helped offset the overall 3% decrease in medical case management revenue. We plan to continue to expand employee advocate services to other states as feasible during 2026, but cannot guarantee that we will be successful in further growing this service.

Revenue

We derive revenue from fees charged for HCO notifications, HCO/MPN program administration, HCO/MPN custom networks, HCO/MPN claim network fees, medical bill review, utilization review services, medical case management, employee advocate services, Medicare set-aside, and network access.

HCO

HCO revenue is generated from fees charged to our employer customers for annual and new hire notifications to enroll their employees into our HCO program, annual or monthly program administration, custom network fees, claim network fees to access our HCO provider networks, and fees for other ancillary services they may select.

MPN

Like HCO revenue, MPN revenue is generated from fees charged to our employer customers for monthly program administration, custom network fees, and claim network fees to access our MPN provider networks. Unlike HCOs, from which we derive revenues from annual and new hire notification fees, MPNs do not require annual and new hire notifications and as such we do not generate related revenues.

Medical bill review

Medical bill review involves analyzing medical provider services and equipment billing to ascertain proper reimbursement. California and many other states have established fee schedules for the maximum allowable fees payable under workers' compensation for a variety of procedures performed by medical providers. Many procedures, however, are not covered under the fee schedules, such as hospital bills, which still require review and negotiation. Our medical bill review services include 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 savings for our customers. Revenue for medical bill reviews is generated based on a fixed fee per medical bill reviewed and a percentage of savings of the preferred provider organization discounts. Hospital bill review services generate revenue on a percentage of savings off of the hospital bill, usually with a negotiated cap.

Utilization review

Utilization review is the review of medical treatment requests by providers to give a safeguard for employers and injured employees against unnecessary or inappropriate medical treatment from the perspective of medical necessity, quality of care, appropriateness of decision-making, and timeliness of treatment. Its purpose is to reduce employer liability for medical costs that are not medically appropriate or approved by the relevant medical and legal authorities and the payor. We generate revenue when we receive a referral for a request for authorization of treatment from a claims adjuster. We bill by the number of treatment requests and the level of expertise of the reviewer required to approve, modify, or deny the request.

Medical case management

Medical case management oversees the injured employees' medical treatment to ensure that it progresses to a resolution and treatment plans are aligned from a medical perspective. Medical oversight is a collaborative process that assesses, evaluates, coordinates, implements and monitors medical treatment plans and the options and services required to meet an injured worker's health needs. Our medical case management services are performed by nurses who are licensed by the state and have expertise in various clinical areas and backgrounds in workers' compensation matters. We work to manage the number of nurses in our program to maintain our ratio of claims per nurse at a level that ensures timely and appropriate medical care is given to the injured worker and facilitates faster claim closures for our customers.

We also offer employee advocate services, which is similar to medical case management in that it utilizes our medical case managers who provide similar services; however, the medical case manager is an advocate for the employee. We generate revenue from these services when we receive a workers' compensation claim and a medical case manager is assigned to oversee the injured workers' medical treatment, with billing based on the number of hours a medical case manager works on the claim.

Other

Other revenue consists of revenue derived from network access fees charged for network access for preferred provider organizations, ancillary legal support services, Medicare set-aside and workers' compensation carve-out services.

The following table sets forth, for the quarters ended March 31, 2026 and 2025, respectively, the percentage each revenue item identified in our unaudited condensed consolidated financial statements contributed to total revenues during the respective period.

	<u>2026</u>	<u>2025</u>
HCO	13%	27%
MPN	10%	9%
Medical bill review	8%	7%
Utilization review	36%	27%
Medical case management	33%	29%
Other	0%	1%

ExpenseSalaries and wages

Salaries and wages reflect employment-related compensation we pay to our employees, payroll processing, payroll taxes, vacation expenses and commissions.

Professional fees

Professional fees include fees we pay to third parties to provide IT, financial, marketing, lobbying, in-house legal services related to the various services we offer, consulting, field medical case management, and board of directors' fees for board meetings, as well as legal, accounting, and other professional services fees.

Insurance

Insurance expenses are comprised primarily of health insurance benefits offered to our employees, directors' and officers' liability insurance, and cyber liability, workers' compensation and business liability coverages.

Outsource service fees

Outsource service fees consist of costs incurred by our subsidiaries by partially outsourcing utilization review, medical bill review, administrative services for medical case management and HCO, and Medicare set-aside services; and typically tend to fluctuate in correlation with customer demand for those services.

Data maintenance fees

Data maintenance fees include fees we pay to a third party to process HCO annual and new hire employee enrolments and notifications. HCO employee enrolment and notification fees fluctuate throughout the year because of the varied timing of customer enrolment in our HCO program, the number of employees our customers have in their workforce, the number of new hires throughout the year, and the number of new workers' compensation claims.

General and administrative

General and administrative expenses consist primarily of depreciation, bad debt, dues and subscriptions, IT enhancement, meals, travel, and entertainment, office rent, telephone, licenses and permits, miscellaneous, advertising and marketing, auto expenses, bank charges and fees, education, parking, postage and delivery, shareholders' expense, equipment repairs and office supplies.

The following table sets forth, for the quarters ended March 31, 2026 and 2025, respectively, the percentage each expense item identified in our unaudited condensed consolidated financial statements contributed to total expenses during the respective period.

	2026	2025
Salaries and wages	48%	46%
Professional fees	14%	16%
Insurance	6%	5%
Outsource service fees	16%	12%
Data maintenance fees	2%	9%
General and administrative	14%	12%

Results of Operations

Comparison of the three months ended March 31, 2026 and 2025

The following represents selected components of our unaudited condensed consolidated results of operations for the three-month periods ended March 31, 2026 and 2025, respectively, together with changes from period-to-period:

	For three months ended March 31,		Amount Change	% Change
	2026	2025		
Revenues				
HCO	\$ 186,226	\$ 494,129	\$ (307,903)	(62%)
MPN	154,934	159,005	(4,071)	(3%)
Medical bill review	119,035	128,577	(9,542)	(7%)
Utilization review	537,597	495,042	42,555	9%
Medical case management	499,862	516,311	(16,449)	(3%)
Other	50	25,750	(25,700)	(100%)
Total revenues	<u>1,497,704</u>	<u>1,818,814</u>	<u>(321,110)</u>	<u>(18%)</u>
Expenses				
Salaries and wages	633,353	689,482	(56,129)	(8%)
Professional fees	186,389	235,130	(48,741)	(21%)
Insurance	83,114	82,608	506	1%
Outsource service fees	215,076	173,550	41,526	24%
Data maintenance	26,295	136,115	(109,820)	(81%)
General and administrative	180,793	187,510	(6,717)	(4%)
Total expenses	<u>1,325,020</u>	<u>1,504,395</u>	<u>(179,375)</u>	<u>(12%)</u>
Income from operations	172,684	314,419	(141,735)	(45%)
Other income (expense)				
Interest income	95,186	93,744	1,442	2%
Interest expense	-	(1,522)	1,522	(100%)
Total other income, net	<u>95,186</u>	<u>92,222</u>	<u>2,964</u>	<u>3%</u>
Income before taxes	267,870	406,641	(138,771)	(34%)
Income tax provision	74,201	113,978	(39,777)	(35%)
Net income	<u>\$ 193,669</u>	<u>\$ 292,663</u>	<u>\$ (98,994)</u>	<u>(34%)</u>

Revenue

HCO

During the three-month period ended March 31, 2026, HCO revenue decreased 62% compared to the same period in the prior year. The decrease in HCO revenue was primarily attributable to the termination of services performed for a significant customer that completed a phase out of our services during fiscal year 2025.

Medical bill review

During the three-month period ended March 31, 2026, medical bill review revenue decreased by 7% compared to the same period in the prior year. The decrease was due to a net decrease in bill reviews performed for existing customers during the period.

Utilization review

During the three-month period ended March 31, 2026, utilization review revenue increased 9%, compared to the same period in the prior year. The increase in utilization review revenue was due to increased referrals for requests for authorization from existing customers.

Other

During the three-month period ended March 31, 2026, other revenue decreased 100% compared to the same period in the prior year, primarily due to the discontinuance of network access fee-related services for the significant customer that completed a phase out of our services during fiscal year 2025.

Expenses

Salaries and wages

During the three-month period ended March 31, 2026, salaries and wages decreased 8% compared to the three months ended March 31, 2025. The decrease was due primarily to the loss of three employees during 2025 that were later replaced by two full time employees and a contractor.

Professional fees

During the three-month period ended March 31, 2026, professional fees decreased 21% compared to the three months ended March 31, 2025. The decrease in professional fees was primarily the result of a normalization of accounting and legal fees after our transition to a new auditing firm.

Outsource service fees

During the three-month period ended March 31, 2026, outsource service fees increased 24% compared to the three months ended March 31, 2025. The increase in outsource service fees was primarily related to the increase in use of these services for our utilization review service line.

Data maintenance

During the three-month period ended March 31, 2026, data maintenance fees decreased 81% compared to the three months ended March 31, 2025. The decrease in data maintenance fees was primarily due to the timing of when we completed annual and termination letters, and related billing for the significant customer that completed a phase out of our services during fiscal year 2025.

Income from Operations

During the three-month period ended March 31, 2026, we recognized an 18% decrease in total revenue and a 12% decrease in total expenses compared to the same period in 2025. As a result, our income from operations decreased \$141,735, or 45%, when compared to the three months ended March 31, 2025.

Income Tax Provision

We realized a decrease in our income tax provision of \$39,777, or 35%, during the three-month period ended March 31, 2026 compared to the same period in the prior year, which was primarily attributable to the decrease in income from operations during that period.

Net Income

During the three-month period ended March 31, 2026, we realized an 18% decrease in total revenue, a 12% decrease in total expenses, and a 35% decrease in our provision for income tax when compared to the same period in the prior year. As a result, we realized net income of \$193,669, a 34% decrease year over year.

Liquidity and Capital Resources

Management currently believes that cash on hand and anticipated cash flows from operations will be sufficient to fund our operations for at least the next twelve months. Our primary sources of liquidity are cash, cash equivalents, short-term investments, and future cash generated from operations. However, our ability to generate cash from operations will depend on our future operating performance, which is subject to certain ongoing known and unknown risks and uncertainties. For a discussion of particular risk factors related to our business, see Part I, Item 1A *Risk Factors* of our Annual Report.

We intend to continue to pursue potential acquisition transactions that, if additional cash on hand were needed for such a transaction, we would either need to condition closing upon maturity of our investments, if applicable, or seek alternate financing, or a combination of those approaches. We may also seek growth through organic development of new lines of business or expansion of existing offerings. Depending upon the nature of the opportunities we identify, such acquisitions or expansion could require greater capital resources than we currently possess. Should we need additional capital resources, we could seek to obtain such through 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, but there is also no assurance that there would be significant interest in our capital stock from a potential seller or the market.

Cash Flow

During the three months ended March 31, 2026, we had a net increase in cash and cash equivalents of \$228,027. See below for additional discussion and analysis of cash flow.

	For the three months ended March 31,	
	2026 (unaudited)	2025 (unaudited)
Net cash provided by operating activities	\$ 228,027	\$ 330,726
Net cash (used in) investing activities	-	(8,510)
Net cash provided by (used in) financing activities	-	(35,305)
Net increase in cash and cash equivalents	<u>\$ 228,027</u>	<u>\$ 286,911</u>

Net cash provided by operating activities was \$228,027 and \$330,726 for the three months ended March 31, 2026 and 2025, respectively. This \$102,699 decrease in cash flow from operations during the first quarter of 2026 was primarily the result of changes in working capital balances.

Net cash used in investing activities was \$0 and \$8,510 for the three months ended March 31, 2026 and 2025, respectively. The change in net cash used in investing activities was due to decreased purchases of new equipment during the first quarter of 2026.

Net cash used in financing activities was \$0 and \$35,305 for the three months ended March 31, 2026 and 2025, respectively. The change in net cash used in financing activities from period to period was the result of our insurance financing agreement maturing during fiscal year 2025.

Off-Balance Sheet Financing Arrangements

As of March 31, 2026, we had no off-balance sheet financing arrangements.

Inflation

We experience pricing pressures in the form of competitive pricing. Insurance carriers and third-party administrators compete against us for customers by offering bundled claims administration services with their own managed care services at a lower rate. We are also impacted by rising costs for certain inflation-sensitive operating expenses such as labor and employee benefits and facility leases. We believe that these impacts can be material to our revenues or net income. Some of our customers are public entities which contract with us at a fixed price for the term of the contract. Increases in labor and employee benefits can reduce our profit margin over the term of these contracts. See also “*the effects of inflation may have a disproportionate impact on our business*” under Part I, Item 1A *Risk Factors* of our Annual Report.

For more detailed information about our critical accounting estimates, see “*Critical Accounting Estimates*” under Part II, Item 7 *Management’s Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Smaller reporting companies are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are designed to provide reasonable assurance that information required to be disclosed by a company in the reports 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 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, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on the evaluation of our disclosure controls and procedures as of March 31, 2026, the end of the period covered by this quarterly report, our principal executive officer and principal 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 March 31, 2026 that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As previously disclosed in Note 11 – COMMITMENTS AND CONTINGENCIES of our Annual Report, on September 16, 2025, the Company’s wholly owned subsidiaries, Medex Healthcare, Inc. (“Medex”) and Medex Medical Management, Inc. (“MMM”), each filed a lawsuit in the Superior Court of the State of California, County of Orange, against respective defendants David Kim, the former Chief Operating Officer of Medex, and Darshan Patel, the former Director of Medical Management at MMM. The parties have settled all claims asserted in each lawsuit, without admissions of liability by any party, in exchange for a cash payment by each respective defendant of \$15,000, and the lawsuits have both been dismissed. Accordingly, no accrual has been recorded as of March 31, 2026 and December 31, 2025.

Item 1A. Risk Factors

Management does not believe there have been any material changes to the risk factors listed under Part I, Item 1A *Risk Factors* of our Annual Report.

Item 5. Other Information

Insider Trading Arrangements

During the quarter ended March 31, 2026, none of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

Item 6. Exhibits

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

Exhibit No.	Exhibit Description
3.1	Articles of Incorporation and Amendments thereto⁽¹⁾
3.2	Bylaws⁽¹⁾
3.3	Bylaws⁽²⁾
3.4	Bylaws⁽³⁾
3.5	Bylaws⁽⁴⁾
3.6	Articles of Amendment to Articles of Incorporation to effect 1 share for 50 shares reverse split⁽⁵⁾
3.7	Articles of Amendment to Articles of Incorporation to effect 2.5 shares for 1 share forward split⁽⁵⁾
3.8	Certificate of Designation of Rights, Privileges and Preferences of Series A Convertible Preferred Stock⁽⁶⁾
3.9	Articles of Amendment to Articles of Incorporation to effect four-shares-for-one-share forward split⁽⁷⁾
3.10	Articles of Amendment to Articles of Incorporation, dated December 27, 2019, including Amended Certification of Designation of Rights, Privileges and Preferences of Series A Convertible Preferred Stock to affect a four-shares-for-one-share forward stock split⁽⁸⁾
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	Pursuant to Rules 405 and 406 of Regulation S-T, the following information is formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of March 31, 2026 (Unaudited) and December 31, 2025, (ii) the Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2026 and 2025, (iii) the Unaudited Condensed Consolidated Statements of Stockholder’s Equity for the three months ended March 31, 2026 and 2025 (iv) the Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2026 and 2025, and (v) Notes to Condensed Consolidated Financial Statements (Unaudited), and (vi) the cover page.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed or furnished herewith, as applicable.

(1) Incorporated by reference to Registrant’s Registration Statement on Form 10-SB as filed with the SEC on September 19, 2002.

(2) Incorporated by reference to Registrant’s Registration Statement on Form 10-SB/A-2 as filed with the SEC on July 13, 2004.

(3) Incorporated by reference to Registrant’s Current Report on Form 8-K as filed with the SEC on February 14, 2018.

(4) Incorporated by reference to Registrant’s Quarterly Report on Form 10-Q as filed with the SEC on July 31, 2025.

(5) Incorporated by reference to Registrant’s Definitive Proxy Statement on Schedule 14A as filed with the SEC on March 13, 2008.

(6) Incorporated by reference to Registrant’s Current Report on Form 8-K as filed with the SEC on November 22, 2016.

(7) Incorporated by reference to Registrant’s Current Report on Form 8-K as filed with the SEC on March 27, 2018.

(8) Incorporated by reference to Registrant’s Current Report on Form 8-K as filed with the SEC on January 2, 2020.

SIGNATURES

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

Date: April 30, 2026

PACIFIC HEALTH CARE ORGANIZATION, INC.

/s/ Tom Kubota

Tom Kubota

Chief Executive Officer,

President and Chairman of the Board

(Principal Executive, Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED 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: April 30, 2026

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

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED 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: April 30, 2026

By: /s/ Tom Kubota
Tom Kubota
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 on Form 10-Q of Pacific Health Care Organization, Inc. (the "Company") for the quarter ended March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his 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: April 30, 2026

By: /s/ Tom Kubota
Tom Kubota
Chief Executive Officer and Principal Financial Officer