



## Molina Healthcare Reports First Quarter 2016 Results

April 28, 2016

LONG BEACH, Calif.--(BUSINESS WIRE)--Apr. 28, 2016-- Molina Healthcare, Inc. (NYSE: MOH):

- Net income per diluted share of \$0.43.
- Adjusted net income per diluted share of \$0.51.
- Total revenue of \$4.3 billion, up 37% over first quarter 2015.
- Aggregate membership up 42% over first quarter 2015.
- 2016 outlook for adjusted net income per diluted share revised to range of \$2.50 – \$2.95
- 2016 outlook for net income per diluted share revised to range of \$2.15 – \$2.60

Molina Healthcare, Inc. (NYSE: MOH) today reported its financial results for the first quarter of 2016.

“Although first quarter results were not in line with our expectations, we nevertheless remain on track to meet our long term goals,” said J. Mario Molina, M.D., chief executive officer of Molina Healthcare, Inc. “During the first quarter we closed on five acquisitions and welcomed nearly 700,000 new members to the Molina family. In total, we increased our membership nearly 20% in the span of three months. There were some disappointments this quarter; however, we remain confident that we can reach our long-term goal of 1.5% to 2.0% after-tax margins by the fourth quarter of 2017.”

### First Quarter 2016 Compared with First Quarter 2015

Net income per diluted share decreased to \$0.43 in the first quarter of 2016 compared with \$0.56 reported for the first quarter of 2015. The primary reason for the decline in earnings year over year was reduced Medicaid Expansion premium rates that lowered income before taxes by approximately \$50 million (\$0.55 per diluted share).

Strong enrollment growth generated approximately \$1 billion, or 34% more premium revenue in the first quarter of 2016 compared with the first quarter of 2015. Enrollment growth was primarily due to increased Marketplace enrollment, the start-up of the Puerto Rico health plan in April 2015, and acquisitions. Consolidated premium revenue measured on a per-member per-month (PMPM) basis decreased approximately 6% in the first quarter of 2016 when compared with the first quarter of 2015. The decline in PMPM premium revenue was primarily the result of lower PMPM premiums for Medicaid Expansion and the Marketplace.

The medical care ratio increased to 89.8% in the first quarter of 2016, from 88.7% in the first quarter of 2015. Consolidated medical care costs measured on a PMPM basis decreased approximately 5% in the first quarter of 2016 when compared with the first quarter of 2015.

General and administrative expenses as a percentage of total revenue (the “general and administrative expense ratio”) decreased slightly to 7.8% in the first quarter of 2016, from 8.1% in the first quarter of 2015, primarily the result of improved leverage of fixed administrative expenses over higher total revenue.

### Revised 2016 Outlook

Slower than anticipated realization of the benefits from medical cost management initiatives, combined with the stresses exerted on our administrative capacity by rapid growth, have resulted in medical care costs that have exceeded our expectations. Accordingly, we are revising our 2016 outlook to reflect developments in the first quarter that include, among other things:

- Higher than anticipated medical care costs at our Ohio and Texas health plans; and
- Margin pressures as a result of pharmacy costs across the business in general, but particularly in Puerto Rico.

Despite this revision to our 2016 outlook, we expect to achieve our long-term goal of 1.5% to 2.0% profit margin by the fourth quarter of 2017.

The following table presents our revised outlook for fiscal year 2016:

|                                 | <u>Low End</u> | <u>High End</u> |
|---------------------------------|----------------|-----------------|
| Premium Revenue                 | \$16.0B        | \$16.0B         |
| Health Insurer Fee Revenue      | \$360M         | \$360M          |
| Premium Tax Revenue             | \$440M         | \$440M          |
| Service Revenue                 | \$560M         | \$560M          |
| Investment and Other Income     | \$35M          | \$35M           |
| <b>Total Revenue</b>            | <b>\$17.3B</b> | <b>\$17.4B</b>  |
| <b>Total Medical Care Costs</b> | <b>\$14.2B</b> | <b>\$14.2B</b>  |

|  |               |               |
|--|---------------|---------------|
| <i>Medical Care Ratio</i>                    | 89.2%         | 88.9%         |
| Total Cost of Service Revenue                | <b>\$510M</b> | <b>\$510M</b> |
| <b>General &amp; Administrative Expenses</b> | <b>\$1.3B</b> | <b>\$1.3B</b> |
| <i>G&amp;A Ratio</i>                         | 7.8%          | 7.8%          |
| Premium Tax Expense                          | \$440M        | \$440M        |
| Health Insurer Fee Expense                   | \$233M        | \$233M        |
| Depreciation & Amortization                  | \$140M        | \$140M        |
| Interest and Other Expense                   | \$100M        | \$100M        |
| Income Before Income Taxes                   | \$350M        | \$400M        |
| <b>EBITDA</b>                                | <b>\$610M</b> | <b>\$660M</b> |
| <i>Effective Tax Rate</i>                    | 64%           | 62%           |
| <i>After Tax Margin</i>                      | 0.7%          | 0.9%          |
| Diluted Shares                               | <b>58M</b>    | <b>58M</b>    |
| <b>Net Income per Share</b>                  | <b>\$2.15</b> | <b>\$2.60</b> |
| <b>Adjusted Net Income per Share</b>         | <b>\$2.50</b> | <b>\$2.95</b> |

## Conference Call

Management will host a conference call and webcast to discuss Molina Healthcare's first quarter results at 5:00 p.m. Eastern time on Thursday, April 28, 2016. The number to call for the interactive teleconference is (212) 231-2905. A telephonic replay of the conference call will be available from 7:00 p.m. Eastern time on Thursday, April 28, 2016, through 6:00 p.m. Eastern Time on Friday, April 29, 2016, by dialing (800) 633-8284 and entering confirmation number 21808925. A live audio broadcast of Molina Healthcare's conference call will be available on our website, [molinahealthcare.com](http://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 health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through our locally operated health plans in 11 states across the nation and in the Commonwealth of Puerto Rico, Molina currently serves approximately 4.2 million members. Dr. C. David Molina founded our company in 1980 as a provider organization serving low-income families in Southern California. Today, we continue his mission of providing high quality and cost-effective health care to those who need it most. For more information about Molina Healthcare, please visit our website at [molinahealthcare.com](http://molinahealthcare.com).

**Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:** *This earnings release contains "forward-looking statements" regarding our plans, expectations, and anticipated future events. Actual results could differ materially due to numerous known and unknown risks and uncertainties. Those known risks and uncertainties include, but are not limited to, the following:*

- *uncertainties and evolving market and provider economics associated with the implementation of the Affordable Care Act, the Medicaid Expansion, the insurance marketplaces, the effect of various implementing regulations, and uncertainties regarding the Medicare-Medicaid dual eligible demonstration programs in California, Illinois, Michigan, Ohio, South Carolina, and Texas;*
- *management of our medical costs, including seasonal flu patterns and rates of utilization that are consistent with our expectations, our ability to reduce over time the high medical costs commonly associated with new patient populations, and the success of our care management initiatives;*
- *federal or state medical cost expenditure floors, administrative cost and profit ceilings, premium stabilization programs, profit sharing arrangements, and conflicting interpretations thereof;*
- *the interpretation and implementation of at-risk premium rules regarding the achievement of certain quality measures, and our ability to recognize revenue amounts associated therewith;*
- *cyber-attacks or other privacy or data security incidents resulting in an inadvertent unauthorized disclosure of protected health information;*
- *the success of our new health plan in Puerto Rico, including the resolution of the Puerto Rico debt crisis and the payment of all amounts due under our Medicaid contract;*
- *specialty drugs or generic drugs that are exorbitantly priced but not factored into the calculation of our capitated rates;*
- *significant budget pressures on state governments and their potential inability to maintain current rates, to implement expected rate increases, or to maintain existing benefit packages or membership eligibility thresholds or criteria, including the resolution of the Illinois budget impasse and continued payment of all amounts due to our Illinois health plan;*
- *the accurate estimation of incurred but not reported or paid medical costs across our health plans;*
- *retroactive adjustments to premium revenue or accounting estimates which require adjustment based upon subsequent developments or new information;*

- efforts by states to recoup previously paid amounts;
- the success of our profit improvement and cost-cutting initiatives;
- the success of our efforts to retain existing government contracts and to obtain new government contracts in connection with state requests for proposals (RFPs) in both existing and new states;
- the continuation and renewal of the government contracts of both our health plans and Molina Medicaid Solutions and the terms under which such contracts are renewed;
- complications, member confusion, or enrollment backlogs related to the annual renewal of Medicaid coverage;
- government audits and reviews, and any fine, enrollment freeze, or monitoring program that may result therefrom;
- changes with respect to our provider contracts and the loss of providers;
- approval by state regulators of dividends and distributions by our health plan subsidiaries;
- changes in funding under our contracts as a result of regulatory changes, programmatic adjustments, or other reforms;
- high dollar claims related to catastrophic illness;
- the favorable resolution of litigation, arbitration, or administrative proceedings;
- the relatively small number of states in which we operate health plans;
- the effect on our Los Angeles County subcontract of Centene's acquisition of Health Net;
- the availability of adequate financing on acceptable terms to fund and capitalize our expansion and growth, repay our outstanding indebtedness at maturity and meet our liquidity needs, including the interest expense and other costs associated with such financing;
- the failure of a state in which we operate to renew its federal Medicaid waiver;
- changes generally affecting the managed care or Medicaid management information systems industries;
- increases in government surcharges, taxes, and assessments;
- newly emergent viruses or widespread epidemics, including the Zika virus, and associated public alarm;
- changes in general economic conditions, including unemployment rates;
- the sufficiency of our funds on hand to pay the amounts due upon conversion of our outstanding notes;
- increasing competition and consolidation in the Medicaid industry;

and numerous other risk factors, including those discussed in our periodic reports and filings with the Securities and Exchange Commission. These reports can be accessed under the investor relations tab of our website or on the SEC's website at [sec.gov](http://sec.gov). Given these risks and uncertainties, we can give no assurances that our forward-looking statements will prove to be accurate, or that any other results or events projected or contemplated by our forward-looking statements will in fact occur, and we caution investors not to place undue reliance on these statements. All forward-looking statements in this release represent our judgment as of April 28, 2016, and we disclaim any obligation to update any forward-looking statements to conform the statement to actual results or changes in our expectations.

**MOLINA HEALTHCARE, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

|                            | Three Months Ended March 31,                                     |          |
|----------------------------|--|----------|
|                            | 2016   | 2015     |
|                            | <i>(Dollar amounts in millions, except net income per share)</i> |          |
| Revenue:                   |  |          |
| Premium revenue            | \$ 3,995   | \$ 2,971 |
| Service revenue            | 140  | 52       |
| Premium tax revenue        | 109  | 95       |
| Health insurer fee revenue | 90   | 48       |
| Investment income          | 8  | 3        |
| Other revenue              | 1  | 2        |
| Total revenue              | 4,343  | 3,171    |

|   |                |                |
|---|----------------|----------------|
| Operating expenses:                         |                |                |
| Medical care costs                          | 3,588          | 2,636          |
| Cost of service revenue                     | 127            | 36             |
| General and administrative expenses         | 340            | 256            |
| Premium tax expenses                        | 109            | 95             |
| Health insurer fee expenses                 | 58             | 41             |
| Depreciation and amortization               | 32             | 25             |
| Total operating expenses                    | <u>4,254</u>   | <u>3,089</u>   |
| Operating income                            | 89             | 82             |
| Interest expense                            | <u>25</u>      | <u>15</u>      |
| Income before income tax expense            | 64             | 67             |
| Income tax expense                          | <u>40</u>      | <u>39</u>      |
| Net income                                  | <u>\$ 24</u>   | <u>\$ 28</u>   |
|   |                |                |
| Diluted net income per share                | <u>\$ 0.43</u> | <u>\$ 0.56</u> |
|   |                |                |
| Diluted weighted average shares outstanding | <u>56.9</u>    | <u>50.1</u>    |

**Operating Statistics:**

|  |       |       |
|--|-------|-------|
| Medical care ratio (1)                       | 89.8% | 88.7% |
| General and administrative expense ratio (2) | 7.8%  | 8.1%  |
| Premium tax ratio (1)                        | 2.6%  | 3.1%  |
| Effective tax rate                           | 61.7% | 58.2% |
| Net profit margin (2)                        | 0.6%  | 0.9%  |

(1) Medical care ratio represents medical care costs as a percentage of premium revenue; premium tax ratio represents premium tax expenses as a percentage of premium revenue plus premium tax revenue.

(2) Computed as a percentage of total revenue.

**MOLINA HEALTHCARE, INC.  
UNAUDITED CONSOLIDATED BALANCE SHEETS**

|  | <b>March 31,<br/>2016</b>                               | <b>December<br/>31,<br/>2015</b> |
|--|---|----------------------------------|
|  | <b>(Unaudited)</b>                                      |                                  |
|  | <b>(Amounts in millions,<br/>except per-share data)</b> |                                  |
| <b>ASSETS</b>                                      |   |                                  |
| Current assets:                                    |   |                                  |
| Cash and cash equivalents                          | \$ 2,156  | \$ 2,329                         |
| Investments  | 2,070   | 1,801                            |
| Receivables  | 863   | 597                              |
| Income taxes refundable                            | 38  | 13                               |
| Prepaid expenses and other current assets          | 260   | 192                              |
| Derivative asset                                   | <u>377</u>  | <u>374</u>                       |
| Total current assets                               | 5,764   | 5,306                            |
| Property, equipment, and capitalized software, net | 419   | 393                              |
| Deferred contract costs                            | 79  | 81                               |
| Intangible assets, net                             | 149   | 122                              |
| Goodwill   | 619   | 519                              |
| Restricted investments                             | 116   | 109                              |
| Deferred income taxes                              | —   | 18                               |
| Other assets                                       | <u>37</u>   | <u>28</u>                        |
|  | <u>\$ 7,183</u>   | <u>\$ 6,576</u>                  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>        |   |                                  |
| Current liabilities:                               |   |                                  |
| Medical claims and benefits payable                | \$ 1,940  | \$ 1,685                         |

|   |                 |                 |
|---|-----------------|-----------------|
| Amounts due government agencies   | 910             | 729             |
| Accounts payable and accrued liabilities  | 601             | 362             |
| Deferred revenue  | 94              | 223             |
| Current portion of long-term debt   | 455             | 449             |
| Derivative liability  | 377             | 374             |
| Total current liabilities   | 4,377           | 3,822           |
| Senior notes  | 965             | 962             |
| Lease financing obligations   | 198             | 198             |
| Deferred income taxes   | 15              | —               |
| Other long-term liabilities   | 38              | 37              |
| Total liabilities   | 5,593           | 5,019           |
| Stockholders' equity:   |                 |                 |
| Common stock, \$0.001 par value; 150 shares authorized; outstanding: 57 shares at March 31, 2016 and 56 shares at December 31, 2015 | —               | —               |
| Preferred stock, \$0.001 par value; 20 shares authorized, no shares issued and outstanding  | —               | —               |
| Additional paid-in capital  | 806             | 803             |
| Accumulated other comprehensive gain (loss)   | 2               | (4)             |
| Retained earnings   | 782             | 758             |
| Total stockholders' equity  | 1,590           | 1,557           |
|   | <u>\$ 7,183</u> | <u>\$ 6,576</u> |

**MOLINA HEALTHCARE, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | <b>Three Months Ended March 31,</b> |              |
|---|-------------------------------------|--------------|
|   | <b>2016</b>                         | <b>2015</b>  |
|   | <i>(Amounts in millions)</i>        |              |
| Operating activities:   |                                     |              |
| Net income  | \$ 24                               | \$ 28        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                     |              |
| Depreciation and amortization   | 44                                  | 33           |
| Deferred income taxes   | 30                                  | 1            |
| Share-based compensation  | 7                                   | 6            |
| Amortization of convertible senior notes and lease financing obligations          | 8                                   | 7            |
| Other, net  | 6                                   | 3            |
| Changes in operating assets and liabilities:                                      |                                     |              |
| Receivables   | (266)                               | 105          |
| Prepaid expenses and other assets   | (202)                               | (137)        |
| Medical claims and benefits payable   | 255                                 | 248          |
| Amounts due government agencies   | 181                                 | 95           |
| Accounts payable and accrued liabilities  | 205                                 | 189          |
| Deferred revenue  | (129)                               | (26)         |
| Income taxes  | (24)                                | 2            |
| Net cash provided by operating activities   | <u>139</u>                          | <u>554</u>   |
| Investing activities:   |                                     |              |
| Purchases of investments  | (611)                               | (438)        |
| Proceeds from sales and maturities of investments                                 | 348                                 | 255          |
| Purchases of property, equipment, and capitalized software                        | (46)                                | (25)         |
| Increase in restricted investments  | (4)                                 | (5)          |
| Net cash paid in business combinations  | (2)                                 | (8)          |
| Other, net  | 1                                   | (7)          |
| Net cash used in investing activities   | <u>(314)</u>                        | <u>(228)</u> |
| Financing activities:   |                                     |              |
| Proceeds from employee stock plans  | —                                   | 1            |
| Other, net  | 2                                   | 4            |
| Net cash provided by financing activities   | <u>2</u>                            | <u>5</u>     |
| Net (decrease) increase in cash and cash equivalents                              | <u>(173)</u>                        | <u>331</u>   |

|  |                 |                 |
|--|-----------------|-----------------|
| Cash and cash equivalents at beginning of period | 2,329           | 1,539           |
| Cash and cash equivalents at end of period       | <u>\$ 2,156</u> | <u>\$ 1,870</u> |

**MOLINA HEALTHCARE, INC.**  
**UNAUDITED NON-GAAP FINANCIAL MEASURES**

We use two non-GAAP financial measures as supplemental metrics in evaluating our 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 our 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.

The first of these non-GAAP measures is earnings before interest, taxes, depreciation and amortization (EBITDA). We believe that EBITDA is particularly helpful in assessing our ability to meet the cash demands of our operating units. The following table reconciles net income, which we believe to be the most comparable GAAP measure, to EBITDA.

|  | <b>Three Months Ended March 31,</b> |               |
|--|-------------------------------------|---------------|
|  | <u>2016</u>                         | <u>2015</u>   |
|  | <i>(Amounts in millions)</i>        |               |
| Net income   | \$ 24                               | \$ 28         |
| Adjustments:   |                                     |               |
| Depreciation, and amortization of intangible assets and capitalized software | 37                                  | 29            |
| Interest expense   | 25                                  | 15            |
| Income tax expense   | 40                                  | 39            |
| EBITDA   | <u>\$ 126</u>                       | <u>\$ 111</u> |

The second of these non-GAAP measures is adjusted net income (including adjusted net income per diluted share). We believe that adjusted net income per diluted share is very helpful in assessing our financial performance exclusive of the non-cash impact of the amortization of purchased intangibles. The following table reconciles net income, which we believe to be the most comparable GAAP measure, to adjusted net income.

|                                   | <b>Three Months Ended March 31,</b>                    |                  |               |                  |
|-----------------------------------|--|------------------|---------------|------------------|
|                                   | <u>2016</u>  |                  | <u>2015</u>   |                  |
|                                   | <i>(In millions, except per diluted share amounts)</i> |                  |               |                  |
|                                   | <u>Amount</u>  | <u>Per share</u> | <u>Amount</u> | <u>Per share</u> |
| Net income                        | \$ 24  | \$ 0.43          | \$ 28         | \$ 0.56          |
| Adjustment, net of tax:           |  |                  |               |                  |
| Amortization of intangible assets | 5  | 0.08             | 3             | 0.06             |
| Adjusted net income               | <u>\$ 29</u>   | <u>\$ 0.51</u>   | <u>\$ 31</u>  | <u>\$ 0.62</u>   |

**MOLINA HEALTHCARE, INC.**  
**UNAUDITED HEALTH PLANS SEGMENT MEMBERSHIP**

|  | <u>March 31,</u> | <u>December 31,</u> | <u>March 31,</u> |
|--|------------------|---------------------|------------------|
|  | <u>2016</u>      | <u>2015</u>         | <u>2015</u>      |
| <b>Ending Membership by Health Plan:</b> |                  |                     |                  |
| California                               | 676,000          | 620,000             | 574,000          |
| Florida                                  | 576,000          | 440,000             | 352,000          |
| Illinois                                 | 206,000          | 98,000              | 102,000          |
| Michigan                                 | 399,000          | 328,000             | 256,000          |
| New Mexico                               | 246,000          | 231,000             | 222,000          |
| Ohio                                     | 336,000          | 327,000             | 350,000          |
| Puerto Rico <sup>(1)</sup>               | 339,000          | 348,000             | —                |
| South Carolina                           | 102,000          | 99,000              | 111,000          |
| Texas                                    | 380,000          | 260,000             | 268,000          |
| Utah                                     | 151,000          | 102,000             | 90,000           |
| Washington                               | 672,000          | 582,000             | 533,000          |
| Wisconsin                                | 137,000          | 98,000              | 107,000          |
|  | <u>4,220,000</u> | <u>3,533,000</u>    | <u>2,965,000</u> |
| <b>Ending Membership by Program:</b>     |                  |                     |                  |

|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| Temporary Assistance for Needy Families (TANF), CHIP <sup>(2)</sup> | 2,485,000        | 2,312,000        | 1,825,000        |
| Medicaid Expansion  | 632,000          | 557,000          | 437,000          |
| Aged, Blind or Disabled (ABD)                                       | 380,000          | 366,000          | 358,000          |
| Marketplace   | 630,000          | 205,000          | 266,000          |
| Medicare-Medicaid Plan (MMP) - Integrated                           | 50,000           | 51,000           | 34,000           |
| Medicare Special Needs Plans  | 43,000           | 42,000           | 45,000           |
|   | <u>4,220,000</u> | <u>3,533,000</u> | <u>2,965,000</u> |

(1) The Puerto Rico health plan began serving members effective April 1, 2015.

(2) CHIP stands for Children's Health Insurance Program.

**MOLINA HEALTHCARE, INC.**  
**UNAUDITED SELECTED HEALTH PLANS SEGMENT FINANCIAL DATA**  
*(In millions, except percentages and per-member per-month amounts)*

| <b>Three Months Ended March 31, 2016</b> |                              |                 |                  |                    |                  |                    |                |
|--|------------------------------|-----------------|------------------|--------------------|------------------|--------------------|----------------|
|  | Member Months <sup>(1)</sup> | Premium Revenue |                  | Medical Care Costs |                  | MCR <sup>(2)</sup> | Medical Margin |
|  |                              | Total           | PMPM             | Total              | PMPM             |                    |                |
| California                               | 2.0                          | \$ 541          | \$ 273.42        | \$ 469             | \$ 236.92        | 86.7%              | \$ 72          |
| Florida                                  | 1.6                          | 489             | 295.42           | 413                | 249.45           | 84.4               | 76             |
| Illinois                                 | 0.6                          | 149             | 267.10           | 132                | 236.76           | 88.6               | 17             |
| Michigan                                 | 1.2                          | 387             | 320.14           | 347                | 287.34           | 89.8               | 40             |
| New Mexico                               | 0.7                          | 336             | 449.52           | 296                | 394.77           | 87.8               | 40             |
| Ohio                                     | 1.0                          | 488             | 489.14           | 449                | 450.11           | 92.0               | 39             |
| Puerto Rico                              | 1.0                          | 181             | 176.85           | 174                | 170.43           | 96.4               | 7              |
| South Carolina                           | 0.3                          | 84              | 275.97           | 67                 | 220.78           | 80.0               | 17             |
| Texas                                    | 1.1                          | 620             | 580.81           | 575                | 538.91           | 92.8               | 45             |
| Utah                                     | 0.4                          | 114             | 264.62           | 102                | 235.88           | 89.1               | 12             |
| Washington                               | 2.0                          | 506             | 255.41           | 458                | 231.18           | 90.5               | 48             |
| Wisconsin                                | 0.4                          | 97              | 250.36           | 92                 | 238.01           | 95.1               | 5              |
| Other <sup>(3)</sup>                     | —                            | 3               | —                | 14                 | —                | —                  | (11)           |
|  | <u>12.3</u>                  | <u>\$ 3,995</u> | <u>\$ 323.73</u> | <u>\$ 3,588</u>    | <u>\$ 290.74</u> | <u>89.8%</u>       | <u>\$ 407</u>  |

| <b>Three Months Ended March 31, 2015</b> |                              |                 |                  |                    |                  |                    |                |
|--|------------------------------|-----------------|------------------|--------------------|------------------|--------------------|----------------|
|  | Member Months <sup>(1)</sup> | Premium Revenue |                  | Medical Care Costs |                  | MCR <sup>(2)</sup> | Medical Margin |
|  |                              | Total           | PMPM             | Total              | PMPM             |                    |                |
| California                               | 1.7                          | \$ 511          | \$ 305.10        | \$ 452             | \$ 270.37        | 88.6%              | \$ 59          |
| Florida                                  | 0.9                          | 311             | 346.46           | 281                | 313.51           | 90.5               | 30             |
| Illinois                                 | 0.3                          | 104             | 341.86           | 90                 | 293.58           | 85.9               | 14             |
| Michigan                                 | 0.7                          | 220             | 290.29           | 185                | 244.32           | 84.2               | 35             |
| New Mexico                               | 0.7                          | 314             | 458.75           | 292                | 426.82           | 93.0               | 22             |
| Ohio                                     | 1.0                          | 515             | 488.26           | 413                | 391.56           | 80.2               | 102            |
| Puerto Rico                              | —                            | —               | —                | —                  | —                | —                  | —              |
| South Carolina                           | 0.3                          | 91              | 266.42           | 74                 | 216.67           | 81.3               | 17             |
| Texas                                    | 0.8                          | 382             | 492.38           | 352                | 453.30           | 92.1               | 30             |
| Utah                                     | 0.3                          | 77              | 290.27           | 74                 | 278.99           | 96.1               | 3              |
| Washington                               | 1.6                          | 376             | 240.83           | 352                | 225.49           | 93.6               | 24             |
| Wisconsin                                | 0.3                          | 60              | 199.61           | 49                 | 161.13           | 80.7               | 11             |
| Other <sup>(3)</sup>                     | —                            | 10              | —                | 22                 | —                | —                  | (12)           |
|  | <u>8.6</u>                   | <u>\$ 2,971</u> | <u>\$ 344.65</u> | <u>\$ 2,636</u>    | <u>\$ 305.80</u> | <u>88.7%</u>       | <u>\$ 335</u>  |

(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.

(3) "Other" medical care costs include primarily medically related administrative costs at the parent company, and direct delivery costs.

**MOLINA HEALTHCARE, INC.**  
**UNAUDITED SELECTED HEALTH PLANS SEGMENT FINANCIAL DATA**  
*(In millions, except percentages and per-member per-month amounts)*

**Three Months Ended March 31, 2016**

|                    | Member Months <sup>(1)</sup> | Premium Revenue |                  | Medical Care Costs |                  |                    | Medical Margin |
|--------------------|------------------------------|-----------------|------------------|--------------------|------------------|--------------------|----------------|
|                    |                              | Total           | PMPM             | Total              | PMPM             | MCR <sup>(2)</sup> |                |
| TANF and CHIP      | 7.4                          | \$ 1,324        | \$ 178.47        | \$ 1,198           | \$ 161.46        | 90.5%              | \$ 126         |
| Medicaid Expansion | 1.9                          | 679             | 365.11           | 574                | 308.30           | 84.4               | 105            |
| ABD                | 1.2                          | 1,112           | 961.49           | 1,041              | 899.79           | 93.6               | 71             |
| Marketplace        | 1.6                          | 409             | 251.85           | 334                | 205.86           | 81.7               | 75             |
| MMP                | 0.1                          | 340             | 2,220.68         | 317                | 2,070.23         | 93.2               | 23             |
| Medicare           | 0.1                          | 131             | 1,029.10         | 124                | 980.49           | 95.3               | 7              |
|                    | <b>12.3</b>                  | <b>\$ 3,995</b> | <b>\$ 323.73</b> | <b>\$ 3,588</b>    | <b>\$ 290.74</b> | <b>89.8%</b>       | <b>\$ 407</b>  |

**Three Months Ended March 31, 2015**

|                    | Member Months <sup>(1)</sup> | Premium Revenue |                  | Medical Care Costs |                  |                    | Medical Margin |
|--------------------|------------------------------|-----------------|------------------|--------------------|------------------|--------------------|----------------|
|                    |                              | Total           | PMPM             | Total              | PMPM             | MCR <sup>(2)</sup> |                |
| TANF and CHIP      | 5.5                          | \$ 972          | \$ 177.40        | \$ 897             | \$ 163.67        | 92.3%              | \$ 75          |
| Medicaid Expansion | 1.3                          | 507             | 397.99           | 393                | 308.59           | 77.5               | 114            |
| ABD                | 1.0                          | 940             | 894.70           | 863                | 820.72           | 91.7               | 77             |
| Marketplace        | 0.6                          | 194             | 332.52           | 156                | 268.60           | 80.8               | 38             |
| MMP                | 0.1                          | 225             | 2,206.17         | 199                | 1,950.71         | 88.4               | 26             |
| Medicare           | 0.1                          | 133             | 1,013.66         | 128                | 977.09           | 96.4               | 5              |
|                    | <b>8.6</b>                   | <b>\$ 2,971</b> | <b>\$ 344.65</b> | <b>\$ 2,636</b>    | <b>\$ 305.80</b> | <b>88.7%</b>       | <b>\$ 335</b>  |

(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.

**MOLINA HEALTHCARE, INC.**  
**UNAUDITED SELECTED HEALTH PLANS SEGMENT FINANCIAL DATA**  
*(In millions, except percentages and per-member per-month amounts)*

The following tables provide the details of our medical care costs for the periods indicated:

**Three Months Ended March 31,**

|                 | 2016            |                  |               | 2015            |                  |               |
|-----------------|-----------------|------------------|---------------|-----------------|------------------|---------------|
|                 | Amount          | PMPM             | % of Total    | Amount          | PMPM             | % of Total    |
| Fee for service | \$ 2,737        | \$ 221.77        | 76.3%         | \$ 1,948        | \$ 226.04        | 73.9%         |
| Pharmacy        | 525             | 42.53            | 14.6          | 351             | 40.75            | 13.3          |
| Capitation      | 295             | 23.87            | 8.2           | 217             | 25.10            | 8.2           |
| Direct delivery | 16              | 1.34             | 0.5           | 27              | 3.11             | 1.0           |
| Other           | 15              | 1.23             | 0.4           | 93              | 10.80            | 3.6           |
|                 | <b>\$ 3,588</b> | <b>\$ 290.74</b> | <b>100.0%</b> | <b>\$ 2,636</b> | <b>\$ 305.80</b> | <b>100.0%</b> |

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

|   | <b>March 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|---------------------------|------------------------------|
| Fee-for-service claims incurred but not paid (IBNP) | \$ 1,392                  | \$ 1,191                     |
| Pharmacy payable                                    | 111                       | 88                           |
| Capitation payable                                  | 138                       | 140                          |
| Other <sup>(1)</sup>                                | 299                       | 266                          |
|   | <b>\$ 1,940</b>           | <b>\$ 1,685</b>              |



(1) "Other" medical claims and benefits payable include amounts payable to certain providers for which we act as an intermediary on behalf of various state agencies without assuming financial risk. Such receipts and payments do not impact our consolidated statements of income. As of March 31, 2016 and December 31, 2015, we had recorded non-risk provider payables of approximately \$191 million and \$167 million, respectively.

**MOLINA HEALTHCARE, INC.**  
**UNAUDITED CHANGE IN MEDICAL CLAIMS AND BENEFITS PAYABLE**  
*(Dollars in millions, except per-member amounts)*

Our 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. Our 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 our original estimate of claims and benefits payable at the beginning of the period were 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:

|  | <b>Three Months Ended March 31,</b> |                 | <b>Year Ended</b>   |
|--|-------------------------------------|-----------------|---------------------|
|  | <b>2016</b>                         | <b>2015</b>     | <b>December 31,</b> |
|  |                                     |                 | <b>2015</b>         |
| Medical claims and benefits payable, beginning balance | \$ 1,685                            | \$ 1,201        | \$ 1,201            |
| Components of medical care costs related to:           |                                     |                 |                     |
| Current period   | 3,755                               | 2,772           | 11,935              |
| Prior period   | (167)                               | (136)           | (141)               |
| Total medical care costs                               | <u>3,588</u>                        | <u>2,636</u>    | <u>11,794</u>       |
| Change in non-risk provider payables                   | <u>24</u>                           | <u>(14)</u>     | <u>48</u>           |
| Payments for medical care costs related to:            |                                     |                 |                     |
| Current period   | 2,241                               | 1,648           | 10,448              |
| Prior period   | 1,116                               | 727             | 910                 |
| Total paid   | <u>3,357</u>                        | <u>2,375</u>    | <u>11,358</u>       |
| Medical claims and benefits payable, ending balance    | <u>\$ 1,940</u>                     | <u>\$ 1,448</u> | <u>\$ 1,685</u>     |
| Benefit from prior period as a percentage of:          |                                     |                 |                     |
| Balance at beginning of period                         | 10.0%                               | 11.3%           | 11.8%               |
| Premium revenue, trailing twelve months                | 1.2%                                | 1.4%            | 1.1%                |
| Medical care costs, trailing twelve months             | 1.3%                                | 1.5%            | 1.2%                |

Fee-For-Service Claims Data:

|   |            |           |            |
|---|------------|-----------|------------|
| Days in claims payable, fee for service                         | 46         | 51        | 48         |
| Number of members at end of year                                | 4,220,000  | 2,965,000 | 3,533,000  |
| Number of claims in inventory at end of year                    | 512,600    | 319,300   | 380,800    |
| Billed charges of claims in inventory at end of year            | \$ 1,141   | \$ 848    | \$ 816     |
| Claims in inventory per member at end of year                   | 0.12       | 0.11      | 0.11       |
| Billed charges of claims in inventory per member at end of year | \$ 270.39  | \$ 286.07 | \$ 230.91  |
| Number of claims received during the year                       | 12,685,500 | 8,635,500 | 40,173,300 |
| Billed charges of claims received during the year               | \$ 15,033  | \$ 9,892  | \$ 46,211  |

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Source: Molina Healthcare, Inc.

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