MOLINA HEALTHCARE INC
Form DEF 14A
March 13, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. ___)
Filed by the Registrant þ
Filed by a Party other than the Registrant ¨
Check the appropriate box:

¨	Preliminary Proxy Statement
¨	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ	Definitive Proxy Statement
¨	Definitive Additional Materials
¨	Soliciting Material Pursuant to §240.14a-12

MOLINA HEALTHCARE, INC.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:
¨ Fee paid previously with preliminary materials.
¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notice of 2017 Annual Meeting of Stockholders
and
Proxy Statement

YOUR VOTE IS IMPORTANT TO US!
Please vote by using the Internet, the telephone or by signing, dating, and returning your proxy card.

Table of Contents

Notice of 2017 Annual Meeting of Stockholders

Date and Time	Location
Wednesday, May 3, 2017 10:00 a.m., Pacific Time	Molina Healthcare, Inc. Corporate Headquarters 200 Oceangate, 15th Floor Long Beach, California 90802

Items to be Voted On

1	To elect three Class III directors to hold office until the 2020 annual meeting.
2	To consider and approve, on a non-binding, advisory basis, the compensation of our named executive officers.
3	To conduct an advisory vote on the frequency of a stockholder vote on the compensation of our named executive officers.
4	To approve an amendment and restatement of the Molina Healthcare, Inc. 2011

	Equity Incentive Plan (the "Equity Incentive Plan") and re-approve the material terms of the performance goals for Section 162(m)(1) awards under the Equity Incentive Plan.
5	To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2017.
6	To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Voting

We hope that you will participate in the Annual Meeting. In all cases, have your proxy card available when you start the voting process.

By internet www.proxyvote.com	By toll-free telephone 1-800-690-6903
By mail Follow instructions on your proxy card	In person At the Annual Meeting

Record Date

The Board of Directors has fixed the close of business on March 9, 2017 as the record date for the determination of stockholders entitled to notice of, and to vote, at the annual meeting and at any continuation, adjournment, or postponement thereof. This notice and the accompanying proxy statement are being mailed or transmitted on or about March 22, 2017 to the Company's stockholders of record as of March 9, 2017.

March 22, 2017 By Order of the Board of Directors

Joseph M. Molina, M.D.
Chairman of the Board, Chief Executive Officer, and President

TABLE OF CONTENTS

About Molina Healthcare	5
PROPOSAL 1 - Election of Directors	7
Information About Director Nominees	9
Information About Directors Continuing in Office	9
Additional Information About Directors	14
Corporate Governance and Board of Directors Matters	15
Information About the Board and its Committees	18
Meetings of Non-Management Directors	19
Committees of the Board of Directors	19
Meetings of the Board of Directors and Committees	21
Non-Employee Director Compensation	22
Information About the Executive Officers of the Company	24
Executive Compensation	25
Compensation Discussion and Analysis	25
Compensation Committee Report	36
Compensation Tables	37
Potential Payments Upon Change in Control or Termination	42
Fiscal Year 2017 Compensation	46
Compensation Committee Interlocks and Insider Participation	50
Audit Committee Report	51
Fees Paid to Independent Registered Public Accounting Firm	52
Related Party Transactions	52
PROPOSAL 2 - Advisory Vote on the Compensation of Our Named Executive Officers	53
PROPOSAL 3 - Advisory Vote on the Frequency of a Stockholder Vote on the Compensation of Our Named Executive Officers	54
PROPOSAL 4 - Approval of the Amendment and Restatement of the Molina Healthcare, Inc. 2011 Equity Incentive Plan (the “Equity Incentive Plan”) and Re-approve the Material Terms of the Performance Goals for Section 162(m)(1) Awards Under the Equity Incentive Plan	55
PROPOSAL 5 - Ratification of the Appointment of Independent Registered Public Accounting Firm	64
Section 16(a) Beneficial Ownership Reporting Compliance	64
Security Ownership of Certain Beneficial Owners and Management	64
Security Ownership of Management	65
Security Ownership of Principal Stockholders	66
Securities Authorized for Issuance Under Equity Compensation Plans	67
Management Analysis of Material Adverse Effects of Compensation Plans	67
Householding	67
Others Matters	67
Questions and Answers About our Annual Meeting	68
Appendix A - Molina Healthcare, Inc. 2011 Equity Incentive Plan	Appendix A-1
Proxy Card & Instructions	

Table of Contents

ABOUT MOLINA HEALTHCARE

Our Vision and Mission

We envision a future where everyone receives quality healthcare.

Our mission is to provide quality healthcare to people receiving government assistance.

We offer healthcare services for persons served by Medicaid, Medicare, the Children's Health Insurance Program (CHIP), and the Marketplace, and we also offer products to assist government agencies in their administration of the Medicaid program.

Our Goal is to Achieve our Mission While Improving the Financial Strength of our Organization

2016
(Dollars in millions, except per-share amounts)

Total Revenue	Net Income per Share	Adjusted Net Income Per Share*
$17,782	$0.92	$1.28

Net Profit Margin	EBITDA*	Ending Membership
0.3%	$467	4,227,000

Non-GAAP financial measures referred to in this proxy statement are designated with an asterisk (*). For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)—Non-GAAP Financial Measures," and "MD&A—Supplemental Information" in our 2016 Annual Report.

2016 Achievements

- Entrance into New Markets.
  We entered the New York market by acquiring an existing health plan, Today's Options of New York, Inc., which currently operates under the name Molina Healthcare of New York, Inc.
- Improvement in Quality Star Ratings.
  Two of the Company's health plans, Molina Healthcare of Florida, Inc. and Molina Healthcare of New Mexico, Inc., achieved an improvement in Medicare Star Ratings of 0.5 Stars.
- Achievement of National Committee for Quality Assurance ("NCQA") Accreditation for Additional Health Plans.
  Both our Illinois health plan and our South Carolina health plan achieved NCQA accreditation.
- Elimination of Tax Gross-Up Provisions From Employment Agreements.
  We amended the employment agreements with each of Dr. Molina and Mr. Molina to remove the Internal Revenue Code Section 280G gross-up provisions.

Table of Contents

Matters for Stockholder Voting

At this year's annual meeting, we are asking our stockholders to vote on the following matters:

Proposal	Board Vote Recommendation
To elect three Class III directors to hold office until the 2020 annual meeting.	FOR
To consider and approve, on a non-binding, advisory basis, the compensation of our named executive officers.	FOR
To conduct an advisory vote on the frequency of a stockholder vote on the compensation of our named executive officers.	FOR (Every One Year)
To approve an amendment and restatement of the Molina Healthcare, Inc. 2011 Equity Incentive Plan (the "Equity Incentive Plan") and re-approve the material terms of the performance goals for Section 162(m)(1) Awards under the Equity Incentive Plan	FOR
To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2017.	FOR

Election of Directors

You are being asked to cast votes for three directors, Mr. J. Mario Molina, M.D., Ms. Ronna E. Romney, and Mr. Dale B. Wolf, each for a three-year term expiring in 2020. This proposal requires for each nominee the affirmative vote of a majority of votes cast at the annual meeting.

Governance Highlights

Independence	• 8 of our 10 directors are independent. • All of our board committees, except the compliance and quality committee, are composed exclusively of independent directors.
Executive Sessions	• The independent directors regularly meet in private without management.
Board Oversight of Risk Management	• Our board has principal responsibility for oversight of the Company's risk management process and understanding of the overall risk profile of the Company.
Share Ownership Requirements	• Our non-executive directors must hold shares of the Company's common stock with a value of at least three times the aggregate annual cash retainer amounts payable to such directors, within five years of joining the board. • Our chief executive officer must hold shares of the Company's common stock with a value of at least five times his annual base salary. • Our chief financial officer must hold shares of the Company's common stock with a value of at least four times his annual base salary. • Our chief operating officer must hold shares of the Company's common stock with a value of at least three times her annual base salary. • Our other named executive officers must hold shares of the Company's common stock with a value of at least two times their annual base salaries.
Board Practices	• Our board annually reviews its effectiveness as a group, with the results of the annual review being reported to the board. •

	Nomination criteria are adjusted as needed to ensure that our board as a whole continues to reflect the appropriate mix of skills and experience.
	• We have a clawback policy that entitles the Company to seek recovery by the Company of incentive-based compensation from current and former executives in the event of any accounting restatement due to material noncompliance by the Company with any financial reporting requirement under applicable securities laws.
	• Our insider trading policy prohibits all directors, executive officers, and vice presidents of the Company or subsidiary executive officers from engaging in short sales and hedging transactions relating to our common stock, as well as pledging of our common stock.
Accountability	• Directors must be elected by a majority of votes cast.

Table of Contents

Proxy Statement

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Molina Healthcare, Inc. (“Board” or “Board of Directors”) for the Annual Meeting to be held on Wednesday, May 3, 2017, at 10:00 a.m. Pacific Time. Please review the proxy statement in its entirety and the Company’s 2016 Annual Report on Form 10-K for year ended December 31, 2016 (“Annual Report”) before voting. In this proxy statement, we may refer to Molina Healthcare, Inc. as the “Company,” Molina Healthcare,” “our” or “we”.

Proposal 1 - Election of Directors

Our ten-member Board of Directors is divided into three classes, designated as Class I, Class II, and Class III. Class I currently has four Board seats, whereas each of Class II and Class III currently has three Board seats. Only one class of directors is subject to election each year. For 2017, the three Class III directors are subject to election. The four Class I directors will be subject to election at the 2018 annual meeting, and the three Class II directors will be subject to election at the 2019 annual meeting. The three directors to be elected as Class III directors at the 2017 annual meeting will serve a term of three years, to last until the 2020 annual meeting. All directors shall serve until the expiration of their respective terms and until their respective successors are elected and qualified, or until such director’s earlier resignation, removal from office, death, or incapacity.

Under our Bylaws, each director nominee receiving a majority of the votes cast at the meeting at which a quorum is present will be elected as a director. If a nominee for director who is an incumbent director is not elected and no successor has been elected at the meeting, that director will continue to serve as a “holdover director” until a successor is qualified and elected. However, under our Bylaws the holdover director would be required to tender his or her offer to resign to our corporate secretary promptly following certification of the election results. Within 90 days following certification of the election results, (i) the corporate governance and nominating committee will consider, and make a recommendation to the Board, as to whether to accept or reject the resignation, or whether other action should be taken, and (ii) the Board will act on the committee’s recommendation and publicly disclose its decision and the rationale behind it. The holdover director would not participate in either the committee’s or the Board’s deliberations regarding that director’s offer to resign.

Currently, the three incumbent Class III directors are Dr. J. Mario Molina, Ms. Ronna E. Romney, and Mr. Dale B. Wolf. The Board of Directors, upon recommendation of the corporate governance and nominating committee, has nominated for election each of the three incumbent Class III directors.

The Board believes that each of the three Class III nominees has demonstrated the requisite skills and expertise needed to provide strategic counsel to, and to oversee the key risks facing, the Company. For a summary of the director nominees, their skills, and qualifications, please see the information below provided under the captions, “Business Experience” and “Skills and Qualifications,” next to each director nominee’s name.

Proxies can only be voted for the three named director nominees.

In the event any nominee is unable or declines to serve as a director at the time of the meeting, the proxies will be voted for any nominee who may be designated by the Board of Directors to fill the vacancy. As of the date of this proxy statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as a director.

ü THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF EACH DIRECTOR NOMINEE.

Table of Contents

Information About Director Nominees

Class III Director Nominees for 2017

Dr. J. Mario Molina President and Chief Executive Officer Age: 58 Director Since: 1996 (Class III) Chairman of the Board	Business Experience and Family Relationship • Has served as president and chief executive officer of Molina Healthcare since succeeding his father and Company founder, Dr. C. David Molina, in 1996 • Served as medical director of Molina Healthcare from 1991 through 1994 and vice president from 1994 through 1996, where he was responsible for contracting and provider relations, member services, marketing, and quality assurance • Earned an M.D. from the University of Southern California and performed medical internship and residency at the Johns Hopkins Hospital • Received certification from the American Board of Internal Medicine in internal medicine and endocrinology and metabolism • Received certificate from the Anderson School of Business at UCLA in executive management • Member of the Board of Trustees of Johns Hopkins School of Medicine • Named one of the 100 most influential people in health care in 2015 and 2016 by Modern Healthcare • Named in 2016 as one of the Fifty Most Influential Physician Executives by Modern Healthcare • Dr. Molina is the brother of John C. Molina, the Company's chief financial officer Skills and Qualifications Dr. Molina has been with the Company for over twenty-five years and served as the president and chief executive officer since 1996, continuing the legacy of his father, Dr. C. David Molina, an emergency room doctor who founded the Company. Dr. Molina's extensive knowledge of the healthcare industry and the Company, along with his experience as a practicing physician and expertise in medical policy issues and medical cost management, have been crucial to the growth and success of the Company, as well as to the Company's mission of providing members with access to high-quality care and improving their overall health and well-being.
Ms. Ronna E. Romney Director, Park Ohio Holding Corporation Age: 73 Director Since: 1999 (Class III); Lead Independent Director Board Committees: • Acquisitions & Capital Management (Chair) • Compensation •	Business Experience • Has served as director for Park-Ohio Holdings Corp., a publicly traded logistics and manufacturing company since 2001 • Director of Molina Healthcare of Michigan from 1999 to 2004 • Candidate for the United States Senate for the state of Michigan in 1996 • From 1989 to 1993, appointed by President George H. W. Bush to serve as Chairwoman of the President's Commission on White House Fellowships • From 1984 to 1992, served on the Republican National Committee for the state of Michigan •

Corporate Governance & Nominating	From 1985 to 1989, appointed by President Ronald Reagan to serve as Chairwoman of the President's Commission on White House Presidential Scholars • From 1982 to 1985, appointed by President Ronald Reagan to serve as Commissioner of the President's National Advisory Council on Adult Education • Political and news commentator for radio and television from 1994 to 1996 • Honored as one of the NACD (National Association of Corporate Directors) Top 100 Directors for 2015 • Holds a B.A from the Oakland University, Rochester, Michigan Skills and Qualifications Ms. Romney's political skills along with her extensive board and corporate governance experience, enables her to serve an invaluable role as the Board's lead independent director, and to serve as an effective liaison between management and the Board. In addition to serving as lead independent director, she also chairs the acquisitions and capital management committee and sits on the compensation, and corporate governance and nominating committees.

Table of Contents

Mr. Dale B. Wolf President & Chief Executive Officer, Onecall Care Management Age: 62 Director Since: 2013 (Class III) Board Committees: • Corporate Governance & Nominating • Compliance & Quality • Acquisitions & Capital Management	Business Experience • Has served as President and Chief Executive Officer of Onecall Care Management since January 2016, and Executive Chairman from September 2015 to January 2016 • President and CEO, DBW Healthcare, Inc. since January 2014 • Executive Chairman, Correctional Healthcare Companies, Inc., a national provider of correctional healthcare solutions from December 2012 to July 2014 • Chief Executive Officer of Coventry Health Care, Inc. from 2005 to 2009 • Executive Vice President, Chief Financial Officer, and Treasurer of Coventry Health Care, Inc. from 1996 to 2005 • Member of the Board of Directors of Correctional Healthcare Companies, Inc. from December 2012 to July 2014 • Member of the Board of Directors of Coventry Healthcare, Inc. from January 2005 to April 2009 • Member of the Board of Directors of Catalyst Health Solutions, Inc. from 2003 to 2012 • Graduated Eastern Nazarene College with a Bachelor of Arts degree in Mathematics, with honors • Completed MIT Sloan School Senior Executive Program • Fellow in the Society of Actuaries since 1979 Skills and Qualifications Mr. Wolf is an experienced healthcare executive with visionary leadership skills. Mr. Wolf has served in multiple leadership roles, including chief executive officer and chief financial officer of Coventry Healthcare, a health insurer now owned by Aetna, and on the boards of several notable healthcare companies. Mr. Wolf's extensive managerial and executive healthcare experience, as well as his familiarity with the managed care industry, render him an invaluable asset in helping to formulate and oversee the Company's long-term business strategy and its executives.

Table of Contents

Information About Directors Continuing in Office

Directors Whose Terms are Not Expiring in 2017

Mr. John C. Molina Chief Financial Officer, Molina Healthcare, Inc. Age: 52 Director Since: 1994 (Class II) Board Committees: • Compliance & Quality	Business Experience and Family Relationship • Executive vice president, financial affairs, since 1995, treasurer since 2002, and chief financial officer since 2003 • Past member of the Federal Reserve Bank of San Francisco board of directors, Los Angeles branch • Past president of the California Association of Primary Care Case Management Plans • Chairman of the board of directors of Aquarium of the Pacific • Juris Doctorate from the University of Southern California School of Law • Mr. Molina is the brother of Dr. J. Mario Molina, the Company's president and chief executive officer Skills and Qualifications Mr. Molina, chief financial officer of the Company, has a deep understanding and knowledge of the managed healthcare industry and the Company, and adds strategic and operational depth to the Company's Board. As chief financial officer since the time of the Company's July 2003 initial public offering ("IPO"), Mr. Molina has overseen and directed the Company's strategic expansion and all of its merger and acquisition activities. Additionally, Mr. Molina has been instrumental in the Company achieving its financial results and fulfilling its capital needs. Specifically, Mr. Molina played a key role in the Company's successful IPO, and multiple subsequent equity and debt offerings. His oversight culminated in the Company's successful efforts to raise over $1 billion in permanent capital since 2015, and most recently in executing the increase of the Company's revolving credit facility from $250 million to $500 million.
Gov. Garrey E. Carruthers Chancellor of New Mexico State University Age: 77 Director Since: 2012 (Class I) Board Committees: • Compliance & Quality (Chair) • Corporate Governance & Nominating Committee	Business Experience • Chancellor of New Mexico State University since June 1, 2015 to present, and President since 2013 • Served as Dean of the College of Business of New Mexico State University from 2003 to 2013 • Served as New Mexico State University's Vice President for Economic Development from 2006 to 2013 • Served as the Director of the University's Pete V. Domenici Institute since 2009 • Was the President and Chief Executive Officer of Cimarron Health Plan in New Mexico from 1993 to 2003 • From 1987 to 1990, served a term as the Governor of the state of New Mexico • From 1981 to 1984, served as Assistant Secretary of the U.S. Department of the Interior • Holds a Ph.D. in economics from Iowa State University Skills and Qualifications In addition to being the former Governor of New Mexico, a former member of the Reagan Administration, and professor of economics, Gov. Carruthers also has extensive experience in the

healthcare industry. Gov. Carruthers' former service as the president and chief executive officer of Cimarron Health Plan, Inc., a managed care health plan in Albuquerque New Mexico, and the predecessor to Molina Healthcare of New Mexico, has given him broad exposure to the managed care industry. In addition, Gov. Carruthers currently serves as a Chancellor of the New Mexico State University system which includes the main campus and four 2-year college campuses. Prior to becoming Chancellor, Gov. Carruthers simultaneously served as the dean of the College of Business of New Mexico State University, as well as serving as its vice president for economic development. Gov. Carruthers' prior experience makes him a highly valued member of the Board, particularly in his role as the chairman of the compliance and quality committee, and as a member of the corporate governance and nominating committee.

Table of Contents

Mr. Daniel Cooperman
Director and Audit Committee Chairman, Zoox, Inc.
Age: 66
Director Since: 2013 (Class I)
Board Committees:

- Corporate Governance & Nominating (Chair)
- Information Technology & Cybersecurity (Chair)
- Audit

Business Experience

- Chairman of the audit committee and member of the Board of Directors of Zoox, Inc., a young robotics company developing a fully autonomous vehicle, since 2015
- Member of the Board of Directors of LegalZoom.Com, Inc. from 2012 until its change of control in 2014; member of the Board of Directors of Nanoscale Components Inc., a lithium ion technology company, since 2012; and member of the Board of Directors of Liffey Thames Group, LLC dba Discovia, a legal services company, since 2011
- Ex-Chairman and member of the Board of Directors of Second Harvest Food Bank of Santa Clara and San Mateo Counties (California), since 2010
- Of Counsel, DLA Piper LLP, a global law firm, from December 2014 to November 2016
- Of Counsel to Bingham McCutchen, LLP, a global law firm, from 2010 to 2014
- Senior Vice President, Secretary, and General Counsel of Apple Inc. from 2007 to 2009
- Senior Vice President, Secretary, and General Counsel of Oracle Corporation from 1997 to 2007
- Partner, McCutchen, Doyle, Brown & Enersen, LLP from 1977 to 1997
- Distinguished Visiting Lecturer, Stanford Law School since 2010
- Fellow, Arthur and Toni Rembe Rock Center for Corporate Governance, Stanford Law School and Graduate School of Business since 2012
- Juris Doctorate, 1976 Stanford Law School
- MBA, 1976 Stanford Graduate School of Business
- Graduated Dartmouth College, summa cum laude, with an A.B. in Economics with highest distinction

Skills and Qualifications

Mr. Cooperman has extensive legal and corporate governance experience, having served as general counsel, senior vice president, and secretary of both Apple, Inc. and Oracle Corporation. Mr. Cooperman has also served as Of Counsel at two international law firms focusing on corporate and transactional matters, corporate governance, and board of director issues. Mr. Cooperman also serves as a Lecturer in Law and Fellow for the Rock Center for Corporate Governance at Stanford Law School. Mr. Cooperman's service as general counsel for two major US public technology companies and his extensive legal, compliance and risk management experience provide an invaluable background for his service on the Board and as chairman of both the Company's corporate governance and nominating committee, and the Company's information technology and cybersecurity committee. Mr. Cooperman is also a member of the audit committee. Further, Mr. Cooperman has extensive past and current board experience, having advised and served on the boards of a number of companies and trade associations.

Table of Contents

Mr. Charles Z. Fedak Founder, Charles Z. Fedak & Co., CPAs Age: 65 Director Since: 2002 (Class II) Board Committees: • Audit (Financial Expert) • Compensation	Business Experience • Certified Public Accountant since 1975 • Founded Charles Z. Fedak & Co., Certified Public Accountants, in 1981 • Employed by KPMG from 1975 to 1980 • Employed by Ernst & Young LLP from 1973 to 1975 • Prior Chair of the Company's audit committee from the time of the Company's IPO in July 2003 through April 2014 • Holds MBA degree from California State University, Long Beach Skills and Qualifications Mr. Fedak has significant accounting and finance experience, having been a certified public accountant since 1975. He is the founder of a successful full service accounting firm. Mr. Fedak served as the chair of the Company's audit committee for 11 years. His background and experience affords Mr. Fedak the financial expertise and operational familiarity to effectively oversee the Company's finance and accounting functions.
Frank E. Murray, M.D. Retired Private Medical Practitioner Age: 86 Director Since: 2004 (Class I) Board Committees: • Corporate Governance & Nominating • Compliance & Quality	Business Experience • Has over 40 years of experience in the health care industry, including significant experience as a private practitioner in internal medicine • Previously served on the board of directors of the Kaiser Foundation Health Plans of Kansas City, of Texas, and of North Carolina, and served for 12 years as medical director and chairman of Southern California Permanente Medical Group • Served on the board of directors of both the Group Health Association of America and the National Committee for Quality Assurance ("NCQA") • Received medical degree from the University of Wisconsin Medical School • Retired as medical practitioner in 1995 Skills and Qualifications Dr. Murray has over forty years of experience in the healthcare industry and significant experience as private practitioner in internal medicine. Dr. Murray's extensive clinical experience and service on several Kaiser Foundation Health Plan boards and the NCQA, as well as his service as Medical Director of the Southern California Permanente Medical Group enable him to provide valuable insights and perspectives to the Board, and effectively oversee the Company's quality initiatives as a member of the compliance and quality committee.

Table of Contents

Mr. Steven J. Orlando Founder, Orlando Company Age: 65 Director Since: 2005 (Class II) Board Committees: • Audit (Chair & Financial Expert) • Compensation • Acquisitions & Capital Management • Information Technology & Cybersecurity	Business Experience • Has over 40 years of business and corporate finance experience • From 2000 to the present, has operated his own financial management and business consulting practice, Orlando Company • Served as Greater Sacramento Bancorp director and chairman of its audit committee from January 2009 to January 2015 • Served on multiple corporate boards, including service as chairman of the audit committee for Pacific Crest Capital, Inc., a Nasdaq-listed corporation • Served as Chief Financial Officer for various companies from 1978- 2000 • Practiced as Certified Public Accountant with Coopers & Lybrand CPAs from 1974 to 1977 • Holds a B.S. in accounting from the California State University, Sacramento • Certified Public Accountant (inactive) Skills and Qualifications Mr. Orlando's extensive business, accounting, operations, and corporate finance experience with a wide range of companies gives him valuable and practical insights regarding the operational and financial issues confronting business enterprises. In addition, his service on multiple corporate boards and audit committees, including those of a publicly traded financial institution and a Nasdaq-listed corporation, renders him well qualified to serve as the chairman of the audit committee, and to serve on multiple other committees of the Board.
Mr. Richard M. Schapiro Chief Executive Officer, SchapiroCo LLC Age: 61 Director Since: 2015 (Class I) Board Committees: • Compensation (Chair) • Acquisitions & Capital Management • Information Technology & Cybersecurity	Business Experience • Since April 2015, served as Chief Executive Officer of SchapiroCo LLC, acting as a financial consultant to healthcare companies • Since January 2017, served as an independent director for Transamerica Corporation, and from April 2015 to January 2017, served as independent director for Transamerica Financial Life Insurance Company • From 1999 to 2014, served as a Managing Director in the Corporate and Investment Banking Division of Bank of America Merrill Lynch's Health Care Group (retired) • From 1997 to 1999, served as Managing Director and Head of Health Care Group for ING Baring Furman Selz • From 1979 to 1997, held various positions at Salomon Brothers Inc, serving as Managing Director and Global Co-Head of the Health Care Group, Managing Director - Insurance Group, Managing Director and Head of Government Finance Group, and Managing Director and Head of Thrift Coverage Group • Bachelor of Science Degree in Accounting from Case Western Reserve University

- Master's Degree in Business Administration from Bernard M. Baruch College
- Juris Doctorate from New York Law School

Skills and Qualifications

Mr. Schapiro is a former investment and corporate banker with thirty-five years of experience covering the financial services and healthcare sectors. As a member of the acquisitions and capital management committee, Mr. Schapiro's past experience as a healthcare investment banker enables him to provide helpful insight to management in the evaluation, negotiation, diligence, and financing of acquisition targets. Mr. Schapiro also played an integral role in the design and execution of the Company's 2015 capital plan where it sold $390 million in equity, $700 million in senior notes, and established a $250 million revolving credit facility which was recently increased to $500 million. Finally, Mr. Schapiro advised the Company in connection with its 2003 IPO, giving him invaluable insight into the history and growth of the Company.

Table of Contents

Additional Information About Directors

Summary of Director Qualifications, Skills, or Experience

The following is a skills matrix for our Board of Directors. As indicated in the matrix, our directors have a diverse array of expertise and skills in a broad range of substantive areas. The mark by a director's name indicates that the category is a specific qualification, skill, or experience that the director contributes to the Board. The absence of the mark for a particular category does not mean that the director does not have that qualification, skill, or experience.

Independent Director Tenure

One of the main elements of the Company's governance policies to aid in maintaining an effective Board is an extensive assessment. In that respect, the Board develops a skills matrix and maps our directors' backgrounds and experience against these skills. The Board is being assessed periodically, and the Board undergoes an annual evaluation.

As reflected in the "Independent Director Tenure" graph, the tenure of our independent directors ranges from almost two years to eighteen years (including membership in the predecessor company prior to the Company's IPO). Our independent directors contribute a wide range of knowledge, skills, qualifications, and experience as described in their individual biographies. We believe the tenure of the members provides the appropriate balance of expertise, continuity, and perspective to our Board, making it a strategic asset of the Company and a source of continuous competitive advantage, and serving the best interests of our stockholders.

We believe providing our Board with new perspectives and ideas is a critical component to an effective board. In furtherance of that, during the last six years the corporate governance and nominating committee, with input from the entire Board, has performed periodic strategic evaluations of the directors' skills, qualifications, and experience. In connection with such evaluations, four of the current directors have been added to the Board since 2012, three of whom are acting as chairpersons of three of the Board's standing committees. As the corporate governance and nominating committee and the Board consider potential new director candidates, they take into account a multitude of factors, including nominees that possess attributes that they believe will best compliment the Company's strategic plan and core business competencies, and further the Company's mission and growth opportunities.

Table of Contents

Corporate Governance and Board of Directors Matters

Molina Healthcare continually strives to maintain high standards of ethical conduct, to report its results with accuracy and transparency, and to maintain full compliance with the laws, rules, and regulations that govern Molina Healthcare's business.

The current charters of the audit committee, the corporate governance and nominating committee, the compensation committee, and the compliance and quality committee, as well as Molina Healthcare's Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Related Person Transaction Policy are available in the "Investors" section of Molina Healthcare's website, www.molinahealthcare.com, under the link for "Corporate Governance." Molina Healthcare stockholders may obtain printed copies of these documents free of charge by writing to Molina Healthcare, Inc., Juan José Orellana, Senior Vice President of Investor Relations & Marketing, 200 Oceangate, Suite 100, Long Beach, California 90802.

Corporate Governance and Nominating Committee Responsibilities

The corporate governance and nominating committee's mandate is to review and shape corporate governance policies, and to identify qualified individuals for nomination to the Company's Board of Directors. All of the members of the committee meet the independence standards contained in the New York Stock Exchange ("NYSE") corporate governance rules and Molina Healthcare's Corporate Governance Guidelines.

The committee considers all qualified director candidates identified by members of the committee, by other members of the Board of Directors, by senior management, and by stockholders. Stockholders who would like to propose a director candidate for consideration by the committee may do so by submitting the candidate's name, resume, and biographical information to the attention of the Corporate Secretary as described in the Questions and Answers About our Annual Meeting section under "How can I present a proposal for next year's annual meeting?" All proposals for nominations received by the Corporate Secretary will be presented to the committee for its consideration.

The committee reviews each candidate's biographical information and assesses each candidate's independence, skills, and expertise based on a variety of factors, including breadth of experience reflecting that the candidate will be able to make a meaningful contribution to the Board's discussion of and decision-making regarding the array of complex issues facing the Company; understanding of the Company's business environment; the possession of expertise that would complement the attributes of our existing directors; whether the candidate will appropriately balance the legitimate interests and concerns of all stockholders and other stakeholders in reaching decisions rather than advancing the interests of a particular constituency; and whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director. Application of these factors involves the exercise of judgment by the committee and the Board.

Based on its assessment of each candidate's independence, skills, and qualifications, the committee will make recommendations regarding potential director candidates to the Board.

The committee follows the same process and uses the same criteria for evaluating candidates proposed by stockholders, members of the Board of Directors, and members of senior management.

For the 2017 annual meeting, the Company did not receive notice of any director nominations from its stockholders.

Board Diversity

Diversity is among the factors that the corporate governance and nominating committee considers when evaluating the composition of the Board. Among the criteria for Board membership as stated in the Company's Corporate Governance Guidelines is a diversified membership: "The Board shall be committed to a diversified membership, in terms of the various experiences and areas of expertise of the individuals involved." As set forth in our Corporate Governance Guidelines, diversity may reflect age, gender, ethnicity, industry focus, and tenure on the Board so as to enhance the Board's ability to manage and direct the affairs and business of the Company, including, when applicable, to enhance the ability of the committees of the Board to fulfill their duties and/or to satisfy any independence requirements imposed by law, regulation, NYSE listing standards, and the Company's Bylaws and other corporate governance documents.

Each director candidate contributes to the Board's overall diversity by providing a variety of perspectives, personal, and professional experiences and backgrounds. The Board is satisfied that the current nominees reflect an appropriate diversity of gender, age, race, geographical background, and experience, and is committed to continuing to consider diversity issues in evaluating the composition of the Board.

Table of Contents

Corporate Governance Guidelines

The Company’s Corporate Governance Guidelines embody many of our practices, policies, and procedures, which are the foundation of our commitment to sound corporate governance practices. The guidelines are reviewed annually and revised as necessary. The guidelines outline the responsibilities, operations, qualifications, and composition of the Board. The guidelines provide that a majority of the members of the Board shall be independent.

The guidelines require that all members of the Company’s audit, corporate governance and nominating, and compensation committees be independent. Committee members are appointed by the Board upon recommendation of the corporate governance and nominating committee. Committee membership and chairs are rotated from time to time in accordance with the Board’s judgment. The Board and each committee have the power to hire and fire independent legal, financial, or other advisors, as they may deem necessary.

Meetings of the non-management directors are held as part of every regularly scheduled Board meeting and are presided over by the lead independent director.

Directors are expected to prepare for, attend, and participate in all Board meetings, meetings of the committees on which they serve, and the annual meeting of stockholders. All of the directors then in office attended Molina Healthcare’s 2016 annual meeting.

The corporate governance and nominating committee conducts an annual review of Board performance. As part of this process, the corporate governance and nominating committee reviews the procedures, which may vary from year to year, in advance of each year’s evaluation process. In 2015, the corporate governance and nominating committee engaged a third party to conduct a survey of the directors with regard to the assessment process and report the survey results to the Board, which took place at the beginning of 2016. In addition, each committee conducts its own self-evaluation. The results of these evaluations are reported to the Board. The self-evaluation process is designed to elicit candid feedback regarding the areas where the Board and its committees could improve their effectiveness.

Directors have full and free access to senior management and other employees of Molina Healthcare. New directors are provided with an orientation program to familiarize them with Molina Healthcare’s business, and its legal, compliance, and regulatory profile. Molina Healthcare makes available to the Board educational seminars on a variety of topics. These seminars are intended to allow directors to develop a deeper understanding of relevant health care, governmental, and business issues facing the Company, and to assist them in keeping pace with developments in corporate governance and critical issues relating to the operations of public company boards.

The Board reviews the compensation committee’s report on the performance of Dr. Molina, the Company’s current chief executive officer, and of Mr. Molina, the Company’s current chief financial officer, in order to ensure that they are providing effective leadership for Molina Healthcare. The Board also works with the compensation committee with respect to matters of succession planning for the chief executive officer, the chief financial officer, and other senior executive officers of the Company.

Director Independence

The Board of Directors has determined that, except for Dr. J. Mario Molina and Mr. Molina, each of the directors of the Company, including two of the three nominees identified in this proxy statement, has no material relationship with the Company that would interfere with the exercise of his or her independent judgment as a director, and is otherwise “independent” in accordance with the applicable listing requirements of the NYSE, the applicable Securities and Exchange Commission (“SEC”) rules, and the Company’s Corporate Governance Guidelines. In making that determination, the Board of Directors considered all relevant facts and circumstances, including the director’s commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships, among others. In addition, a director will not be considered independent if Section 303A.02(b) of the NYSE Listed Company Manual (or any applicable successor listing standard) otherwise disqualifies such director from being considered independent. The independence of directors and the materiality of any business relationships delineated above is determined by the Board in its discretion.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics governing all employees of Molina Healthcare and its subsidiaries. A copy of the Code of Business Conduct and Ethics is available on our website at www.molinahealthcare.com. From the Molina home page, click on “About Molina,” then click on “Investors,” and then click on “Corporate Governance.” There were no waivers of our Code of Business Conduct and Ethics during

Table of Contents

2016. We intend to disclose amendments to, or waivers of, our Code of Business Conduct and Ethics, if any, on our website.

Compliance Hotline

The Company encourages employees to raise possible ethical issues. The Company offers several channels by which employees and others may report ethical concerns or incidents, including, without limitation, concerns about accounting, internal controls, or auditing matters. We provide a Compliance Hotline that is available 24 hours a day, seven days a week. Individuals may choose to remain anonymous. We prohibit retaliatory action against any individual for raising legitimate concerns or questions regarding ethical matters, or for reporting suspected violations.

Communications with the Board

Stockholders or other interested parties who wish to communicate with a member or members of the Board of Directors, including the lead independent director or the non-management directors as a group, may do so by addressing their correspondence to the individual Board member or Board members, c/o Corporate Secretary, Molina Healthcare, Inc., 200 Oceangate, Suite 100, Long Beach, California 90802. The Board of Directors has approved a process pursuant to which the Corporate Secretary shall review and forward correspondence to the appropriate director or group of directors for response.

Board Leadership Structure

Dr. J. Mario Molina currently serves as both the Company’s chairman of the Board and its chief executive officer. The Board believes that Dr. Molina’s serving in these dual roles provides for productive and transparent communications between management and the Board. In addition, the Board strongly supports having an independent director in a Board leadership position at all times. The Board has appointed Ronna E. Romney, one of its independent members, as lead independent director, and has invested her with significant authority and responsibilities. Having an independent lead director enables non-management directors to raise issues and concerns for Board consideration without immediately involving management. The Board has determined that the current Board leadership structure, with a combined chairman and chief executive officer, along with a separate lead independent director, is the most appropriate structure at this time.

The authority and responsibilities of the lead independent director are detailed in the Company’s Corporate Governance Guidelines. The independent director shall preside at all meetings of the Board at which the chairman of the Board is not present, assume the responsibility of chairing the regularly scheduled meetings of independent directors, and serve as the primary interface between the independent directors, the chief executive officer, and the chairman of the Board, as applicable, in communicating the matters discussed during the session where the chief executive officer or the chairman of the Board was not present. In addition to any other responsibilities that the independent directors as a whole might designate from time to time, the lead independent director is also responsible for approving: (i) the quality, quantity, and timeliness of the information sent to the Board, (ii) the meeting agenda items for the Board, and (iii) the meeting schedules of the Board to assure that there is sufficient time for discussion of all agenda items. The lead independent director has the authority to call meetings of the independent directors and to set the agendas for such meetings. If requested by major stockholders of the Company, the lead independent director is responsible for ensuring that she is available, when appropriate, for consultation and direct communication in accordance with procedures developed by the Company and the lead independent director.

Involvement in Certain Legal Proceedings

There are no legal proceedings to which any director, officer, nominee, or principal stockholder, or any affiliate thereof, is a party adverse to the Company or has a material interest adverse to the Company.

Board’s Role in Risk Oversight

While management is responsible for designing and implementing the Company’s risk management process, controls, and oversight, the Board, both as a whole and through its committees, has overall responsibility for oversight of the Company’s risk management. The Board regularly receives reports from senior management with respect to the Company’s management of major risks, including efforts to identify, assess, manage, and mitigate risks that may affect the Company’s ability to execute on its corporate strategy and fulfill its business objectives. The Board’s role is to oversee this effort and to consult with management on the effectiveness of risk identification, measurement, and monitoring processes, and the adequacy of staffing and action plans, as needed. The Company

Table of Contents

has also instituted a management enterprise risk management committee to assess the risks of the Company. In addition, the compensation committee reviews compensation programs to ensure that they do not encourage unnecessary or excessive risk-taking. The compensation committee has concluded our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company.

Stock Ownership Guidelines for Directors

The Board of Directors of the Company believes that individual directors should own and hold a reasonable number of shares of common stock of the Company to further align the director's interests and actions with those of the Company's stockholders, and also to demonstrate confidence in the long-term prospects of the Company. The Company's Stock Ownership Guidelines provide that directors shall own shares of the Company's stock equal in value to at least three (3) times the aggregate annual cash retainer amounts payable to the director. The value of a director's holdings shall be based on the average closing price of a share of the Company's stock for the previous calendar year. Shares that satisfy these guidelines may be those owned directly, through a trust, or by a spouse or children, and shall include shares purchased on the open market, vested or unvested shares of restricted stock, or exercised and retained option shares. Until a director's stock ownership requirement is met, the director must retain at least 50% of all "net settled shares" received from the vesting, delivery, or exercise of equity awards granted under the Company's equity award plans until the total value of all shares held equals or exceeds the director's applicable ownership threshold. "Net settled shares" generally refers to those shares that remain after the payment of (i) the exercise price of stock options or purchase price of other awards, (ii) all applicable withholding taxes, and (iii) any applicable transaction costs. Shares that are pledged shall not be counted toward the director's ownership requirements. Non-employee directors must comply with the stock ownership guidelines within five (5) years of their election to the Board of Directors. Each director of the Company satisfied the stock ownership guidelines as of December 31, 2016.

Table of Contents

Information About the Board and its Committees

Meetings of Non-Management Directors

It is the customary practice of the Company's non-management directors to meet in executive session without any management directors in attendance each time the full Board convenes for a regularly scheduled in-person Board meeting, which is usually four times each year, and, if the Board convenes a special meeting, the non-management directors may meet in executive session if the circumstances warrant. The lead independent director presides at each executive session of the non-management directors.

Committees of the Board of Directors

The six standing committees of the Board of Directors are: (i) the audit committee; (ii) the corporate governance and nominating committee; (iii) the compensation committee; (iv) the compliance and quality committee; (v) the acquisitions and capital management committee; and (vi) the information technology and cybersecurity committee, each being composed of the individuals indicated below.

Audit Committee

The audit committee performs a number of functions, including: (i) reviewing the adequacy of the Company's internal system of accounting controls, (ii) meeting with the independent auditors and management to review and discuss various matters pertaining to the audit, including the Company's financial statements, the report of the independent auditors on the results, scope, and terms of their work, and the recommendations of the independent auditors concerning the financial practices, controls, procedures, and policies employed by the Company, (iii) resolving disagreements between management and the independent auditors regarding financial reporting, (iv) reviewing the financial statements of the Company, (v) selecting, evaluating, and, when appropriate, replacing the independent auditors, (vi) reviewing and approving fees to be paid to the independent auditors, (vii) reviewing and approving all permitted non-audit services to be performed by the independent auditors, (viii) establishing procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by the Company's

Table of Contents

employees of concerns regarding questionable accounting or auditing matters, (ix) considering other appropriate matters regarding the financial affairs of the Company, and (x) fulfilling the other responsibilities set out in its charter, as adopted by the Board. The report of the audit committee required by the rules of the SEC is included in this proxy statement.

The audit committee consists of Mr. Orlando (Chair), Mr. Cooperman, and Mr. Fedak. The Board has determined that each of Mr. Orlando and Mr. Fedak qualify as an "audit committee financial expert" as defined by the SEC. In addition to being independent according to the Board's independence standards as set out in its Corporate Governance Guidelines, each member of the audit committee is independent within the meaning of the corporate governance rules of the NYSE. Each member of the audit committee is also financially literate. The Audit Committee Charter is available for viewing in the "Investors" section of Molina Healthcare's website, www.molinahealthcare.com, under the link, "Corporate Governance."

Corporate Governance and Nominating Committee

The corporate governance and nominating committee is responsible for identifying individuals qualified to become Board members and recommending to the board the director nominees for the next annual meeting of stockholders. It leads the Board in its annual review of the Board's performance and recommends to the board members for each committee of the Board. The committee takes a leadership role in shaping corporate governance policies and practices, including recommending to the Board the Corporate Governance Guidelines and monitoring Molina Healthcare's compliance with these guidelines. The committee is responsible for reviewing potential conflicts of interest involving directors, executive officers, or their immediate family members. Under the Company's Related Person Transactions Policy, the corporate governance and nominating committee is charged with determining that any related person transaction is in, or is not inconsistent with, the best interests of the Company and its stockholders. The committee also reviews Molina Healthcare's Code of Business Conduct and Ethics and other internal policies to help ensure that the principles contained in the Code are being incorporated into Molina Healthcare's culture and business practices.

The corporate governance and nominating committee consists of Mr. Cooperman (Chair), Gov. Carruthers, Dr. Murray, Ms. Romney, and Mr. Wolf, each of whom is "independent" under the NYSE listing standards and the Company's Corporate Governance Guidelines. The Corporate Governance and Nominating Committee Charter is available for viewing in the "Investors" section of Molina Healthcare's website, www.molinahealthcare.com, under the link, "Corporate Governance."

Compensation Committee

The compensation committee is responsible for determining the compensation for Dr. Molina, our chief executive officer and for Mr. Molina, our chief financial officer, and also approves the compensation Dr. Molina recommends as chief executive officer for the other named executive officers. The committee reviews and discusses with management the Compensation Discussion and Analysis, and, if appropriate, recommends to the Board that the Compensation Discussion and Analysis be included in Molina Healthcare's proxy statement filing with the SEC. In addition, the committee administers Molina Healthcare's 2011 Equity Incentive Plan.

The compensation committee consists of Mr. Schapiro (Chair), Mr. Fedak, Mr. Orlando, and Ms. Romney. Mr. Wolf served as the Chair and member of the compensation committee until April 26, 2016. The Board has determined that in addition to being independent according to the Board's independence standards as set out in its Corporate Governance Guidelines, each of the members of the compensation committee is independent according to the corporate governance rules of the NYSE. In addition, each of the members of the committee is a "non-employee director" as defined in Section 16 of the Securities Exchange Act of 1934, as amended, and is also an "outside director" as defined by Section 162(m) of the Internal Revenue Code.

The Compensation Committee Charter is available for viewing in the "Investors" section of Molina Healthcare's website, www.molinahealthcare.com, under the link, "Corporate Governance."

Each committee has the authority to retain special consultants or experts to advise the committee, as the committee may deem appropriate or necessary in its sole discretion. From time to time, the compensation committee has retained a compensation consultant to provide the committee with comparative data on executive compensation and advice on Molina Healthcare's compensation programs for senior management. For this purpose, the compensation committee engaged Exequity, LLP ("Exequity") as its advisor in 2016 and for 2017.

Compliance and Quality Committee

The compliance and quality committee consists of Gov. Carruthers (Chair), Mr. Molina, Dr. Murray, and Mr. Wolf. With the exception of Mr. Molina, all members of the compliance and quality committee are “independent” under the

Table of Contents

NYSE listing standards and the Company's Corporate Governance Guidelines. The compliance and quality committee, together with the audit committee, assists the Board of Directors in its oversight of the Company's compliance with applicable legal, regulatory, and quality requirements. Whereas the audit committee has oversight over matters of financial compliance (e.g., accounting, auditing, financial reporting, and investor disclosures), as to all other areas of compliance ("non-financial compliance"), the compliance and quality committee has oversight responsibility in the first instance. However, the two committees coordinate their review of major compliance matters, including the overall state of compliance, significant legal or regulatory compliance exposures, and material reports or inquiries from regulators. The compliance and quality committee also is responsible for overseeing the Company's compliance and quality programs and monitoring their performance. Relative to quality activities, the compliance and quality committee assists the Board of Directors in the general oversight of the Company's quality-related activities, policies, and practices that relate to promoting member health, providing access to cost-effective quality health care, and advancing safety and efficacy for members. The Compliance and Quality Committee Charter is available for viewing in the "Investors" section of Molina Healthcare's website, www.molinahealthcare.com, under the link, "Corporate Governance."

Acquisitions and Capital Management Committee

The acquisitions and capital management committee (formerly the transaction committee) consists of Ms. Romney (Chair), Mr. Orlando, Mr. Wolf, and Mr. Schapiro. This committee is an advisory and oversight committee of the Board which is intended, among other things, to review and evaluate strategic acquisition opportunities of the Company and its subsidiaries, expansion/development projects, financings, refinancings, and other capital structure transactions identified by the Company's management.

Information Technology and Cybersecurity Committee

Effective October 2016, the Board reconstituted the technology and information security subcommittee of the audit committee as a standing advisory and oversight committee of the Board under the name information technology and cybersecurity committee. The information technology and cybersecurity committee consists of Mr. Cooperman (Chair), Mr. Orlando, and Mr. Schapiro, as well as the Company's chief information officer and the Company's chief security officer. The information technology and cybersecurity committee's primary duties and responsibilities include but are not limited to the following: (i) enhancing the Board's understanding and oversight of the systems (policies, controls, and procedure) that management has put in place to identify, manage, and mitigate risks related to cybersecurity, privacy, and disaster recovery, responding to incidents with respect thereto, and protecting critical infrastructure assets; (ii) providing a forum to review, evaluate, monitor, and provide feedback on technology related matters, including strategies, objectives, capabilities, initiatives, and policies; and (iii) performing such other tasks related to the oversight of the Company's information technology cybersecurity functions as the Board may delegate to the committee from time to time. The Information Technology and Cybersecurity Committee's Charter is available for viewing in the "Investors" section of Molina Healthcare's website, www.molinahealthcare.com, under the link, "Corporate Governance."

Meetings of the Board of Directors and Committees

During 2016, the Board of Directors met thirteen times, the audit committee met five times, the corporate governance and nominating committee met four times, the compensation committee met nine times, the compliance and quality committee met four times, the information technology and cybersecurity committee met two times, and the acquisitions and capital management committee met five times.

Each director, except Charles Fedak, attended at least 75% of the total number of meetings of the Board of Directors committees of which he or she was a member in 2016, and each director attended the 2016 annual meeting of stockholders held on April 27, 2016. Charles Fedak was unable to attend a series of special meetings held in quick succession due to a personal matter. Notwithstanding this extenuating factor, Charles Fedak attended 74% of the total number of meetings of the Board of Directors committees of which he was a member in 2016.

Table of Contents

Non-Employee Director Compensation

2016 Director Compensation

The compensation committee makes recommendations to the Board with respect to the compensation level of directors, and the Board determines the directors' compensation. During 2016, the Company paid the non-employee directors the following cash compensation:

Non-Executive Director Fee	Non-executive directors received an annual cash retainer in the amount of $100,000.
Lead Independent Director Fee	The lead independent director received an additional annual cash fee of $30,000.
Audit Committee Fee	The chairperson of the audit committee received an additional annual cash fee of $27,500, and each member received $15,000.
Corporate Governance and Nominating Committee Fees	The chairperson of the corporate governance and nominating committee received an additional cash fee of $22,500, and each member received $12,500.
Compensation Committee Fees	The chairperson of the compensation committee received an additional cash fee of $22,500, and each member received $12,500.
Compliance and Quality Committee Fees	The chairperson of the compliance and quality committee received an additional cash fee of $22,500, and each member received $12,500.
Acquisitions and Capital Management Committee Fees	The chairperson of the acquisitions and capital management committee received an additional cash fee of $26,000, and each member received $24,000.
Information Technology and Cybersecurity Committee Fees	The chairperson of the information technology and cybersecurity committee received an additional cash fee of $11,250, and each member received $6,250.

The Company also reimburses its Board members for travel, food, and lodging expenses incurred in attending Board and committee meetings or performing other services for the Company in their capacities as directors. The Company also compensates its non-employee Board members $1,000 per diem for non-ordinary course Board and committee activity, excluding any educational events.

Directors who are employees of the Company or its subsidiaries do not receive any compensation for their services as directors. In 2016, the two directors who were employees of the Company were Dr. J. Mario Molina, our chief executive officer, and Mr. Molina, our chief financial officer.

In addition, to link the financial interests of the non-employee directors to the interests of the stockholders, encourage support of the Company's long-term goals, and align director compensation to the Company's performance, each non-employee director is granted an equity award with a total value of $220,000 for 2016-2017. One quarter of that amount, or $55,000 of restricted stock, was granted on the first day of each quarter (starting on July 1, 2016) based on the closing price of the Company's stock on the grant date. Such equity awards may be rounded up or down to account for fractional shares in the computation.

Table of Contents

2016 Non-Employee Director Compensation

Name	Fees Earned or Paid in Cash	Stock Awards(1)	All Other Compensation		Total
Garrey E. Carruthers, Ph.D.	$ 135,000	$ 220,395	$ —		$ 355,395
Daniel Cooperman (2)	$ 139,548	$ 220,395	$ —		$ 359,943
Charles Z. Fedak	$ 127,500	$ 220,395	$ —		$ 347,895
Steven G. James (3)	$ 40,982	$ 110,387	$ 378,400	(4)	$ 529,769
Frank E. Murray	$ 125,025	$ 220,395	$ —		$ 345,420
Steven J. Orlando	$ 165,138	$ 220,395	$ —		$ 385,533
Ronna E. Romney	$ 196,000	$ 220,395	$ —		$ 416,395
Richard M. Schapiro	$ 147,396	$ 220,395	$ —		$ 367,791
Dale B. Wolf (2)	$ 157,892	$ 220,395	$ —		$ 378,287

(1) The amounts reported as Stock Awards reflect the grant date fair value of restricted stock awards under the Company's 2011 Equity Incentive Plan, in accordance with Accounting Standards Codification Topic 718, "Compensation - Stock Compensation." Beginning on July 1, 2015, the non-employee directors compensation program described above provided for an annual equity award valued at $220,000 for each director, or $55,000 per quarter.

The amounts shown represent the aggregate grant date fair value of the awards, using the closing price of our common stock on January 1, 2016 of $60.13, April 1, 2016 of $64.91, July 1, 2016 of $49.83, and October 1, 2016 of $58.32.

(2) Mssrs. Cooperman and Wolf each have fully vested options to purchase 15,000 shares of our stock at an exercise price of $33.02 per share which expire on March 11, 2023.

(3) Mr. James retired from the Board of Directors effective April 2016.

(4) On March 10, 2016 and May 10, 2016, Mr. James exercised options to purchase 10,000 and 5,000 shares of our stock at an exercise price of $33.02 per share, compared with market values of $63.89 and $46.96 per share, respectively. The amount shown represents the aggregate difference between the market value of the shares and the option exercise price.

2017 Director Compensation

The compensation committee periodically reviews benchmarking assessments of director compensation at comparable companies. In early 2014, the committee determined to adjust director compensation downward in order to make it better align with market levels, with an initial transition over a two-year period commencing in 2014 targeting a transition to compensation down to the 75th percentile of the peer group. In early 2015, the committee determined to further adjust director compensation downward, reducing the annual equity compensation grant paid to each director from $250,000 to $220,000, in the form of quarterly stock grants.

In 2016, the compensation committee engaged Exequity as its compensation consultant to undertake a new benchmarking assessment of director compensation. Exequity is the same compensation consultant that the committee engaged to perform the compensation study for the named executive officers' 2017 compensation.

The peer group used in the director compensation study was the same peer group used for the executive compensation study and consists of the following companies:

1. Centene Corporation	7. Team Health Holdings, Inc.
2. Cigna Corporation	8. Tenet Healthcare Corporation
3. Community Health Systems, Inc.	9. Triple-S Management Corporation
4. DaVita HealthCare Partners Inc.	10. Universal American Corp.
5. Humana Inc.	11. Universal Health Services, Inc.
6. Magellan Health, Inc.	12. WellCare Health Plan, Inc.

The director compensation study concluded that the total fees for the directors were moderately above the peer group median, and the balance between cash and equity in the Company's director compensation program was similar to the central tendency among peers. In light of the director compensation having been systematically reduced in 2014 and 2015, the compensation committee decided to leave the directors' 2017 compensation unchanged from the 2016 levels.

Table of Contents

Compensation Consultant Independence

The compensation committee changed its compensation consultants in the spring of 2016 and used as its new compensation consultant, Exequity, for the 2017 named executive officers' and directors' compensation studies. The Company paid Exequity approximately $102,000 for such compensation studies. Other than the services provided to the Company by the consulting firm in connection with the compensation studies for the named executive officers and directors, the consulting firm does not provide any other services to the Company.

The compensation committee reviewed the independence of its compensation consultant in light of SEC rules and NYSE listing standards, including taking into account the following factors: (1) no other services being provided to the Company by the consulting firm; (2) fees paid by the Company as a percentage of the consulting firm's total revenue; (3) policies or procedures maintained by the consulting firm that are designed to prevent a conflict of interest; (4) any business or personal relationships between the consulting firm and a member of the compensation committee; (5) any Company stock owned by the consulting firm; and (6) any business or personal relationships between the Company's executive officers and the senior advisor. In light of these considerations, the compensation committee concluded that Exequity's work for the committee was rendered on a fully independent basis, and involved no conflict of interest.

Information About the Executive Officers of the Company

Two of our directors, Dr. J. Mario Molina and Mr. John C. Molina, J.D., and the following persons were our executive officers at December 31, 2016.

Ms. Terry P. Bayer, 66, has served as our chief operating officer since November 2005. She had formerly served as our executive vice president, health plan operations since January 2005. Ms. Bayer has 33 years of healthcare management experience, including staff model clinic administration, provider contracting, managed care operations, disease management, and home care. Since March 2014, Ms. Bayer has served as a director and member of the compensation and organization committee and since 2015 of the nominating and governance committee of California Water Service Group, the third largest investor-owned water utility in the United States. From 2006 – 2008 Ms. Bayer served on the board of Apria Healthcare Group Inc., a provider of home respiratory services and certain medical equipment. Prior to joining us, her professional experience included regional responsibility at FHP, Inc., a staff model health maintenance organization, and multi-state responsibility as regional vice-president at Maxicare Health Plans, Inc., a healthcare provider; Partners National Health Plan, a joint venture of Aetna Life Insurance Company and Voluntary Hospital Association (VHA); and Lincoln National Corporation, a holding company that operates multiple insurance and investment management businesses through its subsidiary companies. She has also served as executive vice president of managed care at Matria Healthcare, a home care services for high risk obstetrics patients company, president and chief operating officer of Praxis Clinical Services, a clinical wound care services company, and as Western Division President of AccentCare, a skilled and unskilled home care services company. She holds a Juris Doctorate degree from Stanford University, a Master of Public Health degree from the University of California, Berkeley, and a Bachelor's degree in Communications from Northwestern University.

Mr. Joseph W. White, 58, has served as our chief accounting officer since 2007. He had formerly served as our vice president of accounting since 2003. In his role as chief accounting officer, Mr. White is responsible for oversight of the Company's accounting, reporting, forecasting, budgeting, actuarial, and treasury functions. Mr. White has almost 30 years of financial management experience in the health care industry. Prior to joining the Company in 2003, Mr. White worked for Maxicare Health Plans, Inc. from 1987 through 2002. Mr. White holds a Master's degree in Business Administration and a Bachelor's degree in Commerce from the University of Virginia. Mr. White is a Certified Public Accountant.

Mr. Jeff D. Barlow, 54, has served as our chief legal officer and secretary since 2010. Prior to that, Mr. Barlow had served as vice-president, assistant corporate secretary, and associate general counsel of Molina Healthcare since 2004. As chief legal officer, Mr. Barlow is responsible for setting the overall legal strategy for the Company and its subsidiaries, and for providing legal counsel to senior management and the board of directors. Mr. Barlow has over 25 years of legal experience, including counseling clients regarding federal securities laws, corporate governance, mergers and acquisitions, and litigation. Mr. Barlow graduated from the University of Utah with a Bachelor of Arts degree in 1987 with a minor in Latin. Additionally, Mr. Barlow received his Juris Doctorate degree, cum laude, from the University of Pittsburgh School of Law in 1990, and his Master of Public Health degree from the University of California, Berkeley in 1995. Mr. Barlow is a member of the American Bar Association, California State Bar Association, Arizona State Bar Association, the American Health Lawyers Association, and the American Academy for the Advancement of Science.

Table of Contents

Executive officers are appointed annually by the Board of Directors, subject to the terms of their employment agreements.

Executive Compensation

Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("CD&A") describes the compensation awarded to, earned by, or paid to our named executive officers for 2016, and explains the material elements of their compensation. In addition, this CD&A describes the objectives of the Company's compensation programs, including what each program is designed to reward, and why the Company chose to pay or not to pay a particular compensation element.

The compensation committee of the Board of Directors has primary responsibility for overseeing and reviewing the design and structure of the Company's compensation programs. The compensation committee is directly responsible for evaluating the performance of and determining the compensation paid to our president and chief executive officer. The compensation committee is also responsible for evaluating and approving the compensation levels of our other named executive officers as recommended to the committee by the chief executive officer.

This CD&A is focused on the compensation of our president and chief executive officer, and the other four executive officers included in the Summary Compensation Table below, whom we collectively refer to in this proxy statement as our "named executive officers." For 2016, our named executive officers were:

- Dr. J. Mario Molina, president and chief executive officer;
- John C. Molina, chief financial officer;
- Terry P. Bayer, chief operating officer;
- Joseph W. White, chief accounting officer; and
- Jeff D. Barlow, chief legal officer and secretary.

Summary of 2016 Financial Results

2016 represented a disappointing year with respect to our financial results, as key annual bonus plan metrics such as EBITDA and net profit margin goals fell well short of budgeted goals. However, despite these generally disappointing financial results, in 2016 the Company continued to grow its revenues, expand into new markets, and improve its quality measures. The following equity compensation awards vested in 2016 for the specified goal achievements:

- 2014-2016 three-year TSR above the median of our peer group;
- 2016 premium revenues, net of acquisitions;
- Improvement in 2016 of the Star scores at our Florida and New Mexico health plans; and
- Expansion in 2016 into New York state.

The Company's Compensation Philosophy

Our overall compensation philosophy in setting the 2016 executive compensation was to pay our named executive officers base salaries at competitive market rates as determined by peer group comparisons, and to use the majority of both short-term and long-term incentive compensation to pay for performance. In designing performance and equity compensation vesting metrics for both our 2016 short-term cash bonus and long-term equity based incentive compensation, the compensation committee has focused particularly on the achievement of various elements of our three-year strategic plan.

Table of Contents

Compensation Best Practices

What We Do	What We Don’t Do
Maintain stock ownership guidelines for directors and executive officers.	No guaranteed bonuses.
Have an incentive compensation recoupment policy.	Eliminated tax gross-up provisions from employment agreements.
Enforce restrictions on “pledges” of shares of Company stock by directors and executive officers.	Do not grant discounted stock options.
Restrict hedging transactions by directors and executive officers.	Do not permit repricing of stock options without stockholder approval.
Engage an independent compensation consultant.	Do not provide above-market earnings on deferred compensation.
Provide very limited perquisites.	

Elements of Compensation

Primary Elements of Compensation. The Company’s compensation program consists of three primary elements: (i) base salary; (ii) annual short-term performance-based cash bonus awards; and (iii) performance-based and time-based long-term equity-based incentive compensation awards, primarily in the form of restricted stock subject to vesting requirements. Additional compensation elements include various benefit plans, such as a 401(k) and deferred compensation plan, and severance and change in control benefits.

Retirement Plans. The Company does not maintain a retirement pension plan. However, the named executive officers are eligible to participate in the Molina 401(k) Salary Savings Plan. The purpose of this program is to provide all Molina Healthcare employees with tax-advantaged savings opportunities and income after retirement. Eligible pay under the plans is limited to Internal Revenue Code annual limits. The Company makes a dollar-for-dollar match on the first four percent (4%) of salary electively deferred under the 401(k) Plan by all participants.

Deferred Compensation Plan. The Company has established an unfunded non-qualified deferred compensation plan for certain key employees, including the named executed officers. Under the deferred compensation plan, eligible participants can defer up to 100% of their base salary and 100% of their bonus to provide for tax-deferred growth. The investment options available to eligible participants under the deferral program consist of approximately fifteen investment options representing a broad array of asset classes and spectrum of risk profiles.

Employee Stock Purchase Plan. With the exception of our chief executive officer and our chief financial officer who are not eligible due to their possessing more than five percent of our voting common stock as determined under Section 424(d) of the Internal Revenue Code, the named executive officers are eligible to participate in the Company’s 2011 Employee Stock Purchase Plan, on an equal basis with all other employees. The Employee Stock Purchase Plan allows eligible employees to purchase from the Company shares of its common stock at a 15% discount to the market price during the successive six-month offering periods under the plan.

Health and Insurance Benefits. With limited exceptions, the Company supports providing benefits to named executive officers that are substantially the same as those offered to salaried employees generally. The named executive officers are eligible to participate in Company-sponsored benefit programs on the same terms and conditions as those made available to salaried employees generally. Basic health benefits, life insurance, disability benefits, and similar programs are provided to ensure that employees have access to healthcare and income protection for themselves and their family members.

Severance and Change in Control Benefits. We have entered into employment agreements with all of our named executive officers pursuant to which they are eligible under certain circumstances for severance and change in control benefits. The severance and change in control payments and benefits provided under the employment agreements are independent of other elements of compensation. A description of the material terms of our severance and change in control arrangements can be found later in this proxy statement under “Potential Payments Upon Change in Control or Termination.” The compensation committee believes that severance and change in control benefits are necessary to attract and retain senior management talent. Our agreements are designed to attract key employees, preserve executive morale and productivity, and encourage retention in the face of the potentially disruptive impact of an actual or potential change in control. These benefits allow executives to assess takeover bids objectively without regard to the potential impact on their own job security.

Perquisites and Other Personal Benefits. The Company does not provide named executive officers with any material perquisites or other personal benefits.

Table of Contents

2016 Compensation Highlights

2016 represented a disappointing year with respect to our financial results. Based on of our pay for performance compensation philosophy, the compensation paid to our named executive officers was negatively impacted by that financial performance in the following ways:

- No cash amounts were paid under the Company's short-term cash incentive bonus program for 2016 that consisted 75% of an EBITDA measure and 25% of a discretionary bonus; the named executive officers were paid a separately established cash bonus pursuant to a goal established in early 2016, for the successful NCQA accreditation of our Illinois and South Carolina health plans;
- No equity compensation vested in connection with the 2016 net profit margin target of 1.0%;
- No equity compensation vested in connection with the targets established in 2014 for three-year EBITDA margin and three-year cumulative earnings per share; and
- No equity compensation vested in connection with the target established in 2015 for 2016 net profit margin and 2016 total pre-tax income.

Executive Pay Study for 2016

To evaluate the compensation levels of the Company's named executive officers in relation to the compensation levels of executives employed by the Company's industry peers, in late 2015 the compensation committee engaged Arthur J. Gallagher & Co to conduct a total compensation study with respect to the Company's named executive officers (the "2016 Compensation Study"). Arthur J. Gallagher & Co. was the same compensation consultant that the committee has used in prior years to conduct benchmarking studies for the Company's named executive officers.

In the 2016 Compensation Study, Arthur J. Gallagher & Co. used a 17-company peer group consisting of six publicly traded managed care companies, six publicly traded health care facilities, and five publicly traded health care service companies, as follows:

1. Centene Corporation	10. Community Health Systems, Inc.
2. WellCare Health Plans, Inc.	11. Laboratory Corporation of America Holdings
3. Health Net, Inc.	12. Magellan Health, Inc.
4. DaVita HealthCare Partners Inc.	13. Kindred Healthcare, Inc.
5. Tenet Healthcare Corporation	14. Brookdale Senior Living Inc.
6. Catamaran Corporation	15. Omnicare, Inc.
7. Universal Health Services, Inc.	16. Cigna Corporation
8. Quest Diagnostics Incorporated	17. Humana Inc.
9. LifePoint Hospitals, Inc.	

The 2016 Compensation Study concluded that the base salary of our chief executive officer was below the median, while total compensation was approximately equal to the median. The base salaries of the other named executive officers, with the exception of our chief financial officer, were at or near the median, with total compensation somewhat above the median but below the 75th percentile. The compensation committee targeted the base salary of the named executive officers for 2016 at approximately the 50th percentile of the peer group, while targeting total compensation at the 75th percentile of the peer group. After setting target total compensation levels in accordance with this approach, the chief executive officer requested that $2 million of his resulting equity compensation be allocated instead in unequal amounts to the other four named executive officers, thereby reducing his target total compensation level to the median, and raising the target total compensation of the other named executive officers above the 75th percentile in each instance. Because this "zero sum" request did not change overall total target compensation for all five named executive officers, inclusive of the chief executive officer, the compensation committee acceded to the chief executive officer's request. The compensation of the named executive officers was weighted slightly more heavily towards longer term equity compensation that is subject to multiple year performance metrics and vesting requirements that are consistent with the Company's long-term strategic plan.

Based on these findings and considerations, the compensation committee decided to increase the 2016 base salaries for Dr. J. Mario Molina, Mr. White, and Mr. Barlow, and to leave unchanged the 2016 base salaries for Mr. Molina and Ms. Bayer. The compensation committee left unchanged the target short-term cash bonus opportunity as a percent of salary for all of the named executive officers. However, to further incentivize and reward truly exemplary financial performance, with regard to the specific EBITDA bonus metric, the compensation committee

Table of Contents

decided to not cap or limit this metric opportunity. Additionally, the 2016 equity compensation was made subject to multiple-year profit margin targets, Star rating improvements at the health plans, and achievement of certain business development targets that are consistent with the Company's achievement of its long-term strategic plan.

Base Salary.

The objective of base salary is to reflect the executive's fundamental job responsibilities. In 2016, the named executive officers were paid competitive base salaries determined by the evaluation of several factors, including the base salary levels of corresponding officers at peer companies as determined based on the 2016 Compensation Study, critical skills, job history, and unique roles or abilities of the executive. The 2016 and 2015 base salaries for the named executive officers, as well as the changes in such base salaries from the 2015 to the 2016 levels, are reflected in the table below. The 2016 base salaries for Dr. Molina, Mr. White, and Mr. Barlow were increased from their respective 2015 base salary levels, as indicated below, to bring such executive's base salaries to approximately the 50th percentile of the peer group.

	Base Salary			
Officer	2016	2015	Change ($)	Change (%)
Dr. J. Mario Molina, Chief Executive Officer	$1,170,000	$1,050,000	$120,000	11.43%
John C. Molina, Chief Financial Officer	$878,000	$878,000	$—	—%
Terry P. Bayer, Chief Operating Officer	$644,000	$644,000	$—	—%
Joseph W. White, Chief Accounting Officer	$538,000	$515,000	$23,000	4.47%
Jeff D. Barlow, Chief Legal Officer	$525,000	$475,000	$50,000	10.53%

The base salary of our named executive officers is the only element of their compensation that is fixed and predetermined. Consistent with the Company's pay-for-performance philosophy, only 12% of the chief executive officer's total 2016 compensation, and, on average, 16% of the other named executive officers' total 2016 compensation opportunity, was for a fixed or predetermined amount.

Annual Short-Term Performance-Based Cash Bonus Awards.

Our compensation program provides for an annual cash bonus that is entirely performance linked. The objective of the program is to compensate executives based on the achievement of specific and objective annual goals that are intended to correlate closely with the growth of stockholder value. The annual incentive bonuses for 2016 were based three-quarters on the Company's achievement of a specific 2016 EBITDA objective, and one-quarter subject to the discretion of the compensation committee, based upon certain performance factors. Such components of the short-term cash bonus were to be determined and paid independently.

Early in 2016, the compensation committee established an entry level achievement of at least $550 million in EBITDA, with the achievement of $810 million triggering payout at the 100% level, with the range continuing above 100% on a linear basis for EBITDA achievement above $810 million. EBITDA, an acronym for "earnings before interest, taxes, depreciation and amortization", is a non-GAAP financial measure used by the Company as a supplemental metric to evaluate its financial performance, make financing and business decisions (including compensation decisions), and forecast and plan for future periods. EBITDA is calculated from our audited financial statements by making the following adjustments to net (loss) income: depreciation, and amortization of intangible assets and capitalized software; interest expense; and income tax (benefit) expense.

Because the Company did not achieve the 2016 EBITDA entry level of $550 million, no cash bonus was paid based on the EBITDA metric.

25% of the bonus opportunity was subject to the discretion of the compensation committee, based upon the consideration by the committee of such factors as relative performance as compared with our peers, competitive positioning, profit margin, Star score and HEDIS measure improvements and other quality measures, strategic business criteria such as market penetration and geographic business expansion, and various other factors. Due to the unsatisfactory financial performance in 2016, the compensation committee decided not to award any portion of the 25% discretionary bonus.

Table of Contents

The following table sets forth the fiscal year 2016 base salary levels, along with the two bonus elements for the Company's chief executive officer, chief financial officer, chief operating officer, chief accounting officer, and chief legal officer:

Executive Officer	Base Salary	Target Bonus Opportunity (% of Base Salary)	Target EBITDA Bonus Opportunity (75% of Baseline Bonus Opportunity)	Discretionary Bonus Opportunity (25% of Target Bonus Opportunity)
Dr. J. Mario Molina Chief Executive Officer	$1,170,000	150 %	$ 1,316,250	$ 438,750
John Molina Chief Financial Officer	$878,000	125 %	$ 823,125	$ 274,375
Terry Bayer Chief Operating Officer	$644,000	100 %	$ 483,000	$ 161,000
Joseph W. White Chief Accounting Officer	$538,000	90 %	$ 363,150	$ 121,050
Jeff D. Barlow Chief Legal Officer	$525,000	90 %	$ 354,375	$ 118,125

In addition to the short-term cash bonus based on the EBITDA measure and discretionary bonus, the compensation committee also established a separate 2016 short-term cash bonus for the named executive officers based on achievement in 2016 of NCQA accreditation of the Company's health plans in South Carolina and Illinois, in the aggregate amount for all named executive officers of $350,000 for each such NCQA accreditation achievement. Both of the Company's health plans in South Carolina and Illinois achieved NCQA accreditation in 2016, and as result such short-term cash bonus was paid to the named executive officers as follows: $255,000 to Dr. J. Mario Molina, $180,000 to John C. Molina, $110,000 to Terry P. Bayer, $80,000 to Joseph W. White, and $75,000 to Jeff D. Barlow.

Long-Term Equity-Based Incentive Compensation Awards.

The majority of the total compensation package for the named executive officers for 2016 was based on long-term incentives designed to align the financial interests of our named executive officers with the interests of our long-term stockholders. In those instances where the relevant long-term performance metric is not achieved, the equity-based compensation does not vest, and thus the compensation is not realized by the executive officers.

For 2016, these long-term incentives for our named executive officers took the form of equity compensation opportunities with the following grant date values:

Officer	2016 Equity Compensation[1] Amount ($)	Shares (#)
Dr. J. Mario Molina, Chief Executive Officer	$8,443,000	130,838
John C. Molina, Chief Financial Officer	$4,259,000	66,000
Terry P. Bayer, Chief Operating Officer	$3,326,000	51,542
Joseph W. White, Chief Accounting Officer	$2,786,000	43,174
Jeff D. Barlow, Chief Legal Officer	$2,021,000	31,319

[1] Generally, the grant date fair value presented does not correspond to the actual value that the named executive officers will realize from the award. In particular, the actual value of performance stock awards (PSAs) received is different from the accounting expense because such awards depend on the Company's performance. In accordance with SEC rules, the

Table of Contents

aggregate grant date fair value of the PSAs presented above is calculated based on the most probable outcome of the performance conditions as of the grant date, which, for the PSAs, was target performance.

A detailed schedule and graph of the equity awards granted in 2016 to each of the named executive officers, by elements, is set forth below.

Officer	Restricted Stock Awards (#) 2016 Net Profit Margin (#)	2016 STAR Rating (#)	2017 Net Profit Margin (#)	2017 STAR Rating (#)	2018 Net Profit Margin (#)	2016-2018 Metric (Strategic Acquisitions/ RFP) (#)	Time Vesting Over 3 Years (#)
J. Mario Molina	13,084	13,084	13,084	13,084	13,084	26,168	39,250
John C. Molina	6,600	6,600	6,600	6,600	6,600	13,200	19,800
Terry P. Bayer	5,154	5,154	5,154	5,154	5,154	10,308	15,464
Joseph W. White	4,317	4,317	4,317	4,317	4,317	8,635	12,954
Jeff D. Barlow	3,132	3,132	3,132	3,132	3,132	6,264	9,395

These equity awards to the named executive officers were then divided into separate elements, with varying vesting provisions. 70% of the shares of restricted stock were made subject to performance vesting metrics described below and 30% of the shares were made subject to time vesting in three equal increments over three years. Two of the 10% performance metrics, or 20% in total, were based upon 2016 performance and were determinable at the end of 2016; two of the 10% performance metrics, or 20% in total, were based upon 2017 performance; one of the 10% performance metrics was based upon 2018 financial performance; and the last of the 10% performance metric and two 5% performance metrics, or 20% in total, was based upon closing on a Board-approved acquisition in a new state, or winning a Request For Proposal ("RFP") in a new state, or winning an RFP for a new Medicaid product line in an existing state during the 2016-2018 period.

- 2016 Equity Compensation Metrics.

The first 2016 10% performance metric was related to the achievement of a net profit margin in fiscal year 2016 of at least 1.0%. The entry point for the metric was established at 1.0% net profit margin, with full achievement at 1.2% net profit margin. Performance was not met under this metric and thus these awards did not vest.

Table of Contents

The second 2016 10% performance metric was related to the Company's achieving an improvement in Star ratings of 0.5 Stars or greater for each of two separate health plans, with no decline in the average Star rating across all remaining health plans (Part C and Part D are included). As noted above, this performance metric was achieved and the stock has vested.

- 2017 Equity Compensation Metrics.

The first 2017 10% performance metric was related to the achievement of a net profit margin in fiscal year 2017 of at least 1.5%. The entry point for the metric shall be at 1.5% net profit margin, and full achievement shall be at 2.0% net profit margin. Achievement of the entry point shall result in 25% vesting of the restricted stock grant, with full achievement resulting in 100% vesting of the grant. If the metric is achieved, the stock shall vest on March 7, 2018.
The second fiscal year 2017 10% performance metric was related to the Company achieving an improvement in Star ratings of 0.5 Stars or greater for each of two separate health plans from the levels of the previous year, with no decline in the then existing average Star rating across all remaining health plans. Since ratings for 2018 will be released in autumn 2017, if the metric is achieved, the stock shall vest on March 7, 2018.

- 2018 Equity Compensation Metrics.

The sole fiscal year 2018 10% performance metric was related to the achievement of a net profit margin in fiscal year 2018 of at least 1.5%. The entry point for the metric shall be at 1.5% net profit margin, and full achievement shall be at 2.0% net profit margin. Achievement of the entry point shall result in 25% vesting of the restricted stock grant, with full achievement resulting in 100% vesting of the grant. If the metric is achieved, the stock shall vest on March 7, 2019.

- 2016-2018 Equity Compensation Metrics.

The final 20% metric was conditioned upon the Company's either closing on a Board-approved acquisition in a new state, or winning a RFP in a new state, or winning an RFP for a new Medicaid product line in an existing state during the 2016-2018 period. Special Needs Plan ("SNP") or marketplace entry, or a capabilities-based acquisition, do not count towards satisfaction of this performance metric. Upon the first such achievement of this metric in 2016, 2017, or 2018, 5% of the restricted stock grant shall vest. Upon the second such achievement, a further 5% of the restricted stock grant shall vest. Upon the third such achievement, the final 10% of the restricted stock grant shall vest. The first such achievement of this goal was met in 2016 related to the closing of the New York Medicaid acquisition. As a result, 5% of the restricted stock grant subject to this metric has vested. Any subsequent achievements of the metric through December 31, 2018 shall result in vesting on the next succeeding March 7th.

- The remaining balance of 30% of the shares of restricted stock were made subject to time vesting in one-third increments over three years, on each of March 7, 2017, March 7, 2018, and March 7, 2019.

2014-2015 Long-Term Incentive Awards Achievement Status

The following provides a status summary with respect to the portions of the stock awards made to the named executive officers in 2014 and 2015, with vesting based on the achievement or non-achievement of performance metrics determined for the respective period ended December 31, 2016. If the respective metric was not achieved, the portion of the stock awards based on that metric did not vest, and such portion was forfeited, further reflecting the Company's pay-for-performance compensation philosophy.

Table of Contents

2014 Equity Compensation

In 2014, our named executive officers received potential equity compensation opportunities in the following amounts:

Officer	Shares (#)
Dr. J. Mario Molina, Chief Executive Officer	191,083
John C. Molina, Chief Financial Officer	54,933
Terry P. Bayer, Chief Operating Officer	46,444
Joseph W. White, Chief Accounting Officer	26,540
Jeff D. Barlow, Chief Legal Officer	21,232

These equity awards were divided into five separate elements, three of which were not determinable until the end of the three-year period ended December 31, 2016.

10% of the 2014 stock awards was subject to vesting upon the Company's achieving a three-year Total Stockholder Return as determined by ISS calculations ("TSR") greater than the median TSR achieved by the Company's ISS peer group for the three-year period ended December 31, 2016. The Company's three-year TSR for the three-year period ended December 31, 2016 was 16.0%, compared with the median TSR of 2.4% for our peer group. Accordingly, these 10% portions have vested.

25% of the 2014 stock awards was subject to vesting upon the Company's achieving a three-year EBITDA margin percentage for the three-year period ended December 31, 2016 equal to or greater than 4%. 25% of the 2014 stock awards was subject to vesting based on the Company achieving a cumulative earnings per share (calculated on a GAAP basis) of at least $8.50 for the three year period ended December 31, 2016. Neither the three-year EBITDA margin percentage vesting requirement nor the three-year cumulative earnings per share vesting requirement was achieved and, accordingly, these portions of the 2014 stock awards did not vest.

2015 Equity Compensation

In 2015, our named executive officers received potential equity compensation opportunities in the following amounts:

Officer	Shares (#)
Dr. J. Mario Molina, Chief Executive Officer	122,154
John C. Molina, Chief Financial Officer	40,341
Terry P. Bayer, Chief Operating Officer	28,654
Joseph W. White, Chief Accounting Officer	22,622
Jeff D. Barlow, Chief Legal Officer	18,851

These equity awards were divided into eight separate elements, three of which were not determinable until the end of the three-year period ended December 31, 2016.

10% of the 2015 stock awards was based on the Company's fiscal year 2016 annual premium revenue achievement, with an entry point at $14.0 billion in annual premium revenues, excluding acquisitions after April 1, 2015. This performance metric was achieved at 100% and the stock has vested. The second fiscal year 2016 10% performance metric was based on the Company's fiscal year 2016 net profit margin, with an entry point at 0.8% net profit margin, and the third fiscal year 2016 10% performance metric was based on the Company's pre-tax income in fiscal year 2016, with an entry point at $250 million in pre-tax income. Neither the 2016 net profit margin metric nor the 2016 pre-tax income metric was achieved and, accordingly, the portions of the stock awards based on these performance metrics did not vest.

Table of Contents

Pay Mix

Our pay for performance philosophy can be further depicted by the following graphs which represent both our total compensation mix as well as our long-term incentive plan vehicle mix.

The 2016 Total Compensation Mix graphs illustrate the break-down of the chief executive officer's and the other named executive officers' 2016 total compensation as reflected in the Summary Compensation Table. The "Other Named Executive Officers" percentages are calculated using an average of the individual named executive officers values excluding Dr. Molina.

As the 2016 Total Compensation Mix graph below illustrates, Dr. Molina's base salary represented 12% of his total compensation, and the other named executives' base salaries represented 16% of their total compensation. Further, 84% of Dr. Molina's total compensation and 79% of the other named executive officers' total compensation were long-term incentives consisting of performance-based and service/time-based restricted stock awards. The non-equity incentive compensation represented 3% of Dr. Molina's total compensation and 3% of the other named executive officers' total compensation.

2016 Total Compensation Mix

Stock Ownership Guidelines for Named Executive Officers

The Board of Directors believes that executive officers should own and hold a reasonable number of shares of common stock of the Company to further align such officers' interests and actions with those of the Company's stockholders, and also to demonstrate confidence in the long-term prospects of the Company. The Company's guidelines with respect to stock ownership by executive officers provide that executive officers of the Company shall own the minimum number of shares of the Company's common stock with such value listed next to each such officer's title below, calculated as a multiple of annual base salary.

Table of Contents

Executive Officer	Value of Shares
Chief Executive Officer	5X Annual Base Salary
Chief Financial Officer	4X Annual Base Salary
Chief Operating Officer	3X Annual Base Salary
Other Named Executive Officers	2X Annual Base Salary

The value of an executive officer's holdings shall be based on the average closing price of a share of the Company's stock for the previous calendar year. Shares that satisfy these guidelines may be those owned directly, through a trust, or by a spouse or children, and shall include shares purchased on the open market, vested or unvested shares of restricted stock, or exercised and retained option shares. Equity securities that are pledged shall not be counted toward the executive officer ownership requirements. Until an executive officer's stock ownership requirement is met, the executive officer must retain at least 50% of all "net settled shares" (as defined above) received from the vesting, delivery or exercise of equity awards granted under our equity award plans until the total value of all shares held equals or exceeds the executive officer's applicable ownership threshold.

Executive officers are expected to achieve the recommended ownership guidelines within five (5) years of assuming their positions. Once achieved, ownership of the guideline amount must be maintained for as long as the individual is subject to these guidelines. In addition, there may be certain instances where these guidelines would place an undue hardship on an executive officer. The compensation committee may therefore make exceptions to these guidelines as it deems appropriate.

Each of the named executive officers of the Company satisfied the stock ownership guidelines as of December 31, 2016.

Clawback Policy

The Company has a Clawback Policy addressing the recovery by the Company of incentive-based compensation from current and former executives of the Company, in the event of any accounting restatement due to material noncompliance by the Company with any financial reporting requirement under the applicable securities laws ("Accounting Restatement"). According to the Clawback Policy, in the event of an Accounting Restatement, the Company will use reasonable efforts to recover from any current or former executive officer of the Company, who received incentive-based compensation from the Company during the three (3)-year period preceding the date on which the Company is required to prepare an Accounting Restatement, based on the erroneous data, the excess of what would have been paid to the executive officer under the Accounting Restatement. In addition, the Clawback Policy further provides that the Company will use reasonable efforts to recover from current and former executive officers, up to 100% (as determined by the Board or a duly established committee of the Board in its sole discretion as appropriate based on the conduct involved) of such incentive-based compensation from the Company during the three (3)-year period preceding the date on which the Company is required to prepare an Accounting Restatement, if the Board or a committee thereof, in its sole discretion, determines that an executive officer's act or omission that contributed to the circumstances requiring the Accounting Restatement involved: (i) willful, knowing or intentional misconduct or a willful, knowing or intentional violation of any of the Company's rules or any applicable legal or regulatory requirements in the course of the executive officer's employment by, or otherwise in connection with, the Company or (ii) fraud in the course of the executive officer's employment by, or otherwise in connection with, the Company.

Restrictions on Pledges of Shares by Directors and Executive Officers

The Company is aware that Institutional Shareholder Services ("ISS") identified pledges of company stock as a risk oversight and governance concern. The Company's insider trading policy prohibits our directors and executive officers from, directly or indirectly, pledging a significant number of shares of the Company's common stock. For these purposes, "pledging" includes the intentional creation of any form of pledge, security interest, deposit, or lien, including the holding of shares in a margin account, that entitles a third-party to foreclose against, or otherwise sell, any shares, whether with or without notice, consent, or default. "Significant" means the least of: (i) 1% of the Company's total outstanding shares of common stock; (ii) 20% of the common stock of the Company then held by the executive officer or director; and (iii) 50% of the Company's average daily trading volume for the three months prior to the pledge date.

The shares of common stock attributable to a director or executive officer for these purposes include shares attributable to the director or executive officer under either Section 13 or Section 16 of the Securities Exchange Act of 1934, as amended. Further, any shares that are pledged shall not be counted toward the executive officer or director stock ownership requirements.

Table of Contents

As of the date of this proxy statement, none of the directors and executive officers of the Company had any pledged shares of the Company's common stock.

Hedging Restrictions

As part of the Company's Insider Trading Policy, directors, executive officers (including the named executive officers), and vice presidents of the Company or subsidiary executive officers (collectively, "Controlling Insiders") are prohibited from engaging in "hedging" with respect to the Company's securities. For these purposes, "hedging" includes any instrument or transaction, including put options and forward-sale contracts, through which a Controlling Insider offsets or reduces exposure to the risk of price fluctuations in a corresponding equity security. Speculative trading, short-swing trading, or short selling of stock of the Company by Controlling Insiders is expressly prohibited at all times, as is the buying or selling of any publicly traded option on stock of the Company and the establishment or use of margin accounts with a broker-dealer for the purpose of buying or selling stock of the Company.

Results of the April 2014 "Say On Pay" Vote

In 2011, the Company's stockholders approved a triennial advisory "say-on-pay" vote. The compensation committee monitors the results of the Company's triennial advisory "say-on-pay" proposal and considers such results as one of many factors in connection with the discharge of its responsibilities. At our April 2014 annual meeting, the compensation of our named executive officers was approved, on an advisory basis, by a 72.5% majority vote, with 18.6% of shares voting against, and 8.9% broker non-votes. As part of the 2013 equity compensation grants, the named executive officers received a portion of their equity grants subject to time-vesting in less than one year from the grant date. Since then, any grants of time-vesting equity awards made to the named executive officers were made subject to multiple year vesting, with the first vesting date being one year from the grant date. Additionally, performance-based equity awards granted to the named executive officers subsequent to 2013 have been subject to vesting based on rigourous multiple performance metrics. The Company is including a "say-on-pay" proposal in this year's proxy statement, as well as a proposal to change the frequency of the "say-on-pay" vote from a triennial vote to an annual vote.

Elimination of Tax Gross-Up Provision from Employment Agreements; Increase of Severance Amounts

On March 16, 2016, we entered into a second amended and restated employment agreement with each of Dr. Molina and Mr. Molina. The amended employment agreements removed the Internal Revenue Code Section 280G gross-up provision. Instead of receiving a gross-up, the executive would be subject to an automatic reduction in his change in control payments if doing so results in a greater after-tax payment to the executive than he would have received if he had accepted the full payments and paid the excise tax. The amended employment agreements provide that all amounts payable thereunder are subject to the Company's Clawback Policy, to the extent applicable.

In addition to the removal of the gross up provision, the employment agreements with each of Dr. Molina and Mr. Molina were amended and restated on March 16, 2016 to increase, from 100% of the executive's base salary then in effect to 400% of the executive's base salary then in effect, the amount of the payment that would be due to each such executive upon termination without cause or resignation for good reason. We believe that such a provision is justified given the substantial shareholdings in the Company of Dr. Molina and Mr. Molina, and the obstacle such shareholdings would represent in connection with their efforts to find similar employment in our industry. Dr. Molina and Mr. Molina remain eligible for a prorated "termination bonus" upon a termination without cause or for good reason, and the "termination amounts" have been increased to 150% of base salary then in effect for Dr. Molina and 125% of base salary then in effect for Mr. Molina. The balance of the severance payments made upon a termination without cause or for good reason remain unchanged from the executives' previous form of employment agreement, including accelerated vesting of previously granted equity compensation and a cash payment of $65,000 representing 18 months' worth of continuing health and welfare benefits. Payment of severance benefits is contingent upon the executive's signing a release agreement waiving claims against us.

The employment agreements with Dr. Molina and Mr. Molina also provide that if their employment is terminated without cause or is terminated by the executive for good reason within two years following a change of control, the Company will provide the executive as a severance payment with four times the executive's annual base salary, plus the prorated "termination bonus," a cash payment of $135,000 representing 36 months' worth of continuing health and welfare benefits, accelerated vesting of all unassumed and unvested equity compensation upon a change in control and accelerated vesting of previously granted equity compensation. Unless terminated, the employment agreements are automatically renewed on an annual basis. The employment agreements no longer terminate automatically when the executive reaches age 65.

Table of Contents

Compliance with Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation over $1 million paid for any fiscal year to the corporation's chief executive officer and four other most highly compensated executive officers as of the end of the fiscal year. The ACA amended the Internal Revenue Code, in part, by adding Section 162(m)(6) which limits the amount that covered health insurance providers such as the Company may deduct in any taxable year for compensation to any employee in excess of $500,000. This legislation did not create any exceptions for performance-based compensation. Commencing with the Company's fiscal year 2016, the compensation limitation pursuant to Section 162(m)(6) as amended by the ACA applied to the Company and the Company was not able to deduct compensation to its executive officers in excess of $500,000. Accordingly, while the compensation committee continued to adhere to its pay-for-performance philosophy, the Company derived no benefit in 2016 from structuring its compensation determinations based on the requirements for the performance based compensation exception of Internal Revenue Code Section 162(m).

The U.S. President and the Republican-led Congress have proposed legislation that would terminate the compensation limitation imposed by Section 162(m)(6) effective December 31, 2017. Consequently, if such legislation is passed, the deduction for compensation in excess of $1 million would be allowed for taxable years beginning after December 31, 2017 if such compensation satisfies the performance based compensation exception to the $1 million limitation.

Compensation Committee Report

The compensation committee has reviewed and discussed the CD&A with the members of management of the Company. Based on its review and discussions, the compensation committee recommended to the Board of Directors that the CD&A be included in this proxy statement and incorporated by reference into the Form 10-K.

Compensation Committee
Richard M. Schapiro, Chairman
Charles Z. Fedak, CPA, MBA
Steven J. Orlando, CPA (inactive)
Ronna E. Romney

March 8, 2017

Table of Contents

Compensation Tables

Summary Compensation

The following table provides information concerning total compensation earned or paid to (a) the chief executive officer, (b) the chief financial officer, and (c) the three other most highly compensated executive officers of the Company who served in such capacities as of December 31, 2016, in each case for services rendered to the Company during the last year. These five officers are referred to as the “named executive officers” in this proxy statement.

2016 Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	Option Awards	Non-Equity Incentive Plan Comp.(2)	Change in Nonqualified Deferred Comp. Earnings(3)	All Other Comp.(4)	Total
Dr. J. Mario Molina	2016	$1,170,000	$ —	$8,442,976	$ —	$255,000	$ 165,449	$15,443	$10,048,868
President and Chief	2015	$1,050,000	$ —	$7,893,843	$ —	$1,306,324	$ —	$15,490	$10,265,657
Executive Officer	2014	$1,050,000	$ —	$6,788,994	$ —	$—	$ —	$15,153	$7,854,147
John C. Molina	2016	$878,000	$ —	$4,258,980	$ —	$180,000	$ 50,025	$16,090	$5,383,095
Chief Financial Officer	2015	$878,000	$ —	$2,606,918	$ —	$910,279	$ —	$15,277	$4,410,474
	2014	$878,000	$ —	$2,522,317	$ —	$—	$ 12,164	$15,403	$3,427,884
Terry P. Bayer	2016	$644,000	$ —	$3,326,005	$ —	$110,000	$ 74,991	$22,499	$4,177,495
Chief Operating Officer	2015	$644,000	$ —	$1,851,686	$ —	$534,141	$ —	$17,798	$3,047,625
	2014	$644,000	$ —	$1,650,117	$ —	$—	$ 33,008	$15,887	$2,343,012
Joseph W. White	2016	$538,000	$ —	$2,786,018	$ —	$80,000	$ 1,377	$15,033	$3,420,428
Chief Accounting Officer	2015	$515,000	$ —	$1,461,882	$ —	$384,432	$ 136	$15,064	$2,376,514
	2014	$515,000	$ —	$942,940	$ —	$—	$ 1,376	$71,588	$1,530,904
Jeff D. Barlow	2016	$525,000	$ —	$2,021,015	$ —	$75,000	$ 8,395	$33,545	$2,662,955
Chief Legal Officer	2015	$475,000	$ —	$1,218,191	$ —	$354,574	$ 146	$31,654	$2,079,565
and Secretary	2014	$475,000	$ —	$754,356	$ —	$—	$ 4,772	$40,154	$1,274,282

(1) This column shows the aggregate grant date fair value of performance stock awards (“PSAs”) and restricted stock awards (“RSAs”) granted under the Company’s 2011 Equity Incentive Plan in the years shown. The aggregate grant date fair value is the amount the Company expects to expense for accounting purposes over the award’s vesting schedule. See the “2016 Grants of Plan-Based Awards Table” for additional information, including the performance conditions and valuation assumptions as applicable, for PSAs and RSAs granted in 2016.

Generally, the grant date fair value presented does not correspond to the actual value that the named executive officers will realize from the award. In particular, the actual value of PSAs received is different from the accounting expense because such awards depend on the Company’s performance. In accordance with SEC rules, the aggregate grant date fair value of the PSAs presented above is calculated based on the most probable outcome of the performance conditions as of the grant date, which, for the PSAs, was target performance.

(2) This column shows the amounts earned under the Company’s performance-based short-term cash incentive plan.

(3) Dr. J. Mario Molina’s change in non-qualified deferred compensation earnings for the year 2015 was ($188,966) and for the year 2014 was ($75,390); Mr. Molina’s change in non-qualified deferred compensation earnings for the year 2015 was ($7,487); and Ms. Bayer’s change in non-qualified deferred compensation earnings for the year 2015 was ($6,924).

(4) The amounts in this column include (i) long-term disability premiums ($1,230 for each of Dr. Molina, Mr. Molina and Ms. Bayer, and $820 for each of Mr. White and Mr. Barlow); (ii) group term life premiums ($3,613 for each of Dr. Molina and Mr. White, $1,933 for each of Mr. Molina and Mr. Barlow, and $10,669 for Ms. Bayer); (iii) 401(k) matching payments ($10,600 for each of Dr. Molina, Mr. Molina, Ms. Bayer, Mr. White and Mr. Barlow); (iv) liquidated amounts for paid time-off of $20,192 for Mr. Barlow; and (v) executive disability premiums of $2,327 for Mr. Molina.

Realized Compensation

The SEC's calculation of total compensation, as shown in the Summary Compensation Table, includes several items driven by accounting assumptions. As a result, total compensation as defined by the SEC differs substantially from the compensation actually realized by our named executive officers in a particular year. To supplement the SEC-required disclosure, the table below shows compensation realized by each named executive, as reported on his or her IRS W-2 form. These amounts are not a substitute for the amounts reported as SEC total compensation. Information on how realized compensation is calculated is included below the table.

Further, the potential compensation of the named executive officers is an aspirational amount, dependent on the achievement of several financial goals. Because the Company fell short of its financial targets, management failed to achieve their target compensation in years 2014, 2015, and 2016, as reflected in the 2016 Realized Compensation Table below.

2016 Realized Compensation Table

	Realized Compensation		
Name	2014	2015	2016
J. Mario Molina	$6,202,131	$9,490,297	$5,572,952
John C. Molina	$3,825,076	$3,667,891	$3,068,059
Terry P. Bayer	$3,028,185	$4,016,653	$2,262,426
Joseph W. White	$2,104,751	$2,238,488	$1,630,426
Jeff D. Barlow	$1,674,935	$1,901,409	$1,462,354

To calculate realized compensation for 2016, which represents taxable W-2 income for 2016, we started with the amounts shown in the SEC Total column in the Summary Compensation Table and made the following adjustments:

Subtractions from SEC Total:

- Bonus earned for 2016 (reflected in Bonus and Non-equity Incentive Plan Compensation columns), which was paid in 2017;
- Aggregate grant date fair value of equity awards (reflected in Stock Awards and Option Awards columns);
- Year over year change in nonqualified deferred compensation earnings (reflected in the Change in Nonqualified Deferred Comp. Earnings column);
- Contributions to 401(k) and medical premiums that are deducted from income on a pre-tax basis; and
- The Company's 401(k) match (reflected in the table under "All Other Comp.").

Additions to SEC Total:

- Bonus earned for 2015 (reflected in Bonus and Non-equity Incentive Plan Compensation columns for 2015) which was paid in 2016;
- Value realized from exercise of stock options before payment of applicable withholding taxes and brokerage commissions (reflected in Option Exercises and Stock Vested Table); and
- Value realized from vesting of RSAs and/or PSAs before payment of applicable withholding taxes and brokerage commissions (reflected in Option Exercises and Stock Vested Table).

For more information on total compensation as calculated under SEC rules, see the narrative accompanying the Summary Compensation Table.

Grants of Plan-Based Awards

The following table provides information about plan-based awards granted to the named executive officers in 2016. The "Non-Equity Incentive Plan Awards" were granted under the Company's Incentive Compensation Plan. The "Equity Incentive Plan Awards" and "All Other Stock Awards" were granted under the Company's 2011 Equity Incentive Plan. There were no stock options granted during 2016.

Table of Contents

2016 Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock (3)	Grant Date Fair Value of Stock and Option Awards (4)
J. Mario Molina	3/7/2016	$—	$1,571,250	$1,571,250	6,542	91,588	91,588	39,250	$8,442,976
John C. Molina	3/7/2016	$—	$1,003,125	$1,003,125	3,300	46,200	46,200	19,800	$4,258,980
Terry P. Bayer	3/7/2016	$—	$593,000	$593,000	2,577	36,078	36,078	15,464	$3,326,005
Joseph W. White	3/7/2016	$—	$443,150	$443,150	2,158	30,220	30,220	12,954	$2,786,018
Jeff D. Barlow	3/7/2016	$—	$429,375	$429,375	1,566	21,924	21,924	9,395	$2,021,015

(1) These columns show the possible payouts under the Company's performance-based short-term cash incentive plan. The discretionary portion of the performance-based short-term cash incentive bonus is excluded from the table above. Under this plan, Dr. Molina's bonus opportunity is 150% of his base salary; Mr. Molina's bonus opportunity is 125% of his base salary; Ms. Bayer's bonus opportunity is 100% of her base salary; Mr. White's bonus opportunity is 90% of his base salary; and Mr. Barlow's bonus opportunity is 90% of his base salary. For each of the named executives, 75% of the bonus opportunity relates to an EBITDA performance measure and 25% is subject to the discretion of the compensation committee, based on such factors such as relative performance, competitive positioning, profit margin, Star score, and HEDIS measure improvements and other quality measures, strategic business criteria such as market penetration and geographic business expansion, and various other factors, with the EBITDA and discretionary component determined and paid independently. Achievement of the threshold for the 75% EBITDA metric results in 0% payout; achievement of the target results in 100% payout. The actual cash bonus payout amounts for achievement within specified points along the EBITDA range (as specified under the performance metric) are interpreted linearly between those points. The maximum payout is 100%. In addition, a separate bonus was established based on achievement in 2016 of NCQA accreditation of our health plans in South Carolina and Illinois, in the amount of $350,000 for each such accreditation achievement. The payout of the full $700,000 bonus is as follows: $255,000 for Dr. Molina, $180,000 for Mr. Molina, $110,000 for Ms. Bayer, $80,000 for Mr. White and $75,000 for Mr. Barlow; achievement of the target results in 100% payout. The maximum payout is 100%; there is no threshold. Such amounts reflect the estimated possible payouts and are not intended to represent actual or future payouts under the short-term cash incentive plan. See further discussion regarding these metrics at "Compensation Discussion and Analysis—Elements of Compensation." The actual amounts earned and paid to the named executive officers under the 2016 plan are presented in the "2016 Summary Compensation Table—Non-Equity Incentive Plan Comp."

(2) These columns show the estimated future payouts of PSAs under the awards granted in 2016. For each of the named executives, for the 2016 after-tax return on total revenue performance metric, achievement of the entry point (threshold) of the metric results in 0% or first share vesting of the awards, with full achievement resulting in 100% vesting of the awards, shown in both the target and maximum columns. Intermediate achievement within the range will result in the vesting of that number of shares proportional to the level of achievement within the range; all amounts shall be interpolated linearly between the end points of the range. For the 2016 and 2017 Star rating performance metrics, achievement of the target and maximum result in 100% vesting; there is no threshold specified. For the 2017 and 2018 after-tax return on total revenue performance metrics, achievement of the threshold of the metric results in 25% vesting of the restricted stock grant, with full achievement resulting in 100% vesting of the grant. Intermediate achievement within the range will result in the vesting of that number of shares proportional to the level of achievement within the range; all amounts shall be interpolated linearly between the

end points of the range. For the 2016-2018 metrics which are conditioned upon the Company's either closing on a board-approved acquisition in a new state, or winning an RFP in a Medicaid product line in an existing state, achievement of the target and maximum result in 100% vesting; there is no threshold specified. For more information on the specific metrics and vesting schedules, see Outstanding Equity Awards.

(3) This column shows the RSAs granted to the named executive officers on March 7, 2016. These awards are subject to time-based vesting in equal increments over three years on each of March 7, 2017, March 7, 2018, and March 7, 2019.

(4) This column shows the grant date fair value of the PSAs and RSAs. Generally, the grant date fair value is the amount that the Company expects to expense in its financial statements over the awards' vesting schedule. As described above, the amounts in this column do not reflect compensation actually received by the named executive officers.

Table of Contents

Outstanding Equity Awards

The following table provides information on the named executive officers' holdings of stock and option grants as of year-end. It includes unexercised stock options (vested and unvested), and PSAs and RSAs for which vesting conditions were not yet satisfied as of December 31, 2016. The vesting schedule for each outstanding award is shown following this table.

2016 Outstanding Equity Awards at Fiscal Year End Table

		Option Awards						Stock Awards			
Name	Option Grant Date	Number of Securities Underlying Unexercised Options (Exercisable)	Number of Securities Underlying Unexercised Options (Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (Unearned)	Option Exercise Price	Option Expiration Date	Stock Award Grant Date	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested(1)	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested	Equity Incent Plan Award Marke or Pay Out Value Unear Share That Have Not Veste
J. Mario Molina			—	—			3/1/2014	19,108	$1,036,800	19,108	$1,03
							4/1/2015	24,432	$1,325,680	61,075	$3,31
							3/7/2016	39,250	$2,129,705	78,504	$4,25
Total											