

MOLINA HEALTHCARE INC
Form 10-Q
October 29, 2015
Table of Contents

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, 2015

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
(State or other jurisdiction of incorporation or organization)

13-4204626
(I.R.S. Employer Identification No.)

200 Oceangate, Suite 100
Long Beach, California
(Address of principal executive offices)
(562) 435-3666

90802
(Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes " No ý

The number of shares of the issuer's Common Stock, \$0.001 par value, outstanding as of October 23, 2015, was approximately 56,082,000.

Table of Contents

MOLINA HEALTHCARE, INC.
Form 10-Q

For the Quarterly Period Ended September 30, 2015

TABLE OF CONTENTS

	<u>Part I</u>	
Item 1.	<u>Financial Statements</u>	<u>1</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
Item 4.	<u>Controls and Procedures</u>	<u>49</u>
	<u>Part II</u>	
Item 1.	<u>Legal Proceedings</u>	<u>50</u>
Item 1A.	<u>Risk Factors</u>	<u>50</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>52</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>53</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>53</u>
Item 5.	<u>Other Information</u>	<u>53</u>
Item 6.	<u>Exhibits</u>	<u>53</u>
	<u>Signatures</u>	<u>54</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MOLINA HEALTHCARE, INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2015	December 31, 2014
	(Amounts in thousands, except per-share data) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,164,210	\$1,539,063
Investments	1,461,467	1,019,462
Receivables	619,891	596,456
Deferred income taxes	54,231	39,532
Prepaid expenses and other current assets	120,438	50,884
Derivative asset	490,087	—
Total current assets	4,910,324	3,245,397
Property, equipment, and capitalized software, net	374,862	340,778
Deferred contract costs	73,619	53,675
Intangible assets, net	96,424	89,273
Goodwill	321,220	271,964
Restricted investments	101,970	102,479
Derivative asset	—	329,323
Other assets	36,612	44,326
	\$5,915,031	\$4,477,215
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims and benefits payable	\$1,559,570	\$1,200,522
Amounts due government agencies	980,317	527,193
Accounts payable and accrued liabilities	274,131	241,654
Deferred revenue	67,227	196,076
Income taxes payable	39,205	8,987
Current portion of long-term debt	450,780	341
Derivative liability	489,940	—
Total current liabilities	3,861,170	2,174,773
Convertible senior notes	275,050	704,097
Lease financing obligations	161,553	160,710
Lease financing obligations – related party	39,868	40,241
Deferred income taxes	27,111	24,271
Derivative liability	—	329,194
Other long-term liabilities	32,270	33,487
Total liabilities	4,397,022	3,466,773
Stockholders' equity:		
Common stock, \$0.001 par value; 150,000 shares authorized; outstanding: 56,075 shares at September 30, 2015 and 49,727 shares at December 31, 2014	56	50
	—	—

Edgar Filing: MOLINA HEALTHCARE INC - Form 10-Q

Preferred stock, \$0.001 par value; 20,000 shares authorized, no shares issued and outstanding

Additional paid-in capital	789,907	396,059
Accumulated other comprehensive loss	(701) (1,019
Retained earnings	728,747	615,352
Total stockholders' equity	1,518,009	1,010,442
	\$5,915,031	\$4,477,215

See accompanying notes.

1

Table of ContentsMOLINA HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Amounts in thousands, except net income per share)			
	(Unaudited)			
Revenue:				
Premium revenue	\$3,377,030	\$2,316,759	\$9,652,054	\$6,424,238
Service revenue	47,551	52,557	146,652	156,419
Premium tax revenue	99,047	81,240	289,003	203,053
Health insurer fee revenue	81,158	29,427	202,996	67,785
Investment income	4,832	2,041	11,675	5,615
Other revenue	1,745	2,327	4,996	8,523
Total revenue	3,611,363	2,484,351	10,307,376	6,865,633
Operating expenses:				
Medical care costs	3,015,371	2,097,836	8,580,689	5,753,793
Cost of service revenue	34,573	40,067		