
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 4, 2006

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

Delaware
(State of incorporation)

1-31719
(Commission File Number)

13-4204626
(I.R.S. Employer Identification Number)

One Golden Shore Drive, Long Beach, California 90802
(Address of principal executive offices)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On May 4, 2006, Molina Healthcare, Inc. issued a press release announcing its financial results for the first quarter ended March 31, 2006. The full text of the press release is included as Exhibit 99.1 to this report. The information contained in the websites cited in the press release is not part of this report.

The information in this Form 8-K and the exhibit attached hereto shall not be deemed to be "filed" for purposes of Section 18 of the Securities Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Act of 1934, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

| Exhibit No. | Description |
|--------------------|--|
| 99.1 | Press release of Molina Healthcare, Inc. issued May 4, 2006, as to financial results for the first quarter ended March 31, 2006. |

SIGNATURE

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

MOLINA HEALTHCARE, INC.

Date: May 4, 2006

By: /s/ Mark L. Andrews

Mark L. Andrews
Chief Legal Officer, General Counsel
and Corporate Secretary

EXHIBIT INDEX

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|----------------|--|
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News Release

Contact:

Juan José Orellana
Investor Relations
Molina Healthcare, Inc.
562-435-3666, ext. 111143

MOLINA HEALTHCARE REPORTS FIRST QUARTER 2006 RESULTS

Long Beach, California (May 4, 2006) — Molina Healthcare, Inc. (NYSE: MOH) today announced its financial results for the first quarter ended March 31, 2006.

Net income for the first quarter ended March 31, 2006, was \$8.6 million, or \$0.31 per diluted share, compared with net income of \$14.8 million, or \$0.53 per diluted share, for the quarter ended March 31, 2005. Comparability between the first quarters of 2006 and 2005 is affected by adverse out-of-period claims development recorded in the second quarter of 2005, which was disclosed in the Company's earnings release announcing results for the second quarter of 2005.

The Company is not revising guidance at this time. The Company continues to assess the effectiveness of the medical care cost control initiatives it implemented during the latter half of 2005. Also, the magnitude of a number of growth opportunities has yet to be determined.

Commenting on the results, J. Mario Molina, M.D., president and chief executive officer of Molina Healthcare, Inc., said, "Our financial results for this quarter, combined with the positive momentum generated in the previous two quarters, are indicative of the progress we are making with our medical management initiatives. However, despite the noticeable improvement in our medical care cost trends, there is still much to be done. We believe that the results for the first half of 2006 will provide a more reliable measure of our progress."

Financial Results - Comparison of Quarters Ended March 31, 2006 and 2005

Premium revenue for the first quarter of 2006 was \$449.3 million, an increase of \$57.1 million, or 14.6%, over 2005 premium revenue of \$392.2 million. Membership growth from acquisitions in California and from start-up operations in Indiana and Ohio was the primary driver of the increase in premium revenue.

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Medical care costs as a percentage of premium and other operating revenue (the medical care ratio) increased to 85.3% in the first quarter of 2006 from 84.9% in the first quarter of 2005. Sequentially, the Company's medical care ratio increased to 85.3% in the first quarter of 2006 from 84.7% in the fourth quarter of 2005. The Company believes that the increase in the medical care ratio between the fourth quarter of 2005 and the first quarter of 2006 was primarily the result of normal seasonality in health care utilization and costs. The Company further believes that certain medical cost control initiatives undertaken at the start of the third quarter of 2005 are having a positive impact upon its medical care ratio.

Sequentially, the Company's days in claims payable increased to 57 days at March 31, 2006, compared with 55 days at December 31, 2005, 52 days at September 30, 2005, 50 days at June 30, 2005, and 48 days at March 31, 2005. The increase in days in claims payable is the result of the Company's increasing membership, new markets entered in 2006 and the Company's desire to maintain adequate claims reserves while its medical care cost control initiatives gain further traction.

Salary, general and administrative expenses were \$51.2 million for the first quarter of 2006, representing 11.3% of total revenue, as compared with \$33.5 million, or 8.5% of total revenue, for the first quarter of 2005.

Core G&A (defined as SG&A expenses less premium taxes) increased to 8.5% of total revenue in the first quarter of 2006 as compared with 5.9% in the first quarter of 2005. The increase in core G&A was due to investments in infrastructure to support the Company's medical cost control initiatives and the administrative expenses associated with the Company's development of its Medicare Advantage Special Needs Plans. The Company's adoption of SFAS No. 123R, *Share-Based Payment*, effective January 1, 2006, reduced earnings per diluted share by approximately \$0.02 in the first quarter of 2006.

Depreciation and amortization expense increased by \$1.6 million when compared with the first quarter of 2005. Increased amortization expense due to the Company's acquisitions in California (which closed on June 1, 2005) contributed \$0.6 million in additional amortization. Depreciation increased as a result of investment in infrastructure, principally at the Company's corporate offices.

Investment income during the quarter increased by \$2.3 million, or 131.3%, as compared with the first quarter of 2005 as a result of higher invested balances and higher rates of return.

Income taxes were recognized in the first quarter of 2006 based upon an effective tax rate of 37.5% as compared with an effective tax rate of 38.0% in the first quarter of 2005.

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Cash Flow

Operating activities provided \$41.0 million in cash for the quarter ended March 31, 2006. Increases in medical claims and benefits payable contributed \$18.2 million to net cash provided by operating activities for the quarter ended March 31, 2006.

At March 31, 2006, the Company had consolidated cash and investments of approximately \$390.0 million.

Membership

The following table details the Company's membership by state at March 31, 2006, December 31, 2005, and March 31, 2005:

| | March 31, 2006 | Dec. 31, 2005 | March 31, 2005 |
|------------|---------------------------------|--------------------------------|---------------------------------|
| California | 312,000 | 321,000 | 254,000 |
| Indiana | 28,000 | 24,000 | — |
| Michigan | 143,000 | 144,000 | 157,000 |
| New Mexico | 59,000 | 60,000 | 61,000 |
| Ohio | 27,000 | N/A ¹ | — |
| Utah | 61,000 | 59,000 | 55,000 |
| Washington | 288,000 | 285,000 | 276,000 |
| Total | <u>918,000</u> | <u>893,000</u> | <u>803,000</u> |

¹ Enrollment in the Company's Ohio HMO at December 31, 2005, was less than 250 members.

The following table details member months (defined as the aggregation of each month's membership for the period) by state for the periods indicated:

| | Quarter Ended | | |
|------------|---------------------------------|--------------------------------|---------------------------------|
| | March 31, 2006 | Dec. 31, 2005 | March 31, 2005 |
| California | 947,000 | 971,000 | 753,000 |
| Indiana | 79,000 | 70,000 | — |
| Michigan | 431,000 | 436,000 | 471,000 |
| New Mexico | 178,000 | 181,000 | 187,000 |
| Ohio | 48,000 | N/A ¹ | — |
| Utah | 181,000 | 176,000 | 159,000 |
| Washington | 868,000 | 862,000 | 823,000 |
| Total | <u>2,732,000</u> | <u>2,696,000</u> | <u>2,393,000</u> |

¹ Enrollment in the Company's Ohio HMO at December 31, 2005, was less than 250 members.

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Conference Call

The live broadcast of Molina Healthcare's conference call will begin at 5:00 p.m. Eastern Time, May 4, 2006. The number to call for this interactive conference call is 212-346-6550. A 30-day online replay will be available beginning approximately one hour following the conclusion of the live broadcast. A link to these events can be found on the Company's website at www.molinahealthcare.com or at www.earnings.com.

Molina Healthcare, Inc. is a multi-state managed care organization that arranges for the delivery of healthcare services to persons eligible for Medicaid and other programs for low-income families and individuals. Molina Healthcare, Inc. currently operates health plans in California, Indiana, Michigan, New Mexico, Ohio, Utah, and Washington. More information about Molina Healthcare, Inc. can be obtained at www.molinahealthcare.com.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: *This press release contains “forward-looking statements” identified by words such as “will,” “expects,” “believes,” “anticipates,” “plans,” “projects,” “estimates,” “intends,” and similar words and expressions. In addition, any statements that refer to earnings guidance, expectations, projections, or their underlying assumptions, or other characterizations of future events or circumstances, are forward-looking statements. All of the Company's forward-looking statements are based on current expectations and assumptions that are subject to numerous known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially. Such factors include, without limitation, risks related to: the Company's ability to identify and address medical care cost issues and to address them successfully through its medical care cost control initiatives; the Company's ability to accurately estimate incurred but not reported medical costs; high dollar claims related to catastrophic illness; potential reductions in funding for Medicaid and other government-sponsored healthcare programs; receiving the award upon remand of the long-term contracts for Riverside and/or San Bernardino Counties; the successful renewal and continuation of the government contracts of the Company's health plans; the favorable resolution of pending litigation or arbitration; the implementation of announced rate increases; the Company's ability to obtain timely regulatory approvals for acquisitions or to successfully integrate its completed acquisitions, including new members and providers; the ability to enter into more favorable hospital or provider contracts; the availability of financing to fund the Company's acquisitions; membership eligibility processes and methodologies; unexpected changes in healthcare practices, technologies, or utilization patterns; changes in federal or state laws or regulations or in their interpretation; risks associated with the Company's start-up operations in new states; disasters or epidemics; and other risks and uncertainties as detailed in the Company's reports and filings with the Securities and Exchange Commission and available on its website at www.sec.gov. All forward-looking statements in this release represent the Company's judgment as of May 4, 2006. The Company disclaims any obligation to update any forward-looking statement to conform the statement to actual results or changes in the Company's expectations.*

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MOLINA HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except for per share data)
(Unaudited)

| | Three Months Ended | |
|---|--------------------|------------|
| | March 31, | |
| | 2006 | 2005 |
| Revenue: | | |
| Premium revenue | \$ 449,294 | \$ 392,187 |
| Investment income | 4,082 | 1,765 |
| Total operating revenue | 453,376 | 393,952 |
| Expenses: | | |
| Medical care costs: | | |
| Medical services | 74,858 | 63,667 |
| Hospital and specialty services | 262,870 | 226,532 |
| Pharmacy | 45,519 | 42,915 |
| Total medical care costs | 383,247 | 333,114 |
| Salary, general and administrative expenses | 51,213 | 33,546 |
| Depreciation and amortization | 4,762 | 3,198 |
| Total expenses | 439,222 | 369,858 |
| Operating income | 14,154 | 24,094 |
| Other expense: | | |
| Interest expense | (414) | (289) |
| Total other expense | (414) | (289) |
| Income before income taxes | 13,740 | 23,805 |
| Income tax expense | 5,150 | 9,046 |
| Net income | \$ 8,590 | \$ 14,759 |
| Net income per share: | | |
| Basic | \$ 0.31 | \$ 0.53 |
| Diluted | \$ 0.31 | \$ 0.53 |
| Weighted average number of common shares and | | |
| potentially dilutive common shares outstanding | 28,141,000 | 27,964,000 |
| Operating Statistics: | | |
| Medical care ratio ⁽¹⁾ | 85.3% | 84.9% |
| Salary, general and administrative expense ratio ⁽²⁾ , excluding premium taxes | 8.5% | 5.9% |
| Premium taxes included in salary, general and administrative expenses | 2.8% | 2.6% |
| Total salary, general and administrative expense ratio | 11.3% | 8.5% |
| Members ⁽³⁾ | 918,000 | 803,000 |
| Days in claims payable | 57 | 48 |

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

(2) Salary, general and administrative expense ratio represents such expenses as a percentage of total operating revenue.

(3) Number of members at end of period.

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MOLINA HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

Dec. 31,

| | March 31, | Dec. 31, |
|--|--------------------|-------------------|
| | 2006 | 2005 |
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 288,347 | \$ 249,203 |
| Investments | 101,690 | 103,437 |
| Receivables | 73,884 | 70,532 |
| Income tax receivable | — | 3,014 |
| Deferred income taxes | 3,039 | 2,339 |
| Prepaid and other current assets | 9,615 | 10,321 |
| Total current assets | 476,575 | 438,846 |
| Property and equipment, net | 32,716 | 31,794 |
| Goodwill and intangible assets, net | 122,893 | 124,914 |
| Restricted investments | 18,205 | 18,242 |
| Other assets | 8,804 | 8,018 |
| Total assets | \$ 659,193 | \$ 621,814 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Medical claims and benefits payable | \$ 235,579 | \$ 217,354 |
| Deferred revenue | 6,248 | 803 |
| Accounts payable and accrued liabilities | 29,670 | 31,457 |
| Income taxes payable | 3,588 | — |
| Total current liabilities | 275,085 | 249,614 |
| Deferred income taxes | 3,657 | 4,796 |
| Other long-term liabilities | 4,488 | 4,554 |
| Total liabilities | 283,230 | 258,964 |
| Stockholders' equity: | | |
| Common stock, \$0.001 par value; 80,000,000 shares authorized; issued and outstanding: 27,935,134 shares at March 31, 2006, and 27,792,360 shares at December 31, 2005 | 28 | 28 |
| Preferred stock, \$0.001 par value; 20,000,000 shares authorized, no shares issued and outstanding | — | — |
| Additional paid-in capital | 167,235 | 162,693 |
| Accumulated other comprehensive loss | (648) | (629) |
| Retained earnings | 229,738 | 221,148 |
| Treasury stock (1,201,174 shares, at cost) | (20,390) | (20,390) |
| Total stockholders' equity | 375,963 | 362,850 |
| Total liabilities and stockholders' equity | \$ 659,193 | \$ 621,814 |

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MOLINA HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

| | Three Months Ended | |
|---|--------------------|------------|
| | March 31, | |
| | 2006 | 2005 |
| Operating activities: | | |
| Net income | \$ 8,590 | \$ 14,759 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | |
| Depreciation and amortization | 4,762 | 3,198 |
| Amortization of capitalized credit facility fees | 211 | 734 |
| Deferred income taxes | (1,835) | 1,472 |
| Tax benefit from exercise of employee stock options recorded as additional paid-in capital | — | 1,021 |
| Stock-based compensation | 1,227 | 175 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Receivables | (3,352) | (8,685) |
| Prepaid and other current assets | 706 | 478 |
| Medical claims and benefits payable | 18,225 | (4,645) |
| Deferred revenue | 5,445 | — |
| Accounts payable and accrued liabilities | 391 | (4,694) |
| Income taxes payable (receivable) | 6,602 | (1,374) |
| Net cash provided by operating activities | 40,972 | 2,439 |
| Investing activities: | | |
| Purchases of equipment | (3,663) | (2,189) |
| Purchases of investments | (34,015) | (3,969) |
| Sales and maturities of investments | 35,739 | 18,935 |
| (Increase) decrease in restricted cash | 37 | (41) |
| Increase (decrease) in other long-term liabilities | (66) | 366 |
| Increase in other assets | (997) | (4,633) |
| Net cash (used in) provided by investing activities | (2,965) | 8,469 |
| Financing activities: | | |
| Borrowing under credit facility | — | 3,100 |
| Tax benefit from exercise of employee stock options recorded as additional paid-in capital | 467 | — |
| Principal payments on capital lease obligations and mortgage notes | — | (40) |
| Proceeds from exercise of stock options and employee stock purchases | 670 | 386 |
| Net cash provided by financing activities | 1,137 | 3,446 |
| Net increase in cash and cash equivalents | 39,144 | 14,354 |
| Cash and cash equivalents at beginning of period | 249,203 | 228,071 |
| Cash and cash equivalents at end of period | \$ 288,347 | \$ 242,425 |

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MOLINA HEALTHCARE, INC.
CHANGE IN MEDICAL CLAIMS AND BENEFITS PAYABLE
(Dollars in thousands)
(Unaudited)

The following table shows the components of the change in medical claims and benefits payable for the quarters ended March 31, 2006 and 2005:

| | Three Months Ended | |
|---|--------------------|-------------------|
| | March 31, | |
| | 2006 | 2005 |
| Balances at beginning of period | \$ 217,354 | \$ 160,210 |
| <i>Components of medical care costs related to:</i> | | |
| Current year | 407,847 | 343,065 |
| Prior years | (24,600) | (9,951) |
| Total medical care costs | 383,247 | 333,114 |
| <i>Payments for medical care costs related to:</i> | | |
| Current year | 218,890 | 212,959 |
| Prior years | 146,132 | 124,800 |
| Total paid | 365,022 | 337,759 |
| Balances at end of period | <u>\$ 235,579</u> | <u>\$ 155,565</u> |

The Company's claims reserving methodology includes an allowance for adverse claims development at each reporting date based on our historical experience, and other factors considered by management including, but not limited to, variation in claims payment patterns, changes in utilization and cost trends, known outbreaks of disease, and large claims. The Company's reserving methodology has been consistently applied across all periods presented. Accordingly, any benefit recognized in medical care costs resulting from favorable development of an estimated liability at the start of the period may be offset by the addition of an allowance for adverse claims development when estimating the liability at the end of the period.

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