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, 2015

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number **000-50009**

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for any shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files.)

Yes ☒ No ☐

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

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

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 May 1, 2015, the registrant had 797,714 shares of common stock, par value $0.001, issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Information

Pacific Health Care Organization, Inc.
Condensed Consolidated Balance Sheets

ASSETS

	March 31, 2015 (Unaudited)	December 31, 2014
Current Assets		
Cash	$ 3,216,827	$ 2,946,025
Accounts receivable, net of allowance of $48,833 and $40,510	2,027,750	1,868,181
Prepaid income tax	2,703	2,703
Deferred tax asset	77,059	77,059
Prepaid expenses	79,776	77,278
Total current assets	5,404,115	4,971,246
Property and Equipment, net		
Computer equipment	234,379	222,240
Furniture and fixtures	92,191	92,191
Office equipment	27,160	27,160
Office equipment under capital lease	38,380	63,923
Total property and equipment	392,110	405,514
Less: accumulated depreciation	(213,572)	(226,329)
Net property and equipment	178,538	179,185
Other Assets	-	8,158
Total assets	$ 5,582,653	$ 5,158,589
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 170,815	$ 240,214
Accrued expenses	221,596	261,510
Income tax payable	11,534	9,348
Current obligations under capital lease	4,701	8,151
Deferred rent expense	11,822	14,332
Unearned revenue	40,206	-
Total current liabilities	460,674	533,555
Commitments and Contingencies	-	-
Shareholders' Equity		
Preferred stock; 5,000,000 shares authorized at $0.001 par value; zero shares issued and outstanding	-	-
Common stock, $0.001 par value 50,000,000 shares authorized at March 31, 2015 and December 31, 2014; 802,424 shares issued, (800,136 outstanding net of treasury shares) and 802,424 shares issued, (800,396 outstanding net of treasury shares), respectively	800	800
Additional paid-in capital	623,631	623,631
Treasury stock at cost (2,288 shares and 2,028 shares at March 31, 2015 and December 31, 2014), respectively	(88,011)	(76,715)
Retained earnings	4,585,559	4,077,318
Total stockholders' equity	5,121,979	4,625,034
Total liabilities and stockholders' equity	$ 5,582,653	$ 5,158,589

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

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

	For three months ended March 31,	
	2015	**2014**
Revenues:		
HCO fees	$ 248,640	$ 259,484
MPN fees	308,118	253,429
UR fees	1,014,290	725,855
MBR fees	370,414	475,220
NCM fees	244,472	254,129
Other	183,164	60,552
Total revenues	2,369,098	2,028,669
Expenses:		
Depreciation	12,786	11,155
Bad debt provision	8,250	8,253
Consulting fees	90,190	75,899
Salaries and wages	685,811	586,827
Professional fees	120,346	105,612
Insurance	84,757	68,648
Outsource service fees	337,747	264,568
Data maintenance	7,285	19,171
General and administrative	151,369	123,361
Total expenses	1,498,541	1,263,494
Income from operations	870,557	765,175
Other expense		
Interest expense	130	379
Total other expense	130	379
Income before taxes	870,427	764,796
Income tax provision	362,186	318,235
Net income	$ 508,241	$ 446,561
Basic and fully diluted earnings per share:		
Earnings per share amount	$ 0.64	$ 0.56
Weighted average common shares outstanding	800,136	802,424

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

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

	Three Months Ended March 31,	
	2015	**2014**
Cash flows from operating activities:		
Net income	$ 508,241	$ 446,561
Adjustments to reconcile net income to net cash:		
Depreciation	12,786	11,155
Changes in operating assets & liabilities		
Increase in bad debt provision	8,323	8,253
(Increase) in accounts receivable	(167,892)	(178,671)
Decrease in prepaid income tax	-	6,568
(Increase) decrease in prepaid expenses	(2,498)	10,942
Decrease (increase) in other assets	8,158	(5,545)
(Decrease) in accounts payable	(69,399)	(17,715)
(Decrease) in deferred rent expense	(2,510)	(1,450)
(Decrease) increase in accrued expenses	(39,914)	71,437
Increase in income tax payable	2,186	133,668
Increase in unearned revenue	40,206	-
Net cash provided in operating activities	297,687	485,203
Cash flows from investing activities:		
Purchase of furniture and office equipment	(12,139)	(16,148)
Net cash used in investing activities	(12,139)	(16,148)
Cash flows from financing activities:		
Purchase of treasury stock	(11,296)	-
Payment of obligation under capital lease	(3,450)	(3,202)
Net cash used in financing activities	(14,746)	(3,202)
Increase in cash	270,802	465,853
Cash at beginning of period	2,946,025	1,265,535
Cash at end of period	$ 3,216,827	$ 1,731,388
Supplemental cash flow information		
Cash paid for:		
Interest	$ 131	$ 383
Income taxes paid	$ 360,000	$ 178,000

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

Pacific Health Care Organization, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2015

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed financial statements be read in conjunction with the Company's audited financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2014. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015.

Revenue Recognition — In general, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fee is fixed or determinable and (iv) collectability is reasonably assured. Revenues are generated as services are provided to the customer based on the sales price agreed and collected. The Company recognizes revenue as the time is worked or as units of production are completed, which is when the revenue is earned and realized. Labor costs are recognized as the costs are incurred. The Company derives its revenue from the sale of Managed Care Services, Review Services, Case Management Services and Lien Representation Services. These services may be sold individually or in combination. When a sale combines multiple elements, the Company accounts for multiple-deliverable revenue arrangements in accordance with the guidance included in ASC 605-25, the services, however, are typically billed as separate components in accordance with the customer's service agreement.

These fees include monthly administration fees, claim network fees, flat rate fees or hourly fees depending on the agreement with the client. Such revenue is recognized at the end of each month for which services are performed.

Management reviews each agreement in accordance with the provision of the revenue recognition topic ASC 605 that addresses multiple-deliverable revenue arrangements. The multiple-deliverable arrangements entered into consist of bundled managed care which includes various units of accounting such as network solutions and patient management which includes managed care. Such elements are considered separate units of accounting due to each element having value to the customer on a stand-alone basis. The selling price for each unit of accounting is determined using contract price. When the Company's customers purchase several products the pricing of the products sold is generally the same as if the products were sold on an individual basis. Revenue is recognized as the work is performed in accordance with the Company's customer contracts. Based upon the nature of the Company's products, bundled managed care elements are generally delivered in the same accounting period. The Company recognizes revenue for patient management services ratably over the life of the customer contract. Based on prior experience in managed care, the Company estimates the deferral amount from when the customer's claim is received to when the customer contract expires. Advance payments from subscribers and billings made in advance are recorded on the balance sheet as deferred revenue.

Accounts Receivables and Bad Debt Allowance – In the normal course of business the Company extends credit to its customers on a short-term basis. Although the credit risk associated with these customers is minimal, the Company routinely reviews its accounts receivable balances and makes provisions for doubtful accounts. The Company ages its receivables by date of invoice. Management reviews bad debt reserves quarterly and reserves specific accounts as warranted or sets up a general reserve based on amounts over 90 days past due. When an account is deemed uncollectible, the Company charges off the receivable against the bad debt reserve. A considerable amount of judgment is required in assessing the realization of these receivables including the current creditworthiness of each customer and related aging of the past-due balances, including any billing disputes. In order to assess the collectability of these receivables, the Company performs ongoing credit evaluations of its customers' financial condition. Through these evaluations, the Company may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. The allowance for doubtful accounts is based on the best information available to the Company and is reevaluated and adjusted as additional information is received. The Company evaluates the allowance based on historical write-off experience, the size of the individual customer balances, past-due amounts and the overall national economy. At March 31, 2015 and December 31, 2014, our bad debt reserve of $48,833 and $40,510, respectively as a general reserve for certain balances over 90 days past due and for accounts that are potentially uncollectible.

The percentages of the amounts due from major customers to total accounts receivable as of March 31, 2015 and 2014 are as follows:

	3/31/15	3/31/14
Customer A	29%	28%
Customer B	21%	24%

Reclassifications – Certain 2014 quarterly balances have been reclassified to conform to the 2015 presentation. The reclassifications have had no effect on the financial position, operations or cash flows for the quarter ended March 31, 2015.

NOTE 2 - SUBSEQUENT EVENTS

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

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

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are based on our management's beliefs and assumptions and on information currently available to our management. For this purpose any statement contained in this report that is not a statement of historical fact may be deemed to be forward-looking, including statements about our revenue, spending, cash flow, products, trends, actions, intentions, plans, strategies and objectives. Without limiting the foregoing, words such as "*may*," "*hope*," "*will*," "*expect*," "*believe*," "*anticipate*," "*estimate*," "*project*" or "*continue*" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainty, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industry in which we and our customers participate; competition within our industry, including competition from much larger competitors; merger and acquisition activities; legislative requirements or changes which could render our services less competitive or obsolete; our failure to successfully develop new services and/or products or to anticipate current or prospective customers' needs; price increases or employee limitations; and completions, delays, reductions, or cancellations of contracts we have previously entered.

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

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

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

Overview

We are a specialty workers' compensation managed care company providing a range of services for self-administered employers, insurers, third party administrators, municipalities and others. Our clients are primarily located in the state of California, although we have processed bill reviews in 13 other states from our customers as well. Workers' compensation costs continue to increase due to rising medical costs, inflation, fraud and other factors. Medical and indemnity costs associated with workers' compensation in the state California are billions of dollars annually. Our focus goes beyond the medical cost of claims. Our goal is to reduce the entire cost of the claim, including medical, legal and administrative costs. As noted above, through our subsidiary companies we provide a range of effective workers' compensation cost containment services, including but not limited to:

- Health Care Organizations ("HCOs")
- Medical Provider Networks ("MPNs")
- HCO + MPN
- Workers' Compensation Carve-Outs
- Utilization Review ("UR")
- Medical Bill Review ("MBR")
- Nurse Case Management ("NCM")
- Lien Representation Services

According to recent studies conducted by auditing bodies on behalf of the California Division of Workers' Compensation, ("DWC") the two most significant cost drivers for workers' compensation are claims frequency and medical treatment costs. It is the latter that our services impact.

As of 2014, California (with the highest claims costs in the nation per claim) costs for workers' compensation claims are 188% above the median for all states, and 33% higher than the number two state, Connecticut. Medical costs per claim have risen since 2005 by $30,000 per claim. The use of the highly administered Company medical control tools listed above greatly diminishes costs for unnecessary and prolonged medical treatment. In addition, our network of specially selected and overseen providers are competent in returning the injured worker back to modified or full duty in the most expeditious manner, thus saving costs for temporary disability payments.

While the goal of services performed by the Company is to deliver the highest quality of timely medical care under state guidelines, we also focus on ensuring that the provision of such care significantly reduces the costs associated with payment for claims.

Health Care Organizations

HCOs are networks of health care professionals specializing in the treatment of workplace injuries and in back-to-work rehabilitation and training. HCOs were created to appeal to employees, while providing substantial savings to the employer clients. In most cases, the HCO program gives the employer client 180 days of medical control in a provider network within which the employer client has the ability to direct the claim. The injured worker may change physicians once, but may not leave the network. The increased length of time during which the employer has control over the claim is designed to decrease the incidence of fraudulent claims and disability awards and is also based upon the notion that if there is more control over medical treatment there will be more control over getting injured workers back on the job and therefore, more control over the cost of claims and workers' compensation premiums.

Our subsidiary Medex holds two HCO licenses. Through these licenses we cover the entire state of California. We offer injured workers a choice of enrolling in an HCO with a network managed by primary care providers requiring referrals to specialists or a second HCO where injured workers do not need any prior authorization to be seen and treated by specialists.

Our two HCO networks have contracted with over 3,900 individual providers and clinics, as well as hospitals, pharmacies, rehabilitation centers and other ancillary services enabling our HCOs to provide comprehensive medical services throughout California. We are continually developing these networks based upon the nominations of new clients and the approvals of their claims administrators. Provider credentialing is performed by Medex.

HCO guidelines impose certain medical oversight, reporting, information delivery and usage fees upon HCOs. These requirements increase the administrative costs and obligations on HCOs as compared to MPNs, although the obligations and cost differentials are not currently as substantial as they were in the past.

Medical Provider Networks

Like an HCO, an MPN is a network of health care professionals, but MPN networks do not require the same level of medical expertise in treating work place injuries. Under an MPN program the employer client dictates which physician the injured employee will see for the initial visit. Thereafter, the employee can choose to treat with any physician within the MPN network. Under the MPN program, however, for as long as the employee seeks treatment for his injury, he can only seek treatment from physicians within the MPN network.

The MPN program substantially allows medical control by the employer client for the life of the claim because the employee must stay within the MPN network for treatment. However, the employer client has full control of only the initial treatment before the employee can treat with anyone in the network. In addition, the MPN statute and regulations allow the injured worker to dispute treatment decisions, leading to second and third opinions, and then a review by an independent medical reviewer, whose decision can result in the employer client losing medical control.

Unlike HCOs, MPNs are not assessed annual fees and have no annual enrollment notice delivery requirements. As a result, there are fewer administrative costs associated with an MPN program, which allows MPNs to market their services at a lower cost than HCOs. For this reason, many clients opt to use the less complicated MPN even though the employer client has less control over employee claims.

HCO + MPN

As a licensed HCO and MPN, in addition to offering HCO and MPN programs, we are also able to offer our clients a combination of the HCO and MPN programs. Under this plan model an employer can enroll its employees in the HCO program, and then prior to the expiration of the 90-day or 180-day treatment period under the HCO program, the employer can enroll the employee into the MPN program. This allows employers to take advantage of both programs. We believe that we are currently the only entity that offers both programs together in a combination program.

Workers' Compensation Carve-outs

Through IRC we seek to create legal agreements for the implementation of Workers' Compensation Carve-Outs for California employers with collective bargaining units and the administration of such programs within the statutory and regulatory requirements. The California legislature permits employers and employees to engage in collective bargaining over alternative systems to resolve disputes in the workers' compensation context. These systems are called carve-outs because the employers and employees covered by such collective bargaining agreements are carved out from the state workers' compensation system.

Utilization Review

Utilization review includes utilization review or utilization management functions that prospectively, retrospectively, or concurrently review and approve, modify, delay, or deny, based in whole or in part on medical necessity to cure and relieve, treatment recommendations by physicians, prior to, retrospectively, or concurrently with the provision of such medical treatment services pursuant to California Workers' Compensation law, or other jurisdictional statutes.

We provide UR to self-insured clients, insurance companies and public entities through MMC. UR helps to reduce costs for the payor and determine if the recommended treatment is appropriate. MMC offers automated review services that can cut the overhead costs of our clients and increase payer savings. Our UR staff is experienced in the workers' compensation industry and dedicated to providing a high standard of customer service.

Medical Bill Review

Medical bill review refers to professional analysis of medical provider, services, or equipment billing to ascertain the proper reimbursement. Such services include, but are not limited to, coding review and rebundling, customary and reasonableness review, fee schedule analysis, out-of-network bill review, pharmacy review, PPO management, and repricing.

In connection with our MBR services, we provide bill review (cost containment) services to self-insured employers, insurance companies and the public sector to help reduce medical expenses paid by our customers through MMC. In providing these services we provide network savings on top of State Fee Schedule savings allowing top provider networks to achieve savings.

We offer our clients quick turnaround, state of the art software and the expertise of our bill review staff. We are committed to service and believe the reputation of our staff sets us apart from our competition.

Nurse Case Management

Nurse case management is a collaborative process that assesses plans, implements, coordinates, monitors and evaluates the options and services required to meet an injured worker's health needs. Our nurse case managers use communication and available resources to promote quality, cost-effective outcomes with the goal of returning the injured worker to gainful employment and maximum medical improvement as soon as medically appropriate.

Our credentialed registered nurses have expertise in various clinical areas and extensive backgrounds in workers' compensation. This combination allows our nurses the opportunity to facilitate medical treatment while understanding the nuances of workers' compensation up to and including litigation. By providing these services through MMM, we contribute to effective delivery of medical treatment assuring the injured worker receives quality treatment in a timely and appropriate manner to return the worker to gainful employment.

Lien Representation

We commenced offering lien representation services in February 2012, but significantly scaled back our operations in January 2013 as a result of the anticipated negative impact of California Senate Bill 863. Signed into law on August 31, 2012, Senate Bill 863 reactivated significant lien filing fees and shortened statutes of limitations for lien filings. The immediate result of Senate Bill 863 was an approximately 40% reduction in the number of liens filed in the state of California.

Based on recent changes made by the DWC, we reinstated our lien representation services through MLS during the fourth quarter of 2014. There were two reasons for this decision: 1) lien activation fees have been declared unconstitutional by California courts, so the number of significant lien filings is again increasing; 2) in November 2014 we were retained by a public sector employer to provide lien representation services. We retained a lien defense unit manager and a hearing representative in January 2015 with plans to expand our lien representation operations during 2015.

Results of Operations

Comparison of the three months ended March 31, 2015 and 2014

Revenue

Total revenues during the three-month period ended March 31, 2015 increased 17% to $2,369,098 compared to the three-month period ended March 31, 2014. Although total revenues increased by 17%, the total number of employee enrollees only increased by 13% during the three month period ended March 31, 2015 when compared to the same period in 2014. As of March 31, 2015 we had approximately 674,000 total enrollees. Enrollment consisted of approximately 82,000 HCO enrollees and 592,000 MPN enrollees. By comparison as of March 31, 2014 we had approximately 597,000 total enrollees, including approximately 78,000 HCO enrollees and 519,000 MPN enrollees. The net increase during this period in HCO and MPN enrollment of approximately 4,000 and 73,000, respectively, was primarily the result of existing major HCO and MPN customers increasing their enrollment together with the addition of new customers.

MPN, UR and Other revenues increased by 22%, 40% and 202%, respectively while HCO, MBR and NCM revenues decreased 4%, 22% and 4%, respectively during the first three months of fiscal 2015. Other revenues consisted of revenues derived primarily from network access and claims repricing services and lien representation fees. While we realized growth in our total revenue during the three-month period ended March 31, 2015, for reasons discussed in this report there is no assurance that we will continue to realize comparable growth rates during the remainder of 2015.

Our business generally has a long sales cycle, typically in excess of one year. Once we have established a customer relationship, our revenue adjusts with the growth or retraction of our customers' managed headcount volume. New customers are added throughout the year and other customers terminate from the program for a variety of reasons.

In the current economic environment, we anticipate businesses will continue to seek ways to further reduce their workers' compensation program costs. Even though the HCO and MPN programs have been shown to create a favorable return on investment for employers, (as our services are a significant component of the employers' loss prevention programs), it is always a challenge to justify our fees to our customers, especially in this economy. In order to convince employers that the fees they pay us are well-spent, we must continue to provide a framework for expeditiously returning employees back to work at the lowest cost. As a result, we may experience some client turnover in the form of existing employer clients seeking to terminate or renegotiate the scope and terms of existing services. We also anticipate our market may shrink as some employers seek to reduce their costs by managing their workers' compensation care services in-house.

HCO Fees

During the three months ended March 31, 2015 and 2014 HCO fee revenues were $248,640 and $259,484, respectively. While HCO enrollment increased 5% during the three-month period ended March 31, 2015, we realized a decrease of 4% in revenue from HCO fees. The decrease in HCO revenue of $10,844 was the result of lower levels of HCO claims network fees and re-notification costs, partially offset by the addition of three new customers.

MPN Fees

MPN fee revenues for the three months ended March 31, 2015 and 2014 were $308,118 and $253,429, respectively, an increase of 22%. During the same period MPN enrollment increased 14%. Revenue growth outpaced enrollment growth principally as a result of an increase in revenues by one customer and the addition of three new MPN customers.

UR Fees

During the three-month period ended March 31, 2015 UR revenues increased $288,435 to $1,014,290 when compared to the same period a year earlier. Starting in March 2014 we began providing overflow utilization review services to a third-party partner to assist them in reducing their backlog. During the three-month period ended March 31, 2015 and 2014 these overflow revenue fees contributed $55,955 and $3,040 respectively. This third party partner contributed $1,184,270 towards our overall UR revenues during the year 2014. As of February 28, 2015 we were notified by our third-party partner that their backlog overflow business was caught up. While they have not terminated their service agreement with us, we have received no overflow business from this third-party partner since that time. Currently we have no way to predict whether the third-party partner will build up a backlog in the future, and if it does, whether it will again retain us to help it work through any such backlog. During the first fiscal quarter 2015 existing customers, other than our third-party partner, accounted for $235,520 of the $288,435 total increase in UR revenues. Unless we are able to attract additional new customers over the remaining months of 2015, or our third-party partner requires additional overflow services, we can give no assurance that UR revenues in 2015 will exceed the levels realized during 2014.

MBR fees

During the quarter ended March 31, 2015 MBR revenues decreased $104,806 to $370,414 when compared to the same period a year earlier. During October 2014 Companion Property and Casualty Insurance Company ("Companion"), one of our significant customers, notified us that subject to certain closing conditions, including necessary governmental and regulatory approvals, it would be acquired by Enstar Group Limited ("Enstar"). Enstar announced the completion of this acquisition on January 27, 2015. We anticipate Enstar will take in-house all of the business Companion has been outsourcing to MMC. As a result of this transaction, we anticipate MBR fees and total revenues will be impacted beginning with the second quarter of 2015. During the three-month period ended March 31, 2015 and 2014 MBR fees generated from Companion were 57% and 71%, of total MBR revenues, respectively.

NCM Fees

During the three months ended March 31, 2015 and 2014 NCM revenues were $244,472 and $254,129 respectively. This decrease of $9,657 was a result of fewer claims filed by our existing customers reducing the number of cases we processed during the quarter ended March 31, 2015. We hope to reverse this downward trend over the remaining months of 2015 primarily by acquiring new customers and increased referrals from existing customers.

Other Fees

Other fees consist of revenues derived from network access and claims repricing services provided by Medex and lien representation services provided by MLS. Other fee revenues for the three-month periods ended March 31, 2015 and 2014 were $183,164 and $60,552, respectively.

Network Access and Repricing Fees

Our network access and claims repricing fees are generated from certain customers who have access to our network and split with Medex the cost savings generated from their PPO. During the three months ended March 31, 2015 and 2014 network access fee revenues generated were $158,105 and $60,552, respectively. This increase of $97,553 was primarily the result of one customer having higher savings realized from using our network. While we anticipate revenue from our network access and claims repricing services will grow in the future, at this time, we cannot accurately predict the rate at which this revenue stream might increase.

Lien Representation Fees

During the quarter ended March 31, 2015 we recorded lien representation fees totaling $25,059 compared to none during the same period a year earlier. MLS commenced offering lien representation services in February 2012, but scaled back its operations in January 2013 as a result of the potential negative impact of Senate Bill 863. Based on recent changes made by the DWC, MLS reinstated its lien representation services during the fourth quarter 2014. There were two reasons for our decision: 1) lien activation fees have been declared unconstitutional by the California courts, so the number of significant lien filings is increasing; 2) in November 2014 a public sector employer retained MLS to provide it lien representation services. MLS hired a lien defense manager and a lien defense administrator in January 2015 with plans to further expand its lien representation service operations during remaining months of 2015. We anticipate revenue from our lien representation services will grow moderately in future periods.

Expenses

Total expenses for the three months ended March 31, 2015 and 2014 were $1,498,541 and $1,263,494 respectively. The increase of $235,047 was the result of increases in depreciation, consulting fees, salaries and wages, professional fees, insurance, outsource service fees and general and administrative expense, partially offset by decreases in bad debt and data maintenance expense.

Bad Debt

During the three-month periods ending March 31, 2015 and 2014 we recorded a bad debt provision of $8,250 and $8,253, respectively, to cover potential uncollectible account receivables. At March 31, 2015 and December 31, 2014 our allowances for bad debt balances were $48,833 and $40,510, respectively.

Consulting Fees

During the three months ended March 31, 2015 consulting fees increased to $90,190 from $75,899 during the three months ended March 31, 2014. This increase of $14,291 was primarily the result of increased IT consultant fees, an addition of a temporary administrative consultant in January 2015 who was terminated after one month of service and annual increases in consulting fees for two consultants in January 2015.

Salaries and Wages

Salaries and wages increased $98,984 or 17% to $685,811 during the quarter ended March 31, 2015 compared to $586,827 during the three months ended March 31, 2014. The increase in salaries and wages was due to new hires and annual salary increases offset by terminations of employees. Since the end of the first fiscal quarter 2014 Medex has added three new employees and PHCO's total employees increased by a net total of 2. To handle the spike in demand for utilization review services, during the second half of 2014, MMC hired 14 new employees, of those 14, six remain with MMC as of the date of this report. MMM replaced an employee and MLS hired two new employees.

Professional Fees

For the three months ended March 31, 2015 we incurred professional fees of $120,346, compared to $105,612 during the three months ended March 31, 2014. This 14% increase in fees was primarily the result of increased professional fees paid for field case management services and an increase in the monthly retainer fee paid to our medical director.

Insurance

During the three-month period ended March 31, 2015 we incurred insurance expenses of $84,757, a $16,109 increase over the prior year three-month period. The increase was mostly the result of increased group health, vision and dental insurance costs resulting from hiring new employees at PHCO, Medex, MMC and MMM and increases in our workers' compensation and network security liability insurance. We are currently reviewing our entire company insurance policies and do not expect a material increase during the remainder of this fiscal year.

Outsource Service Fees

Outsource service fees consist of costs incurred in outsourcing UR and MBR services and certain NCM services. We do not, at this time, have enough volume to justify creating our own UR and MBR in-house staff. Instead, we utilize outside vendors to provide specific services for our clients, charging additional fees over and above those paid to our outside vendors for administration and coordination of UR, MBR and NCM services directly to the clients. Typically our outsource service fees increase and decrease in correspondence with the level of MBR and UR services, and some NCM services, we provide to our customers. In times when the level of MBR or UR services rendered increases, we typically experience higher outsource service fees, and when the level of services we render decreases, we typically experience lower outsource service fees. We incurred $337,747 and $264,568 in outsource service fees during the quarters ended March 31, 2015 and 2014, respectively. The increase of $73,179 was largely the result of the increased number of UR outsource service fees resulting from the overflow from our third-party partner, and increased NCM outsource service fees, partially offset by lower MBR-related outsource service fees. With the loss of certain customers discussed above, we anticipate outsource service fees will be lower in future periods, although at this time it is difficult to project how much lower.

Data Maintenance

During the three months ended March 31, 2015 and 2014 data maintenance fees were $7,285 and $19,171, respectively. The decrease of $11,886 in data maintenance fees was primarily attributable to lower data maintenance costs resulting from fewer numbers of existing customers sending out renewal notifications associated with HCO enrollees for the period ended March 31, 2015.

General and Administrative

General and administrative expenses increased 23% to $151,369 during the three-month period ended March 31, 2015. This increase of $28,008 was primarily attributable to increases in charitable contribution expense, auto expense, dues and subscriptions, equipment repairs, IT expense, printing and reproduction, equipment rent, office rent, travel and entertainment, vacation expense and miscellaneous general administrative expenses partially offset by decreases in advertising, office supplies, postage and delivery and shareholder' expense. Provided we continue to grow at our current rate, we expect current levels of general and administrative expenses to marginally increase during fiscal year 2015.

Income from Operations

As a result of the 17% increase in total revenue during the three-month period ending March 31, 2015, which was only partially offset by the 19% increase in total expenses during the three-month period ended March 31, 2015, our income from operations increased by 14% during the three-month period ended March 31, 2015.

Income Tax Provision

We realized income before taxes of $870,427 during the quarter ended March 31, 2015 compared to $764,796 during the quarter ended March 31, 2014. As a result our income tax provision increased during the 2015 quarter 14% to $362,186.

Net Income

During the three months ended March 31, 2015 total revenues of $2,369,098 were higher by $340,429 when compared to the same period in 2014. This increase in total revenues was partially offset by increases in total expenses of $235,047 resulting in income from operations of $870,557 compared to income from operations of $765,175 during three months ended March 31, 2014. Correspondingly, we realized net income of $508,241 for the three months ended March 31, 2015 compared to net income of $446,561, during the three months ended March 31, 2014. While we realized growth in net income during the three month period ended March 31, 2015, for reasons discussed throughout this report, there is no assurance that we will continue to realize revenue or net income growth during the remaining months of 2015 at the same rate realized during fiscal 2014 or during our first fiscal quarter of 2015.

Liquidity and Capital Resources

As of March 31, 2015 we had cash on hand of $3,216,827 compared to $2,946,025 at December 31, 2014. The $270,802 increase in cash on hand is primarily the result of increases in revenue from operations, bad debt provision, income tax payable, unearned revenue, with decreases in other assets and the disposal of office equipment under capital lease. These changes were partially offset by increases in accounts receivable and prepaid expenses and decreases in depreciation, accounts payable, accrued expenses, deferred rent and purchase of computers, furniture and fixtures, treasury stock and payment of obligations under capital lease.

As discussed in this Management's Discussion and Analysis, with the closing of the Enstar acquisition of Companion, we anticipate we will lose the MBR business Companion currently outsources to MMC beginning as early as the second fiscal quarter 2015. This could result in a significant decrease in MBR revenue until such time as we are able to retain new MBR work from new and existing clients, if ever. During fiscal 2014, and more particularly during the third fiscal quarter 2014, we assisted a third-party partner with its UR overflow work. This resulted in a 56% increase in UR fees during fiscal 2014. On February 28, 2015 we were notified by our third-party partner that their backlog was caught up and we have not received any overflow business from our third-party partner since that time. During the three-month periods ended March 31, 2015 and 2014 revenues from our third-party partner were $55,955 and $3,040, respectively. At this time we have no way to predict whether the third-party partner will send us overflow work in the future. As noted herein, in November 2014 we reinstated our lien representation business and we were successful in retaining a new UR customer. We are hopeful revenue generated from re-entering the lien representation services business and increases in revenues from existing and new customers will help to at least partially offset anticipated reductions in MBR and UR revenue from the loss or reduction of business from existing customers. Even if we experience potential reductions in revenue as a result of the foregoing events, barring a significant downturn in the economy, we believe that cash on hand and anticipated revenues from operations will be sufficient to cover our operating costs over the next twelve months.

We currently have planned certain capital expenditures during fiscal 2015 to accommodate our growth. We do not anticipate this will require us to seek outside sources of funding. We do, however, from time to time, investigate potential opportunities to expand our business either through the creation of new business lines or the acquisition of existing businesses. We have not identified any suitable opportunity at the current time. An expansion or acquisition of this sort may require greater capital resources than we possess. Should we need additional capital resources, we most likely would seek to obtain such through debt and/or equity financing. We do not currently possess an institutional source of financing. There is no assurance that we could be successful in obtaining equity or debt financing on favorable terms, or at all.

Cash Flow

During the three months ended March 31, 2015 cash was primarily used to fund operations. We had a net increase in cash of $270,802 during the three months ended March 31, 2015. See below for additional discussion and analysis of cash flow.

	For the three months ended March 31, 2015 (unaudited)	2014 (unaudited)
Net cash provided by operating activities	$ 297,687	$ 485,203
Net cash used in investing activities	(12,139)	(16,148)
Net cash used in financing activities	(14,746)	(3,202)
Net increase in cash	$ 270,802	$ 465,853

During the three months ended March 31, 2015 and 2014 net cash provided by operating activities were $297,687 and $485,203, respectively. As discussed herein we realized net income of $508,241 during the three months ended March 31, 2015 compared to net income of $446,561 during the three months ended March 31, 2014.

Summary of Material Contractual Commitments

The following is a summary of our material contractual commitments as of March 31, 2015:

	Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases:					
Operating Leases – Equipment (1)	$ 31,330	$ 13,811	$ 17,519	$ -	$ -
Office Leases (2)	137,026	112,112	24,914	-	-
Total Operating Leases	$ 168,356	$ 125,923	$ 42,433	$ -	$ -
Capitalized Leases:					
Capitalized Equipment Leases (3)	$ 4,775	$ 4,775	$ -	$ -	$ -
Total Capitalized Equipment Leases	4,775	4,775	-	-	-
Less amounts representing interest	(74)	(74)	-	-	-
Total Principal	$ 4,701	$ 4,701	$ -	$ -	$ -

(1) In October 2013 we entered into a 36 month operating lease for an office copy machine with monthly payments at $160.93. In December 2013 we leased two document scanners with monthly operating lease payments of $206.93 each for 36 months. In April 2014 we entered into a 36 month operating lease for an office copy machine with monthly payments at $960.

(2) Following is our annual base rent for our office space throughout the remaining term of the lease:

Rent Period	Annual Rent Payments
Apr. 1 to Dec. 31, 2015	$ 112,112
Jan. 1 to Feb. 29, 2016	24,914
Total	$ 137,026

(3) In January 2010 we entered into a capital lease arrangement whereby we leased an office copy machine for $25,543. The asset was recorded on our balance sheet under office equipment under capital lease and our liability incurred under the lease was recorded as current and noncurrent obligations under capital lease. During January 2015 this office copy machine under our capital lease arrangement was retired. The lease arrangement was for a term of 48 months at level rents with capital interest rate at 7%. In August 2012 we entered into a capital lease arrangement whereby we leased an office server equipment for $38,380. The asset was recorded on our balance sheet under office equipment under capital lease and our liability incurred under the lease was recorded as current and noncurrent obligations under capital lease. The lease arrangement is for a term of 36 months at level rents with capital interest rate at 7.5%.

Off-Balance Sheet Financing Arrangements

As of March 31, 2015 we had no off-balance sheet financing arrangements.

Inflation

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting standards generally accepted in the United States requires management to make estimates and assumptions that affect both the recorded values of assets and liabilities at the date of the financial statements and the revenues recognized and expenses incurred during the reporting period. Our estimates and assumptions affect our recognition of deferred expenses, bad debts, income taxes, the carrying value of its long-lived assets and its provision for certain contingencies. We evaluate the reasonableness of these estimates and assumptions continually based on a combination of historical information and other information that comes to its attention that may vary its outlook for the future. Actual results may differ from these estimates under different assumptions.

We believe the critical accounting policies that most impact our consolidated financial statements are described below.

Basis of Accounting — We use the accrual method of accounting.

Revenue Recognition — In general, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fee is fixed or determinable and (iv) collectability is reasonably assured. Revenues are generated as services are provided to the customer based on the sales price agreed and collected. We recognize revenue as the time is worked or as units of production are completed, which is when the revenue is earned and realized. Labor costs are recognized as the costs are incurred. We derive our revenue from the sale of Managed Care Services, Review Services and Case Management Services. These services may be sold individually or combined. When a sale combines multiple elements, we account for multiple-deliverable revenue arrangements in accordance with the guidance included in ASC 605-25.

These fees include monthly administration fees, claim network fees, flat rate fees or hourly fees depending on the agreement with the client. Such revenue is recognized at the end of each month for which services are performed.

Management reviews each agreement in accordance with the provision of the revenue recognition topic ASC 605 that addresses multiple-deliverable revenue arrangements. The multiple-deliverable arrangements entered into consist of bundled managed care which includes various units of accounting such as network solutions and patient management which includes managed care. Such elements are considered separate units of accounting due to each element having value to the customer on a stand-alone basis. The selling price for each unit of accounting is determined using contract price. When our customers purchase several products the pricing of the products sold is generally the same as if the products were sold on an individual basis. Revenue is recognized as the work is performed in accordance with our customer contracts. Based upon the nature of our products, bundled managed care elements are generally delivered in the same accounting period. We recognize revenue for patient management services ratably over the life of the customer contract. We estimate, based upon prior experience in managed care, the deferral amount from when the customers claim is received to when the customer contract expires. Advance payments from subscribers and billings made in advance are recorded on the balance sheet as deferred revenue. At March 31, 2015 and 2014 there were no advance payments requiring deferral of revenue.

Accounts Receivables and Bad Debt Allowance – In the normal course of business we extend credit to our customers on a short-term basis. Although the credit risk associated with these customers is minimal, we routinely review our accounts receivable balances and make provisions for doubtful accounts. We age our receivables by date of invoice. Management reviews bad debt reserves quarterly and reserves specific accounts as warranted or sets up a general reserve based on amounts over 90 days past due. When an account is deemed uncollectible, we charge off the receivable against the bad debt reserve. A considerable amount of judgment is required in assessing the realization of these receivables including the current creditworthiness of each customer and related aging of the past-due balances, including any billing disputes. In order to assess the collectability of these receivables, we perform ongoing credit evaluations of its customers' financial condition. Through these evaluations, we 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 doubtful accounts is based on the best information available to us and is reevaluated and adjusted as additional information is received. We evaluate the allowance based on historical write-off experience, the size of the individual customer balances, past-due amounts and the overall national economy. At March 31, 2015 and December 31, 2014, our bad debt reserve of $48,833 and $40,510, respectively as a general reserve for certain balances over 90 days past due and for accounts that are potentially uncollectible.

The percentages of the amounts due from major customers to total accounts receivable as of March 31, 2015 and 2014 are as follows:

	3/31/15	3/31/14
Customer A	29%	28%
Customer B	21%	24%

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

Item 3. Quantitative and Qualitative Disclosure about Market Risk

This information is not required for smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act.) We maintain disclosure controls and procedures that are designed to provide reasonable assurance that the information required to be disclosed by us in the reports filed or submitted by us to the Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this report, our principal executive officer and principal financial officer concluded that as of the end of the period covered by this quarterly report on Form 10-Q our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes to the risk factors listed in Part I, "Item 1A, Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2014. These risk factors should be carefully considered with the information provided elsewhere in this report, which could materially adversely affect our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth information about the Company's stock purchases on a monthly basis for the quarter ended March 31, 2015:

For the months	Total number of shares purchased	Average price paid per share[1]	Total number of shares purchased as part of publicly announced plans or programs[2]	Maximum dollar value of shares that may yet be purchased under the plans or programs[3]
January 1, 2015 to January 31, 2015	260	$ 37.81	260	$ 411,990
February 1, 2015 to February 28, 2015	-	$ -	-	$ -
March 1, 2015 to March 31, 2015	-	$ -	-	$ -
Total	260	$ 37.81	260	$ 411,990

(1) Reflects executed price, exclusive of brokers' commissions and fees.

(2) On November 26, 2014, we announced that on November 25, 2014, our board of directors adopted a share repurchase program ("Repurchase Program") that commenced on December 1, 2014. Pursuant to the Repurchase Program, we may repurchase up to $500,000 worth of shares of our common stock. We have and will continue to repurchase shares of our common stock from time to time in either open market or private transactions in accordance with applicable insider trading and other securities laws and regulations at then-prevailing market prices. The Repurchase Program is for a term of six months, although the Plan may be modified, suspended or terminated at any time by us without prior notice. In connection with the Repurchase Program, we entered into an agreement pursuant to SEC Rule 10b5-1 authorizing a third-party broker to purchase shares on our behalf from time to time, in accordance with trading instructions included in such agreement.

(3) Maximum dollar value remaining reflects deduction of brokers' commission and fees paid in connection with the repurchases shown in the table above.

Subsequent to March 31, 2015, pursuant to the publicly announced plan, we have repurchased an additional 2,422 shares at a weighted average execution price (exclusive of brokers' commission and fees) of approximately $32.84.

Item 6. Exhibits

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

Exhibit Number	Title of Document
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101	The following materials from Pacific Health Care Organization, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to the Condensed Consolidated Financial Statements.

SIGNATURES

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

PACIFIC HEALTH CARE ORGANIZATION, INC.

Date: May 13, 2015

/s/ Tom Kubota
Tom Kubota
Chief Executive Officer

Date: May 13, 2015

/s/ Fred Odaka
Fred Odaka
Chief Financial Officer

EXHIBIT 31.1

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

I, Tom Kubota, certify that:

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

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of 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: May 13, 2015

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

EXHIBIT 31.2

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

I, Fred Odaka, certify that:

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

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of 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: May 13, 2015

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

EXHIBIT 32.1

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

In connection with the quarterly report on Form 10-Q of Pacific Health Care Organization, Inc. (the "Company") for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Tom Kubota, Chief Executive Officer of the Company, and Fred Odaka, Chief Financial Officer of the Company, each 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 the best of 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: May 13, 2015 /s/ Tom Kubota
Tom Kubota
Chief Executive Officer

Date: May 13, 2015 /s/ Fred Odaka
Fred Odaka
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Pacific Health Care Organization, Inc. and will be retained by Pacific Health Care Organization, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.