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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________
Commission file number: 001-31719

MOLINA HEALTHCARE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**13-4204626**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
200 Oceangate, Suite 100 **Long Beach, California**	**90802**
(Address of principal executive offices)	**(Zip Code)**

(562) 435-3666
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 Par Value	MOH	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of the issuer's Common Stock, $0.001 par value, outstanding as of October 22, 2021, was approximately 58,400,000.

MOLINA HEALTHCARE, INC. FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2021

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CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In millions, except per-share amounts) (Unaudited)			
Revenue:				
Premium revenue	$ 6,800	$ 4,768	$ 19,689	$ 13,444
Premium tax revenue	204	170	576	477
Health insurer fees reimbursed	—	69	—	206
Investment income	20	10	39	48
Other revenue	16	4	58	13
Total revenue	7,040	5,021	20,362	14,188
Operating expenses:				
Medical care costs	6,049	4,098	17,342	11,412
General and administrative expenses	532	368	1,489	1,030
Premium tax expenses	204	170	576	477
Health insurer fees	—	70	—	209
Depreciation and amortization	32	23	96	64
Other	2	3	30	9
Total operating expenses	6,819	4,732	19,533	13,201
Operating income	221	289	829	987
Other expenses, net:				
Interest expense	30	27	90	72
Other expense, net	—	—	—	5
Total other expenses, net	30	27	90	77
Income before income tax expense	191	262	739	910
Income tax expense	48	77	183	271
Net income	$ 143	$ 185	$ 556	$ 639
Net income per share - Basic	$ 2.49	$ 3.14	$ 9.63	$ 10.80
Net income per share - Diluted	$ 2.46	$ 3.10	$ 9.51	$ 10.65

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In millions) (Unaudited)			
Net income	$ 143	$ 185	$ 556	$ 639
Other comprehensive loss income:				
Unrealized investment (loss) income	(13)	6	(27)	43
Less: effect of income taxes	(4)	1	(7)	10
Other comprehensive (loss) income, net of tax	(9)	5	(20)	33
Comprehensive income	$ 134	$ 190	$ 536	$ 672

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

	September 30, 2021	December 31, 2020
	(Dollars in millions, except per-share amounts)	
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,357	$ 4,154
Investments	2,900	1,875
Receivables	1,912	1,672
Prepaid expenses and other current assets	197	175
Total current assets	9,366	7,876
Property, equipment, and capitalized software, net	385	391
Goodwill, and intangible assets, net	915	941
Restricted investments	156	136
Deferred income taxes	83	69
Other assets	128	119
Total assets	$ 11,033	$ 9,532
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Medical claims and benefits payable	$ 3,191	$ 2,696
Amounts due government agencies	2,081	1,253
Accounts payable, accrued liabilities and other	797	641
Deferred revenue	1	375
Total current liabilities	6,070	4,965
Long-term debt	2,130	2,127
Finance lease liabilities	220	225
Other long-term liabilities	95	119
Total liabilities	8,515	7,436
Stockholders’ equity:		
Common stock, $0.001 par value, 150 million shares authorized; outstanding: 58 million shares at September 30, 2021, and 59 million shares at December 31, 2020	—	—
Preferred stock, $0.001 par value; 20 million shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	205	199
Accumulated other comprehensive income	17	37
Retained earnings	2,296	1,860
Total stockholders’ equity	2,518	2,096
Total liabilities and stockholders’ equity	$ 11,033	$ 9,532

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Outstanding	Amount				
	(In millions) (Unaudited)					
Balance at December 31, 2020	59	$ —	$ 199	$ 37	$ 1,860	$ 2,096
Net income	—	—	—	—	228	228
Common stock purchases	(1)	—	(2)	—	(120)	(122)
Other comprehensive loss, net	—	—	—	(11)	—	(11)
Share-based compensation	—	—	(27)	—	—	(27)
Balance at March 31, 2021	58	—	170	26	1,968	2,164
Net income	—	—	—	—	185	185
Share-based compensation	—	—	21	—	—	21
Balance at June 30, 2021	58	—	191	26	2,153	2,370
Net income	—	—	—	—	143	143
Other comprehensive loss, net	—	—	—	(9)	—	(9)
Share-based compensation	—	—	14	—	—	14
Balance at September 30, 2021	58	$ —	$ 205	$ 17	$ 2,296	$ 2,518

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Outstanding	Amount				
	(In millions) (Unaudited)					
Balance at December 31, 2019	62	$ —	$ 175	$ 4	$ 1,781	$ 1,960
Net income	—	—	—	—	178	178
Common stock purchases	(3)	—	(9)	—	(437)	(446)
Termination of warrants	—	—	(30)	—	—	(30)
Other comprehensive loss, net	—	—	—	(19)	—	(19)
Share-based compensation	—	—	4	—	—	4
Balance at March 31, 2020	59	—	140	(15)	1,522	1,647
Net income	—	—	—	—	276	276
Other comprehensive income, net	—	—	—	47	—	47
Share-based compensation	—	—	26	—	—	26
Balance at June 30, 2020	59	—	166	32	1,798	1,996
Net income	—	—	—	—	185	185
Other comprehensive income, net	—	—	—	5	—	5
Share-based compensation	—	—	15	—	—	15
Balance at September 30, 2020	59	$ —	$ 181	$ 37	$ 1,983	$ 2,201

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2021	2020
	(In millions) (Unaudited)	
Operating activities:		
Net income	$ 556	$ 639
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96	64
Deferred income taxes	(8)	(3)
Share-based compensation	49	43
Loss on debt repayment	—	5
Other, net	9	2
Changes in operating assets and liabilities:		
Receivables	(247)	(369)
Prepaid expenses and other current assets	(43)	(98)
Medical claims and benefits payable	522	431
Amounts due government agencies	810	(24)
Accounts payable, accrued liabilities and other	129	63
Deferred revenue	(374)	(188)
Income taxes	23	34
Net cash provided by operating activities	1,522	599
Investing activities:		
Purchases of investments	(2,018)	(670)
Proceeds from sales and maturities of investments	965	891
Purchases of property, equipment and capitalized software	(56)	(64)
Net cash paid in business combinations	—	(62)
Other, net	3	3
Net cash (used in) provided by investing activities	(1,106)	98
Financing activities:		
Common stock purchases	(128)	(453)
Common stock withheld to settle employee tax obligations	(52)	(8)
Contingent consideration liabilities settled	(20)	—
Proceeds from senior notes offering, net of issuance costs	—	789
Repayment of term loan facility	—	(600)
Proceeds from borrowings under term loan facility	—	380
Other, net	(4)	(47)
Net cash (used in) provided by financing activities	(204)	61
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	212	758
Cash, cash equivalents, and restricted cash and cash equivalents at beginning of period	4,223	2,508
Cash, cash equivalents, and restricted cash and cash equivalents at end of period	$ 4,435	$ 3,266

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEPTEMBER 30, 2021

1. Organization and Basis of Presentation

Organization and Operations

Molina Healthcare, Inc. provides managed healthcare services under the Medicaid and Medicare programs, and through the state insurance marketplaces (the “Marketplace”). In the first quarter of 2021, we realigned our reportable operating segments to reflect recent changes in our internal operating and reporting structure, which is now organized by government program. These reportable segments consist of: 1) Medicaid; 2) Medicare; 3) Marketplace; and 4) Other. For further information, refer to Note 10, “Segments.”

As of September 30, 2021, we served approximately 4.8 million members eligible for government-sponsored healthcare programs, located across 18 states.

Our state Medicaid contracts typically have terms of three to five years, contain renewal options exercisable by the state Medicaid agency, and allow either the state or the health plan to terminate the contract with or without cause. Such contracts are subject to risk of loss in states that issue requests for proposal (“RFPs”) open to competitive bidding by other health plans. If one of our health plans is not a successful responsive bidder to a state RFP, its contract may not be renewed.

In addition to contract renewal, our state Medicaid contracts may be periodically amended to include or exclude certain health benefits (such as pharmacy services, behavioral health services, or long-term care services); populations such as the aged, blind or disabled (“ABD”); and regions or service areas.

Recent Developments

New York Acquisition—Medicaid. On October 25, 2021, we closed on our acquisition of substantially all of the assets of Affinity Health Plan, Inc., a Medicaid health plan in New York. The net purchase price for the transaction is approximately $380 million, net of certain tax benefits and allocation of required regulatory capital, which we funded with cash on hand.

New York Acquisition—Medicaid. On October 7, 2021, we announced a definitive agreement to acquire the Medicaid Managed Long Term Care business of AgeWell New York. As of August 31, 2021, AgeWell served approximately 13,000 managed long-term services and supports members, with full-year 2020 premium revenue of approximately $700 million. The purchase price for the transaction is approximately $110 million, net of certain tax benefits and target allocation of required regulatory capital, which we intend to fund with cash on hand. The transaction is subject to applicable federal and state regulatory approvals and the satisfaction of other customary closing conditions. We currently expect the transaction to close by the third quarter of 2022.

Nevada Procurement—Medicaid. On August 17, 2021, we announced that our Nevada health plan subsidiary was selected as an awardee in Clark and Washoe Counties. This new contract is expected to commence on January 1, 2022, and will offer health coverage to TANF, CHIP and Medicaid Expansion beneficiaries. The four year contract with a possible two year extension was ratified in September 2021.

California Procurement—Medicaid. The state currently expects a final RFP to be released in February 2022.

Texas Acquisition—Medicaid and Medicare. On April 22, 2021, we announced a definitive agreement to acquire Cigna Corporation’s Texas Medicaid and Medicare-Medicaid Plan (“MMP”) contracts, along with certain operating assets. As of December 31, 2020, Cigna served approximately 48,000 members in the Texas ABD program, also known as “STAR+PLUS,” in the Hidalgo, Tarrant and Northeast service areas, and approximately 2,000 MMP members in the Hidalgo service area, with full year 2020 premium revenue of approximately $1.0 billion. The purchase price for the transaction is approximately $60 million, which we intend to fund with cash on hand. The transaction is subject to the receipt of applicable federal and state regulatory approvals and the satisfaction of other customary closing conditions. We currently expect the transaction to close in January 2022.

Ohio Procurement—Medicaid. On April 13, 2021, we announced that our Ohio health plan subsidiary was selected as an awardee in all three regions across the state pursuant to the Medicaid managed care request for award issued on September 30, 2020, by the Ohio Department of Medicaid. This new contract is expected to begin July 1, 2022, and will offer health care coverage to Medicaid beneficiaries through the state of Ohio’s Covered Family and Children, Expansion, and ABD programs.

Consolidation and Interim Financial Information

The consolidated financial statements include the accounts of Molina Healthcare, Inc., and its subsidiaries. In the opinion of management, all adjustments considered necessary for a fair presentation of the results as of the date and for the interim periods presented have been included; such adjustments consist of normal recurring adjustments. All significant intercompany balances and transactions have been eliminated. The consolidated results of operations for the nine months ended September 30, 2021 are not necessarily indicative of the results for the entire year ending December 31, 2021.

The unaudited consolidated interim financial statements have been prepared under the assumption that users of the interim financial data have either read or have access to our audited consolidated financial statements for the fiscal year ended December 31, 2020. Accordingly, certain disclosures that would substantially duplicate the disclosures contained in our December 31, 2020, audited consolidated financial statements have been omitted. These unaudited consolidated interim financial statements should be read in conjunction with our audited consolidated financial statements for the fiscal year ended December 31, 2020.

Reclassifications

Consistent with the change in reportable segments described above, certain prior year disclosures in Note 7, “Medical Claims and Benefits Payable,” and Note 10, “Segments,” have been recast to conform to the current year presentation.

Certain immaterial amounts presented in the accompanying consolidated statement of cash flows for the nine months ended September 30, 2020, have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Principal areas requiring the use of estimates include:

- The determination of medical claims and benefits payable;
- Contractual provisions that may limit revenue recognition based upon the costs incurred or the profits realized under a specific contract;
- Quality incentives that allow us to recognize incremental revenue if certain quality standards are met;
- Settlements under risk- or savings-sharing programs;
- Purchase price allocations relating to business combinations, including the determination of contingent consideration;
- The assessment of long-lived and intangible assets, and goodwill for impairment;
- The determination of reserves for potential absorption of claims unpaid by insolvent providers;
- The determination of reserves for the outcome of litigation;
- The determination of valuation allowances for deferred tax assets; and
- The determination of unrecognized tax benefits.

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid investments that are both readily convertible into known amounts of cash and have a maturity of three months or less on the date of purchase. The following table reconciles cash, cash equivalents, and restricted cash and cash equivalents reported within the accompanying consolidated balance sheets that sum to the total of the same such amounts presented in the accompanying consolidated statements of cash flows. The restricted cash and cash equivalents presented below are included in “Restricted investments” in the accompanying consolidated balance sheets.

	September 30, 2021	September 30, 2020
	(In millions)	
Cash and cash equivalents	$ 4,357	$ 3,196
Restricted cash and cash equivalents	78	70
Total cash, cash equivalents, and restricted cash and cash equivalents presented in the consolidated statements of cash flows	$ 4,435	$ 3,266

Receivables

Receivables consist primarily of premium amounts due from government agencies, which are subject to potential retroactive adjustments. Because substantially all of our receivable amounts are readily determinable and substantially all of our creditors are governmental authorities, our allowance for credit losses is insignificant. Any amounts determined to be uncollectible are charged to expense when such determination is made.

	September 30, 2021	December 31, 2020
	(In millions)	
Government receivables	$ 1,331	$ 969
Pharmacy rebate receivables	264	178
Health insurer fee reimbursement receivables	25	104
Other	292	255
Magellan Complete Care acquisition opening balance	—	166
Total	$ 1,912	$ 1,672

Premium Revenue Recognition and Amounts Due Government Agencies

Premium revenue is generated from our contracts with state and federal agencies, in connection with our participation in the Medicaid, Medicare, and Marketplace programs. Premium revenue is generally received based on per member per month (“PMPM”) rates established in advance of the periods covered. These premium revenues are recognized in the month that members are entitled to receive healthcare services, and premiums collected in advance are deferred. State Medicaid programs and the federal Medicare program periodically adjust premium rates.

Certain components of premium revenue are subject to accounting estimates and are described in further detail below, and in our 2020 Annual Report on Form 10-K, Note 2, “Significant Accounting Policies,” under “Contractual Provisions That May Adjust or Limit Revenue or Profit,” and “Quality Incentives.”

Contractual Provisions That May Adjust or Limit Revenue or Profit

Many of our contracts contain provisions that may adjust or limit revenue or profit, which include those provisions with significant interim period balances described in further detail below. We recognize premium revenue as it is earned under such provisions. Liabilities accrued for premiums to be returned under such provisions are reported in the aggregate as “Amounts due government agencies,” in the accompanying consolidated balance sheets. Categorized by segment, such amounts due government agencies included the following:

	September 30, 2021	December 31, 2020
	(In millions)	
Medicaid:		
Minimum MLR and profit sharing	$ 852	$ 513
Other	249	76
Medicare:		
Risk adjustment and Part D risk sharing	87	45
Minimum MLR and profit sharing	82	62
Other	41	30
Marketplace:		
Risk adjustment	691	326
Minimum MLR	30	37
Other	49	21
Magellan Complete Care acquisition opening balance	—	143
Total amounts due government agencies	$ 2,081	$ 1,253

Medicaid

Minimum MLR and Retroactive Premium Adjustments. State Medicaid programs periodically adjust premium rates on a retroactive basis. In these cases, we adjust our premium revenue in the period in which we determine that the adjustment is probable and reasonably estimable. Our adjustment is based on our best estimate of the ultimate premium we expect to realize for the period being adjusted.

Beginning in 2020, through September 30, 2021, various states enacted temporary risk corridors in response to the reduced demand for medical services stemming from COVID-19, which have resulted in a reduction of our medical margin. In some cases, these risk corridors were retroactive to earlier periods in 2020, or as early as the beginning of the states’ fiscal years in 2019. Beginning in the second quarter of 2020, we have recognized retroactive risk corridors that we believe to be probable, and where the ultimate premium amount is reasonably estimable. For the three and nine months ended September 30, 2021, we recognized approximately $17 million and $183 million, respectively, related to such risk corridors, primarily in the Medicaid segment.

It is possible that certain states could change the structure of existing risk corridors, implement new risk corridors in the future or discontinue existing risk corridors. Due to these uncertainties, the ultimate outcomes could differ materially from our estimates as a result of changes in facts or further developments, which could have an adverse effect on our consolidated financial position, results of operations, or cash flows.

Marketplace

Risk Adjustment. Under this program, our health plans’ composite risk scores are compared with the overall average risk score for the relevant state and market pool. Generally, our health plans will make a risk adjustment payment into the pool if their composite risk scores are below the average risk score (risk adjustment payable), and will receive a risk adjustment payment from the pool if their composite risk scores are above the average risk score (risk adjustment receivable). We estimate our ultimate premium based on insurance policy year-to-date experience, and recognize estimated premiums relating to the risk adjustment program as an adjustment to premium revenue in our consolidated statements of income. As of September 30, 2021, Marketplace risk adjustment payables amounted to $691 million and related receivables amounted to $29 million, for a net payable of $662 million, of which $660 million related to 2021, and $2 million related primarily to 2020. As of December 31, 2020, Marketplace risk adjustment payables amounted to $326 million and related receivables amounted to $20 million, for a net payable of $306 million.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments, receivables, and restricted investments. Our investments and a portion of our cash equivalents are managed by professional portfolio managers operating under documented investment guidelines. Our portfolio managers must obtain our prior approval before selling investments where the loss position of those investments exceeds certain levels. Our investments consist primarily of investment-grade debt securities with final maturities of less than 10 years, or less than 10 years average life for structured securities. Restricted investments are invested principally in cash, cash equivalents, and U.S. Treasury securities. Concentration of credit risk with respect to accounts receivable is limited because our payors consist principally of the federal government, and the local governments of the states in which our health plan subsidiaries operate.

Income Taxes

The provision for income taxes is determined using an estimated annual effective tax rate, which generally differs from the U.S. federal statutory rate primarily because of foreign and state taxes, and nondeductible expenses such as certain compensation and other general and administrative expenses.

The effective tax rate may be subject to fluctuations during the year as new information is obtained. Such information may affect the assumptions used to estimate the annual effective tax rate, including projected pretax earnings, the mix of pretax earnings in the various tax jurisdictions in which we operate, valuation allowances against deferred tax assets, the recognition or the reversal of the recognition of tax benefits related to uncertain tax positions, and changes in or the interpretation of tax laws in jurisdictions where we conduct business. We recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities, along with net operating loss and tax credit carryovers.

Recent Accounting Pronouncements

Various recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the Securities and Exchange Commission (“SEC”) did not have, nor does management expect such pronouncements to have, a significant impact on our present or future consolidated financial statements.

3. Net Income per Share

The following table sets forth the calculation of net income per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In millions, except net income per share)			
Numerator:				
Net income	$ 143	$ 185	$ 556	$ 639
Denominator:				
Shares outstanding at the beginning of the period	57.8	58.7	58.0	61.9
Weighted-average number of shares issued:				
Stock purchases	—	—	(0.5)	(2.8)
Stock-based compensation	—	—	0.3	0.1
Denominator for basic net income per share	57.8	58.7	57.8	59.2
Effect of dilutive securities: (1)				
Stock-based compensation	0.7	0.9	0.7	0.8
Denominator for diluted net income per share	58.5	59.6	58.5	60.0
Net income per share - Basic (2)	$ 2.49	$ 3.14	$ 9.63	$ 10.80
Net income per share - Diluted (2)	$ 2.46	$ 3.10	$ 9.51	$ 10.65

(1) The dilutive effect of all potentially dilutive common shares is calculated using the treasury stock method.
(2) Source data for calculations in thousands.

4. Business Combinations

On December 31, 2020, we closed on our acquisition of 100% of the outstanding equity interests of the Magellan Complete Care line of business of Magellan Health, Inc., for total purchase consideration of approximately $1,037 million. In the nine months ended September 30, 2021, we recorded various measurement period adjustments, including a decrease of $7 million to “Receivables,” a decrease of $27 million to “Medical claims and benefits payable,” and an increase of $18 million to “Amounts due government agencies.” In the aggregate, we recorded a net increase of $9 million to goodwill for these measurement period adjustments and various purchase price adjustments.

Refer to Note 10, “Segments” for further information regarding the allocation of goodwill and intangible assets, net, by reportable segment.

5. Fair Value Measurements

We generally consider the carrying amounts of current assets and current liabilities to approximate their fair values because of the relatively short period of time between the origination of these instruments and their expected realization or payment. For our financial instruments measured at fair value on a recurring basis, we prioritize the inputs used in measuring fair value according to the three-tier fair value hierarchy. For a description of the methods and assumptions used to: a) estimate the fair value; and b) determine the classification according to the fair value hierarchy for each financial instrument, refer to our 2020 Annual Report on Form 10-K, Note 5, “Fair Value Measurements.”

Our financial instruments measured at fair value on a recurring basis at September 30, 2021, were as follows:

	Total	Observable Inputs (Level 1)	Directly or Indirectly Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
		(In millions)		
Corporate debt securities	$ 1,705	$ —	$ 1,705	$ —
Mortgage-backed securities	610	—	610	—
U.S. Treasury notes	235	—	235	—
Asset-backed securities	224	—	224	—
Municipal securities	97	—	97	—
Other	29	—	29	—
Total assets	$ 2,900	$ —	$ 2,900	$ —
Contingent consideration liabilities	$ 26	$ —	$ —	$ 26
Total liabilities	$ 26	$ —	$ —	$ 26

Our financial instruments measured at fair value on a recurring basis at December 31, 2020, were as follows:

	Total	Observable Inputs (Level 1)	Directly or Indirectly Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
		(In millions)		
Corporate debt securities	$ 1,256	$ —	$ 1,256	$ —
Mortgage-backed securities	392	—	392	—
U.S. Treasury notes	27	—	27	—
Asset-backed securities	132	—	132	—
Municipal securities	68	—	68	—
Total assets	$ 1,875	$ —	$ 1,875	$ —
Contingent consideration liabilities	$ 46	$ —	$ —	$ 46
Total liabilities	$ 46	$ —	$ —	$ 46

The net changes in fair value of Level 3 financial instruments are reported in “Other” operating expenses in our consolidated statements of income. In the nine months ended September 30, 2021, we recognized a loss of $3 million for the increase in the fair value of the contingent consideration liabilities described below.

Contingent Consideration Liabilities

As of September 30, 2021, our Level 3 financial instruments recorded at fair value on a recurring basis included contingent consideration liabilities of $26 million, in connection with our 2020 acquisition of certain assets of Passport Health Plan, Inc., a Medicaid health plan in Kentucky. In the first quarter of 2021, the contingent purchase consideration relating to 2021 member enrollment was finalized and half the consideration due, or $23 million, was paid to the seller. The portion of the contingent purchase consideration paid in the first quarter of 2021 has been presented primarily in “Financing activities” in the accompanying consolidated statements of cash flows for the nine months ended September 30, 2021, with the balance reflected in “Operating activities.” We expect to pay the remaining balance of the liabilities, reported in “Accounts payable, accrued liabilities and other” in the accompanying consolidated balance sheets, by the end of the first quarter of 2022.

Fair Value Measurements – Disclosure Only

The carrying amounts and estimated fair values of our notes payable are classified as Level 2 financial instruments. Fair value for these securities is determined using a market approach based on quoted market prices for similar securities in active markets or quoted prices for identical securities in inactive markets.

	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(In millions)		
4.375% Notes	$ 790	$ 835	$ 789	$ 843
5.375% Notes	698	725	697	742
3.875% Notes	642	688	641	691
Total	$ 2,130	$ 2,248	$ 2,127	$ 2,276

6. Investments

Available-for-Sale

We consider all our investments classified as current assets to be available-for-sale. The following tables summarize our investments as of the dates indicated:

	September 30, 2021			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Estimated Fair Value
	(In millions)			
Corporate debt securities	$ 1,688	$ 19	$ 2	$ 1,705
Mortgage-backed securities	607	4	1	610
U.S. Treasury notes	235	—	—	235
Asset-backed securities	223	1	—	224
Municipal securities	96	1	—	97
Other	29	—	—	29
Total	$ 2,878	$ 25	$ 3	$ 2,900

	December 31, 2020			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Estimated Fair Value
	(In millions)			
Corporate debt securities	$ 1,220	$ 36	$ —	$ 1,256
Mortgage-backed securities	383	10	1	392
U.S. Treasury notes	27	—	—	27
Asset-backed securities	130	2	—	132
Municipal securities	66	2	—	68
Total	$ 1,826	$ 50	$ 1	$ 1,875

The contractual maturities of our available-for-sale investments as of September 30, 2021 are summarized below:

	Amortized Cost	Estimated Fair Value
	(In millions)	
Due in one year or less	$ 555	$ 557
Due after one year through five years	1,530	1,546
Due after five years through ten years	296	298
Due after ten years	497	499
Total	$ 2,878	$ 2,900

Gross realized gains and losses from sales of available-for-sale securities are calculated under the specific identification method and are included in investment income. Gross realized investment gains amounted to $6 million and $7 million for the three and nine months ended September 30, 2021, respectively. Gross realized investment gains were insignificant for three months ended September 30, 2020, and amounted to $6 million for the nine months ended September 30, 2020. Gross realized investment losses were insignificant for the three and nine months ended September 30, 2021, and 2020.

We have determined that unrealized losses at September 30, 2021, and December 31, 2020, primarily resulted from fluctuating interest rates, rather than a deterioration of the creditworthiness of the issuers. Therefore, we determined that an allowance for credit losses was not necessary. So long as we maintain the intent and ability to hold these securities to maturity, we are unlikely to experience losses. In the event that we dispose of these securities before maturity, we expect that realized losses, if any, will be insignificant.

The following table summarizes those available-for-sale investments that have been in a continuous loss position for less than 12 months. No investments have been in a continuous loss position for 12 months or more as of September 30, 2021, and December 31, 2020.

	September 30, 2021			December 31, 2020		
	Estimated Fair Value	Unrealized Losses	Total Number of Positions	Estimated Fair Value	Unrealized Losses	Total Number of Positions
	(Dollars in millions)					
Corporate debt securities	$ 509	$ 2	174	$ —	$ —	—
Mortgage-backed securities	270	1	94	77	1	21
Total	$ 779	$ 3	268	$ 77	$ 1	21

Held-to-Maturity

Pursuant to the regulations governing our state health plan subsidiaries, we maintain statutory deposits and deposits required by government authorities primarily in cash, cash equivalents, and U.S. Treasury securities. We also maintain restricted investments as protection against the insolvency of certain capitated providers. The use of these funds is limited as required by regulations in the various states in which we operate, or as needed in the event of insolvency of capitated providers. Therefore, such investments are reported as “Restricted investments” in the accompanying consolidated balance sheets.

We have the ability to hold these restricted investments until maturity, and as a result, we would not expect the value of these investments to decline significantly due to a sudden change in market interest rates. Our held-to-maturity restricted investments are carried at amortized cost, which approximates fair value. Such investments amounted to $156 million at September 30, 2021, of which $148 million will mature in one year or less, and $8 million will mature after one through five years.

7. Medical Claims and Benefits Payable

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

	September 30, 2021	December 31, 2020
	(In millions)	
Fee-for-service claims incurred but not paid (“IBNP”)	$ 2,246	$ 1,647
Pharmacy payable	209	157
Capitation payable	86	70
Other	650	528
Magellan Complete Care acquisition opening balance	—	294
Total	$ 3,191	$ 2,696

“Other” medical claims and benefits payable includes amounts payable to certain providers for which we act as an intermediary on behalf of various government agencies without assuming financial risk. Such receipts and payments do not impact our consolidated statements of income. Non-risk provider payables amounted to $301 million and $235 million as of September 30, 2021, and December 31, 2020, respectively.

The following table presents the components of the change in our medical claims and benefits payable for the periods indicated, with the prior period recast to conform to the current year presentation. The amounts presented for “Components of medical care costs related to: Prior years” represent decreases in medical care costs resulting from actual medical care costs being less than we previously estimated in the prior year.

	Nine Months Ended September 30, 2021			
	Medicaid	Medicare	Marketplace	Consolidated
	(In millions)			
Medical claims and benefits payable, beginning balance	$ 2,129	$ 392	$ 175	$ 2,696
Components of medical care costs related to:				
Current year	13,491	2,195	1,872	17,558
Prior years	(158)	(36)	(22)	(216)
Total medical care costs	13,333	2,159	1,850	17,342
Payments for medical care costs related to:				
Current year	11,530	1,816	1,534	14,880
Prior years	1,538	340	130	2,008
Total paid	13,068	2,156	1,664	16,888
Change in acquired balances	(19)	(8)	—	(27)
Change in non-risk and other provider payables	68	—	—	68
Medical claims and benefits payable, ending balance	$ 2,443	$ 387	$ 361	$ 3,191

	Nine Months Ended September 30, 2020			
	Medicaid	Medicare	Marketplace	Consolidated
	(In millions)			
Medical claims and benefits payable, beginning balance	$ 1,465	$ 267	$ 122	$ 1,854
Components of medical care costs related to:				
Current year	9,029	1,588	861	11,478
Prior years	(41)	(25)	—	(66)
Total medical care costs	8,988	1,563	861	11,412
Payments for medical care costs related to:				
Current year	7,470	1,316	714	9,500
Prior years	1,193	233	101	1,527
Total paid	8,663	1,549	815	11,027
Change in non-risk and other provider payables	50	—	—	50
Medical claims and benefits payable, ending balance	$ 1,840	$ 281	$ 168	$ 2,289

Our estimates of medical claims and benefits payable recorded at December 31, 2020, and 2019 developed favorably by approximately $216 million and $66 million as of September 30, 2021, and 2020, respectively.

The favorable prior period development recognized in the nine months ended September 30, 2021 was primarily due to lower than expected utilization of medical services by our members and improved operating performance. Consequently, the ultimate costs recognized in 2021, as claims payments were processed, were lower than our previous estimates in 2020.

8. Debt

All long-term debt is held at the parent, which is reported in the Other segment. The following table summarizes our outstanding debt obligations, all of which are non-current as of the dates reported below:

	September 30, 2021	December 31, 2020
	(In millions)	
Non-current long-term debt:		
4.375% Notes due 2028	$ 800	$ 800
5.375% Notes due 2022	700	700
3.875% Notes due 2030	650	650
Deferred debt issuance costs	(20)	(23)
Total	$ 2,130	$ 2,127

Credit Agreement

We are party to a credit agreement ("Credit Agreement") which includes a revolving credit facility ("Credit Facility") of $1.0 billion, among other provisions. The Credit Agreement has a term of five years, and all amounts outstanding will be due and payable on June 8, 2025. Borrowings under the Credit Agreement bear interest based, at our election, on a base rate or other defined rate, plus in each case, the applicable margin. In addition to interest payable on the principal amount of indebtedness outstanding from time to time under the Credit Agreement, we are required to pay a quarterly commitment fee.

The Credit Agreement contains customary non-financial and financial covenants. As of September 30, 2021, we were in compliance with all financial and non-financial covenants under the Credit Agreement and other long-term debt. As of September 30, 2021, no amounts were outstanding under the Credit Facility.

High-Yield Senior Notes

Our high-yield senior notes are described below. Each of these notes are senior unsecured obligations of Molina Healthcare, and rank equally in right of payment with all existing and future senior debt, and senior to all existing and future subordinated debt of Molina Healthcare. In addition, each of the notes contains customary non-financial covenants and change of control provisions.

The indentures governing the high-yield senior notes contain cross-default provisions that are triggered upon default by us or any of our subsidiaries on any indebtedness in excess of the amount specified in the applicable indenture.

4.375% Notes due 2028. We had $800 million aggregate principal amount of senior notes (the "4.375% Notes") outstanding as of September 30, 2021, which are due June 15, 2028, unless earlier redeemed. Interest, at a rate of 4.375% per annum, is payable semiannually in arrears on June 15 and December 15.

5.375% Notes due 2022. We had $700 million aggregate principal amount of senior notes (the "5.375% Notes") outstanding as of September 30, 2021, which are due November 15, 2022, unless earlier redeemed. Interest, at a rate of 5.375% per annum, is payable semiannually in arrears on May 15 and November 15.

3.875% Notes due 2030. We had $650 million aggregate principal amount of senior notes (the "3.875% Notes") outstanding as of September 30, 2021, which are due November 15, 2030, unless earlier redeemed. Interest, at a rate of 3.875% per annum, is payable semiannually in arrears on May 15 and November 15.

9. Stockholders' Equity

In September 2021, our board of directors authorized the purchase of up to $500 million, in the aggregate, of our common stock. This new program immediately supersedes the stock purchase program previously approved by our board of directors in September 2020. This new program will be funded with cash on hand and extends through December 31, 2022. The exact timing and amount of any repurchase is determined by management based on market conditions and share price, in addition to other factors, and subject to the restrictions relating to volume, price, and timing under applicable law. As of October 28, 2021, no shares had been purchased under the stock purchase program approved in 2021.

In September 2020, our board of directors authorized the purchase of up to $500 million, in the aggregate, of our common stock. This program was funded with cash on hand. Under this program, pursuant to a Rule 10b5-1 trading plan, we purchased approximately 577,000 shares for $122 million in January and February 2021 (average cost of $211.65). In November and December 2020, we purchased 766,000 shares of our common stock for $159 million (average cost of $208.37), including approximately 29,000 shares purchased for $6 million in late December 2020, and settled in early January 2021.

10. Segments

In the first quarter of 2021, we realigned our reportable operating segments to reflect recent changes in our internal operating and reporting structure, which is now organized by government program. The revised reporting structure reflects the reporting and review process used by our chief executive officer (who is our chief operating decision maker) to assess performance and allocate resources, and is consistent with how we currently manage the business and view the markets we serve. These reportable segments consist of: 1) Medicaid; 2) Medicare; 3) Marketplace; and 4) Other.

The Medicaid, Medicare, and Marketplace segments represent the government-funded or sponsored programs under which we offer managed healthcare services. The Other segment, which is insignificant to our consolidated results of operations, includes certain corporate amounts not associated with or allocated to the Medicaid, Medicare, or Marketplace segments. Additionally, the Other segment includes service revenues and service costs associated with the long-term services and supports consultative services we now provide in Wisconsin, as a result of the Magellan Complete Care acquisition on December 31, 2020.

The key metrics used to assess the performance of our Medicaid, Medicare, and Marketplace segments are premium revenue, medical margin and medical care ratio (“MCR”). MCR represents the amount of medical care costs as a percentage of premium revenue. Therefore, the underlying medical margin, or the amount earned by the Medicaid, Medicare, and Marketplace segments after medical costs are deducted from premium revenue, represents the most important measure of earnings reviewed by management, and is used by our chief executive officer to review results, assess performance, and allocate resources. The key metric used to assess the performance of our Other segment is service margin. The service margin is equal to service revenue minus cost of service revenue. We do not report total assets by segment because this is not a metric used to assess segment performance or allocate resources.

For all tables presented below, the prior period disclosures have been recast to conform to the current period segment presentation.

The following table presents total revenue by segment. Inter-segment revenue was insignificant for all periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In millions)			
Total revenue:				
Medicaid	$ 5,354	$ 3,996	$ 15,583	$ 11,124
Medicare	875	636	2,502	1,909
Marketplace	793	389	2,224	1,155
Other	18	—	53	—
Total	$ 7,040	$ 5,021	$ 20,362	$ 14,188

The following table presents goodwill and intangibles assets, net by segment. For the Magellan Complete Care acquisition completed on December 31, 2020, the total purchase price was preliminarily allocated to tangible and intangible assets acquired, and liabilities assumed, based on their fair values as of the acquisition date. We expect to complete the final determination of the purchase price allocation no later than December 31, 2021, which may result in adjustments to the related goodwill and intangible assets, net.

	September 30, 2021	December 31, 2020
	(In millions)	
Goodwill:		
Medicaid	$ 387	$ 378
Medicare	247	247
Other	67	67
Intangibles assets, net:		
Medicaid	135	157
Medicare	65	76
Other	14	16
Total	$ 915	$ 941

The following table reconciles margin by segment to consolidated income before income taxes.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In millions)			
Margin:				
Medicaid	$ 532	$ 509	$ 1,687	$ 1,427
Medicare	151	91	329	333
Marketplace	68	70	331	272
Other	4	—	11	—
Total margin	755	670	2,358	2,032
Add: other operating revenues (1)	222	253	620	744
Less: other operating expenses (2)	(756)	(634)	(2,149)	(1,789)
Operating income	221	289	829	987
Other expenses, net	30	27	90	77
Income before income tax expense	$ 191	$ 262	$ 739	$ 910

(1) Other operating revenues include premium tax revenue, health insurer fees reimbursed, investment income, and other revenue.
(2) Other operating expenses include general and administrative expenses, premium tax expenses, health insurer fees, depreciation and amortization, and other operating expenses.

11. Commitments and Contingencies

COVID-19 Pandemic

We continue to monitor and assess the estimated operating and financial impact of the COVID-19 pandemic, and as it evolves, we continue to process, assemble, and assess member utilization information. We believe that our cash resources, borrowing capacity available under the Credit Agreement, and cash flow generated from operations will continue to be sufficient to withstand the financial impact of the pandemic, and will enable us to continue to support our operations, regulatory requirements, debt repayment obligations, and capital expenditures for the foreseeable future.

Legal Proceedings

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. The consequences associated with violations of these laws and regulations include significant fines and penalties, exclusion from participating in publicly funded programs, and the repayment of previously collected revenues.

We are involved in legal actions in the ordinary course of business including, but not limited to, various employment claims, vendor disputes and provider claims. Some of these legal actions seek monetary damages, including claims for punitive damages, which may not be covered by insurance. We review legal matters and update our estimates of reasonably possible losses and related disclosures, as necessary. We have accrued liabilities for legal matters for which we deem the loss to be both probable and reasonably estimable. These liability estimates could change as a result of further developments of the matters. The outcome of legal actions is inherently uncertain. An adverse determination in one or more of these pending matters could have an adverse effect on our consolidated financial position, results of operations, or cash flows.

Kentucky RFP. On September 4, 2020, Anthem Kentucky Managed Care Plan, Inc. brought an action in Franklin County Circuit Court against the Kentucky Finance and Administration Cabinet, the Kentucky Cabinet for Health and Family Services, and all of the five winning bidder health plans, including Molina Healthcare of Kentucky, Inc., Civil Action No. 20-CI-00719. On October 23, 2020, the Court issued a temporary injunction directing that open enrollment for 2021 proceed with six health plans, including both Molina Healthcare of Kentucky and Anthem. The new Medicaid contracts commenced on January 1, 2021. On April 28, 2021, the Court issued its preliminary Opinion and Order, which Opinion and Order the Court finalized on June 16, 2021. Under the final Order, which the Court indicated is immediately appealable by the parties, the Court, among other things, upheld the validity of the RFP award to Molina, and also upheld the validity of Molina’s acquisition of the assets of Passport in September 2020. Due to various perceived scoring irregularities, however, the Court ordered a new RFP, with the status quo of six health plans serving Kentucky Medicaid members to continue in the interim. On July 15-16, 2021, each of United, Molina, Humana, and Aetna filed notices of appeal. On July 23, 2021, both the Kentucky Finance and Administration Cabinet and the Kentucky Cabinet for Health and Family Services filed notices of cross appeal, and on July 26, 2021, Anthem filed a notice of cross appeal. This matter remains subject to potential additional legal and appellate proceedings, and no assurances can be given regarding the ultimate outcome. Under the Court’s June 16, 2021 final Order, Molina Healthcare of Kentucky will continue to operate for the foreseeable future under its current Medicaid contract and provide care to Kentucky Medicaid members.

Puerto Rico. On August 13, 2021, Molina Healthcare of Puerto, Inc. (MHPR) filed a complaint asserting, among other claims, breach of contract against Puerto Rico Health Insurance Administration (ASES). On September 13, 2021, in addition to filing its answer to MHPR’s complaint, ASES filed a counterclaim and a third-party complaint against MHPR and the Company. The counterclaim alleges that MHPR and the Company breached contractual obligations by failing to pay providers and, in addition to damages, seeks various equitable remedies. On October 8, 2021, MHPR filed its reply to the counterclaim, denying all the allegations. This matter is in its early stages, and no prediction can be made as to the outcome. No gain or loss is probable and reasonably estimable with regard to either MHPR’s complaint or the counterclaim of ASES.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements regarding our business, financial condition, and results of operations within the meaning of Section 27A of the Securities Act of 1933, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, or Securities Exchange Act. Many of the forward-looking statements are located under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "guidance," "future," "anticipates," "believes," "estimates," "expects," "growth," "intends," "plans," "predicts," "projects," "will," "would," "could," "can," "may," and similar terms. Readers are cautioned not to place undue reliance on any forward-looking statements, as forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly due to numerous known and unknown risks and uncertainties. Those known risks and uncertainties include, but are not limited to, the risk factors identified in the section titled "Risk Factors" in our 2020 Annual Report on Form 10-K, including without limitation the following:

- *the impact of the COVID-19 pandemic and its associated or indirect effects on our business, operations, and financial results, including without limitation the duration of the Public Health Emergency Declaration ("PHE") and associated suspension in redeterminations, and the potential impact on our workforce or contractors of federal or state vaccine mandates;*
- *significant budget pressures on state governments from diminished tax revenues incidental to the COVID-19 pandemic and their efforts to reduce rates or limit rate increases, to impose profit caps or risk corridors, or to recoup previously paid premium amounts on a retroactive basis;*
- *the numerous political, judicial, and market-based uncertainties associated with the Affordable Care Act (the "ACA");*
- *the market dynamics surrounding the ACA Marketplaces, including issues impacting enrollment, risk adjustment estimates and results, the potential for disproportionate enrollment of higher acuity members, and the discontinuation of premium tax credits;*
- *the outcome of the legal proceedings in Kentucky with regard to the Medicaid contract award to our Kentucky health plan and our acquisition of certain assets of Passport;*
- *the success of our efforts to retain existing or awarded government contracts, and the success of any bid submissions in response to requests for proposal, including our contracts in California and Texas;*
- *subsequent adjustments to reported premium revenue based upon subsequent developments or new information, including changes to estimated amounts payable or receivable related to Marketplace risk adjustment;*
- *our ability to consummate, integrate, and realize benefits from acquisitions, including the completed acquisitions of Magellan Complete Care, Passport, and Affinity, and the announced acquisitions of AgeWell New York and the Medicaid assets of Cigna in Texas;*
- *effective management of our medical costs;*
- *our ability to predict with a reasonable degree of accuracy utilization rates, including utilization rates associated with COVID-19;*
- *cyber-attacks, ransomware attacks, or other privacy or data security incidents resulting in an inadvertent unauthorized disclosure of protected information;*
- *the ability to manage our operations, including maintaining and creating adequate internal systems and controls relating to authorizations, approvals, provider payments, and the overall success of our care management initiatives;*
- *our receipt of adequate premium rates to support increasing pharmacy costs, including costs associated with specialty drugs and costs resulting from formulary changes that allow the option of higher-priced non-generic drugs;*
- *our ability to operate profitably in an environment where the trend in premium rate increases lags behind the trend in increasing medical costs;*
- *the interpretation and implementation of federal or state medical cost expenditure floors, administrative cost and profit ceilings, premium stabilization programs, profit-sharing arrangements, and risk adjustment provisions and requirements;*
- *our estimates of amounts owed for such cost expenditure floors, administrative cost and profit ceilings, premium stabilization programs, profit-sharing arrangements, and risk adjustment provisions and requirements;*

- *the Medicaid expansion medical cost corridor, and any other retroactive adjustment to revenue where methodologies and procedures are subject to interpretation or dependent upon information about the health status of participants other than Molina members;*
- *the interpretation and implementation of at-risk premium rules and state contract performance requirements regarding the achievement of certain quality measures, and our ability to recognize revenue amounts associated therewith;*
- *the success and renewal of our Medicare-Medicaid Plan ("MMP") programs in California, Illinois, Michigan, Ohio, South Carolina, and Texas;*
- *the accurate estimation of incurred but not reported or paid medical costs across our health plans;*
- *efforts by states to recoup previously paid and recognized premium amounts;*
- *changes in our annual effective tax rate, due to federal and/or state legislation, or changes in our mix of earnings and other factors;*
- *complications, member confusion, eligibility redeterminations, or enrollment backlogs related to the renewal of Medicaid coverage;*
- *fraud, waste and abuse matters, government audits or reviews, comment letters, or potential investigations, and any fine, sanction, enrollment freeze, corrective action plan, monitoring program, or premium recovery that may result therefrom;*
- *our exit from Puerto Rico, including the payment in full of our outstanding accounts receivable, the effective run-out of claims, the return of our capital, and the outcome of the claims filed against our Puerto Rico health plan and us by the Puerto Rico Health Insurance Administration, or ASES;*
- *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 resolution, favorable or unfavorable, of litigation, arbitration, or administrative proceedings;*
- *the relatively small number of states in which we operate health plans, including the greater scale and revenues of our California, Ohio, Texas, and Washington health plans;*
- *the failure to comply with the financial or other covenants in the Credit Agreement or the indentures governing our outstanding notes;*
- *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 general liquidity needs;*
- *the sufficiency of funds on hand to pay the amounts due upon maturity of our outstanding notes;*
- *the failure of a state in which we operate to renew its federal Medicaid waiver;*
- *changes generally affecting the managed care industry;*
- *increases in government surcharges, taxes, and assessments;*
- *the unexpected loss of the leadership of one or more of our senior executives; and*
- *increasing competition and consolidation in the Medicaid industry.*

Each of the terms "Molina Healthcare, Inc." "Molina Healthcare," "Company," "we," "our," and "us," as used herein, refers collectively to Molina Healthcare, Inc. and its wholly owned subsidiaries, unless otherwise stated. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Readers should refer to the section entitled "Risk Factors" in our 2020 Annual Report on Form 10-K, for a discussion of certain risk factors that could materially affect our business, financial condition, cash flows, or results of operations. Given these risks and uncertainties, we can give no assurance that any results or events projected or contemplated by our forward-looking statements will in fact occur.

This Quarterly Report on Form 10-Q and the following discussion of our financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements and the notes to those statements appearing elsewhere in this report, and the audited financial statements and Management's Discussion and Analysis appearing in our 2020 Annual Report on Form 10-K.

OVERVIEW

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed healthcare services under the Medicaid and Medicare programs, and through the state insurance marketplaces (the “Marketplace”). We served approximately 4.8 million members as of September 30, 2021.

THIRD QUARTER 2021 HIGHLIGHTS

We reported net income of $143 million, or $2.46 per diluted share, for the third quarter of 2021, which reflected the following:

- Membership increase of 0.8 million, or 20%, compared with September 30, 2020, and a 142,000 sequential increase compared to June 30, 2021;
- Premium revenue of $6.8 billion, which increased 43% compared with the third quarter of 2020, reflecting increased organic membership in all lines of business, along with the impact of acquisitions;
- Consolidated medical care ratio (“MCR”) was 88.9%, compared with 85.9% for the third quarter of 2020, and increased due to the net effect of COVID, which increased the MCR by 110 basis points in the third quarter of 2021, but was slightly positive in the third quarter of 2020;
- General and administrative expense (“G&A”) ratio of 7.5%, which increased compared with 7.3% in the third quarter of 2020, reflecting appropriate investments to support our business growth and increased acquisition-related expenses, partially offset by the benefits of revenue growth and continued discipline in cost management; and
- After-tax margin of 2.0%, which met our expectations.

We note the following factors impacting the 2021 third quarter financial results:

- We estimate that the net effect of COVID decreased net income by approximately $1.00 per diluted share in the third quarter of 2021. The net effect of COVID was slightly positive in the third quarter of 2020.
- The net effect of COVID reflects higher COVID inpatient costs, lower COVID-related utilization curtailment and the impact of the COVID risk-sharing corridors, and impacted all our segments.
- We experienced higher than expected membership increases in Marketplace. This improvement resulted from several factors, including strong product design and competitive pricing, better than expected natural attrition rates, and the extended open enrollment period, as described in further detail below in “Trends and Uncertainties.”

CONSOLIDATED FINANCIAL SUMMARY

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In millions, except per-share amounts)			
Premium revenue	$ 6,800	$ 4,768	$ 19,689	$ 13,444
Less: medical care costs	6,049	4,098	17,342	11,412
Medical margin	751	670	2,347	2,032
MCR [(1)]	*88.9 %*	*85.9 %*	*88.1 %*	*84.9 %*
Other revenues:				
Premium tax revenue	204	170	576	477
Health insurer fees reimbursed	—	69	—	206
Investment income	20	10	39	48
Other revenue	16	4	58	13
General and administrative expenses	532	368	1,489	1,030
G&A ratio [(2)]	*7.5 %*	*7.3 %*	*7.3 %*	*7.3 %*
Premium tax expenses	204	170	576	477
Health insurer fees	—	70	—	209
Depreciation and amortization	32	23	96	64
Other	2	3	30	9
Operating income	221	289	829	987
Interest expense	30	27	90	72
Other expense, net	—	—	—	5
Income before income tax expense	191	262	739	910
Income tax expense	48	77	183	271
Net income	$ 143	$ 185	$ 556	$ 639
Net income per share – Diluted	$ 2.46	$ 3.10	$ 9.51	$ 10.65
Diluted weighted average shares outstanding	58.5	59.6	58.5	60.0
Other Key Statistics				
Ending membership	4.8	4.0	4.8	4.0
Effective income tax rate	24.8 %	29.5 %	24.7 %	29.8 %
After-tax margin [(3)]	2.0 %	3.7 %	2.7 %	4.5 %

(1) MCR represents medical care costs as a percentage of premium revenue.
(2) G&A ratio represents general and administrative expenses as a percentage of total revenue.
(3) After-tax margin represents net income as a percentage of total revenue.

CONSOLIDATED RESULTS

NET INCOME AND OPERATING INCOME

Net income in the third quarter of 2021 amounted to $143 million, or $2.46 per diluted share, compared with $185 million, or $3.10 per diluted share, in the third quarter of 2020. We estimate that the net effect of COVID decreased net income by approximately $1.00 per diluted share in the third quarter of 2021. In the third quarter of 2020, the net effect of COVID had a slightly positive impact on earnings.

Operating income of $221 million in the third quarter of 2021, was lower compared with $289 million in the third quarter of 2020.

Net income in the nine months ended September 30, 2021 amounted to $556 million, or $9.51 per diluted share, compared with $639 million, or $10.65 per diluted share, in the nine months ended September 30, 2020. Operating income of $829 million in the nine months ended September 30, 2021, was lower compared with $987 million in the nine months ended September 30, 2020.

The decrease in operating income for both periods was mainly due to the increase in MCR, due primarily to the net effect of COVID, partially offset by membership growth and higher premium revenues.

The year-over-year comparison between 2020 and 2021 is significantly impacted by the positive net effect of COVID that characterized the relatively early phases of the pandemic in the second and third quarters of 2020.

Net income per share in the third quarter and nine months ended September 30, 2021 was favorably impacted by the reduction in common shares outstanding as a result of our share repurchases in late 2020 and early 2021. See further discussion in “Liquidity and Financial Condition,” below.

PREMIUM REVENUE

Premium revenue increased $2.0 billion, or 43%, in the third quarter of 2021, when compared with the third quarter of 2020, and increased $6.2 billion, or 46%, in the nine months ended September 30, 2021, when compared with the nine months ended September 30, 2020.

Membership increased by 805,000 compared with September 30, 2020, which mainly reflected organic increases in the Medicaid and Marketplace segments and the impact from the Magellan Complete Care and other acquisitions that closed in the second half of 2020. The increase in premium revenue was net of COVID-related risk corridors that have been enacted in several states beginning in the second quarter of 2020.

MEDICAL CARE RATIO

The consolidated MCR in the third quarter of 2021 was 88.9%, compared with 85.9% in the third quarter of 2020. The net effect of COVID increased the consolidated MCR by approximately 110 basis points in the third quarter of 2021, and reflects higher COVID inpatient costs, lower COVID-related utilization curtailment and the impact of the risk-sharing corridors, and impacted all our segments. In the prior year the net effect of COVID had a slightly favorable impact to the consolidated MCR.

The consolidated MCR in the nine months ended September 30, 2021 was 88.1%, compared with 84.9% in the nine months ended September 30, 2020. Similar to the quarter-to-date consolidated MCR, the increase is due to the net effect of COVID; however, the impacts were varied by segment.

The prior year reserve development in the third quarter and nine months ended September 30, 2021 was modestly favorable, but its impact on earnings was mostly absorbed by the COVID-related risk corridors.

PREMIUM TAX REVENUE AND EXPENSES

The premium tax ratio (premium tax expense as a percentage of premium revenue plus premium tax revenue) was 2.9% and 3.4% for the third quarter of 2021 and 2020, respectively, and 2.8% and 3.4% for the nine months ended September 30, 2021 and 2020, respectively. The current year ratio decrease was mainly due to changes in business mix resulting from the Magellan Complete Care and other acquisitions closed in the second half of 2020.

INVESTMENT INCOME

Investment income increased to $20 million in the third quarter of 2021, compared with $10 million in the third quarter of 2020, due to higher invested assets and increased realized gains. Investment income decreased to $39 million in the nine months ended September 30, 2021, compared with $48 million in the nine months ended September 30, 2020. The year-over-year decrease was due to the continued low interest rate environment and a temporarily higher allocation in shorter-term invested assets during the COVID-19 pandemic, which was rescinded effective for the second quarter of 2021.

OTHER REVENUE

Other revenue increased to $16 million in the third quarter of 2021, compared with $4 million in the third quarter of 2020, and increased to $58 million in the nine months ended September 30, 2021, compared with $13 million in the nine months ended September 30, 2020. Beginning in the first quarter of 2021, other revenue includes service revenue associated with the long-term services and supports consultative services we now provide in Wisconsin, as a result of our Magellan Complete Care acquisition.

G&A EXPENSES

The G&A expense ratio increased to 7.5% in the third quarter of 2021, compared with 7.3% in the third quarter of 2020. The G&A expense ratio was 7.3% in the nine months ended September 30, 2021, consistent with the nine months ended September 30, 2020. The year over year comparisons for both periods are impacted by appropriate investments to support our business growth and increased acquisition-related expenses, partially offset by continued discipline in cost management and increased revenues.

HEALTH INSURER FEES (“HIF”)

There were no HIF fees incurred or reimbursed in 2021, because the HIF was repealed effective for years after 2020.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased to $32 million in the third quarter of 2021, compared with $23 million in the third quarter of 2020, and increased to $96 million in the nine months ended September 30, 2021, compared with $64 million in the nine months ended September 30, 2020. The increases in both periods were due primarily to amortization associated with acquisitions completed in the second half of 2020.

Refer to Notes to Consolidated Financial Statements, Note 10, “Segments,” for further information.

OTHER OPERATING EXPENSES

Other operating expenses decreased to $2 million in the third quarter of 2021, compared with $3 million in the third quarter of 2020, and increased to $30 million in the nine months ended September 30, 2021, compared with $9 million in the nine months ended September 30, 2020. Beginning in the first quarter of 2021, other operating expenses include service costs associated with the long-term services and supports consultative services we now provide in Wisconsin, as noted above.

INTEREST EXPENSE

Interest expense increased to $30 million in the third quarter of 2021, compared with $27 million in the third quarter of 2020, and to $90 million in the nine months ended September 30, 2021, compared with $72 million in the nine months ended September 30, 2020, mainly due to the $650 million principal amount of 3.875% Notes issued in the fourth quarter of 2020.

See further details of our financing transactions in Notes to Consolidated Financial Statements, Note 8, “Debt,” and below in “Liquidity and Financial Condition.”

INCOME TAXES

Income tax expense amounted to $48 million in the third quarter of 2021, or 24.8% of pretax income, compared with income tax expense of $77 million, or 29.5% of pretax income in the third quarter of 2020. Income tax expense amounted to $183 million in the nine months ended September 30, 2021, or 24.7% of pretax income, compared with income tax expense of $271 million, or 29.8% of pretax income in the nine months ended September 30, 2020. The effective tax rate is lower in 2021 mainly because the nondeductible HIF was repealed for years after 2020.

TRENDS AND UNCERTAINTIES

COVID-19 PANDEMIC

As the COVID-19 pandemic continues to evolve, its ongoing impact to our business, results of operations, financial condition, and cash flows is uncertain and difficult to predict. Specific trends and uncertainties related to our Medicaid, Medicare, and Marketplace segments follow.

Federal Economic Stabilization and Other Programs

In addition to various programs enacted in 2020 and described in our 2020 Annual Report on Form 10-K, the $1.9 trillion *American Rescue Plan Act of 2021* was enacted on March 11, 2021. This legislation includes several components to assist in COVID-19 vaccine testing and deployment, as well as provisions relating to the opening of schools; direct immediate relief to working families; and additional support for communities struggling in the wake of the pandemic. Among its specific provisions:

- $350 billion in state and local funding;
- Funding for Medicaid and CHIP COVID-19 vaccines and treatment to be matched at 100% of the federal medical assistance percentage ("FMAP");
- Incentives for states that have not expanded Medicaid to do so;
- State flexibility to extend Medicaid eligibility to women for 12 months postpartum;
- A temporary 10% FMAP increase for states to improve Medicaid home- and community-based services for one year; and
- An increase to the ACA Marketplace premium subsidies for 2021 and 2022.

In addition, the Biden Administration has extended the COVID-19 related PHE. The Biden Administration has indicated the PHE will likely remain in place throughout 2021, and that states will receive 60 days' notice before the end of the PHE to prepare for the end of emergency authorities and the resumption of pre-PHE rules. This extension of the PHE will continue the suspension in state Medicaid eligibility redeterminations.

Also, President Biden's January 2021 executive order providing for a three-month Marketplace special enrollment period from February 15, 2021 to May 15, 2021, was extended through August 15, 2021. This SEP has now ended in all of our states except for California, where the state-run exchange intends to keep it in place for the remainder of the 2021 benefit year, which ends on December 31, 2021.

Due to the uncertainty as to the duration and breadth of the pandemic, we are unable to reasonably estimate the ultimate impact of the economic stabilization and other programs to our business, financial condition, and operating results.

Operations

Enrollment and Premium Revenue

Excluding acquisitions and our exit from Puerto Rico, we have added over 700,000 new Medicaid members since March 31, 2020, when we first began to report on the impacts of the pandemic. We believe this membership increase was mainly due to the suspension of redeterminations for Medicaid eligibility. We expect Medicaid enrollment to continue to benefit from the extension of the PHE period, and the associated pause on membership redeterminations, at least through mid-January 2022.

Marketplace revenue growth is now expected to be over 90% in 2021, and we expect to end 2021 with approximately 680,000 members.

The current rate environment is stable and rational. We continue to believe that the risk-sharing corridors previously introduced are related to the declared PHE and will likely be eliminated as the COVID pandemic subsides. However, the risk corridors continue to contribute an added level of variability to our results of operations. In the third quarter and the nine months ended September 30, 2021, we recognized approximately $17 million and $183 million, respectively, for the impact of risk corridors enacted in several states beginning in the second quarter of 2020, in response to the lower utilization of medical services resulting from COVID-19.

It is possible that certain states could change the structure of existing risk corridors, implement new risk corridors in the future or discontinue existing risk corridors. Due to these uncertainties, the ultimate outcomes could differ materially from our estimates as a result of changes in facts or further developments, which could have an adverse effect on our consolidated financial position, results of operations, or cash flows.

Medical Care Costs

We expect continued uncertainty regarding utilization trends as the pandemic continues. The speed and extent to which utilization rebounds will be greatly impacted by the economy and consumer behavior, provider capacity, and the potential resurgence of COVID-19 infection rates. We believe that some portion of the utilization curtailment experienced in the nine months ended September 30, 2021 is likely the result of service deferrals, and so these services will likely be provided to members over the remainder of the year.

Capital and Financial Resources

We continue to monitor and assess the estimated operating and financial impact of the COVID-19 pandemic, and as it evolves, we continue to process, assemble, and assess member utilization information. We believe that our cash resources, borrowing capacity available under the Credit Agreement, and cash flow generated from operations will continue to be sufficient to withstand the financial impact of the pandemic, and will enable us to continue to support our operations, regulatory requirements, debt repayment obligations, and capital expenditures for the foreseeable future. Refer to "Liquidity and Financial Condition" below for further discussion of our capital and financial resources.

AFFORDABLE CARE ACT

In December 2018, in a case brought by the state of Texas and nineteen other states, a federal judge in Texas held that the individual mandate of the ACA is unconstitutional. He further held that since the individual mandate is inseverable from the entire body of the ACA, the entire ACA is unconstitutional. The effect of his ruling was stayed pending the appeal of the ruling to the Fifth Circuit Court of Appeals. In December 2019, a three-judge panel of the Fifth Circuit Court of Appeal, in a two to one decision, affirmed the District Court's ruling that the individual mandate is unconstitutional, but remanded the case back to the District Court for further consideration of the severability issue. The intervenor defendant states led by California subsequently appealed the case to the U.S. Supreme Court, which heard oral arguments in the case on November 10, 2020. In June 2021, the Supreme Court held in a 7-2 opinion that the states and individuals that brought the lawsuit challenging the ACA's individual mandate did not have standing to challenge the law. Although the Supreme Court did not reach the merits of the challenge, it vacated the District Court's judgment and remanded the case with instructions to dismiss—effectively ending the case.

OTHER RECENT DEVELOPMENTS

New York Acquisition—Medicaid. On October 25, 2021, we closed on our acquisition of substantially all of the assets of Affinity Health Plan, Inc., a Medicaid health plan in New York. The net purchase price for the transaction is approximately $380 million, net of certain tax benefits and allocation of required regulatory capital, which we funded with cash on hand.

New York Acquisition—Medicaid. On October 7, 2021, we announced a definitive agreement to acquire the Medicaid Managed Long Term Care business of AgeWell New York. As of August 31, 2021, AgeWell served approximately 13,000 managed long-term services and supports members, with full-year 2020 premium revenue of approximately $700 million. The purchase price for the transaction is approximately $110 million, net of certain tax benefits and target allocation of required regulatory capital, which we intend to fund with cash on hand. The transaction is subject to applicable federal and state regulatory approvals and the satisfaction of other customary closing conditions. We currently expect the transaction to close by the third quarter of 2022.

Nevada Procurement—Medicaid. On August 17, 2021, we announced that our Nevada health plan subsidiary was selected as an awardee in Clark and Washoe Counties. This new contract is expected to commence on January 1, 2022, and will offer health coverage to TANF, CHIP and Medicaid Expansion beneficiaries. The four year contract with a possible two year extension was ratified in September 2021.

California Procurement—Medicaid. The state currently expects a final RFP to be released in February 2022.

Texas Acquisition—Medicaid and Medicare. On April 22, 2021, we announced a definitive agreement to acquire Cigna Corporation's Texas Medicaid and Medicare-Medicaid Plan ("MMP") contracts, along with certain operating assets. As of December 31, 2020, Cigna served approximately 48,000 members in the Texas ABD program, also known as "STAR+PLUS," in the Hidalgo, Tarrant and Northeast service areas, and approximately 2,000 MMP members in the Hidalgo service area, with full year 2020 premium revenue of approximately $1.0 billion. The purchase price for the transaction is approximately $60 million, which we intend to fund with cash on hand. The transaction is subject to the receipt of applicable federal and state regulatory approvals and the satisfaction of other customary closing conditions. We currently expect the transaction to close in January 2022.

Ohio Procurement—Medicaid. On April 13, 2021, we announced that our Ohio health plan subsidiary was selected as an awardee in all three regions across the state pursuant to the Medicaid managed care request for award issued on September 30, 2020, by the Ohio Department of Medicaid. This new contract is expected to begin July 1, 2022, and will offer health care coverage to Medicaid beneficiaries through the state of Ohio's Covered Family and Children, Expansion, and ABD programs.

For a discussion of additional segment trends, uncertainties and other developments, refer to our 2020 Annual Report on Form 10-K, "Item 1. Business—Our Business," and "—Legislative and Political Environment."

REPORTABLE SEGMENTS

As of September 30, 2021, we served approximately 4.8 million members eligible for Medicaid, Medicare, and other government-sponsored healthcare programs for low-income families and individuals, including Marketplace members, most of whom receive government premium subsidies.

In the first quarter of 2021, we realigned our reportable operating segments to reflect recent changes in our internal operating and reporting structure, which is now organized by government program. These reportable segments consist of: 1) Medicaid; 2) Medicare; 3) Marketplace; and 4) Other.

The Medicaid, Medicare, and Marketplace segments represent the government-funded or sponsored programs under which we offer managed healthcare services. The Other segment, which is insignificant to our consolidated results of operations, includes certain corporate amounts not associated with or allocated to the Medicaid, Medicare, or Marketplace segments. Additionally, the Other segment includes service revenues and service costs associated with the long-term services and supports consultative services we now provide in Wisconsin, as a result of the Magellan Complete Care acquisition on December 31, 2020.

HOW WE ASSESS PERFORMANCE

We derive our revenues primarily from health insurance premiums. Our primary customers are state Medicaid agencies and the federal government.

The key metrics used to assess the performance of our Medicaid, Medicare, and Marketplace segments are premium revenue, medical margin and medical care ratio (“MCR”). MCR represents the amount of medical care costs as a percentage of premium revenue. Therefore, the underlying medical margin, or the amount earned by the Medicaid, Medicare, and Marketplace segments after medical costs are deducted from premium revenue, represents the most important measure of earnings reviewed by management, and is used by our chief executive officer to review results, assess performance, and allocate resources. The key metric used to assess the performance of our Other segment is service margin. The service margin is equal to service revenue minus cost of service revenue.

Management’s discussion and analysis of the change in medical margin is discussed below under “Segment Financial Performance.” For more information, see Notes to Consolidated Financial Statements, Note 10, “Segments.”

SEGMENT MEMBERSHIP

The following table sets forth our membership by segment as of the dates indicated:

	September 30, 2021 (1)	December 31, 2020	September 30, 2020
Medicaid	3,981,000	3,599,000	3,595,000
Medicare	138,000	115,000	113,000
Marketplace	719,000	318,000	325,000
Total	4,838,000	4,032,000	4,033,000

(1) Approximately 200,000 members, from the Magellan Complete Care acquisition that closed on December 31, 2020, are included in the totals as of September 30, 2021, but not in prior periods.

SEGMENT FINANCIAL PERFORMANCE

The following tables summarize premium revenue, medical margin, and MCR by segment for the periods indicated (dollars in millions):

	Three Months Ended September 30,					
	2021			2020		
	Premium Revenue	Medical Margin	MCR	Premium Revenue	Medical Margin	MCR
Medicaid	$ 5,146	$ 532	89.6 %	$ 3,754	$ 509	86.4 %
Medicare	875	151	82.8	632	91	85.6
Marketplace	779	68	91.3	382	70	81.6
Total	$ 6,800	$ 751	88.9 %	$ 4,768	$ 670	85.9 %

	Nine Months Ended September 30,					
	2021			2020		
	Premium Revenue	Medical Margin	MCR	Premium Revenue	Medical Margin	MCR
Medicaid	$ 15,020	$ 1,687	88.8 %	$ 10,415	$ 1,427	86.3 %
Medicare	2,488	329	86.8	1,896	333	82.4
Marketplace	2,181	331	84.8	1,133	272	76.0
Total	$ 19,689	$ 2,347	88.1 %	$ 13,444	$ 2,032	84.9 %

Medicaid

Medicaid premium revenue increased $1,392 million in the third quarter of 2021, when compared with the third quarter of 2020. Medicaid premium revenue increased $4,605 million in the nine months ended September 30, 2021, when compared with the nine months ended September 30, 2020. The increase in both periods was mainly due to membership growth and the impact from the Magellan Complete Care and other acquisitions closed in the second half of 2020. Excluding the acquisitions, the membership growth was across several states and was mainly driven by the extension of the PHE period and the associated suspension of membership redeterminations due to COVID-19. The overall increase was partially offset by the impact of state risk corridors stemming from COVID-19.

As described above in “Trends and Uncertainties,” we recognized approximately $17 million and $183 million in the third quarter and nine months ended September 30, 2021, respectively, for the impact of risk corridors enacted in several states beginning in the second quarter of 2020, in response to the lower utilization of medical services resulting from COVID-19.

The medical margin in our Medicaid program increased $23 million in the third quarter of 2021 when compared with the third quarter of 2020. The increase in margin was driven by increased premium revenues, partially offset by the MCR increase discussed below. The medical margin in our Medicaid program increased $260 million in the nine months ended September 30, 2021 when compared with the nine months ended September 30, 2020. The increase was driven by increased premium revenues and margin associated with the membership growth discussed above, partially offset by the MCR increase discussed below.

The Medicaid MCR increased to 89.6% in the third quarter of 2021, from 86.4% in the third quarter of 2020, and increased to 88.8% in the nine months ended September 30, 2021, from 86.3% in the nine months ended September 30, 2020. The increase for both periods is mainly driven by the net effect of COVID and changes in business mix. The net effect of COVID increased the MCR for the current year and reflects an increase in COVID-related inpatient costs, lower COVID-related utilization curtailment and the impact of the COVID-related risk corridors enacted in several states as previously disclosed. In the prior year the net effect of COVID decreased the MCR.

Medicare

Medicare premium revenue increased $243 million in the third quarter of 2021 compared to the third quarter of 2020 and increased $592 million in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was primarily due to the impact of the Magellan Complete Care acquisition, including higher membership and higher premium revenue PMPM.

The medical margin for Medicare increased $60 million in the third quarter of 2021 and decreased $4 million in the nine months ended September 30, 2021, when compared to the same periods in 2020. The year-over-year changes in margin are driven by an increase in premium revenue and changes in the MCR.

The Medicare MCR decreased to 82.8% in the third quarter of 2021, from 85.6% in the third quarter of 2020, mainly due to a favorable impact from the net effect of COVID, including utilization curtailment and corridor related adjustments. The Medicare MCR increased to 86.8% in the nine months ended September 30, 2021, compared to 82.4% in the nine months ended September 30, 2020, primarily driven by the net effect of COVID, including higher direct COVID medical costs, and the temporary industry-wide challenge of risk scores that do not fully reflect the acuity of our membership. COVID-related utilization curtailment drove a lower MCR for the nine months ended September 30, 2020.

Marketplace

Marketplace premium revenue increased $397 million in the third quarter of 2021 compared to the third quarter of 2020 and increased $1,048 million in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was mainly due to higher membership, partially offset by a decrease in premium revenue PMPM. Our Marketplace membership as of September 30, 2021, amounted to 719,000 members, representing growth of 81,000 members sequentially compared to June 30, 2021, and substantially exceeding our expectations. This improvement resulted from several factors, including strong product design and competitive pricing, better than expected natural attrition rates, and the extended open enrollment period. The decrease in premium revenue PMPM was mainly driven by changes in business mix, with an increase of members in the bronze metal tier.

The Marketplace medical margin decreased $2 million in the third quarter of 2021 when compared with the third quarter of 2020, due to the increase in the MCR, partially offset by the impact of increased premium revenue. The Marketplace medical margin increased $59 million in the nine months ended September 30, 2021 when compared with the nine months ended September 30, 2020, primarily due to the increase in membership and premiums, mostly offset by an increase in the MCR compared to 2020.

The Marketplace MCR increased to 91.3% in the third quarter of 2021, compared to 81.6% in the third quarter of 2020, and increased to 84.8% in the nine months ended September 30, 2021, compared to 76.0% in the nine months ended September 30, 2020. The increase for both periods resulted mainly from higher direct COVID medical costs, due to continued COVID utilization pressure in many of our Marketplace geographies, and non-COVID utilization by members enrolled through the special enrollment period.

Other

The Other segment includes service revenues and costs associated with the long-term services and supports consultative services we now provide in Wisconsin, and also includes certain corporate amounts not allocated to the Medicaid, Medicare, or Marketplace segments. Such amounts were immaterial to our consolidated results of operations for the third quarter and nine months ended September 30, 2021 and 2020.

LIQUIDITY AND FINANCIAL CONDITION

LIQUIDITY

We manage our cash, investments, and capital structure to meet the short- and long-term obligations of our business while maintaining liquidity and financial flexibility. We forecast, analyze, and monitor our cash flows to enable prudent investment management and financing within the confines of our financial strategy.

We maintain liquidity at two levels: 1) the regulated health plan subsidiaries; and 2) the parent company. Our regulated subsidiaries generate significant cash flows from premium revenue, which is generally received a short time before related healthcare services are paid. Premium revenue is our primary source of liquidity. Thus, any decline in the receipt of premium revenue, and our profitability, could have a negative impact on our liquidity. In the first half of 2021, we did not experience noticeable delays to, or changes in, the timing or level of premium receipts as a result of the COVID-19 pandemic, but there can be no assurances that we will not experience such delays in the future. See further discussion below in “Future Sources and Uses of Liquidity—Future Uses—*Potential Impact of COVID-19 Pandemic*.”

A majority of the assets held by our regulated health plan subsidiaries is in the form of cash, cash equivalents, and investments. When available and as permitted by applicable regulations, cash in excess of the capital needs of our regulated health plan subsidiaries is generally paid in the form of dividends to our parent company to be used for general corporate purposes. In the third quarter and nine months ended September 30, 2021, the parent company received $127 million and $346 million, respectively, in dividends and return of capital from the regulated health plan subsidiaries. See further discussion of dividends below in “Future Sources and Uses of Liquidity—Future Sources.”

The parent company may also contribute capital to the regulated health plan subsidiaries to satisfy minimum statutory net worth requirements, including funding for newer health plans. In the third quarter and nine months ended September 30, 2021, the parent company contributed capital of $23 million and $110 million, respectively, to the regulated health plan subsidiaries.

Cash, cash equivalents and investments at the parent company amounted to $703 million and $644 million as of September 30, 2021, and December 31, 2020, respectively. The increase as of September 30, 2021, was mainly due to the dividends received from the regulated health plan subsidiaries in the nine months ended September 30, 2021, partially offset by the capital contributed to regulated health plan subsidiaries and our share repurchase program. In the first quarter of 2021, we purchased an aggregate of approximately 577,000 shares for $122 million, and we also paid $6 million to settle shares purchased in late December 2020.

Investments

After considering expected cash flows from operating activities, we generally invest cash of regulated subsidiaries that exceeds our expected short-term obligations in longer term, investment-grade, and marketable debt securities to improve our overall investment return. These investments are made pursuant to board-approved investment policies which conform to applicable state laws and regulations.

Our investment policies are designed to provide liquidity, preserve capital, and maximize total return on invested assets, all in a manner consistent with state requirements that prescribe the types of instruments in which our subsidiaries may invest. These investment policies require that our investments have final maturities of less than 10 years, or less than 10 years average life for structured securities. Professional portfolio managers operating under documented guidelines manage our investments and a portion of our cash equivalents. Our portfolio managers must obtain our prior approval before selling investments where the loss position of those investments exceeds certain levels.

We believe that the risks of the COVID-19 pandemic, as they relate to our investments, are minimal. The overall rating of our portfolio remains strong and is rated AA. Our investment policy has directives in conjunction with state guidelines to minimize risks and exposures in volatile markets. Additionally, our portfolio managers assist us in navigating the current volatility in the capital markets.

Our restricted investments are invested principally in cash, cash equivalents, and U.S. Treasury securities; we have the ability to hold such restricted investments until maturity. All of our unrestricted investments are classified as current assets.

Cash Flow Activities

Our cash flows are summarized as follows:

	Nine Months Ended September 30,		
	2021	2020	Change
		(In millions)	
Net cash provided by operating activities	$ 1,522	$ 599	$ 923
Net cash (used in) provided by investing activities	(1,106)	98	(1,204)
Net cash (used in) provided by financing activities	(204)	61	(265)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	$ 212	$ 758	$ (546)

Operating Activities

We typically receive capitation payments monthly, in advance of payments for medical claims; however, government payors may adjust their payment schedules, positively or negatively impacting our reported cash flows from operating activities in any given period. For example, government payors may delay our premium payments, or they may prepay the following month’s premium payment.

Net cash provided by operations for the nine months ended September 30, 2021 was $1,522 million, compared with $599 million in the nine months ended September 30, 2020. The $923 million increase in cash flow was due to the growth in operations and the net impact of timing differences in government receivables and payables.

Investing Activities

Net cash used in investing activities was $1,106 million in the nine months ended September 30, 2021, compared with $98 million provided by investing activities in the nine months ended September 30, 2020, a decrease in cash flow of $1,204 million. This decrease in cash flow was primarily due to increased purchases of investments in the nine months ended September 30, 2021.

Financing Activities

Net cash used in financing activities was $204 million in the nine months ended September 30, 2021, compared with $61 million provided by financing activities in the nine months ended September 30, 2020, a decrease in cash flow of $265 million. In the nine months ended September 30, 2021, financing cash outflows included common stock purchases of $128 million and $52 million for common stock withheld to settle employee tax obligations. Additionally, we paid $23 million to settle contingent consideration liabilities relating to our Kentucky Passport acquisition that closed in 2020, $20 million of which has been presented as a financing cash outflow. In the nine months ended September 30, 2020, financing cash inflows included $380 million borrowed under the term loan facility and net proceeds of $189 million related to the repayment of the term loan facility and issuance of senior notes. This was offset by financing cash outflows related to common stock purchases of $453 million, common stock withheld to settle employee tax obligations of $8 million, and other financing outflows of $47 million.

FINANCIAL CONDITION

We believe that our cash resources, borrowing capacity available under the Credit Agreement as discussed further below in “Future Sources and Uses of Liquidity—Future Sources,” and internally generated funds will be sufficient to support our operations, regulatory requirements, debt repayment obligations and capital expenditures for at least the next 12 months.

On a consolidated basis, at September 30, 2021, our working capital was $3.3 billion, compared with $2.9 billion at December 31, 2020. At September 30, 2021, our cash and investments amounted to $7.4 billion, compared with $6.2 billion at December 31, 2020.

Regulatory Capital and Dividend Restrictions

Each of our regulated, wholly owned subsidiaries must maintain a minimum amount of statutory capital determined by statute or regulations. Such statutes, regulations and capital requirements also restrict the timing, payment and amount of dividends and other distributions, loans or advances that may be paid to us as the sole stockholder. To the extent our subsidiaries must comply with these regulations, they may not have the financial flexibility to transfer funds to us. Based upon current statutes and regulations, the minimum capital and surplus requirement for these subsidiaries was estimated to be approximately $1.9 billion at September 30, 2021, compared with $1.5 billion at December 31, 2020. The aggregate capital and surplus of our wholly owned subsidiaries was in excess of these minimum capital requirements as of both dates.

Under applicable regulatory requirements, the amount of dividends that may be paid by our wholly owned subsidiaries without prior approval by regulatory authorities as of September 30, 2021, was approximately $182 million in the aggregate. The subsidiaries may pay dividends over this amount, but only after approval is granted by the regulatory authorities.

Based on our cash and investments balances as of September 30, 2021, management believes that our regulated wholly owned subsidiaries remain well capitalized and exceed their regulatory minimum requirements. We have the ability, and have committed to provide, additional capital to each of our health plans as necessary to ensure compliance with statutory capital and surplus requirements.

Debt Ratings

Each of our high-yield senior notes is rated “BB-” by Standard & Poor’s, and “Ba3” by Moody’s Investor Service, Inc. A downgrade in our ratings could adversely affect our borrowing capacity and increase our borrowing costs.

Financial Covenants

The Credit Agreement contains customary non-financial and financial covenants, including a net leverage ratio and an interest coverage ratio. Such ratios are computed as defined by the terms of the Credit Agreement.

In addition, the indentures governing each of our outstanding high-yield senior notes contain cross-default provisions that are triggered upon default by us or any of our subsidiaries on any indebtedness in excess of the amount specified in the applicable indenture. As of September 30, 2021, we were in compliance with all financial and non-financial covenants under the Credit Agreement and other long-term debt.

FUTURE SOURCES AND USES OF LIQUIDITY

Future Sources

Our regulated subsidiaries generate significant cash flows from premium revenue, which is generally received a short time before related healthcare services are paid. Premium revenue is our primary source of liquidity. Thus, any decline in the receipt of premium revenue, and our profitability, could have a negative impact on our liquidity.

Potential Impact of COVID-19 Pandemic. Excluding acquisitions and our exit from Puerto Rico, we have added over 700,000 new Medicaid members since March 31, 2020, when we first began to report on the impacts of the pandemic. We believe this membership increase was mainly due to the suspension of redeterminations for Medicaid eligibility. We expect Medicaid enrollment to continue to benefit from the extension of the PHE period, and the associated pause on membership redeterminations, at least through mid-January 2022.

Dividends from Subsidiaries. When available and as permitted by applicable regulations, cash in excess of the capital needs of our regulated health plans is generally paid in the form of dividends to our unregulated parent company to be used for general corporate purposes. As a result of the COVID-19 pandemic, state regulators could restrict the ability of our regulated health plan subsidiaries to pay dividends to the parent company, which would reduce the liquidity of the parent company.

Credit Agreement Borrowing Capacity. As of September 30, 2021, we had available borrowing capacity of $1 billion under the revolving credit facility of our Credit Agreement. In addition, the Credit Agreement provides for a $15 million swingline sub-facility and a $100 million letter of credit sub-facility, as well as incremental term loans available to finance certain acquisitions up to $500 million, plus an unlimited amount of such term loans as long as our consolidated net leverage ratio is not greater than a defined maximum. See further discussion in the Notes to Consolidated Financial Statements, Note 8, “Debt.”

Future Uses

Common Stock Purchases. In September 2021, our board of directors authorized the purchase of up to $500 million, in the aggregate, of our common stock. This new program immediately supersedes the stock purchase program previously approved by our board of directors in September 2020. This new program will be funded with cash on hand and extends through December 31, 2022. The exact timing and amount of any repurchase is determined by management based on market conditions and share price, in addition to other factors, and subject to the restrictions relating to volume, price, and timing under applicable law. As of October 28, 2021, $500 million remained available to purchase our common stock under this program through December 31, 2022.

Acquisitions. On October 25, 2021, we closed on our acquisition of substantially all of the assets of Affinity Health Plan, Inc., a Medicaid health plan in New York. The net purchase price for the transaction is approximately $380 million, net of certain tax benefits and allocation of required regulatory capital, which we funded with cash on hand.

On October 7, 2021, we announced a definitive agreement to acquire the Medicaid Managed Long Term Care business of AgeWell New York. As of August 31, 2021, AgeWell served approximately 13,000 managed long-term services and supports members, with full-year 2020 premium revenue of approximately $700 million. The purchase price for the transaction is approximately $110 million, net of certain tax benefits and target allocation of required regulatory capital, which we intend to fund with cash on hand. The transaction is subject to applicable federal and state regulatory approvals and the satisfaction of other customary closing conditions. We currently expect the transaction to close by the third quarter of 2022.

On April 22, 2021, we announced a definitive agreement to acquire Cigna Corporation’s Texas Medicaid and Medicare-Medicaid Plan (“MMP”) contracts, along with certain operating assets. As of December 31, 2020, Cigna served approximately 48,000 members in the Texas ABD program, also known as “STAR+PLUS,” in the Hidalgo, Tarrant and Northeast service areas, and approximately 2,000 MMP members in the Hidalgo service area, with full year 2020 premium revenue of approximately $1.0 billion. The purchase price for the transaction is approximately $60 million, which we intend to fund with cash on hand. The transaction is subject to the receipt of applicable federal and state regulatory approvals and the satisfaction of other customary closing conditions. We currently expect the transaction to close in January 2022.

Potential Impact of COVID-19 Pandemic. As described above in “Trends and Uncertainties,” we have been subject to Medicaid risk corridors as a result of the pandemic. Beginning in 2020, through September 30, 2021, various states enacted temporary risk corridors in response to the reduced demand for medical services stemming from COVID-19, which have resulted in a reduction of our medical margin. In some cases, these risk corridors were retroactive to earlier periods in 2020, or as early as the beginning of the states' fiscal years in 2019. Beginning in the second quarter of 2020, we have recognized retroactive risk corridors that we believe to be probable, and where the ultimate premium amount is reasonably estimable. For the three and nine months ended September 30, 2021, we recognized approximately $17 million and $183 million, respectively, related to such risk corridors, primarily in the Medicaid segment.

It is possible that certain states could change the structure of existing risk corridors, implement new risk corridors in the future or discontinue existing risk corridors. Due to these uncertainties, the ultimate outcomes could differ materially from our estimates as a result of changes in facts or further developments, which could have an adverse effect on our consolidated financial position, results of operations, or cash flows.

Regulatory Capital Requirements and Dividend Restrictions. We have the ability, and have committed to provide, additional capital to each of our health plans as necessary to ensure compliance with statutory capital and surplus requirements.

CONTRACTUAL OBLIGATIONS

A summary of future obligations under our various contractual obligations and commitments as of December 31, 2020, was disclosed in our 2020 Annual Report on Form 10-K.

There were no significant changes to our contractual obligations and commitments outside the ordinary course of business during the nine months ended September 30, 2021.

CRITICAL ACCOUNTING ESTIMATES

When we prepare our consolidated financial statements, we use estimates and assumptions that may affect reported amounts and disclosures; actual results could differ from these estimates. Our critical accounting estimates relate to:

- *Medical claims and benefits payable*. Refer to Notes to Consolidated Financial Statements, Note 7, “Medical Claims and Benefits Payable,” for a table that presents the components of the change in medical claims and benefits payable, and for additional information regarding the factors used to determine our changes in estimates for all periods presented in the accompanying consolidated financial statements. Other than the discussion as noted above, in the nine months ended September 30, 2021 there have been no significant changes to our disclosure reported in “Critical Accounting Estimates” in our 2020 Annual Report on Form 10-K.
- *Contractual provisions that may adjust or limit revenue or profit*. For a discussion of this topic, including amounts recorded in our consolidated financial statements, refer to Notes to Consolidated Financial Statements, Note 2, “Significant Accounting Policies.”
- *Quality incentives*. In the nine months ended September 30, 2021, there have been no significant changes to our disclosure reported in “Critical Accounting Estimates” in our 2020 Annual Report on Form 10-K.
- *Business combinations, goodwill, and intangible assets, net.* In the first quarter of 2021, we realigned our reportable operating segments to reflect recent changes in our internal operating and reporting structure, which is now organized by government program. The revised reporting structure reflects the reporting and review process used by our chief executive officer (who is our chief operating decision maker) to assess performance and allocate resources, and is consistent with how we currently manage the business and view the markets we serve. These reportable segments consist of: 1) Medicaid; 2) Medicare; 3) Marketplace; and 4) Other. Such reportable operating segments also now constitute our reporting units in the annual assessment of goodwill impairment. Refer to Notes to Consolidated Financial Statements, Note 10, “Segments,” for a presentation of goodwill, and intangibles assets, net, by reportable segment, and “Critical Accounting Estimates,” in our 2020 Annual Report on Form 10-K, for further information.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings and financial position are exposed to financial market risk relating to changes in interest rates, and the resulting impact on investment income and interest expense.

Substantially all of our investments and restricted investments are subject to interest rate risk and will decrease in value if market interest rates increase. Assuming a hypothetical and immediate 1% increase in market interest rates at September 30, 2021, the fair value of our fixed income investments would decrease by approximately $67 million. Declines in interest rates over time will reduce our investment income.

For further information on fair value measurements and our investment portfolio, please refer to Notes to Consolidated Financial Statements, Note 5, “Fair Value Measurements,” and Note 6, “Investments.”

Borrowings under the Credit Agreement bear interest based, at our election, on a base rate or other defined rate, plus in each case, the applicable margin. For further information, see Notes to Consolidated Financial Statements, Note 8, “Debt.”

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our chief executive officer and our chief financial officer, has concluded, based upon its evaluation as of the end of the period covered by this report, that the Company’s “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act), are effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting during the nine months ended September 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

LEGAL PROCEEDINGS

For information regarding legal proceedings, see Notes to Consolidated Financial Statements, Note 11, “Commitments and Contingencies.”

RISK FACTORS

Certain risks may have a material adverse effect on our business, financial condition, cash flows, results of operations, or stock price, and you should carefully consider them before making an investment decision with respect to our securities. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed under the caption “Risk Factors,” in our 2020 Annual Report on Form 10-K. The risk factors described in our 2020 Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, cash flows, results of operations, or stock price.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

Purchases of common stock made by us, or on our behalf, during the third quarter of 2021, including shares withheld by us to satisfy our employees' income tax obligations, are set forth below:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
July 1 - July 31	2,000	$ 256.05	—	$ 219,000,000
August 1 - August 31	—	$ —	—	$ 219,000,000
September 1 - September 30	—	$ —	—	$ 500,000,000
Total	2,000	$ 256.05	—	

(1) During the third quarter of 2021, we withheld approximately 2,000 shares of common stock, to settle employee income tax obligations, for releases of awards granted under the Molina Healthcare, Inc. 2019 Equity Incentive Plan.
(2) For further information on our stock repurchase programs, refer to Note 9, "Stockholders' Equity."

INDEX TO EXHIBITS

Exhibit No.	Title	Method of Filing
10.1	Amended and Restated Employment Agreement, effective as of September 8, 2021, by and between Molina Healthcare, Inc. and Joseph M. Zubretsky.	Filed as Exhibit 10.1 to registrant's Form 8-K filed September 9, 2021.
31.1	Section 302 Certification of Chief Executive Officer	Filed herewith.
31.2	Section 302 Certification of Chief Financial Officer	Filed herewith.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
101.INS	Inline XBRL Taxonomy Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data file (formatted as Inline XBRL and embedded within Exhibit 101)	Filed herewith.

SIGNATURES

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

MOLINA HEALTHCARE, INC.
(Registrant)

Dated: October 28, 2021

/s/ JOSEPH M. ZUBRETSKY

Joseph M. Zubretsky
Chief Executive Officer
(Principal Executive Officer)

Dated: October 28, 2021

/s/ MARK L. KEIM

Mark L. Keim
Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a)/15d-14(a)
UNDER THE SECURITIES EXCHANGE
ACT OF 1934, AS AMENDED

I, Joseph M. Zubretsky, certify that:

1. I have reviewed the report on Form 10-Q for the period ended September 30, 2021, of Molina Healthcare, Inc.;

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

3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in the report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended), and internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended), for the registrant and have:

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

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

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

(d) Disclosed in the report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and to the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: October 28, 2021	/s/ Joseph M. Zubretsky
	Joseph M. Zubretsky
	Chief Executive Officer, President and Director

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a)/15d-14(a)
UNDER THE SECURITIES EXCHANGE
ACT OF 1934, AS AMENDED

I, Mark L. Keim, certify that:

1. I have reviewed the report on Form 10-Q for the period ended September 30, 2021, of Molina Healthcare, Inc.;

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

3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in the report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended), and internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended), for the registrant and have:

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

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

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

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

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2021	/s/ Mark L. Keim
	Mark L. Keim **Chief Financial Officer and Treasurer**

EXHIBIT 32.1

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

In connection with the report of Molina Healthcare, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 (the "Report"), I, Joseph M. Zubretsky, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 28, 2021	/s/ Joseph M. Zubretsky
	Joseph M. Zubretsky
	Chief Executive Officer, President and Director

EXHIBIT 32.2

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

In connection with the report of Molina Healthcare, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2021 (the “Report”), I, Mark L. Keim, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 28, 2021

/s/ Mark L. Keim
Mark L. Keim
Chief Financial Officer and Treasurer