# Molina Healthcare Reports Fourth Quarter and Year-End 2019 Financial Results

February 10, 2020

*Introduces Full Year 2020 Earnings Guidance*

LONG BEACH, Calif.--(BUSINESS WIRE)--Feb. 10, 2020-- Molina Healthcare, Inc. (NYSE: MOH) today reported net income for the fourth quarter of 2019 of $168 million, or $2.67 per diluted share, compared to net income of $201 million, or $3.01 per diluted share, for the fourth quarter of 2018. The Company also reported net income for the year ended December 31, 2019, of $737 million, or $11.47 per diluted share, compared to net income of $707 million, or $10.61 per diluted share, for the year ended December 31, 2018. Financial results for the fourth quarter and full year 2019 are summarized below:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | *(In millions, except per share results)* | | | |
| Premium Revenue | $ 4,123 | $ 4,438 | $16,208 | $17,612 |
| Total Revenue | $ 4,274 | $ 4,664 | $16,829 | $18,890 |
| Pre-Tax Income | $ 222 | $ 256 | $ 972 | $ 999 |
| Net Income | $ 168 | $ 201 | $ 737 | $ 707 |
| EPS – Diluted | $ 2.67 | $ 3.01 | $ 11.47 | $ 10.61 |
| | | | | |
| MCR | 86.0% | 85.1% | 85.8% | 85.9% |
| G&A Ratio | 8.0% | 7.2% | 7.7% | 7.1% |
| Pre-Tax Margin | 5.2% | 5.5% | 5.8% | 5.3% |
| Effective Tax Rate | 24.3% | 21.4% | 24.2% | 29.2% |
| After-Tax Margin | 3.9% | 4.3% | 4.4% | 3.7% |

**Highlights include:**

- Premium revenue was $4.1 billion for the fourth quarter of 2019, a 7.1% decrease compared to the fourth quarter of 2018.
- Medical care ratio (MCR) was 86.0% for the fourth quarter of 2019, compared to 85.1% for the fourth quarter of 2018.
- General and administrative (G&A) expense ratio increased to 8.0% for the fourth quarter of 2019, compared to 7.2% for the fourth quarter of 2018.
- After-tax margin was 3.9% for the fourth quarter of 2019, compared to 4.3% for the fourth quarter of 2018.
- Net income for the year ended December 31, 2019, increased to $737 million, compared to $707 million for 2018, and after-tax margin increased to 4.4% for 2019, compared to 3.7% for 2018.
- In December 2019, the Company's Board of Directors authorized a share repurchase program of up to $500 million, and through February 7th, the Company repurchased an aggregate of approximately 1.9 million shares for $257 million, at an average cost of $133.23 per share.
- Operating cash flows for the year ended December 31, 2019, were $427 million.
- Introduced full year 2020 earnings guidance, including GAAP earnings per diluted share of $11.20 - $11.70.
- In October 2019, the Company announced that it entered into a definitive agreement to acquire certain assets of YourCare HealthPlan for approximately $40 million. Molina will assume the rights to serve approximately 46,000 Medicaid members in Western New York. The acquisition is expected to close in the first half of 2020.
- In January 2020, the Company announced that it entered into a definitive agreement to acquire all of the capital stock of NextLevel Health Partners for approximately $50 million. Molina will assume the rights to serve approximately 50,000 Medicaid and Managed Long-Term Services and Supports members in Illinois' Cook County. The acquisition is expected to close in the first half of 2020.

Joe Zubretsky, president and CEO, said, "We are pleased with our fourth quarter and full year results. We improved our Medicaid and Medicare margins and achieved exceptional Marketplace margins. Overall, we delivered 4.4 percent after-tax margins and earnings per share growth of 8 percent." Mr. Zubretsky continued, "Going forward, 2020 represents an important year in our pivot to growth strategy with a return to top-line growth. Each of our three business lines are well positioned to grow in 2020 and beyond."

**Premium Revenue**

Premium revenue for the fourth quarter of 2019 decreased 7.1% to $4.1 billion compared to $4.4 billion for the fourth quarter of 2018, which was in line with the Company's expectations.

For the year ended December 31, 2019, premium revenue decreased 8.0% to $16.2 billion, from $17.6 billion for the comparable period in 2018. For both periods, the lower premium revenue is primarily a result of previously announced losses of Medicaid membership in New Mexico and Florida.

**Medical Care Ratio**

The consolidated MCR for the fourth quarter of 2019 increased to 86.0%, compared to 85.1% for the fourth quarter of 2018, primarily due to the increased Marketplace MCR. Prior period reserve development in the quarter was not material.

The MCR for the year ended December 31, 2019, improved to 85.8%, compared to 85.9% for the comparable period in 2018, due to a combination of the following:

- **The Medicaid MCR** improved to 88.0%, compared to 90.0% for the year ended December 31, 2018, due to improvement in all programs.
- **The Medicare MCR** increased to 85.3%, compared to 84.5% for the year ended December 31, 2018, due to fluctuation of medical care costs in certain markets.
- **The Marketplace MCR** was 68.2%, compared to 58.9% for the year ended December 31, 2018. The MCR in 2018 was favorably impacted by reduced medical care costs due to Cost Sharing Reduction (CSR) subsidies related to 2017 dates of service, while the current year was impacted by a relatively smaller benefit from prior-year Marketplace risk adjustment compared to 2018.

**General and Administrative Expense Ratio**

General and administrative expenses were 8.0% of total revenues for the fourth quarter of 2019, compared to 7.2% for the fourth quarter of 2018.

For the year ended December 31, 2019, the G&A ratio was 7.7%, compared to 7.1% for the comparable prior-year period. In both periods, the year-over-year increases are due mainly to the year-over-year decline in total revenues.

**Interest Expense**

Interest expense was $20 million for the fourth quarter of 2019, compared to $24 million for the fourth quarter of 2018. The decline was due to the repayment of convertible notes in 2019.

**Balance Sheet**

Cash and investments at the parent company amounted to $997 million as of December 31, 2019, compared to $796 million as of September 30, 2019.

For the fourth quarter of 2019, the parent company received $305 million of dividends from the regulated health plan subsidiaries.

The Company repaid $240 million of principal on the convertible notes in 2019. The impact of capital deployment actions in 2019 resulted in lower interest expense, a net gain on repayment of the convertible notes and a lower share count.

In early December 2019, the Company's board of directors authorized the purchase of up to $500 million in aggregate of the Company's common stock. Pursuant to a 10b5-1 trading plan, under this authorization the Company purchased approximately 400,000 shares for $54 million through December 31, 2019, and through February 7th, the Company has purchased in total approximately 1.9 million shares for $257 million.

**Cash Flow**

Operating cash flows for the year ended December 31, 2019, amounted to $427 million and were higher compared to the year ended December 31, 2018, primarily due to the normal fluctuations in timing of premium receipts.

**Outlook**

The Company issued its full year 2020 earnings guidance, including GAAP earnings per diluted share of $11.20 - $11.70 and premium revenue growth of 7.4%.

Full year guidance highlights:

- Medicaid after-tax margins are expected to perform well benefiting from stable rate and cost trend environments.
- Medicare after-tax margins are expected to be strong despite the impact of the Health Insurer Fee.
- Marketplace after-tax margins are expected to be lower reflecting pricing actions taken for the year.

Full year guidance reflects the following:

- The reintroduction of the Health Insurer Fee in 2020 with an impact of approximately $0.30 per diluted share.
- Steady state in Texas for the full year 2020. The Company is currently exercising its protest rights on the recently announced STAR+PLUS RFP award. The Company believes that the effective date of the new contract would be no earlier than January 1, 2021.
- The YourCare Health Plan and NextLevel Health Partners acquisitions are not included in guidance as the transactions have not closed. Together they have over $500 million in annualized premium revenue.

| Full Year 2020 Guidance [1] | |
|---|---|
| Premium Revenue | ~$17.4B |
| Medicaid | ~$13.3B |
| Medicare | ~$2.5B |
| Marketplace | ~$1.6B |
| Premium Tax Revenue | ~$565M |
| Health Insurer Fees Reimbursed | ~$280M |
| Total Revenue | ~$18.3B |
| Interest Expense | ~$85M |
| Net Income | $674M - $704M |
| EPS - Diluted | $11.20 - $11.70 |
| Diluted Shares | ~60.2M |
| | |
| Total Membership | ~3.4M |
| Medicaid and Medicare | ~3.1M |
| Marketplace | ~310K |
| | |
| Ratios: | |
| MCR | 86.2% - 86.4% |
| G&A Ratio | ~7.2% |
| Effective Tax Rate | 30.8% - 31.1% |
| After-Tax Margin | 3.7% - 3.8% |
| Medicaid | 3.2% - 3.4% |
| Medicare | 5.6% - 5.7% |
| Marketplace | 4.7% - 4.9% |

(1) All amounts are rounded and approximations.

**Press Release Format**

In an effort to streamline its earnings release, beginning in the first quarter of 2020, the Company will report its financial data by government program as seen on page 9, and schedules on pages 14 - 20 will no longer be published.

**Conference Call**

Management will host a conference call and webcast to discuss Molina Healthcare's fourth quarter and year-end 2019 results at 8:00 a.m. Eastern time on Tuesday, February 11, 2020. The number to call for the interactive teleconference is (877) 883-0383 and the confirmation number is 6197632. A telephonic replay of the conference call will be available through Tuesday, February 18, 2020, by dialing (877) 344-7529 and entering confirmation number 10137536. A live audio broadcast of this conference call will be available on Molina Healthcare's website, molinahealthcare.com. A 30-day online replay will be available approximately an hour following the conclusion of the live broadcast.

**About Molina Healthcare**

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed healthcare services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through its locally operated health plans, Molina Healthcare served approximately 3.3 million members as of December 31, 2019. For more information about Molina Healthcare, please visit molinahealthcare.com.

**Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995**

This earnings release contains forward-looking statements regarding the Company's 2020 guidance, as well as its plans, expectations, and anticipated future events. Actual results could differ materially due to numerous known and unknown risks and uncertainties. Those risks and uncertainties are discussed in the section entitled "Risk Factors," and the section entitled "Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2018, and our most recent Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, which are on file with the SEC. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended December 31, 2019.

These reports can be accessed under the investor relations tab of the Company's website or on the SEC's website at sec.gov. Given these risks and uncertainties, the Company can give no assurances that its forward-looking statements will prove to be accurate, or that any other results or events projected or contemplated by its forward-looking statements will in fact occur, and the Company cautions investors not to place undue reliance on these statements. All forward-looking statements in this release represent the Company's judgment as of February 10, 2020, and, except as otherwise required by law, the Company disclaims any obligation to update any forward-looking statements to conform the statement to actual results or changes in its expectations.

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |

| | | | | |
|---|---|---|---|---|
| | | *(In millions, except per-share amounts)* | | |
| Revenue: | | | | |
| Premium revenue | $ 4,123 | $ 4,438 | $ 16,208 | $ 17,612 |
| Premium tax revenue | 122 | 97 | 489 | 417 |
| Health insurer fees reimbursed | — | 81 | — | 329 |
| Service revenue | — | 16 | — | 407 |
| Investment income and other revenue | 29 | 32 | 132 | 125 |
| Total revenue | 4,274 | 4,664 | 16,829 | 18,890 |
| Operating expenses: | | | | |
| Medical care costs | 3,545 | 3,775 | 13,905 | 15,137 |
| General and administrative expenses | 343 | 335 | 1,296 | 1,333 |
| Premium tax expenses | 122 | 97 | 489 | 417 |
| Health insurer fees | — | 87 | — | 348 |
| Depreciation and amortization | 21 | 23 | 89 | 99 |
| Restructuring costs | 1 | 8 | 6 | 46 |
| Cost of service revenue | — | 15 | — | 364 |
| Total operating expenses | 4,032 | 4,340 | 15,785 | 17,744 |
| Loss on sales of subsidiaries, net of gain | — | (52) | — | (15) |
| Operating income | 242 | 272 | 1,044 | 1,131 |
| Other expenses, net: | | | | |
| Interest expense | 20 | 24 | 87 | 115 |
| Other (income) expenses, net | — | (8) | (15) | 17 |
| Total other expenses, net | 20 | 16 | 72 | 132 |
| Income before income tax expense | 222 | 256 | 972 | 999 |
| Income tax expense | 54 | 55 | 235 | 292 |
| Net income | $ 168 | $ 201 | $ 737 | $ 707 |
| Net income per share, diluted | $ 2.67 | $ 3.01 | $ 11.47 | $ 10.61 |
| Diluted weighted average shares outstanding | 63.0 | 66.6 | 64.2 | 66.6 |
| **Operating Statistics:** | | | | |
| Medical care ratio | 86.0% | 85.1% | 85.8% | 85.9% |
| G&A ratio | 8.0% | 7.2% | 7.7% | 7.1% |
| Premium tax ratio | 2.9% | 2.2% | 2.9% | 2.3% |
| Effective income tax rate | 24.3% | 21.4% | 24.2% | 29.2% |
| After-tax margin | 3.9% | 4.3% | 4.4% | 3.7% |
| Medicaid | 3.6% | 3.6% | 3.2% | 2.4% |
| Medicare | 5.5% | 8.0% | 6.7% | 4.8% |
| Marketplace | 4.5% | 15.4% | 10.3% | 16.4% |

**CONSOLIDATED BALANCE SHEETS**

| | December 31, | |
|---|---|---|
| | **2019** | **2018** |
| | **Unaudited** | |
| | ***(Dollars in millions, except per-share amounts)*** | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,452 | $2,826 |
| Investments | 1,946 | 1,681 |
| Receivables | 1,406 | 1,330 |
| Prepaid expenses and other current assets | 134 | 149 |
| Derivative asset | 29 | 476 |
| Total current assets | 5,967 | 6,462 |
| Property, equipment, and capitalized software, net | 385 | 241 |
| Goodwill and intangible assets, net | 172 | 190 |
| Restricted investments | 79 | 120 |
| Deferred income taxes | 79 | 117 |

| | | |
|---|---|---|
| Other assets | 105 | 24 |
| Total assets | $ 6,787 | $ 7,154 |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

| | | |
|---|---|---|
| Current liabilities: | | |
| Medical claims and benefits payable | $ 1,854 | $ 1,961 |
| Amounts due government agencies | 664 | 967 |
| Accounts payable and accrued liabilities | 455 | 390 |
| Deferred revenue | 249 | 211 |
| Current portion of long-term debt | 18 | 241 |
| Derivative liability | 29 | 476 |
| Total current liabilities | 3,269 | 4,246 |
| Long-term debt | 1,237 | 1,020 |
| Finance lease liabilities | 231 | 197 |
| Other long-term liabilities | 90 | 44 |
| Total liabilities | 4,827 | 5,507 |
| Stockholders' equity: | | |
| Common stock, $0.001 par value, 150 million shares authorized; outstanding: 62 million shares at each of December 31, 2019, and December 31, 2018 | — | — |
| Preferred stock, $0.001 par value; 20 million shares authorized, no shares issued and outstanding | — | — |
| Additional paid-in capital | 175 | 643 |
| Accumulated other comprehensive income (loss) | 4 | (8) |
| Retained earnings | 1,781 | 1,012 |
| Total stockholders' equity | 1,960 | 1,647 |
| Total liabilities and stockholders' equity | $ 6,787 | $ 7,154 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year Ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| | ***(In millions)*** | |
| Operating activities: | | |
| Net income | $ 737 | $ 707 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 89 | 127 |
| Deferred income taxes | 10 | (6) |
| Share-based compensation | 39 | 27 |
| Amortization of convertible senior notes and finance lease liabilities | 5 | 22 |
| (Gain) loss on debt repayment | (15) | 22 |
| Loss on sales of subsidiaries, net of gain | — | 15 |
| Non-cash restructuring costs | — | 17 |
| Other, net | (5) | 4 |
| Changes in operating assets and liabilities: | | |
| Receivables | (76) | (530) |
| Prepaid expenses and other current assets | 28 | 6 |
| Medical claims and benefits payable | (107) | (226) |
| Amounts due government agencies | (303) | (574) |
| Accounts payable and accrued liabilities | 2 | 45 |
| Deferred revenue | 38 | (21) |
| Income taxes | (15) | 51 |
| Net cash provided by (used in) operating activities | 427 | (314) |
| Investing activities: | | |
| Purchases of investments | (2,536) | (1,444) |
| Proceeds from sales and maturities of investments | 2,302 | 2,445 |
| Purchases of property, equipment, and capitalized software | (57) | (30) |
| Net cash received from sales of subsidiaries | — | 190 |
| Other, net | (2) | (18) |
| Net cash (used in) provided by investing activities | (293) | 1,143 |
| Financing activities: | | |

| | | |
|---|---|---|
| Repayment of principal amount of convertible senior notes | (240) | (362) |
| Cash paid for partial settlement of conversion option | (578) | (623) |
| Cash received for partial settlement of call option | 578 | 623 |
| Cash paid for partial termination of warrants | (514) | (549) |
| Proceeds from borrowings under term loan facility | 220 | — |
| Common stock purchases | (47) | — |
| Repayment of credit facility | — | (300) |
| Other, net | 29 | 18 |
| Net cash used in financing activities | (552) | (1,193) |
| Net decrease in cash, cash equivalents, and restricted cash and cash equivalents | (418) | (364) |
| Cash, cash equivalents, and restricted cash and cash equivalents at beginning of period | 2,926 | 3,290 |
| Cash, cash equivalents, and restricted cash and cash equivalents at end of period | $ 2,508 | $ 2,926 |

**HEALTH PLANS SEGMENT MEMBERSHIP**

| | As of December 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Ending Membership by Government Program:** | | |
| Medicaid | 2,956,000 | 3,361,000 |
| Medicare | 101,000 | 98,000 |
| Marketplace | 274,000 | 362,000 |
| | 3,331,000 | 3,821,000 |
| **Ending Membership by Health Plan:** | | |
| California | 565,000 | 608,000 |
| Florida [1] | 132,000 | 313,000 |
| Illinois | 224,000 | 224,000 |
| Michigan | 362,000 | 383,000 |
| New Mexico [1] | 23,000 | 222,000 |
| Ohio | 288,000 | 302,000 |
| Puerto Rico | 176,000 | 252,000 |
| South Carolina | 131,000 | 120,000 |
| Texas | 341,000 | 423,000 |
| Washington | 832,000 | 781,000 |
| Other [2] | 257,000 | 193,000 |
| | 3,331,000 | 3,821,000 |

(1) The Company's Medicaid contracts in New Mexico and in all but two regions in Florida terminated in late 2018 and early 2019. The Company continues to serve Medicare and Marketplace members in both Florida and New Mexico, as well as Medicaid members in two regions in Florida.
(2) "Other" includes the Idaho, Mississippi, New York, Utah and Wisconsin health plans, which are not individually significant to the Company's consolidated operating results.

**HEALTH PLANS SEGMENT FINANCIAL DATA — BY GOVERNMENT PROGRAM**
***(In millions, except percentages)***

| | Three Months Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | **Premium Revenue** | **Medical Care Costs** | **MCR [1]** | **Premium Revenue** | **Medical Care Costs** | **MCR [1]** |
| Medicaid | $ 3,227 | $ 2,818 | 87.3% | $ 3,430 | $ 3,046 | 88.8% |
| Medicare | 561 | 480 | 85.5 | 527 | 426 | 80.8 |
| Marketplace | 335 | 247 | 73.5 | 481 | 303 | 62.9 |
| | $ 4,123 | $ 3,545 | 86.0% | $ 4,438 | $ 3,775 | 85.1% |

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | **Premium Revenue** | **Medical Care Costs** | **MCR** | **Premium Revenue** | **Medical Care Costs** | **MCR** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Medicaid | $ 12,466 | $ 10,969 | 88.0% | $ 13,623 | $ 12,258 | 90.0% |
| Medicare | 2,243 | 1,913 | 85.3 | 2,074 | 1,752 | 84.5 |
| Marketplace | 1,499 | 1,023 | 68.2 | 1,915 | 1,127 | 58.9 |
| | $ 16,208 | $ 13,905 | 85.8% | $ 17,612 | $ 15,137 | 85.9% |

(1) The MCR represents medical costs as a percentage of premium revenue.

**CHANGE IN MEDICAL CLAIMS AND BENEFITS PAYABLE**
***(Dollars in millions)***

The Company's claims liability includes a provision for adverse claims deviation based on historical experience and other factors including, but not limited to, variations in claims payment patterns, changes in utilization and cost trends, known outbreaks of disease, and large claims. The Company's reserving methodology is consistently applied across all periods presented. The amounts displayed for "Components of medical care costs related to: Prior period" represent the amount by which the original estimate of claims and benefits payable at the beginning of the period was more than the actual amount of the liability based on information (principally the payment of claims) developed since that liability was first reported. The following table presents the components of the change in medical claims and benefits payable for the periods indicated:

| | Year Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Medical claims and benefits payable, beginning balance | $ 1,961 | $ 2,192 |
| Components of medical care costs related to: | | |
| Current period | 14,176 | 15,478 |
| Prior period (1) | (271) | (341) |
| Total medical care costs | 13,905 | 15,137 |
| Change in non-risk and other provider payables | 24 | 13 |
| Payments for medical care costs related to: | | |
| Current period | 12,554 | 13,671 |
| Prior period | 1,482 | 1,710 |
| Total paid | 14,036 | 15,381 |
| Medical claims and benefits payable, ending balance | $ 1,854 | $ 1,961 |
| Days in claims payable, fee for service (2) | 50 | 53 |

(1) The December 31, 2018, amounts include the 2018 benefit of the 2017 Marketplace CSR reimbursement of $81 million.

(2) Claims payable includes primarily IBNP. It also includes certain fee-for-service payables reported in "Other" medical claims and benefits payable amounting to $50 million and $43 million, as of December 31, 2019 and 2018, respectively.

**UNAUDITED NON-GAAP FINANCIAL MEASURES**

The Company uses non-generally accepted accounting principles, or non-GAAP, financial measures as supplemental metrics in evaluating the Company's financial performance, making financing and business decisions, and forecasting and planning for future periods. For these reasons, management believes such measures are useful supplemental measures to investors in comparing the Company's performance to the performance of other public companies in the health care industry. These non-GAAP financial measures should be considered as supplements to, and not as substitutes for or superior to, GAAP measures. See further information regarding non-GAAP measures below the tables.

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | | | *(In millions)* | |
| Net income | $168 | $ 201 | $ 737 | $ 707 |
| Adjustments: | | | | |
| Depreciation, and amortization of intangible assets and capitalized software | 21 | 23 | 89 | 118 |
| Interest expense | 20 | 24 | 87 | 115 |
| Income tax expense | 54 | 55 | 235 | 292 |
| EBITDA | $263 | $ 303 | $ 1,148 | $ 1,232 |

Adjustments made to GAAP measures used to calculate the non-GAAP measures used in this news release follow:

**Earnings before interest, taxes, depreciation and amortization** ("**EBITDA**"**):** Net income on a GAAP basis less depreciation, and amortization of intangible assets and capitalized software, interest expense and income tax expense. The Company believes that EBITDA is helpful in assessing the Company's ability to meet the cash demands of its operating units.

## UNAUDITED NON-GAAP FINANCIAL MEASURES CONTINUED

| | Three Months Ended December 31, | | | | Year Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Amount | Per Diluted Share | Amount | Per Diluted Share | Amount | Per Diluted Share | Amount | Per Diluted Share |
| | *(In millions, except per diluted share amounts)* | | | | | | | |
| Net income | $ 168 | $ 2.67 | $ 201 | $ 3.01 | $ 737 | $ 11.47 | $ 707 | $ 10.61 |
| Adjustments: | | | | | | | | |
| Amortization of intangible assets | 4 | 0.06 | 6 | 0.08 | 17 | 0.27 | 22 | 0.32 |
| (Gain) loss on debt repayment | — | — | (3) | (0.05) | (15) | (0.24) | 22 | 0.33 |
| Restructuring costs | 1 | 0.02 | 8 | 0.12 | 6 | 0.10 | 46 | 0.68 |
| Loss on sales of subsidiaries, net of gain | — | — | 52 | 0.78 | — | — | 15 | 0.23 |
| Subtotal, adjustments | 5 | 0.08 | 63 | 0.93 | 8 | 0.13 | 105 | 1.56 |
| Income tax effect [1] | (1) | (0.02) | (23) | (0.34) | (2) | (0.03) | (30) | (0.43) |
| Adjustments, net of tax effect | 4 | 0.06 | 40 | 0.59 | 6 | 0.10 | 75 | 1.13 |
| Adjusted net income | $ 172 | $ 2.73 | $ 241 | $ 3.60 | $ 743 | $ 11.57 | $ 782 | $ 11.74 |

(1) Income tax effect of adjustments calculated at the blended federal and state statutory tax rate of 22.6% and 22% for 2019 and 2018, respectively.

Adjustments made to GAAP measures used to calculate the non-GAAP measures used in this news release follow:

**Adjusted net income:** Net income on a GAAP basis less amortization of intangible assets, gain or loss on debt repayment, restructuring costs, loss on sales of subsidiaries, and the aggregate income tax effect calculated at the statutory tax rate. The Company believes that adjusted net income is helpful in assessing the Company's financial performance exclusive of the non-cash impact of the amortization of purchased intangibles and the impact of certain expenses and other items that management believes are not indicative of longer-term business trends and operations.

**Adjusted net income per diluted share:** Adjusted net income divided by weighted average common shares outstanding on a fully diluted basis.

*Beginning in the first quarter of 2020, the Company will no longer publish the tables that follow in its earnings announcements, through the last page of this news release.*

## HEALTH PLANS SEGMENT MEMBERSHIP

| | As of December 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Ending Membership by Government Program:** | | |
| TANF and CHIP | 1,987,000 | 2,295,000 |
| Medicaid Expansion | 605,000 | 660,000 |
| ABD | 364,000 | 406,000 |
| Total Medicaid | 2,956,000 | 3,361,000 |
| MMP - Integrated | 58,000 | 54,000 |
| Medicare Special Needs Plans | 43,000 | 44,000 |
| Total Medicare | 101,000 | 98,000 |
| Total Medicaid and Medicare | 3,057,000 | 3,459,000 |
| Marketplace | 274,000 | 362,000 |
| | 3,331,000 | 3,821,000 |

## UNAUDITED SELECTED FINANCIAL DATA

***(In millions, except percentages and per-member per-month amounts)***

## HEALTH PLANS SEGMENT FINANCIAL DATA — BY GOVERNMENT PROGRAM

| | Member Months [1] | Premium Revenue | | Medical Care Costs | | MCR [2] | Medical Margin |
|---|---|---|---|---|---|---|---|
| | | Total | PMPM | Total | PMPM | | |
| | Three Months Ended December 31, 2019 | | | | | | |
| TANF and CHIP | 6.1 | $ 1,244 | $ 206.74 | $ 1,117 | $ 185.79 | 89.9% | $ 127 |
| Medicaid Expansion | 1.8 | 720 | 395.37 | 608 | 333.59 | 84.4 | 112 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ABD | 1.1 | 1,263 | 1,150.24 | 1,093 | 995.29 | 86.5 | 170 |
| Total Medicaid | 9.0 | 3,227 | 361.16 | 2,818 | 315.41 | 87.3 | 409 |
| MMP | 0.2 | 396 | 2,284.37 | 343 | 1,981.07 | 86.7 | 53 |
| Medicare | 0.1 | 165 | 1,264.10 | 137 | 1,044.28 | 82.6 | 28 |
| Total Medicare | 0.3 | 561 | 1,846.15 | 480 | 1,578.71 | 85.5 | 81 |
| Total Medicaid and Medicare | 9.3 | 3,788 | 409.99 | 3,298 | 356.95 | 87.1 | 490 |
| Marketplace | 0.8 | 335 | 404.18 | 247 | 297.17 | 73.5 | 88 |
| | 10.1 | $ 4,123 | $ 409.51 | $ 3,545 | $ 352.03 | 86.0% | $ 578 |
| | | | **Three Months Ended December 31, 2018** | | | | |
| TANF and CHIP | 7.1 | $ 1,363 | $ 189.86 | $ 1,203 | $ 167.61 | 88.3% | $ 160 |
| Medicaid Expansion | 2.0 | 700 | 349.05 | 630 | 314.34 | 90.1 | 70 |
| ABD | 1.3 | 1,367 | 1,094.14 | 1,213 | 970.49 | 88.7 | 154 |
| Total Medicaid | 10.4 | 3,430 | 328.79 | 3,046 | 292.00 | 88.8 | 384 |
| MMP | 0.2 | 366 | 2,263.41 | 300 | 1,855.34 | 82.0 | 66 |
| Medicare | 0.1 | 161 | 1,206.96 | 126 | 944.65 | 78.3 | 35 |
| Total Medicare | 0.3 | 527 | 1,784.58 | 426 | 1,442.57 | 80.8 | 101 |
| Total Medicaid and Medicare | 10.7 | 3,957 | 368.93 | 3,472 | 323.72 | 87.7 | 485 |
| Marketplace | 1.1 | 481 | 437.79 | 303 | 275.56 | 62.9 | 178 |
| | 11.8 | $ 4,438 | $ 375.33 | $ 3,775 | $ 319.24 | 85.1% | $ 663 |
| | | | **Year Ended December 31, 2019** | | | | |
| TANF and CHIP | 24.4 | $ 4,838 | $ 198.66 | $ 4,258 | $ 174.88 | 88.0% | $ 580 |
| Medicaid Expansion | 7.2 | 2,775 | 383.93 | 2,418 | 334.53 | 87.1 | 357 |
| ABD | 4.4 | 4,853 | 1,111.09 | 4,293 | 982.83 | 88.5 | 560 |
| Total Medicaid | 36.0 | 12,466 | 346.79 | 10,969 | 305.16 | 88.0 | 1,497 |
| MMP | 0.7 | 1,589 | 2,346.87 | 1,377 | 2,033.77 | 86.7 | 212 |
| Medicare | 0.5 | 654 | 1,268.74 | 536 | 1,039.02 | 81.9 | 118 |
| Total Medicare | 1.2 | 2,243 | 1,880.79 | 1,913 | 1,603.73 | 85.3 | 330 |
| Total Medicaid and Medicare | 37.2 | 14,709 | 396.05 | 12,882 | 346.87 | 87.6 | 1,827 |
| Marketplace | 3.6 | 1,499 | 411.89 | 1,023 | 281.04 | 68.2 | 476 |
| | 40.8 | $ 16,208 | $ 397.47 | $ 13,905 | $ 340.99 | 85.8% | $ 2,303 |
| | | | **Year Ended December 31, 2018** | | | | |
| TANF and CHIP | 29.4 | $ 5,508 | $ 187.04 | $ 4,908 | $ 166.66 | 89.1% | $ 600 |
| Medicaid Expansion | 8.1 | 2,884 | 356.81 | 2,587 | 320.11 | 89.7 | 297 |
| ABD | 5.0 | 5,231 | 1,049.26 | 4,763 | 955.22 | 91.0 | 468 |
| Total Medicaid | 42.5 | 13,623 | 320.43 | 12,258 | 288.31 | 90.0 | 1,365 |
| MMP | 0.7 | 1,443 | 2,192.58 | 1,241 | 1,885.59 | 86.0 | 202 |
| Medicare | 0.5 | 631 | 1,180.46 | 511 | 955.81 | 81.0 | 120 |
| Total Medicare | 1.2 | 2,074 | 1,738.85 | 1,752 | 1,468.77 | 84.5 | 322 |
| Total Medicaid and Medicare | 43.7 | 15,697 | 359.14 | 14,010 | 320.53 | 89.2 | 1,687 |
| Marketplace | 4.9 | 1,915 | 392.97 | 1,127 | 231.33 | 58.9 | 788 |
| | 48.6 | $ 17,612 | $ 362.54 | $ 15,137 | $ 311.59 | 85.9% | $ 2,475 |

(1) A member month is defined as the aggregate of each month's ending membership for the period presented.

(2) The MCR represents medical costs as a percentage of premium revenue.

**HEALTH PLANS SEGMENT FINANCIAL DATA — MEDICAID AND MEDICARE**

| | Member Months | Premium Revenue | | Medical Care Costs | | MCR | Medical Margin |
|---|---|---|---|---|---|---|---|
| | | Total | PMPM | Total | PMPM | | |
| | | | **Three Months Ended December 31, 2019** | | | | |
| California | 1.5 | $ 531 | $ 334.81 | $ 414 | $ 261.66 | 78.2% | $ 117 |
| Florida | 0.3 | 125 | 426.72 | 109 | 371.79 | 87.1 | 16 |
| Illinois | 0.7 | 276 | 412.06 | 240 | 357.32 | 86.7 | 36 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Michigan | 1.0 | 390 | 362.57 | 321 | 298.90 | 82.4 | 69 |
| Ohio | 0.9 | 615 | 691.25 | 562 | 631.53 | 91.4 | 53 |
| Puerto Rico | 0.5 | 133 | 254.48 | 119 | 229.44 | 90.2 | 14 |
| South Carolina | 0.4 | 156 | 394.94 | 133 | 334.33 | 84.7 | 23 |
| Texas | 0.6 | 613 | 952.36 | 561 | 870.16 | 91.4 | 52 |
| Washington | 2.5 | 645 | 266.70 | 569 | 235.58 | 88.3 | 76 |
| Other [1] [2] | 0.9 | 304 | 406.59 | 270 | 360.51 | 88.7 | 34 |
| | 9.3 | $ 3,788 | $ 409.99 | $ 3,298 | $ 356.95 | 87.1% | $ 490 |
| | **Three Months Ended December 31, 2018** | | | | | | |
| California | 1.8 | $ 485 | $ 282.83 | $ 425 | $ 247.56 | 87.5% | $ 60 |
| Florida | 1.0 | 370 | 376.80 | 345 | 351.20 | 93.2 | 25 |
| Illinois | 0.7 | 242 | 361.29 | 196 | 291.63 | 80.7 | 46 |
| Michigan | 1.1 | 389 | 348.47 | 320 | 287.33 | 82.5 | 69 |
| New Mexico [2] | 0.6 | 305 | 489.86 | 265 | 425.85 | 86.9 | 40 |
| Ohio | 0.9 | 607 | 662.51 | 527 | 575.69 | 86.9 | 80 |
| Puerto Rico | 0.8 | 147 | 173.81 | 135 | 158.97 | 91.5 | 12 |
| South Carolina | 0.3 | 126 | 352.67 | 106 | 299.17 | 84.8 | 20 |
| Texas | 0.6 | 581 | 865.75 | 538 | 801.34 | 92.6 | 43 |
| Washington | 2.3 | 512 | 225.52 | 455 | 200.72 | 89.0 | 57 |
| Other [1] | 0.6 | 193 | 344.31 | 160 | 283.96 | 82.5 | 33 |
| | 10.7 | $ 3,957 | $ 368.93 | $ 3,472 | $ 323.72 | 87.7% | $ 485 |
| | **Year Ended December 31, 2019** | | | | | | |
| California | 6.4 | $ 2,039 | $ 313.75 | $ 1,700 | $ 261.74 | 83.4% | $ 339 |
| Florida | 1.3 | 543 | 414.29 | 483 | 368.81 | 89.0 | 60 |
| Illinois | 2.7 | 1,002 | 377.13 | 872 | 328.11 | 87.0 | 130 |
| Michigan | 4.3 | 1,589 | 368.73 | 1,311 | 304.22 | 82.5 | 278 |
| Ohio | 3.6 | 2,450 | 684.74 | 2,215 | 619.03 | 90.4 | 235 |
| Puerto Rico | 2.3 | 474 | 204.88 | 420 | 181.85 | 88.8 | 54 |
| South Carolina | 1.6 | 583 | 375.13 | 511 | 328.58 | 87.6 | 72 |
| Texas | 2.6 | 2,402 | 920.94 | 2,184 | 837.05 | 90.9 | 218 |
| Washington | 9.6 | 2,513 | 263.13 | 2,260 | 236.63 | 89.9 | 253 |
| Other [1] [2] | 2.8 | 1,114 | 403.47 | 926 | 335.31 | 83.1 | 188 |
| | 37.2 | $ 14,709 | $ 396.05 | $ 12,882 | $ 346.87 | 87.6% | $1,827 |
| | **Year Ended December 31, 2018** | | | | | | |
| California | 7.1 | $ 1,931 | $ 273.59 | $ 1,724 | $ 244.21 | 89.3% | $ 207 |
| Florida | 4.2 | 1,517 | 360.98 | 1,414 | 336.43 | 93.2 | 103 |
| Illinois | 2.5 | 793 | 322.87 | 670 | 272.61 | 84.4 | 123 |
| Michigan | 4.5 | 1,550 | 344.42 | 1,303 | 289.53 | 84.1 | 247 |
| New Mexico [2] | 2.6 | 1,241 | 474.10 | 1,140 | 435.65 | 91.9 | 101 |
| Ohio | 3.7 | 2,277 | 608.29 | 2,001 | 534.59 | 87.9 | 276 |
| Puerto Rico | 3.7 | 696 | 186.59 | 636 | 170.45 | 91.4 | 60 |
| South Carolina | 1.4 | 495 | 351.38 | 429 | 304.85 | 86.8 | 66 |
| Texas | 2.7 | 2,296 | 839.70 | 2,092 | 765.12 | 91.1 | 204 |
| Washington | 9.1 | 2,178 | 240.42 | 1,999 | 220.72 | 91.8 | 179 |
| Other [1] | 2.2 | 723 | 329.06 | 602 | 273.55 | 83.1 | 121 |
| | 43.7 | $ 15,697 | $ 359.14 | $ 14,010 | $ 320.53 | 89.2% | $1,687 |

(1) “Other” includes the Idaho, Mississippi, New York, Utah and Wisconsin health plans, which are not individually significant to the Company’s consolidated operating results.

(2) In 2019, “Other” includes the New Mexico health plan. The New Mexico health plan’s Medicaid contract terminated on December 31, 2018, and therefore its 2019 results are not individually significant to the Company’s consolidated operating results.

**HEALTH PLANS SEGMENT FINANCIAL DATA — MARKETPLACE**

| Member Months | Premium Revenue | | Medical Care Costs | | MCR | Medical Margin |
|---|---|---|---|---|---|---|
| | Total | PMPM | Total | PMPM | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Three Months Ended December 31, 2019** | | | | | | |
| California | 0.2 | $ 53 | $ 365.16 | $ 36 | $ 241.93 | 66.3% | $ 17 |
| Florida | 0.1 | 39 | 357.79 | 26 | 239.09 | 66.8 | 13 |
| Michigan | 0.1 | 8 | 497.43 | 5 | 302.84 | 60.9 | 3 |
| Ohio | — | 24 | 803.58 | 18 | 599.84 | 74.6 | 6 |
| Texas | 0.4 | 132 | 337.02 | 99 | 253.66 | 75.3 | 33 |
| Washington | — | 39 | 684.31 | 33 | 563.25 | 82.3 | 6 |
| Other [1] | — | 40 | 492.23 | 30 | 379.25 | 77.0 | 10 |
| | 0.8 | $ 335 | $ 404.18 | $ 247 | $ 297.17 | 73.5% | $ 88 |
| | **Three Months Ended December 31, 2018** | | | | | | |
| California | — | $ 48 | $ 322.39 | $ 36 | $ 248.84 | 77.2% | $ 12 |
| Florida | 0.1 | 62 | 526.44 | 32 | 278.60 | 52.9 | 30 |
| Michigan | 0.1 | 11 | 259.20 | 8 | 166.54 | 64.3 | 3 |
| New Mexico | 0.1 | 22 | 328.32 | 19 | 302.79 | 92.2 | 3 |
| Ohio | 0.1 | 27 | 512.33 | 20 | 366.62 | 71.6 | 7 |
| Texas | 0.7 | 269 | 440.81 | 153 | 250.66 | 56.9 | 116 |
| Washington | — | 44 | 697.31 | 35 | 536.80 | 77.0 | 9 |
| Other [2] | — | (2) | NM | — | NM | NM | (2) |
| | 1.1 | $ 481 | $ 437.79 | $ 303 | $ 275.56 | 62.9% | $ 178 |
| | **Year Ended December 31, 2019** | | | | | | |
| California | 0.7 | $ 227 | $ 364.82 | $ 137 | $ 218.06 | 59.8% | $ 90 |
| Florida | 0.5 | 191 | 382.52 | 107 | 214.19 | 56.0 | 84 |
| Michigan | 0.1 | 35 | 479.12 | 20 | 273.87 | 57.2 | 15 |
| Ohio | 0.1 | 103 | 802.29 | 71 | 556.15 | 69.3 | 32 |
| Texas | 1.7 | 589 | 342.57 | 430 | 250.40 | 73.1 | 159 |
| Washington | 0.2 | 182 | 730.31 | 130 | 522.15 | 71.5 | 52 |
| Other [1] | 0.3 | 172 | 494.05 | 128 | 368.08 | 74.5 | 44 |
| | 3.6 | $ 1,499 | $ 411.89 | $ 1,023 | $ 281.04 | 68.2% | $ 476 |
| | **Year Ended December 31, 2018** | | | | | | |
| California | 0.6 | $ 219 | $ 325.84 | $ 125 | $ 187.37 | 57.5% | $ 94 |
| Florida | 0.6 | 273 | 498.66 | 99 | 181.52 | 36.4 | 174 |
| Michigan | 0.2 | 51 | 250.69 | 31 | 150.11 | 59.9 | 20 |
| New Mexico | 0.3 | 115 | 403.55 | 74 | 260.29 | 64.5 | 41 |
| Ohio | 0.3 | 111 | 477.03 | 78 | 334.32 | 70.1 | 33 |
| Texas | 2.7 | 948 | 356.06 | 593 | 222.89 | 62.6 | 355 |
| Washington | 0.2 | 183 | 664.48 | 140 | 506.07 | 76.2 | 43 |
| Other [2] | — | 15 | NM | (13) | NM | NM | 28 |
| | 4.9 | $ 1,915 | $ 392.97 | $ 1,127 | $ 231.33 | 58.9% | $ 788 |

(1) “Other” includes the New Mexico, Utah and Wisconsin health plans, which are not individually significant to the Company’s consolidated operating results in 2019.

(2) “Other” includes the Utah and Wisconsin health plans, where the Company did not participate in the Marketplace in 2018. Therefore, the ratios for 2018 periods are not meaningful (NM).

**HEALTH PLANS SEGMENT FINANCIAL DATA — TOTAL**

| | Member Months | Premium Revenue | | Medical Care Costs | | MCR | Medical Margin |
|---|---|---|---|---|---|---|---|
| | | Total | PMPM | Total | PMPM | | |
| | **Three Months Ended December 31, 2019** | | | | | | |
| California | 1.7 | $ 584 | $ 337.37 | $ 450 | $ 259.99 | 77.1% | $ 134 |
| Florida | 0.4 | 164 | 407.98 | 135 | 335.71 | 82.3 | 29 |
| Illinois | 0.7 | 276 | 412.06 | 240 | 357.32 | 86.7 | 36 |
| Michigan | 1.1 | 398 | 364.51 | 326 | 298.95 | 82.0 | 72 |
| Ohio | 0.9 | 639 | 694.87 | 580 | 630.51 | 90.7 | 59 |
| Puerto Rico | 0.5 | 133 | 254.48 | 119 | 229.44 | 90.2 | 14 |
| South Carolina | 0.4 | 156 | 394.94 | 133 | 334.33 | 84.7 | 23 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Texas | 1.0 | 745 | 720.66 | 660 | 638.02 | 88.5 | 85 |
| Washington | 2.5 | 684 | 276.64 | 602 | 243.37 | 88.0 | 82 |
| Other [1] [2] | 0.9 | 344 | 414.93 | 300 | 362.34 | 87.3 | 44 |
| | 10.1 | $ 4,123 | $ 409.51 | $ 3,545 | $ 352.03 | 86.0% | $ 578 |
| | **Three Months Ended December 31, 2018** | | | | | | |
| California | 1.8 | $ 533 | $ 285.98 | $ 461 | $ 247.66 | 86.6% | $ 72 |
| Florida | 1.1 | 432 | 392.68 | 377 | 343.49 | 87.5 | 55 |
| Illinois | 0.7 | 242 | 361.29 | 196 | 291.63 | 80.7 | 46 |
| Michigan | 1.2 | 400 | 344.96 | 328 | 282.58 | 81.9 | 72 |
| New Mexico [2] | 0.7 | 327 | 474.44 | 284 | 414.10 | 87.3 | 43 |
| Ohio | 1.0 | 634 | 654.39 | 547 | 564.37 | 86.2 | 87 |
| Puerto Rico | 0.8 | 147 | 173.81 | 135 | 158.97 | 91.5 | 12 |
| South Carolina | 0.3 | 126 | 352.67 | 106 | 299.17 | 84.8 | 20 |
| Texas | 1.3 | 850 | 663.84 | 691 | 539.68 | 81.3 | 159 |
| Washington | 2.3 | 556 | 238.21 | 490 | 209.76 | 88.1 | 66 |
| Other [1] | 0.6 | 191 | 344.44 | 160 | 285.37 | 82.9 | 31 |
| | 11.8 | $ 4,438 | $ 375.33 | $ 3,775 | $ 319.24 | 85.1% | $ 663 |
| | **Year Ended December 31, 2019** | | | | | | |
| California | 7.1 | $ 2,266 | $ 318.22 | $ 1,837 | $ 257.91 | 81.0% | $ 429 |
| Florida | 1.8 | 734 | 405.52 | 590 | 326.11 | 80.4 | 144 |
| Illinois | 2.7 | 1,002 | 377.13 | 872 | 328.11 | 87.0 | 130 |
| Michigan | 4.4 | 1,624 | 370.57 | 1,331 | 303.71 | 82.0 | 293 |
| Ohio | 3.7 | 2,553 | 688.80 | 2,286 | 616.86 | 89.6 | 267 |
| Puerto Rico | 2.3 | 474 | 204.88 | 420 | 181.85 | 88.8 | 54 |
| South Carolina | 1.6 | 583 | 375.13 | 511 | 328.58 | 87.6 | 72 |
| Texas | 4.3 | 2,991 | 691.31 | 2,614 | 604.14 | 87.4 | 377 |
| Washington | 9.8 | 2,695 | 275.05 | 2,390 | 243.91 | 88.7 | 305 |
| Other [1] [2] | 3.1 | 1,286 | 413.61 | 1,054 | 338.98 | 82.0 | 232 |
| | 40.8 | $ 16,208 | $ 397.47 | $ 13,905 | $ 340.99 | 85.8% | $2,303 |
| | **Year Ended December 31, 2018** | | | | | | |
| California | 7.7 | $ 2,150 | $ 278.13 | $ 1,849 | $ 239.28 | 86.0% | $ 301 |
| Florida | 4.8 | 1,790 | 376.84 | 1,513 | 318.58 | 84.5 | 277 |
| Illinois | 2.5 | 793 | 322.87 | 670 | 272.61 | 84.4 | 123 |
| Michigan | 4.7 | 1,601 | 340.35 | 1,334 | 283.47 | 83.3 | 267 |
| New Mexico [2] | 2.9 | 1,356 | 467.17 | 1,214 | 418.44 | 89.6 | 142 |
| Ohio | 4.0 | 2,388 | 600.62 | 2,079 | 522.89 | 87.1 | 309 |
| Puerto Rico | 3.7 | 696 | 186.59 | 636 | 170.45 | 91.4 | 60 |
| South Carolina | 1.4 | 495 | 351.38 | 429 | 304.85 | 86.8 | 66 |
| Texas | 5.4 | 3,244 | 601.23 | 2,685 | 497.75 | 82.8 | 559 |
| Washington | 9.3 | 2,361 | 252.92 | 2,139 | 229.13 | 90.6 | 222 |
| Other [1] | 2.2 | 738 | 336.86 | 589 | 268.17 | 79.6 | 149 |
| | 48.6 | $ 17,612 | $ 362.54 | $ 15,137 | $ 311.59 | 85.9% | $2,475 |

(1) “Other” includes the Idaho, Mississippi, New York, Utah and Wisconsin health plans, which are not individually significant to the Company’s consolidated operating results.

(2) In 2019, “Other” includes the New Mexico health plan. The New Mexico health plan’s Medicaid contract terminated on December 31, 2018, and therefore its 2019 results are not individually significant to the Company’s consolidated operating results.

**SELECTED FINANCIAL DATA**

The following table provides details of the Company’s medical care costs for the periods indicated:

| | **Three Months Ended December 31,** | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | **2018** | | |
| | **Amount** | **PMPM** | **% of Total** | **Amount** | **PMPM** | **% of Total** |
| Fee for service | $ 2,660 | $ 264.20 | 75.0% | $ 2,807 | $ 237.39 | 74.4% |
| Pharmacy | 427 | 42.43 | 12.0 | 493 | 41.68 | 13.1 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Capitation | 293 | 29.06 | 8.3 | 293 | 24.83 | 7.7 |
| Other | 165 | 16.34 | 4.7 | 182 | 15.34 | 4.8 |
| | $ 3,545 | $ 352.03 | 100.0% | $ 3,775 | $ 319.24 | 100.0% |

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Amount | PMPM | % of Total | Amount | PMPM | % of Total |
| Fee for service | $ 10,453 | $ 256.34 | 75.1% | $ 11,278 | $ 232.15 | 74.5% |
| Pharmacy | 1,681 | 41.23 | 12.1 | 2,138 | 44.01 | 14.1 |
| Capitation | 1,149 | 28.17 | 8.3 | 1,184 | 24.38 | 7.8 |
| Other | 622 | 15.25 | 4.5 | 537 | 11.05 | 3.6 |
| | $ 13,905 | $ 340.99 | 100.0% | $ 15,137 | $ 311.59 | 100.0% |

The following table provides details of the Company's medical claims and benefits payable as of the dates indicated:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Fee-for-service claims incurred but not paid (IBNP) | $ 1,406 | $ 1,562 |
| Pharmacy payable | 126 | 115 |
| Capitation payable | 55 | 52 |
| Other [1] | 267 | 232 |
| | $ 1,854 | $ 1,961 |

(1) "Other" medical claims and benefits payable include amounts payable to certain providers for which the Company acts as an intermediary on behalf of various state agencies without assuming financial risk. Such receipts and payments do not impact the Company's consolidated statements of income. As of December 31, 2019 and 2018, the Company had recorded non-risk provider payables of approximately $132 million and $107 million, respectively.

**SUMMARY OF NON-RUN RATE ITEMS AFFECTING CURRENT QUARTER AND YEAR-TO-DATE FINANCIAL RESULTS**

***(In millions, except per diluted share amounts)***

The table below summarizes the impact of certain expenses and other items that management believes are not indicative of longer-term business trends and operations. The individual items presented below increase (decrease) income before income tax expense.

| | Three Months Ended December 31, | | | | Year Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Amount | Per Diluted Share [1] | Amount | Per Diluted Share [1] | Amount | Per Diluted Share [1] | Amount | Per Diluted Share [1] |
| Gain (loss) on debt repayment | $ — | $ — | $ 3 | $ 0.04 | $ 15 | $ 0.18 | $ (22) | $ (0.29) |
| Restructuring costs | (1) | (0.01) | (8) | (0.09) | (6) | (0.07) | (46) | (0.54) |
| Loss on sales of subsidiaries, net of gain | — | — | (52) | (0.48) | — | — | (15) | (0.05) |
| | $ (1) | $ (0.01) | $ (57) | $ (0.53) | $ 9 | $ 0.11 | $ (83) | $ (0.88) |

(1) Except for permanent differences between GAAP and tax (such as certain expenses that are not deductible for tax purposes), per diluted share amounts are generally calculated at the statutory income tax rate of 22.6% and 22% for 2019 and 2018, respectively.

**NON-GAAP FINANCIAL MEASURES**

| | Three Months Ended December 31, | | | | Year Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Amount | Per Diluted Share | Amount | Per Diluted Share | Amount | Per Diluted Share | Amount | Per Diluted Share |
| Net income | $ 168 | $ 2.67 | $ 201 | $ 3.01 | $ 737 | $ 11.47 | $ 707 | $ 10.61 |
| Adjustment: | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amortization of intangible assets | 4 | 0.06 | 6 | 0.08 | 17 | 0.27 | 22 | 0.32 |
| Income tax effect [1] | (1) | (0.01) | (1) | (0.02) | (4) | (0.06) | (5) | (0.07) |
| Adjustment, net of tax effect | 3 | 0.05 | 5 | 0.06 | 13 | 0.21 | 17 | 0.25 |
| Adjusted net income | $ 171 | $ 2.72 | $ 206 | $ 3.07 | $ 750 | $ 11.68 | $ 724 | $ 10.86 |

(1) Income tax effect of adjustments calculated at the blended federal and state statutory tax rate of 22.6% and 22% for 2019 and 2018, respectively.

Adjustments made to GAAP measures used to calculate the non-GAAP measures used in this news release follow:

**Adjusted net income:** Net income on a GAAP basis less amortization of intangible assets, net of income tax effect calculated at the statutory tax rate. The Company believes that adjusted net income is helpful in assessing the Company's financial performance exclusive of the non-cash impact of the amortization of purchased intangibles.

**Adjusted net income per diluted share:** Adjusted net income divided by weighted average common shares outstanding on a fully diluted basis.

View source version on businesswire.com: https://www.businesswire.com/news/home/20200210005765/en/

Source: Molina Healthcare, Inc.

**Investor Contact:** Julie Trudell, Julie.Trudell@molinahealthcare.com, 562-912-6720
**Media Contact:** Caroline Zubieta, Caroline.Zubieta@molinahealthcare.com, 562-951-1588