



Your Extended Family.



# Investor Day 2012B

September 19, 2012  
New York, New York



# Cautionary Statement

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**Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:** This slide presentation and our accompanying oral remarks contain numerous “forward looking statements” regarding our cost control initiatives in Texas and Wisconsin; our expansion into the dual eligible markets in California, Texas, Michigan, and Ohio; growth in the Medicaid membership of our health plans as a result of the Affordable Care Act and otherwise; our planned participation in health insurance exchanges; requests for proposals in Florida and New Mexico; the rates paid to our health plans and the estimated effect of those rates on plan revenues; our capital needs and capital planning; and other various matters. All of our forward-looking statements are subject to numerous risks, uncertainties, and other factors that could cause our actual results to differ materially. Anyone viewing or listening to this presentation is urged to read the risk factors and cautionary statements found under Item 1A in our annual report on Form 10-K, as well as the risk factors and cautionary statements in our quarterly reports and in our other reports and filings with the Securities and Exchange Commission and available for viewing on its website at [www.sec.gov](http://www.sec.gov). Except to the extent otherwise required by federal securities laws, we do not undertake to address or update forward-looking statements in future filings or communications regarding our business or operating results.

# Agenda

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Approx. Time	Topic	Speaker
12:30pm-12:35pm	Opening Remarks	Juan José Orellana, VP Investor Relations
12:35pm-1:10pm	Operations Review	Terry Bayer, Chief Operating Officer
1:10pm-1:45pm	Business Overview	Dr. J. Mario Molina, Chief Executive Officer
1:45pm-2:00pm	Q&A	
2:00pm-2:15pm	Break	
2:15pm-2:45pm	Long-Term Growth	John Molina, Chief Financial Officer Joseph White, Chief Accounting Officer
2:45pm-3:05pm	Q&A	
3:05pm-3:50pm	Funding Our Growth	John Molina, Chief Financial Officer
3:50pm-4:30pm	Q&A	
4:30pm	End of Program	



# Operations Review

**Terry Bayer**  
Chief Operations Officer

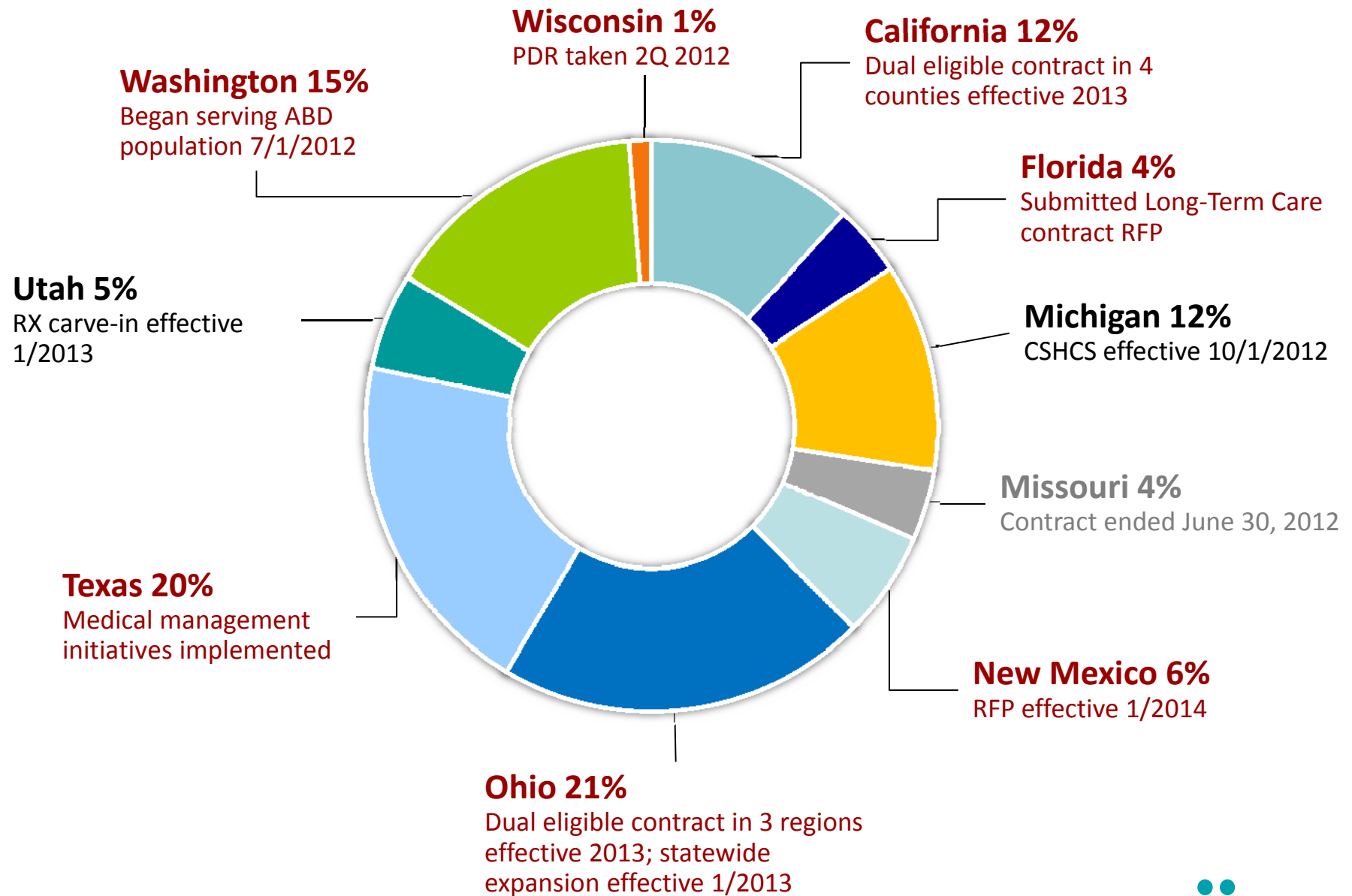
September 19, 2012  
New York, New York

# Revenue Contribution by State

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1H 2012

Please refer to the Company's cautionary statements.







**Effective March 1, 2012, Molina added three new service delivery areas (SDAs).**

## Molina New SDAs (effective 3/1/2012)

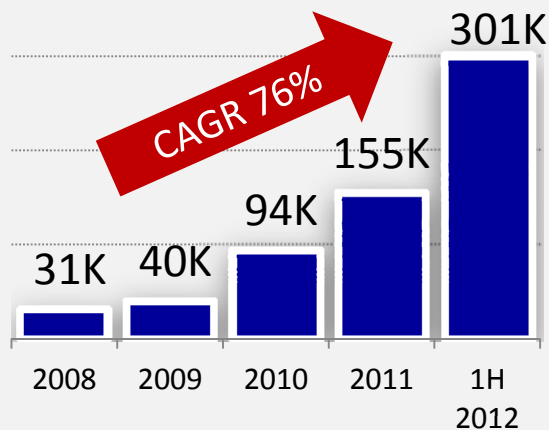
**El Paso Service Area**  
**STAR & STAR+PLUS**  
El Paso and Hudspeth  
Counties

**Jefferson Service Area**  
**CHIP**  
Chambers, Hardin,  
Jasper, Jefferson,  
Liberty, Newton, Orange,  
Polk, San Jacinto, Tyler  
and Walker counties

**Hidalgo Service Area**  
**STAR & STAR+PLUS**  
Cameron, Duval, Hidalgo, Jim Hogg,  
Maverick, McMullen, Starr, Webb,  
Willacy, and Zapata counties

 Existing Molina footprint  
 Molina new SDAs effective 3/1/2012

## Texas Health Plan Enrollment



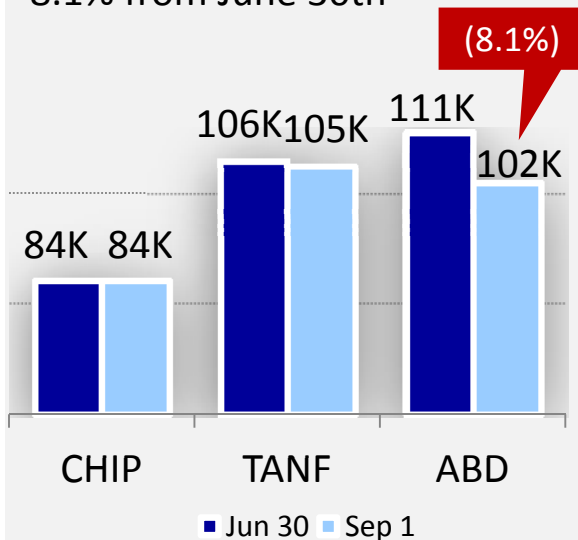
Source: Texas Health and Human Services Commission

# Texas Overview

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Enrollment at September 1<sup>st</sup> was **291,000**; ABD declined 8.1% from June 30th



Source: Molina Healthcare, Inc. 2Q 2012 earnings release and company data.

## Remediation activities

- Blended rate increase of 4% effective 9/1
- Provider contract changes
  - Re-contracted at lower unit costs
  - Implementation of state required fee schedules
- New President & Management Team



- Premium rates low in relation to benefits
- United Healthcare exit regions<sup>1</sup>
- Remediation activities
  - Terminated certain high-cost providers
  - Utilization Management
  - New leadership

1. Milwaukee Wisconsin Journal Sentinel, "UnitedHealthcare ends BadgerCare Plus contract with state" August 19, 2012.  
(<http://www.jsonline.com>)

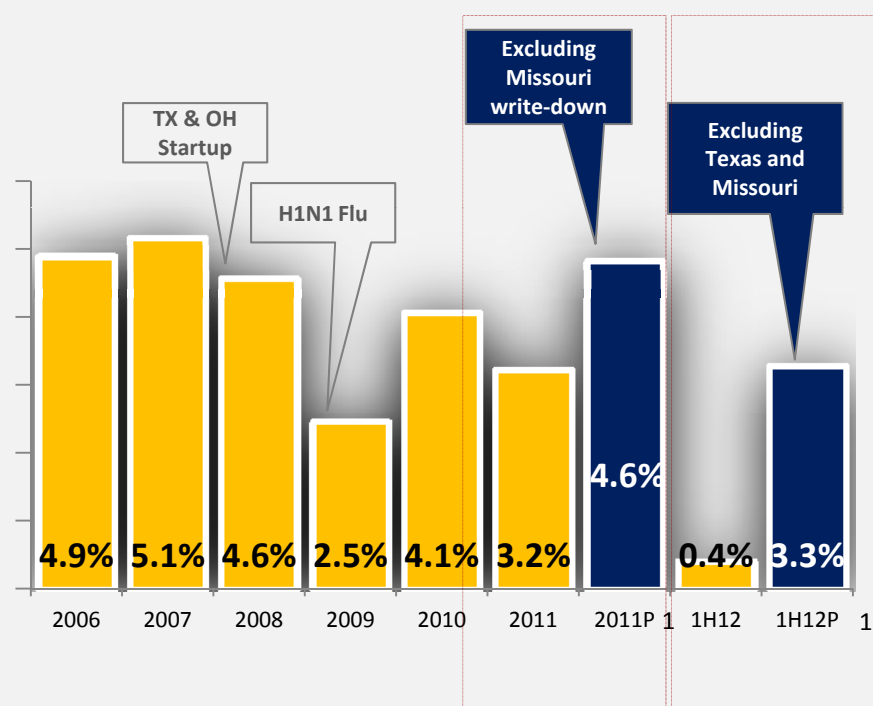


# Earnings Margin 2006-1H2012

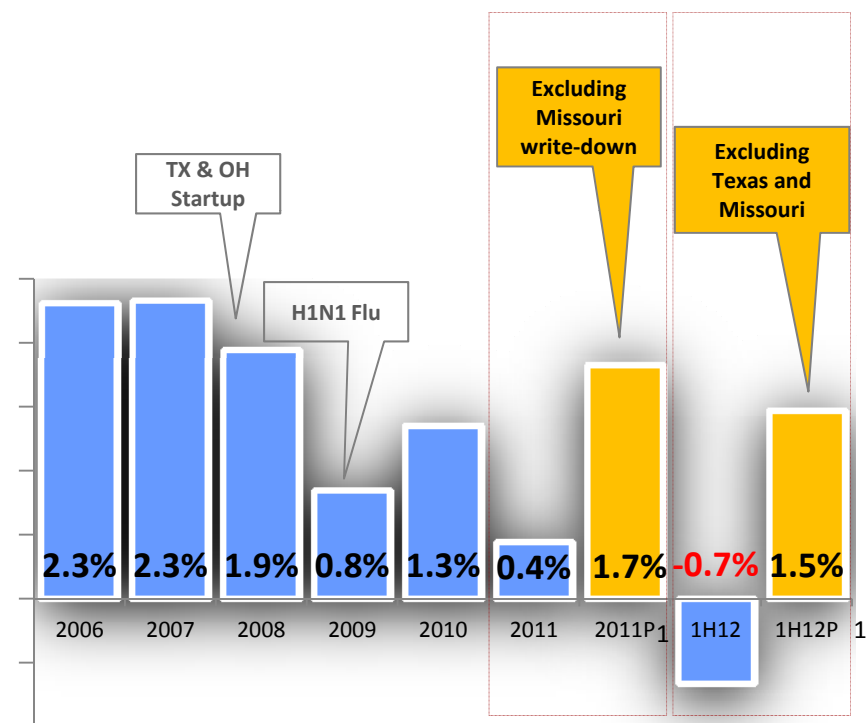
9

Please refer to the Company's cautionary statements.

## EBITDA MARGIN



## AFTER TAX MARGIN



1. P denotes results excluding Missouri write-down in 2011, and Texas and Missouri operations in 2012

# California's Coordinated Care Initiative (CCI)

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Three Party Agreement between the health plans, the State, and CMS, which will provide funding for Medicare and Long-Term Care services on the Medicaid side for California's **dual eligibles**.

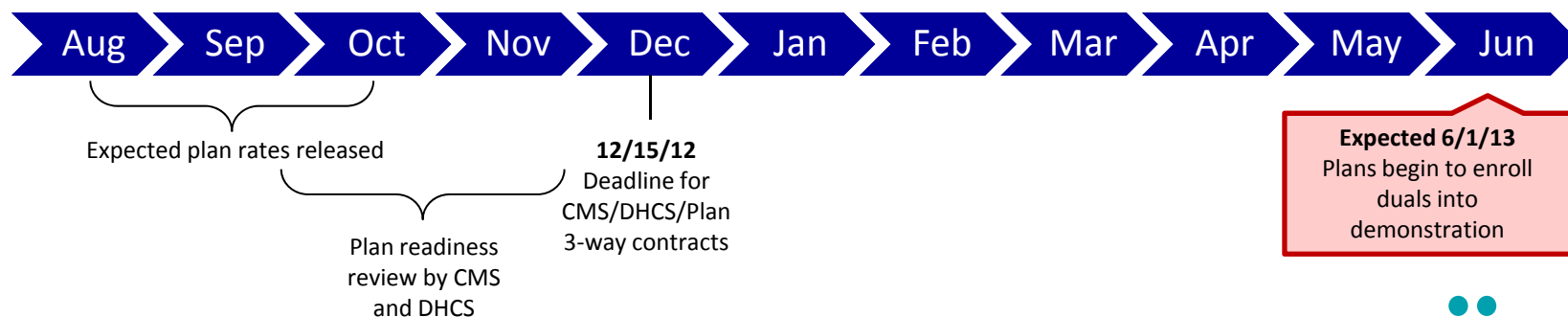
- Health plans must have an existing Medicaid contract
- The CCI will impact Molina Healthcare of California as follows:
  1. Mandatory managed care enrollment of dual eligibles for the **Medicaid** portion of the benefit
  2. Passive Medicare enrollment with **opt-out** option
  3. **A carve in for the long term support services (LTSS), which will become the MCOs' responsibility**
    - » Long-term nursing facility care
    - » Personal care
    - » Adult day care
    - » Other support services

# California's Coordinated Care Initiative (CCI)

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## Health Plan Readiness

Membership	Rates	Benefits	Network
<ul style="list-style-type: none"> <li>Eligible populations defined for duals enrollment and mandatory Medicaid managed care enrollment</li> <li>Passive enrollment with opt-out (Medicare)</li> <li>Rolling enrollment based on birth month</li> </ul> <p>Unknown:</p> <ul style="list-style-type: none"> <li>Auto-assignment methodology</li> <li>Opt-out rate</li> </ul>	<ul style="list-style-type: none"> <li>Two payments for dual members with Medicare and Medicaid portions determined by CMS and DHCS, respectively</li> <li>Some level of risk adjustment for both Medicare and Medicaid payments</li> <li>Withholds for quality measures</li> </ul> <p>Unknown:</p> <ul style="list-style-type: none"> <li>Specific rate methodology</li> </ul>	<ul style="list-style-type: none"> <li>All Medicare Parts A, B, and D</li> <li>All current Medicaid managed care benefits</li> <li>Medicaid LTSS                             <ul style="list-style-type: none"> <li>Nursing facility long term care</li> <li>Personal care (IHSS)</li> <li>Adult day health (CBAS)</li> <li>Non-medical assistive services (MSSP)</li> <li>Case management</li> <li>Transition management</li> </ul> </li> <li>Coordination with Medicaid behavioral health</li> </ul>	<ul style="list-style-type: none"> <li>Leverage current Medicaid and Medicare networks</li> <li>Direct contracts with LTSS providers (not delegated and subcapitated to groups)</li> <li>Contracts with county agencies and LTSS providers                             <ul style="list-style-type: none"> <li>Counties for IHSS</li> <li>CBAS providers</li> <li>MSSP providers</li> <li>Case management vendors</li> </ul> </li> <li>Legislatively mandated payment provisions for certain providers</li> </ul>



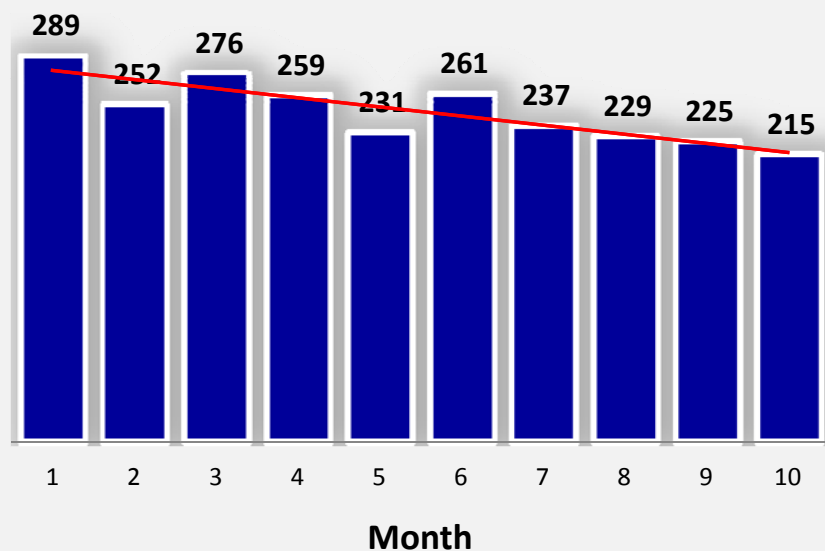
# Utilization Decreases With Length of Enrollment

12

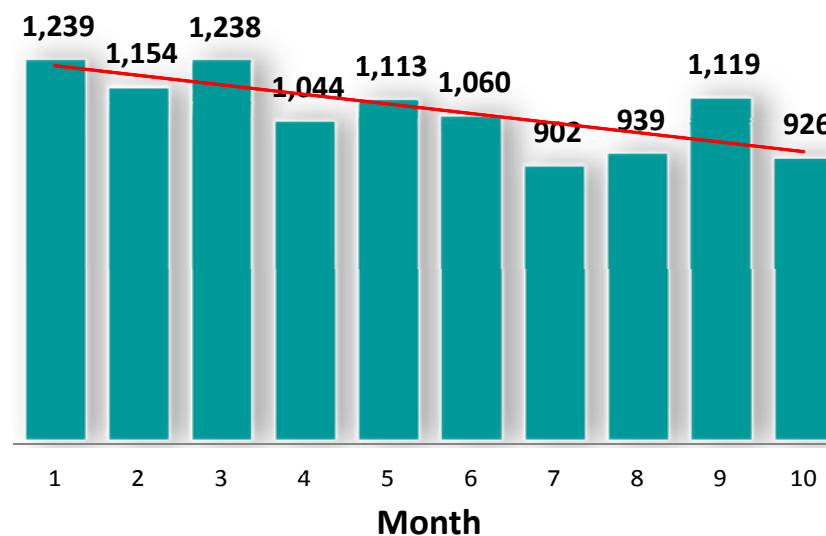
Please refer to the Company's cautionary statements.

As length of enrollment increases for our ABD populations, utilization decreases.

**Admits per K**  
(manageable)  
by enrollment month



**Days per K**  
(manageable)  
by enrollment month



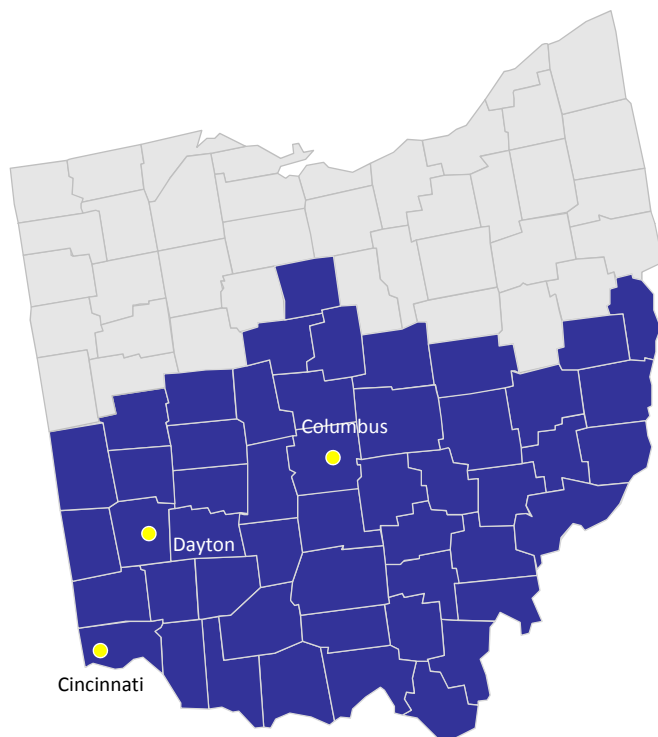
Source: Molina CA ABD Length of Enrollment

# Ohio (TANF & ABD)

13

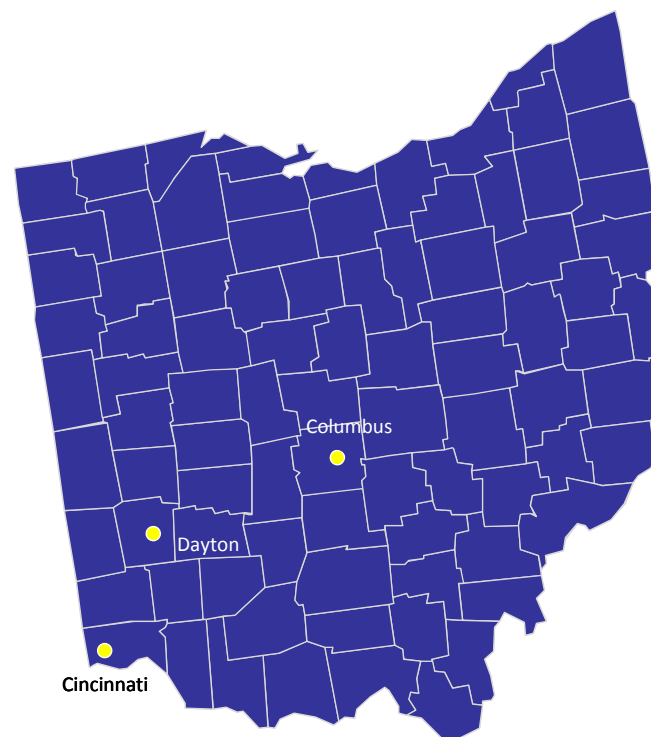
Effective June 1, 2013 Molina Healthcare will expand into 38 new counties.


**Pre-2012 RFA**  
**Current Molina Service Area**



 Current Molina service area

**Post-2012 RFA**  
**Ohio Managed Care Regions**  
**1.6M Eligibles**



 New Molina service area

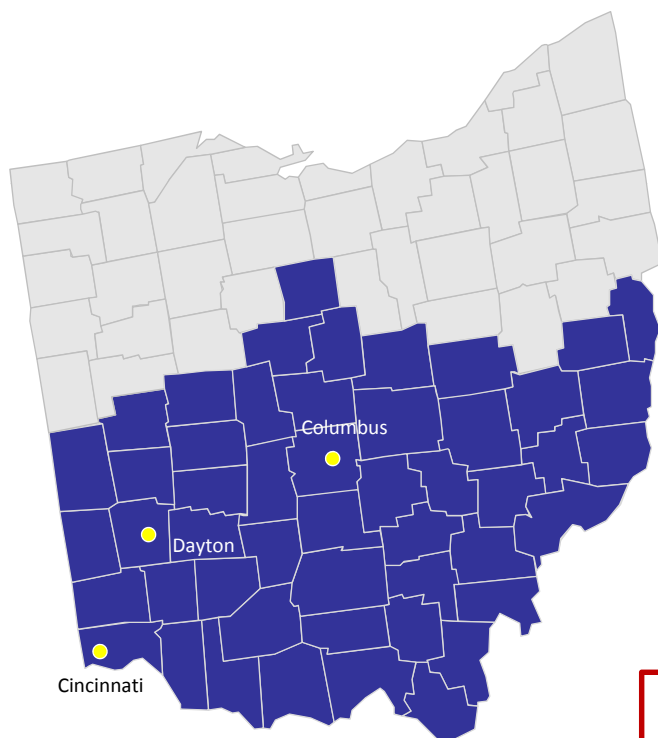
Source: Ohio Department of Job and Family Services  
<http://jfs.ohio.gov/rfp/JFSR1213078019/JFSR1213078019.stm>  
[http://jfs.ohio.gov/ohp/bmhc/documents/reports/December2011\\_CFC\\_Penetration-Enrollment.pdf](http://jfs.ohio.gov/ohp/bmhc/documents/reports/December2011_CFC_Penetration-Enrollment.pdf)

# Molina Selected To Serve Duals in Max Regions Allowed

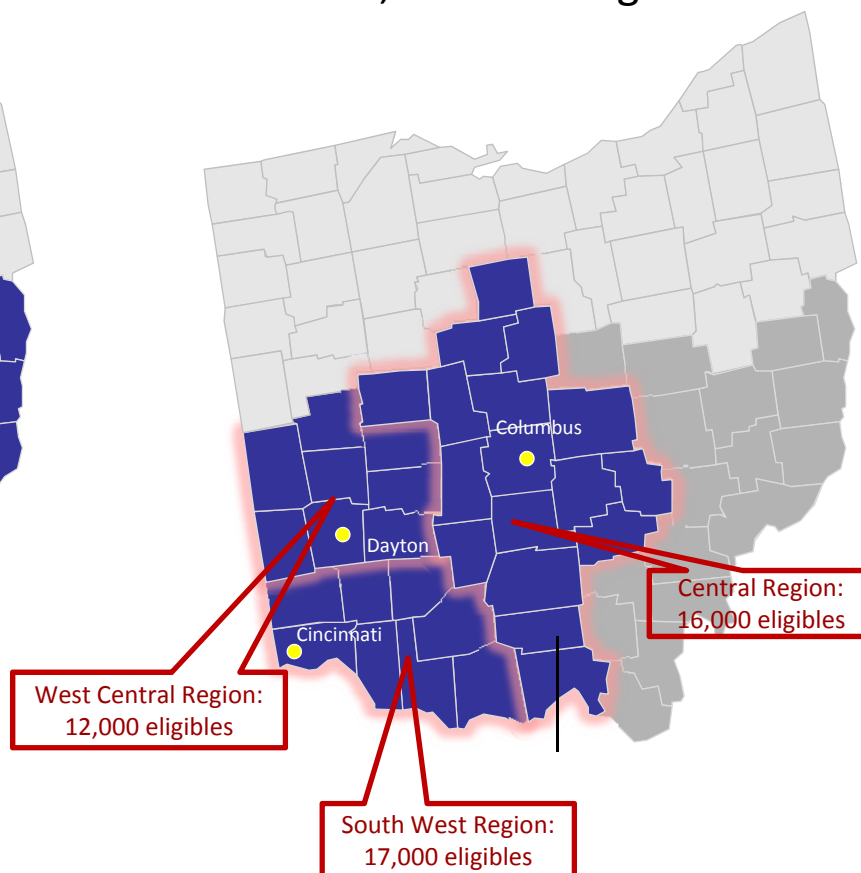
14

The state of Ohio chose Molina to participate in the 3-year demonstration program in the Southwest, West Central, and Central regions. Implementation expected to begin June 1, 2013.

**Current Molina Service Area**  
260,000 members (TANF+ABD)



**Molina Integrated Care  
Coordination Program Regions**  
45,000 dual eligibles





Successfully defended Washington Medicaid contract in 34 counties and added one additional county, effective 7/1/12

- On September 1, enrollment was 410,000, including 19,000 ABD members
- Established provider relationships
- No Long Term Care benefits for new Aged, Blind, or Disabled (ABD) members
- Molina was only health plan in Washington participating in the Washington Medicaid Integration Program (WMIP)

# New Opportunities in Florida – Long Term Care Program

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Florida is gradually moving toward statewide Medicaid managed care, Molina is competing for contracts to provide long term care for seniors.

The program involves nursing home, hospice, and home and community-based services in 11 regions.<sup>1</sup> The State of Florida is expected to select 2-5 plans per region.

- Molina has bid in 8 of 11 regions (30 counties) with 90,000 beneficiaries to be shared by awarded MCOs
- Molina Florida Experience
  - Nursing Home Diversion Program in Pinellas and Hillsborough counties (Tampa area)
  - Waiver focused on intensive case management and home and community based services vs. nursing home placement
- Timeline:
  - 8/28/12 Bids Submitted
  - 1/15/13 Anticipated Awards announced
  - 8/1/13 Effective for first region awarded (Region #7); other regions will “roll in” each month through 3/2014

1. Regions: Pensacola, Tallahassee, Gainesville, Jacksonville, St. Petersburg, Tampa, Orlando, Sarasota, Palm Beach, Ft. Lauderdale, Miami



# New Opportunities in New Mexico – Centennial Care

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Managed Care Organizations will provide **medical, behavioral health, and long term care services** which were previously procured as separate contracts

- Overview:
  - Integrates medical, behavioral health, and long term care services
  - 680,000 beneficiaries
  - Plans must be statewide Special Needs Plan (SNP) or Medicare Advantage plan
  - Reduces 7 MCOs to 5
  
- Timeline:
  - 11/20/12 Bids Due
  - 1/7/13 Awards announced
  - 1/1/14 Effective

# MMS Comes of Age

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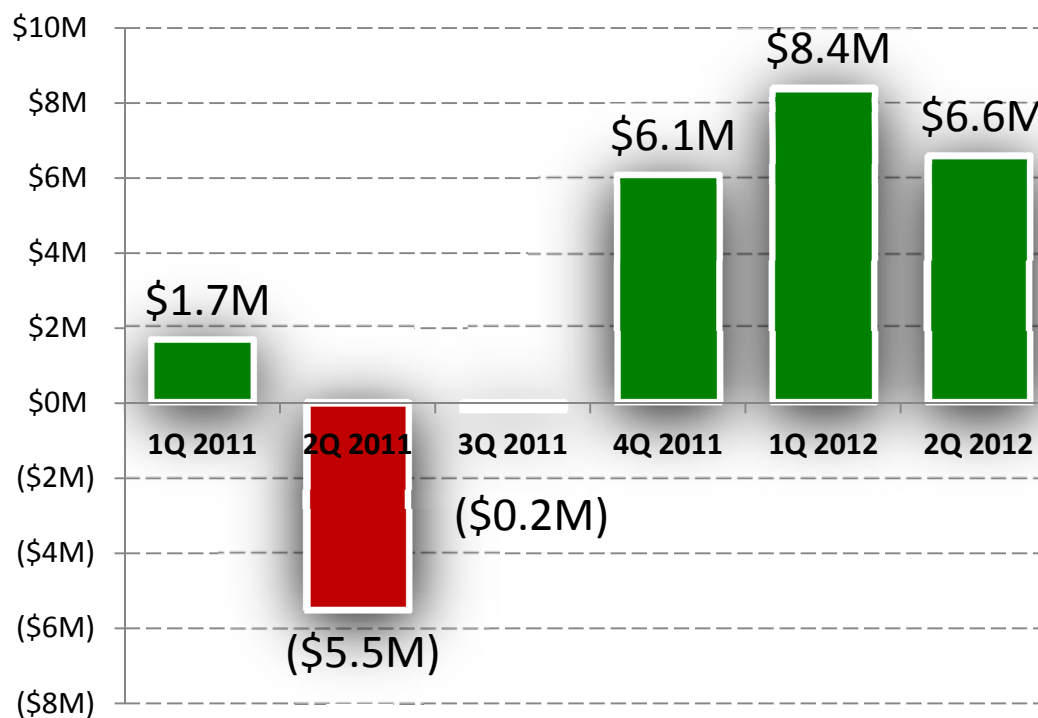
Please refer to the Company's cautionary statements.



- Diversifying profit stream
- Generating cash flow
- Serving 2.5M beneficiaries

The year over year improvement due to CMS certifications in Idaho and Maine.

## MMS Operating Income by Quarter





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# Business Overview

**J. Mario Molina, MD**  
Chief Executive Officer

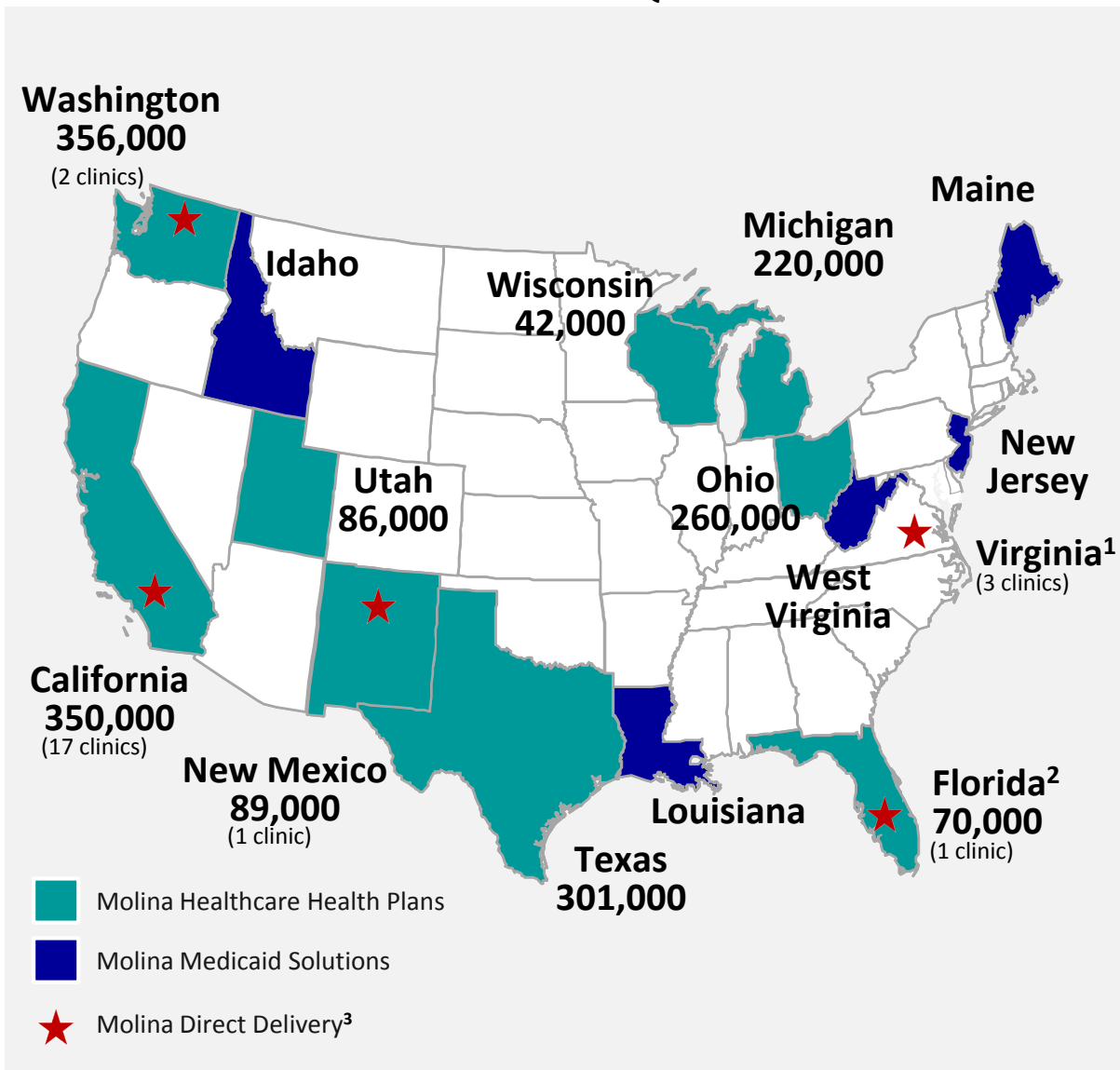
September 19, 2012  
New York, New York

**MOH**  
**NYSE**

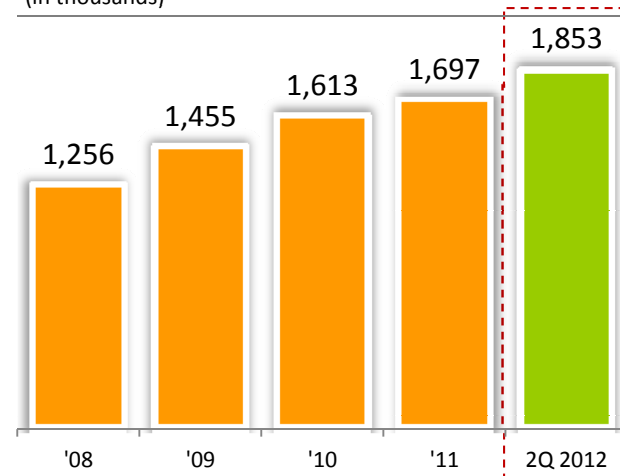
# Business Snapshot

20

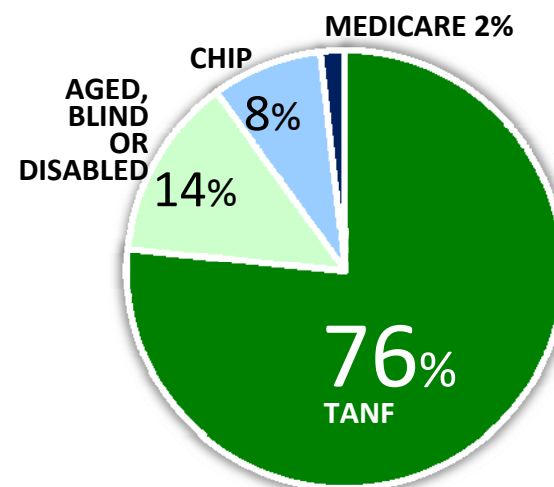
## Markets and members served – 2Q 2012



## Health plan enrollment growth (in thousands)



## Health plan membership profile



Note: Map does not include Missouri since the contract ended June 30, 2012. However the enrollment chart does.

1. Virginia clinics provide Direct Delivery, operated by Molina and owned by Fairfax County.

2. Florida has a managed care program as well as a Pharmacy Rebate Program.

3. Company owned and operated primary care clinics.

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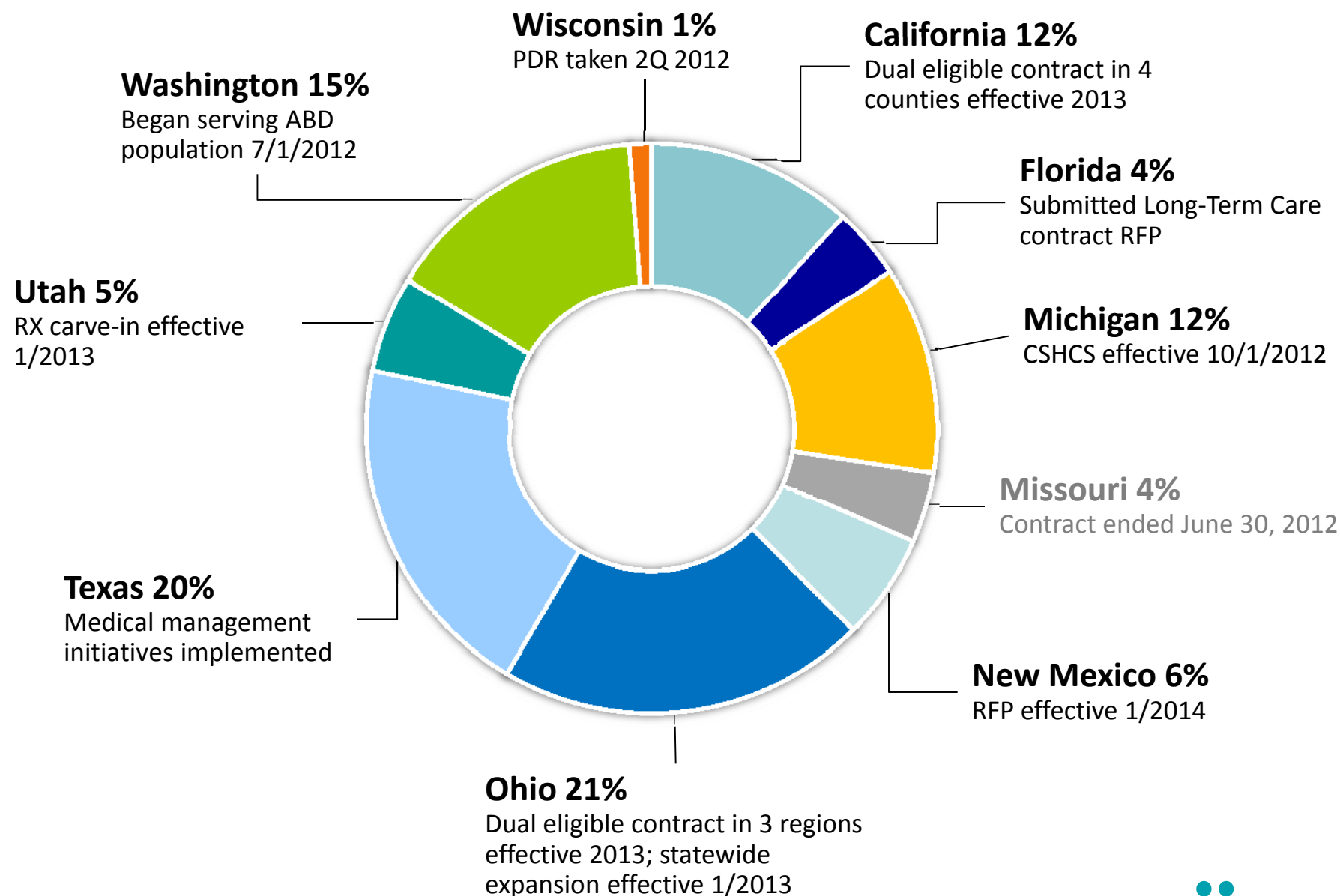


# Revenue Contribution by State

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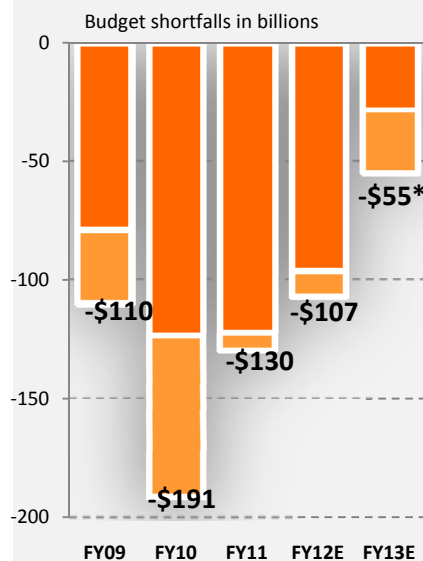
1H 2012

Please refer to the Company's cautionary statements.



## State Budget

### State Budget Shortfalls



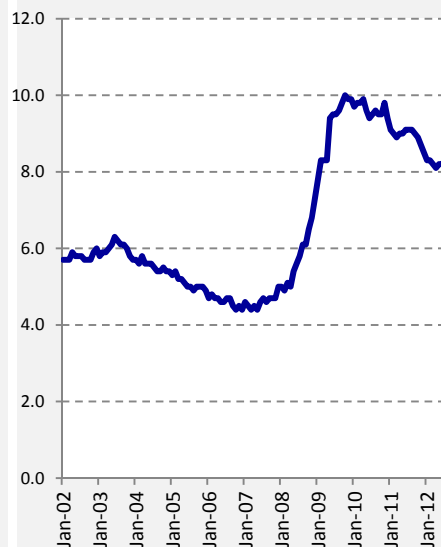
\*Reported to Date

Source: Center on Budget and Policy Priorities. Analysis using data from U.S. Department of Health and Human Services, U.S. Department of Education, Congressional Budget Office, and state budget documents. June 2012.

## Unemployment

### Unemployment

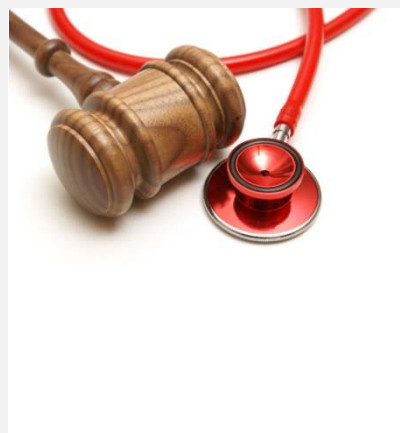
Nationwide through July 2012



- Joblessness and slow economic recovery

## ACA

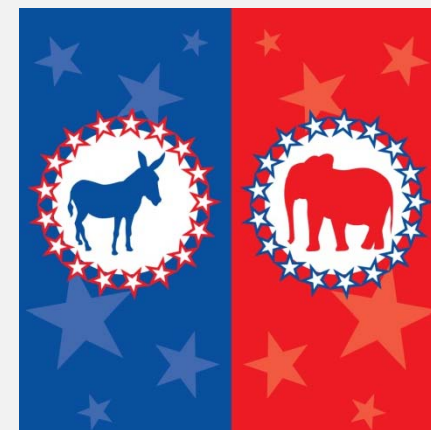
### Supreme Court Decision



- Makes Medicaid expansion optional for states
- 11 million additional Medicaid beneficiaries
- Federal government incurs 100% of the cost of expansion for the first 3 years

## 2012 Elections

### 2012 Elections

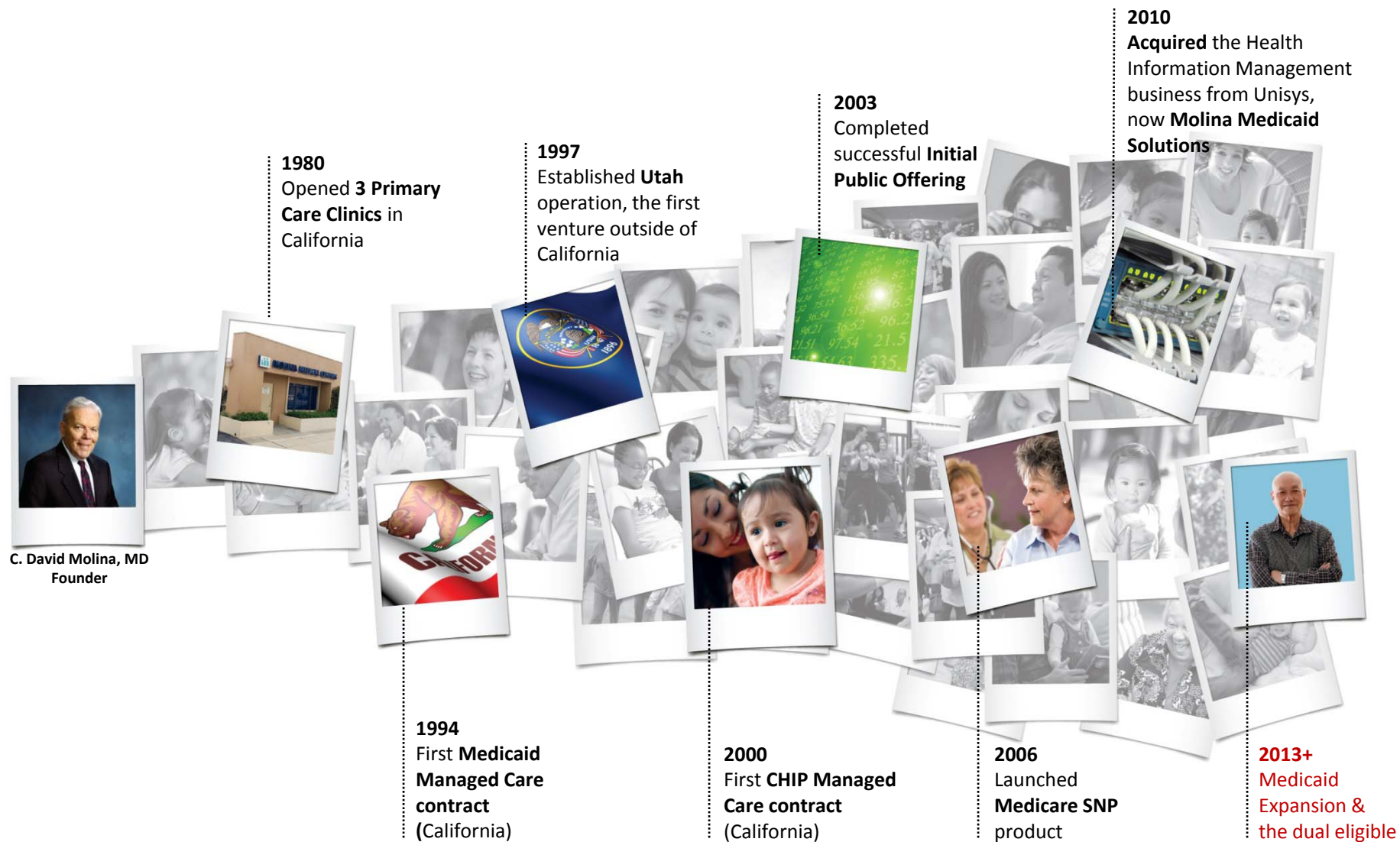




# A History of Adapting to Constant Change

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## Molina Healthcare, Founded 1980



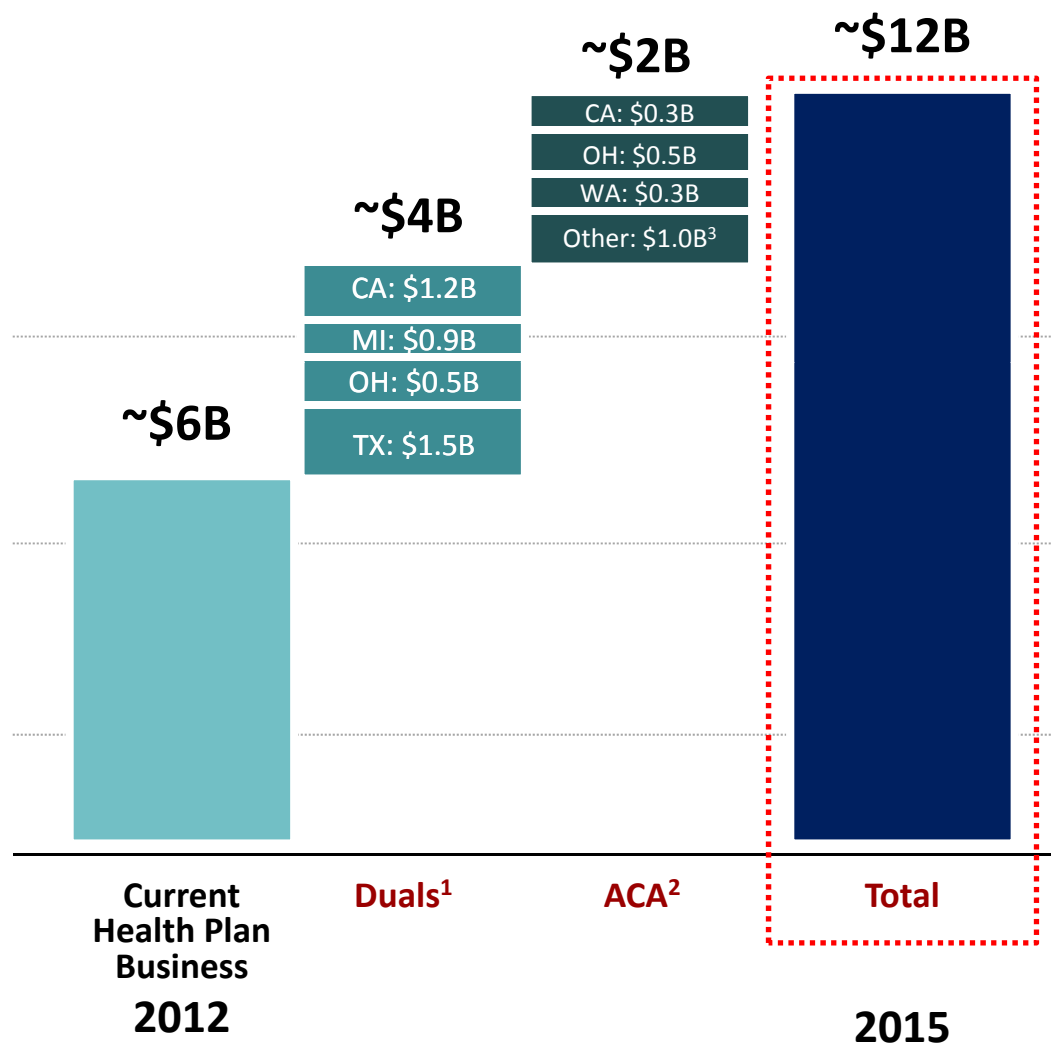
# Long-Term Incremental Growth Drivers

24

Please refer to the Company's cautionary statements.

Estimated additional revenue by 2015 as a result of duals and Medicaid expansion<sup>4</sup>

Estimated 2015 run rate



1. Duals denote revenue potential for dual eligibles in CA, MI, OH and TX.

2. ACA denotes revenue potential as a result of Medicaid expansion in CA, MI, OH, NM, UT, WA, WI; and exchanges in CA, FL, MI, NM, OH, TX, UT, WA, WI.

3. Other includes FL, MI, NM, TX, UT, WI.

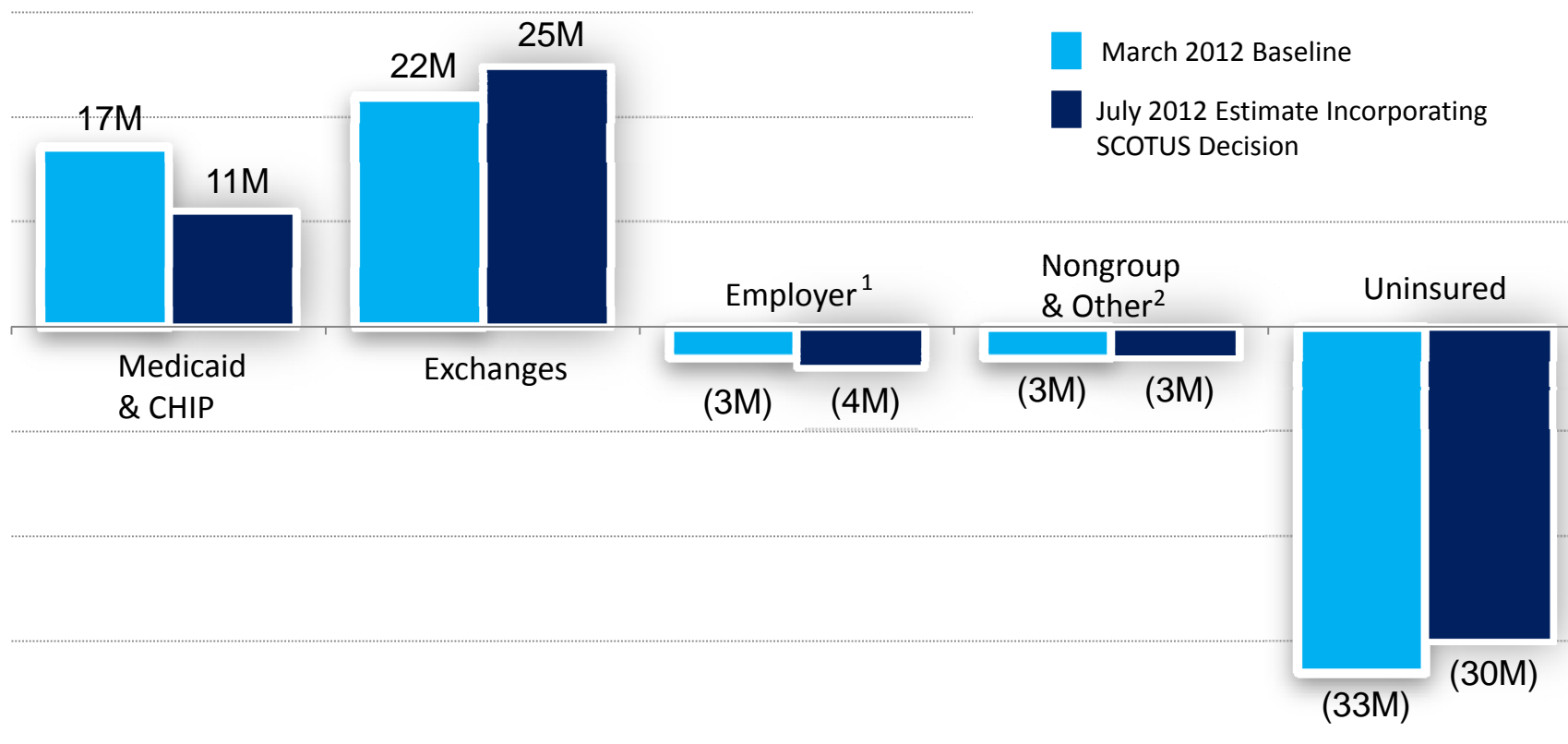
4. Figures may not add up due to rounding.



# U.S. Medicaid Coverage Estimates Updated for the Supreme Court Decision

25

## Estimated Changes in Insurance Coverage by 2022\*



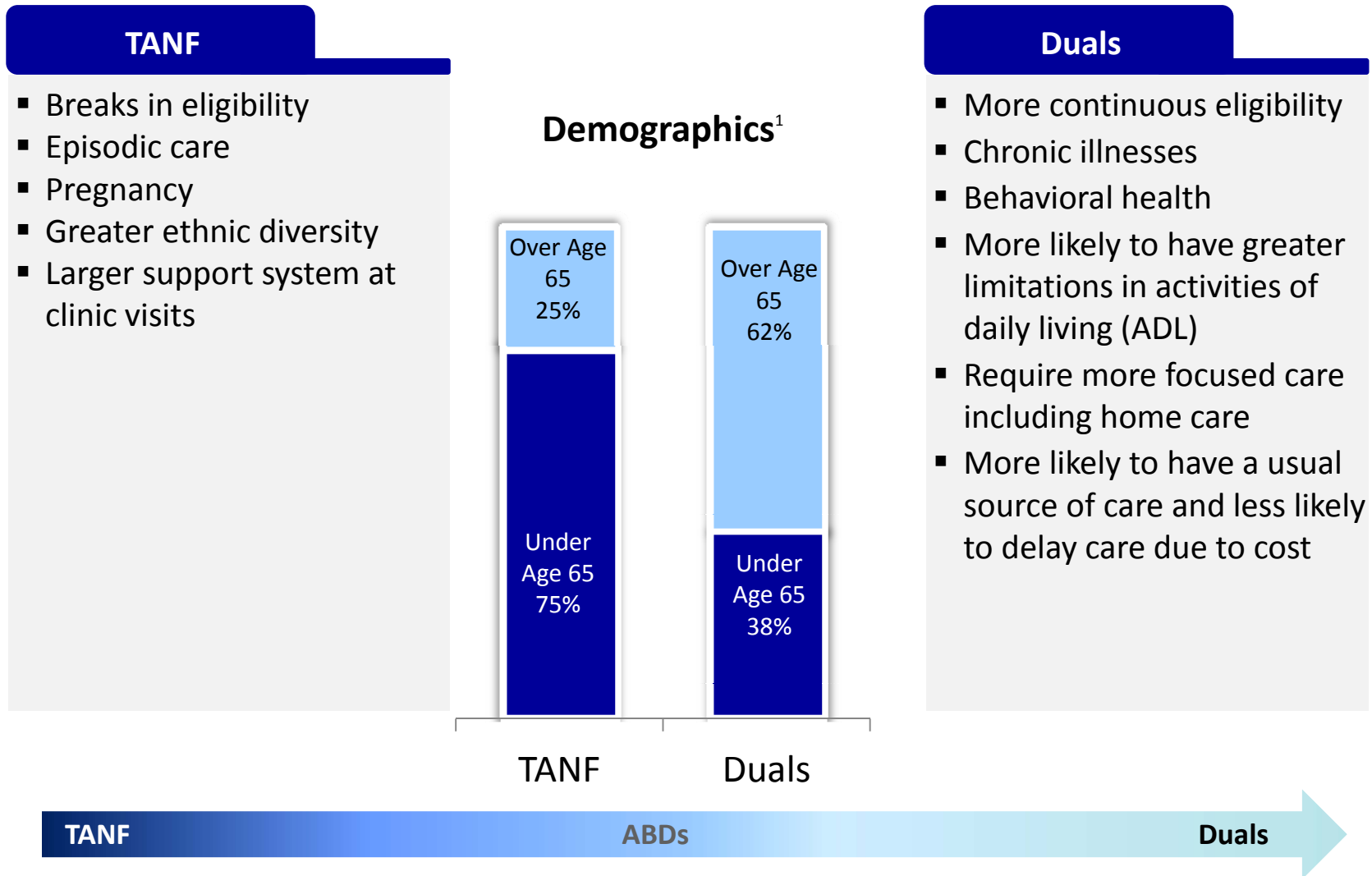
\* Source: Congressional Budget Office, "Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision." July 2012.

1. The change in employment-based coverage is the net result of increases in and losses of offers of health insurance from employers and changes in enrollment by workers and their families.

2. Other includes Medicare; the effects of the ACA are almost entirely on nongroup coverage.

# Two Ends of the Continuum

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Source: 1. KFF.org

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# Most Common Diagnoses

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TANF Diagnoses	ABD Diagnoses	Dual Eligibles Diagnoses
Inpatient Services		
Delivery	Affective psychoses	Affective psychoses
Complications of delivery	Septicemia	Septicemia
Other maternal complications	Schizophrenic disorders	Care involving use of rehabilitation procedures
Prolonged pregnancy	Chronic bronchitis	Pneumonia
Other OB	Pneumonia	Chronic bronchitis
Outpatient Services		
Well Child care	Respiratory & other chest	Essential hypertension
Acute upper respiratory infection	Fever and fatigue	Respiratory and other chest
Respiratory & other chest	Diabetes mellitus	Diabetes mellitus
Fever and fatigue	Back disorders	Fever and fatigue
Ear infection	Joint disorders	Joint disorders

# Specific Benefits for Duals

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## Medicare Benefits

- Hospital Insurance (Part A)
  - Blood, home health care, hospice care, hospital inpatient stay, mental health inpatient stay, skilled nursing facility stay
- Medical Insurance (Part B)
  - Blood, clinical laboratory services, home health services, medical and other services, outpatient mental health services, outpatient hospital services, other covered services
- Medicare Prescription Drug Coverage (Part D)

## Medicaid Benefits\*

- Copayments for Medicare services
- Long Term Care
  - Institutional
  - HCBS (Home & Community Based Services)
- Personal Care
- Adult Day Care
- Home modifications
- Meals
- Paramedical/nursing services
- Physical, speech, and occupational therapies
- Behavioral health

\*Subject to state carve-outs

Sources: KFF.org, "Proposed Models to Integrate Medicare and Medicaid Benefits for Dual Eligibles: A Look at the 15 State Design Contracts Funded By CMS" and Medicare.gov, "Medicare costs at a glance"

## We Currently Manage Many Dual Benefits

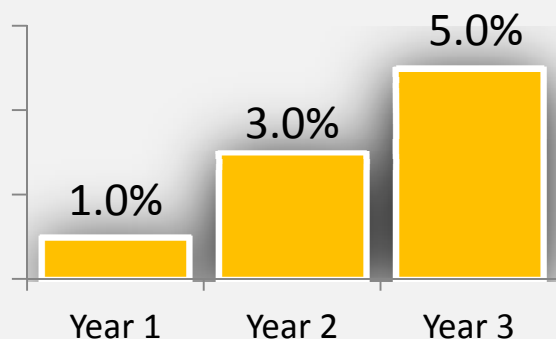
29

Benefits	California (SPD Duals)	Washington (WMIP)	Texas (STAR+PLUS)
Personal Care		X	X
Nursing Home			
Adult Day Care	X	X	X
Behavioral Health		X	X
Paramedical/Nursing Services		X	X
Meals		X	X
Physical, Speech, and Occupational Therapies	X	X	X
Home Modifications		X	X

# CMS Rate Setting Process Guidance<sup>1</sup>

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Sample Aggregate Savings Targets Under the Demonstrations



Savings targets may differ among States with low historic Medicare spending, low utilization of institutional long-term care services, or a high penetration of Medicaid managed care.

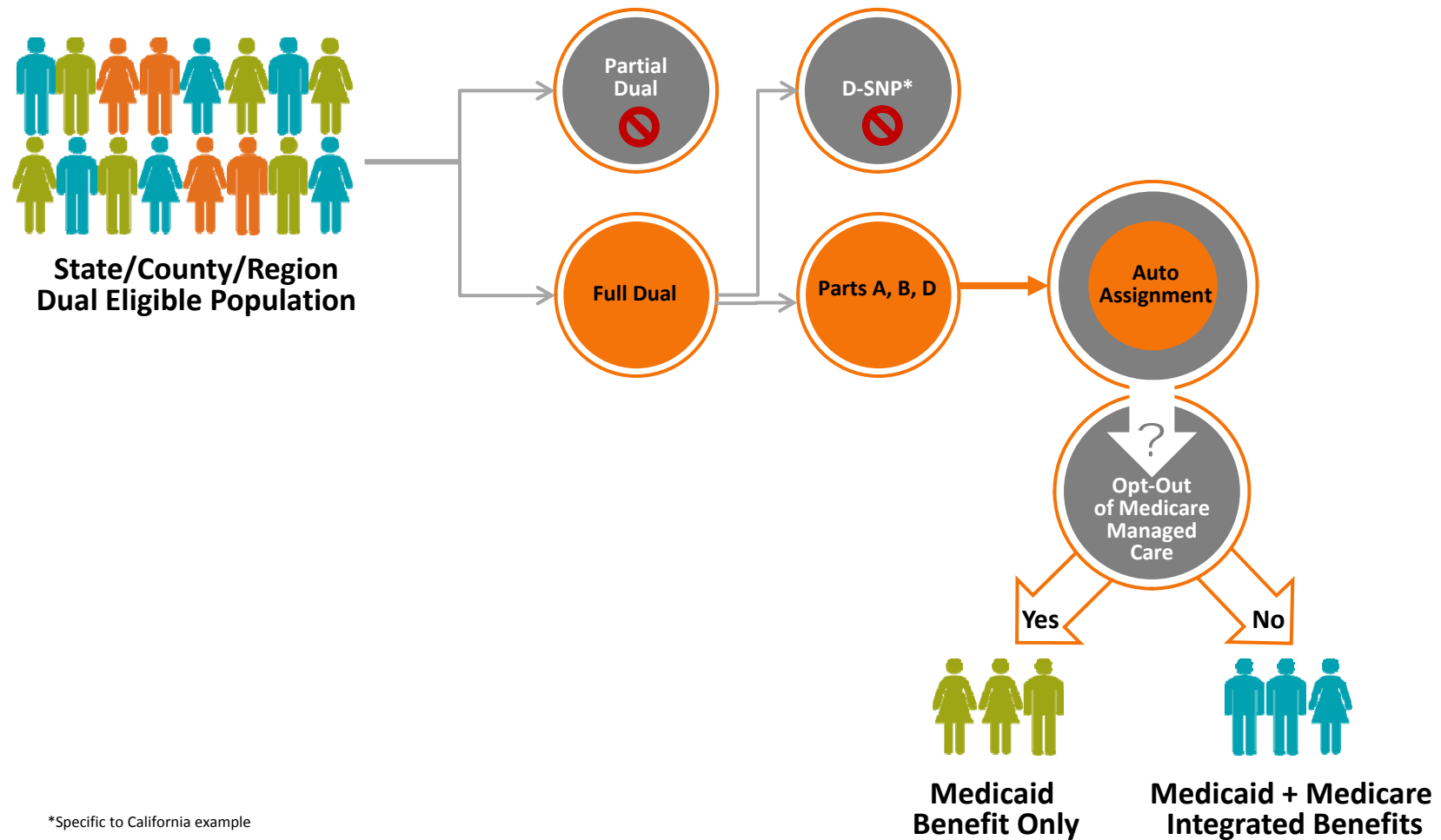
- Aggregate Savings would be applied to Medicare A/B and Medicaid components of the rate
- Both payers proportionally share in the contribution to the capitation rate and in the savings achieved
- Savings targets not applied to the Part D component of the rate

1. CMS Joint Rate Setting Process Under the Capitated Financial Alignment Initiative

# Opt Out Impact On Dual Premium

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## Illustrative Example for California



## Mission



Our mission is to provide quality health services to financially vulnerable families and individuals covered by government programs.

## Priorities

- Quality Care
- Current Portfolio
  - Health plan business
  - MMS
  - Direct delivery
- Growth
  - Organic growth
  - Medicaid expansion
  - Dual eligible population
  - Acquisitions
  - RFPs
- Margin Expansion

**Long-Term EBITDA target: 4% - 5% EBITDA margin  
1.5%-2% after tax margin**







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# Long-Term Growth

**John Molina**, Chief Financial Officer  
**Joseph White**, Chief Accounting Officer

September 19, 2012  
New York, New York

**MOH**  
**NYSE**

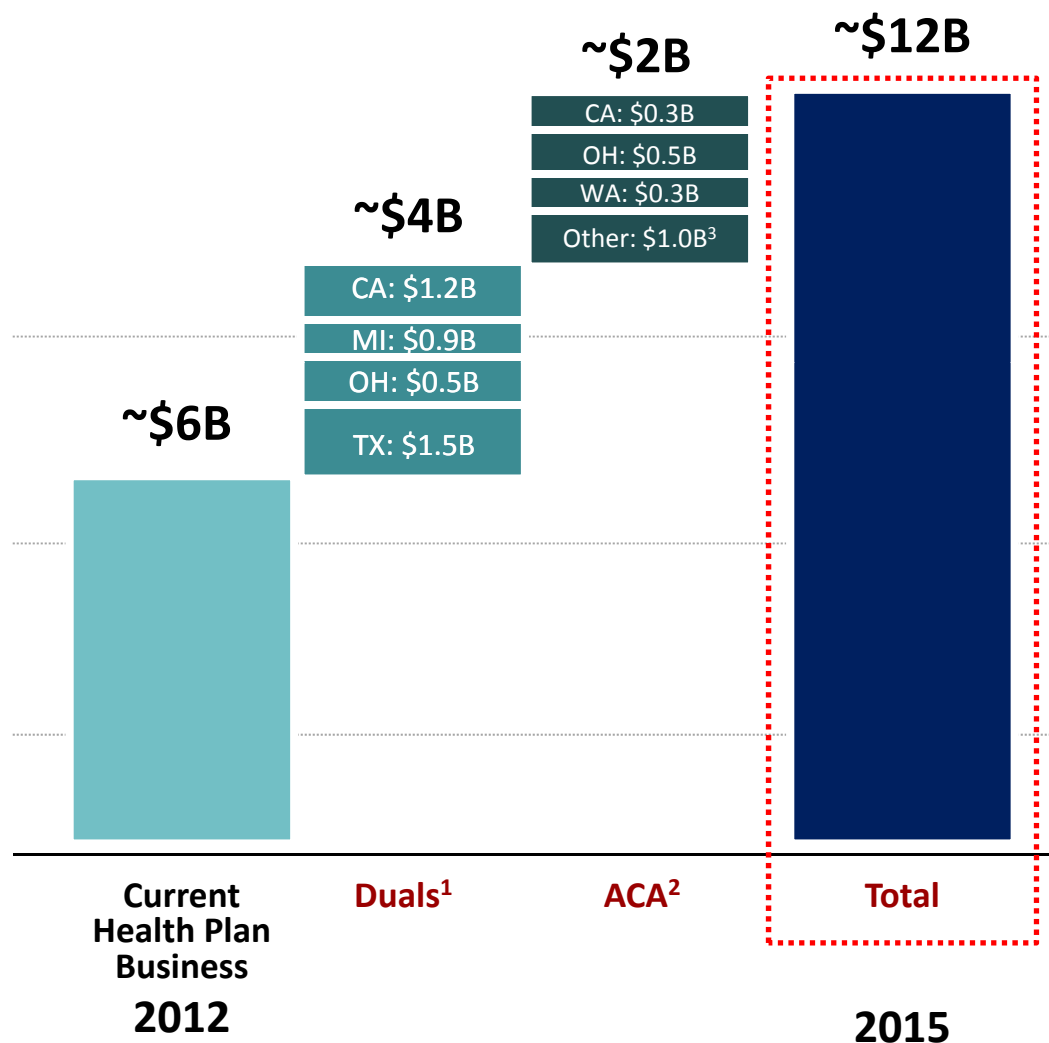
# Long-Term Incremental Growth Drivers

35

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Estimated 2015 run rate



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2. ACA denotes revenue potential as a result of Medicaid expansion in CA, MI, OH, NM, UT, WA, WI; and exchanges in CA, FL, MI, NM, OH, TX, UT, WA, WI.

3. Other includes FL, MI, NM, TX, UT, WI.

4. Figures may not add due to rounding.

# Estimating Dual Revenue PMPM

36

Please refer to the Company's cautionary statements.

## Two Molina programs could help us estimate dual eligible premiums

Program	Medicaid & Medicare	LTC <sup>1</sup>	Total <sup>2</sup>
Texas SNP	\$1,900	\$700	\$2,600
WMIP	\$1,700	\$700	\$2,400

Note:

1. LTC based on Florida LTC RFP Region 11

2. Assumes 15% of Integrated Dual population would be institutionalized LTC

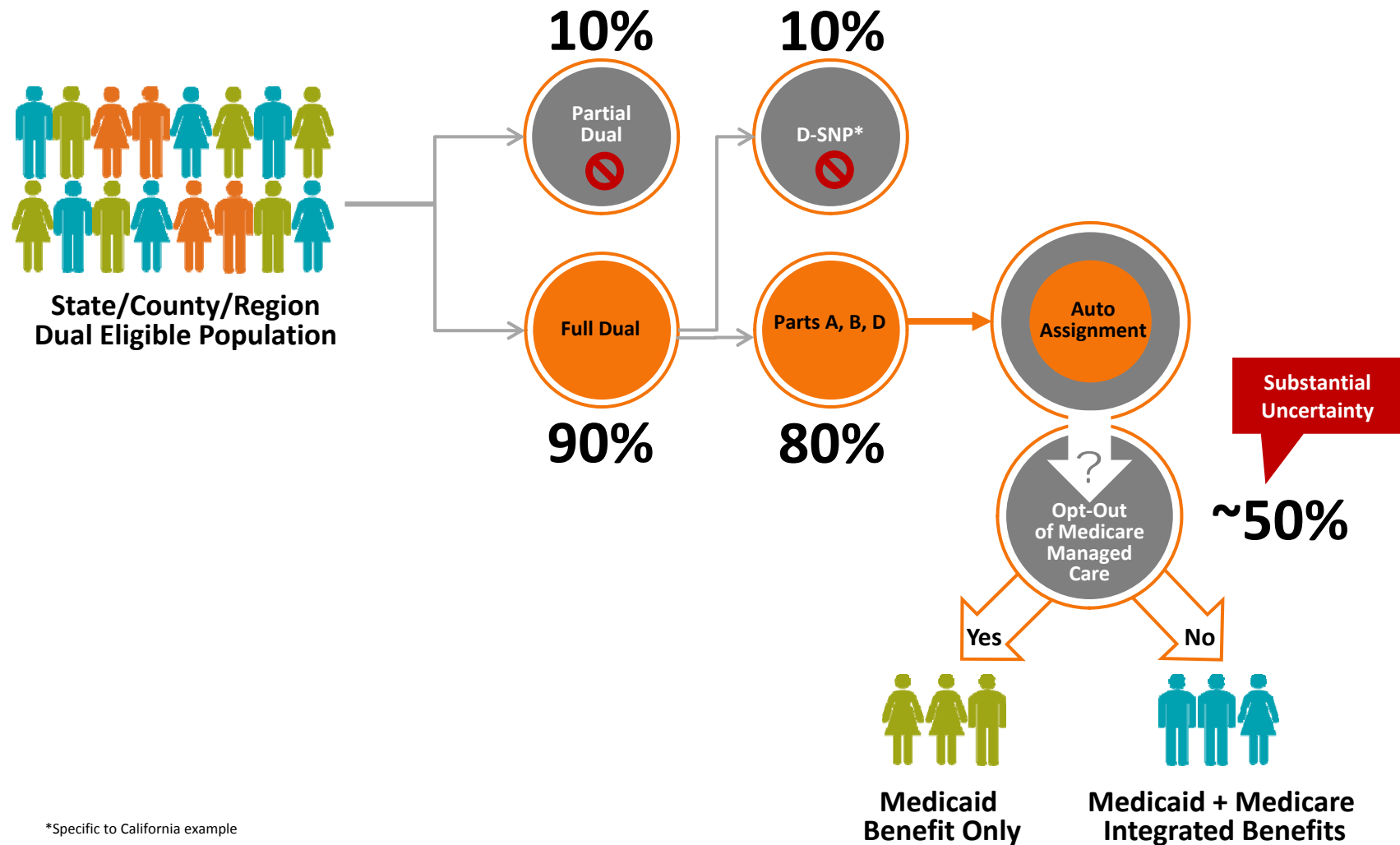
**Our expectation for Dual Eligible premium (Medicare & Medicaid – No opt-out)  
≈ \$2,500 PMPM**

# Opt Out Impact On Dual Premiums

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## Illustrative Example for California

Please refer to the Company's cautionary statements.



# Dual Market Opportunity

38

Please refer to the Company's cautionary statements.

State	Estimated Number of Participating Duals in Molina markets	Opt-Out Rate Potential Range	Molina's Estimated Dual Enrollment	Annualized Premium Revenues
California	430K	20% - 80%	50K	\$0.9B - \$1.4B
Michigan	160K	20% - 80%	40K	\$0.7B - \$1.0B
Ohio	50K	20% - 80%	25K	\$0.4B - \$0.7B
Texas	215K	20% - 80%	60K	\$1.1B - \$1.6B
<b>Total</b>	<b>855K</b>		<b>175K</b>	<b>\$3.1B - \$4.7B</b>

Source: Company estimates; figures may not add due to rounding.

# Medicaid Expansion Opportunity

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State	Expansion Eligibles in Medicaid Managed Care	Molina's Estimated Enrollment	Estimated Premium <sup>1</sup> PMPM	Annualized Premium Revenues
California	1M	100K	\$100	\$120M
Florida	not included	not included	not included	not included
Michigan	500K	100K	\$125	\$150M
New Mexico	100K	25K	\$200	\$60M
Ohio	500K	125K	\$250	\$375M
Texas	not included	not included	not included	not included
Utah	125K	40K	\$200	\$95M
Washington	250K	125K	\$175	\$260M
Wisconsin	125K	15K	\$125	\$20M
<b>Total</b>	<b>2.6M</b>	<b>530K</b>		<b>\$ 1.1B</b>

Source: Company estimates, figures may not add due to rounding.

1. Based on Molina's current TANF premium

# Exchange Opportunity

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State	Number of Exchange Members in Molina Markets	Molina's Estimated Exchange Enrollment	Estimated Premium <sup>1</sup> PMPM	Annualized Premium Revenues
California	2.2M	180K	\$100	\$ 215M
Florida	1.0M	80K	\$150	\$145M
Michigan	400K	35K	\$125	\$50M
New Mexico	100K	10K	\$200	\$25M
Ohio	500K	40K	\$250	\$120M
Texas	1.6M	125K	\$225	\$340M
Utah	200K	15K	\$200	\$40M
Washington	300K	30K	\$175	\$60M
Wisconsin	300K	20K	\$125	\$30M
<b>Total</b>	<b>6.6M</b>	<b>535K</b>		<b>\$1.0B</b>

Source: Company estimates, figures may not add due to rounding.

1. Based on Molina's current TANF premium



# Premium Rate Changes

41

Please refer to the Company's cautionary statements.

Health Plan	Effective Date	Revenue Change
California	10/1/2012	unknown
Florida	9/1/2012	unknown
Michigan	10/1/2012	unknown
New Mexico	7/1/2012	(≈0.5%) <sup>(1)</sup>
Ohio	1/1/2012	(≈2%) <sup>(1)</sup>
Texas	9/1/2012	≈4% <sup>(1)</sup>
Utah	7/1/2012	(≈2%) <sup>(1)</sup>
Washington	7/1/2012	(≈2%) <sup>(1)</sup>
Wisconsin	1/1/2012	≈1% <sup>(1)</sup>

1. Denotes announced rate changes.

# Leveraging Administrative Costs

42

Please refer to the Company's cautionary statements.



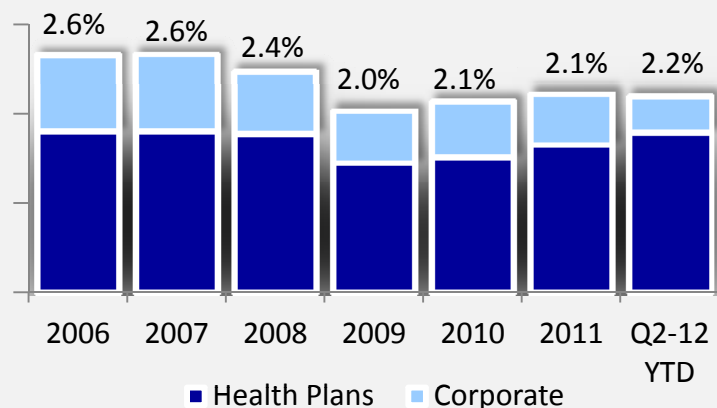
- **Two types of administrative costs:**
  - Activities that improve healthcare outcomes
  - General & administrative costs (G&A)

# Activities That Improve Healthcare Outcomes

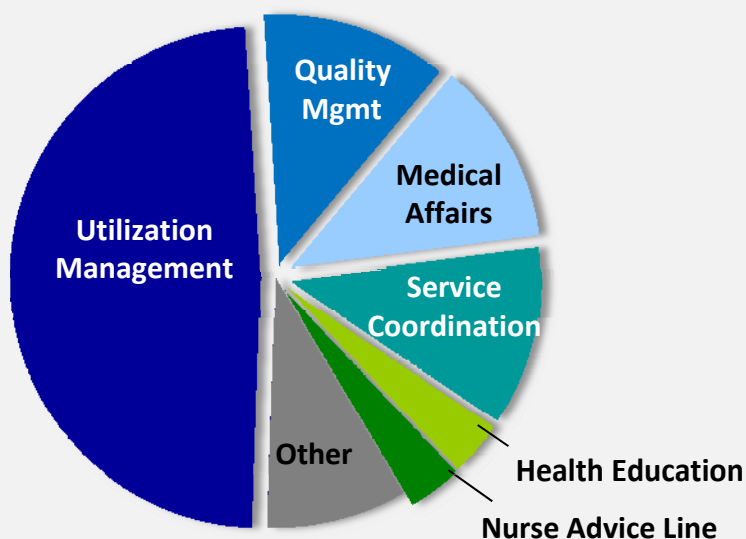
43

Please refer to the Company's cautionary statements.

As a % of Total Revenue



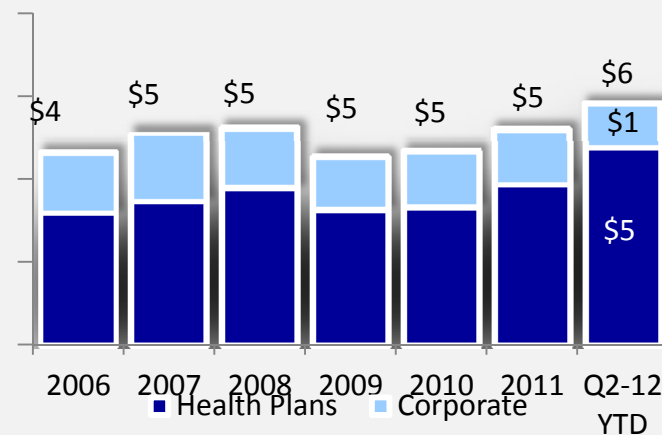
Cost by Category – YTD 2012



## Include the following services:

- Utilization Management
- Quality Management
- Coordination of Medical Mgmt
- Coordination of Care, CM & DM
- Health Education
- Nurse Advice Line

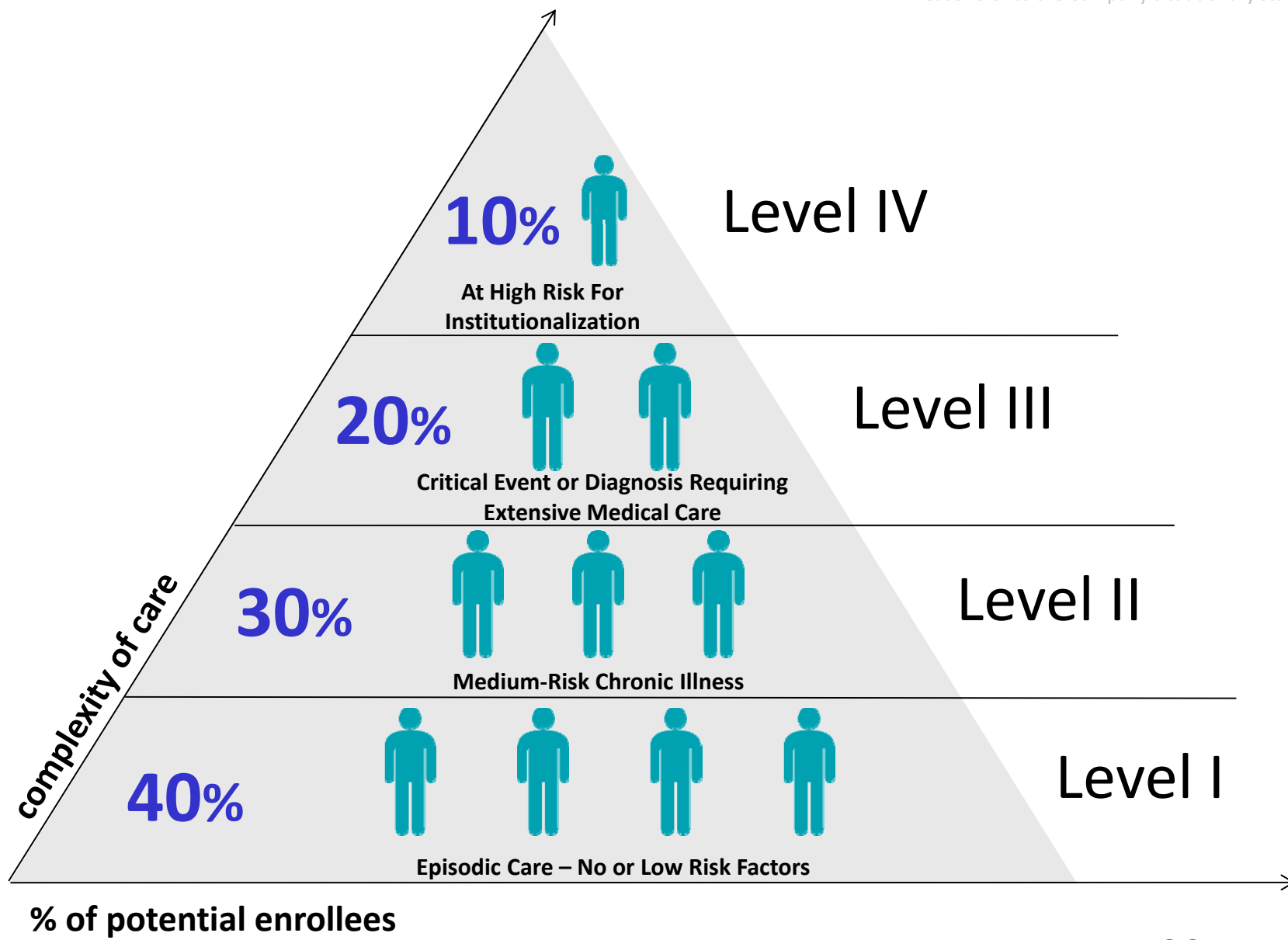
Per Member Per Month (PMPM)



# Dual Eligibles – Level of Care

44

Please refer to the Company's cautionary statements.



# Dual Eligibles Level of Care – Financial Impact

45

Please refer to the Company's cautionary statements.



- **Greater portion of duals are categorized as care Level III and Level IV**
  - Require home visits
  - Require in-home care manager assessments and visits
- **Increased medical staffing especially for:**
  - Care Managers (CM) & Nurse Practitioners (NP)
  - Community Connectors (CC)
- **Services of Medical Directors and Pharmacy Directors also required**

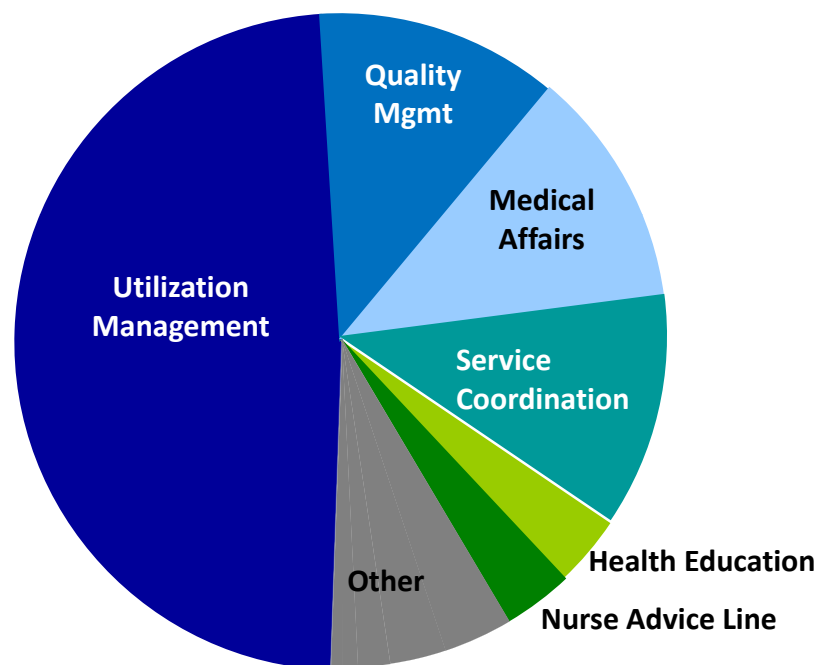
# Not All Activities That Improve Healthcare Outcomes Are Equal

46

Please refer to the Company's cautionary statements.

## Fixed Costs

## Variable Costs

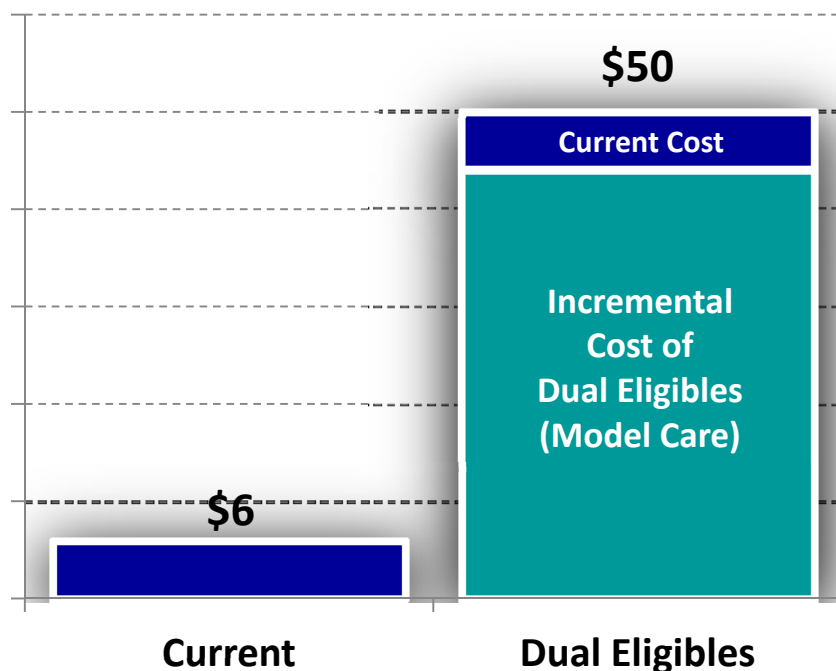


# Estimated Costs of Activities That Improve Healthcare Outcomes

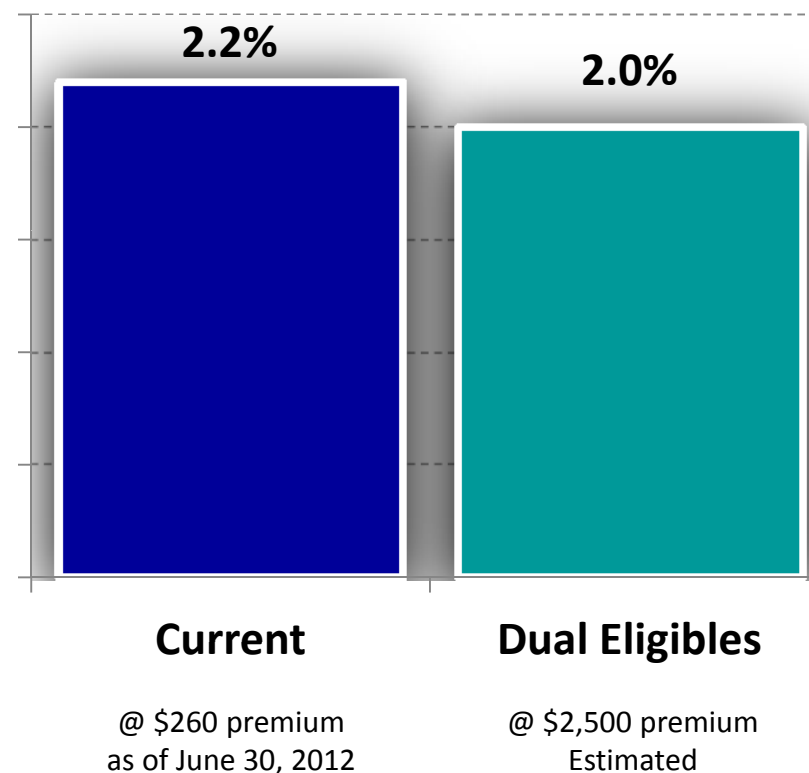
47

Please refer to the Company's cautionary statements.

Per Member Per Month



As a % of Premium Revenue

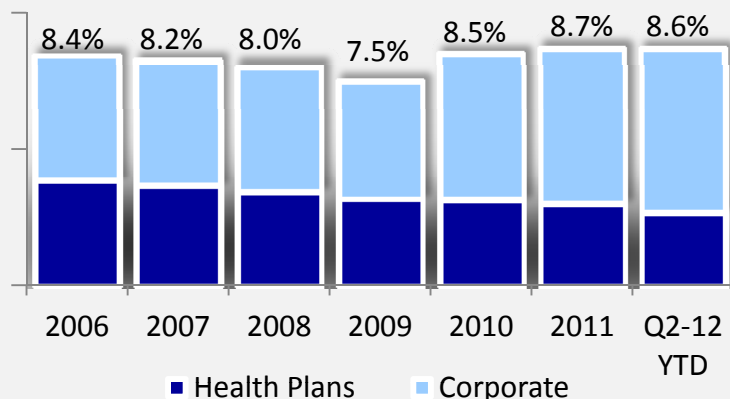


# General & Administrative Costs

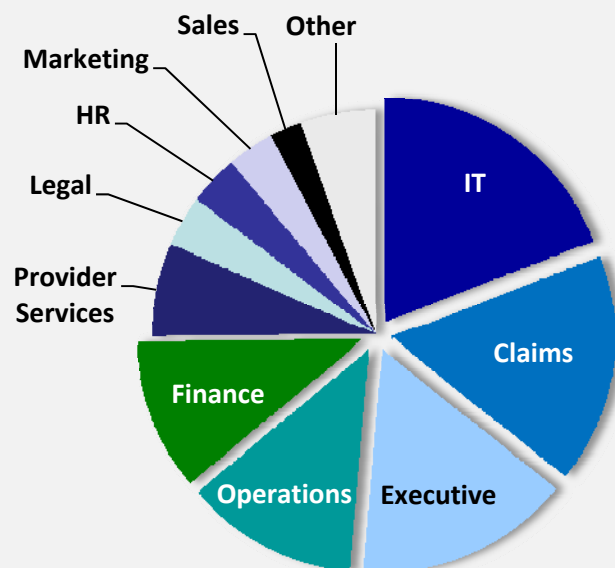
48

Please refer to the Company's cautionary statements.

As a % of Total Revenue



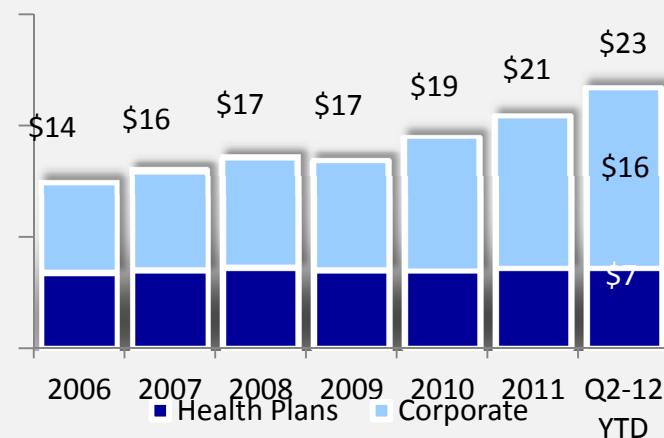
Cost by Category – YTD 2012



## Include the following:

- Claims
- Information Technology
- Finance
- Operations
- Marketing
- Provider Services
- Legal
- HR
- Marketing
- Medicare Sales

Per Member Per Month (PMPM)





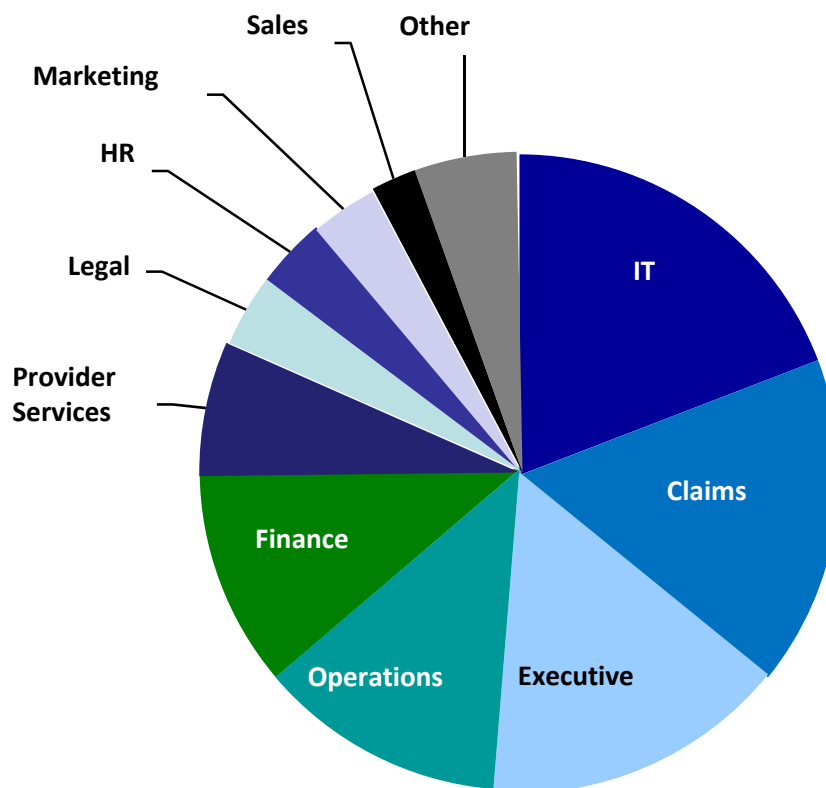
# Not All General & Administrative Costs Are Equal

49

Please refer to the Company's cautionary statements.

## Fixed Costs

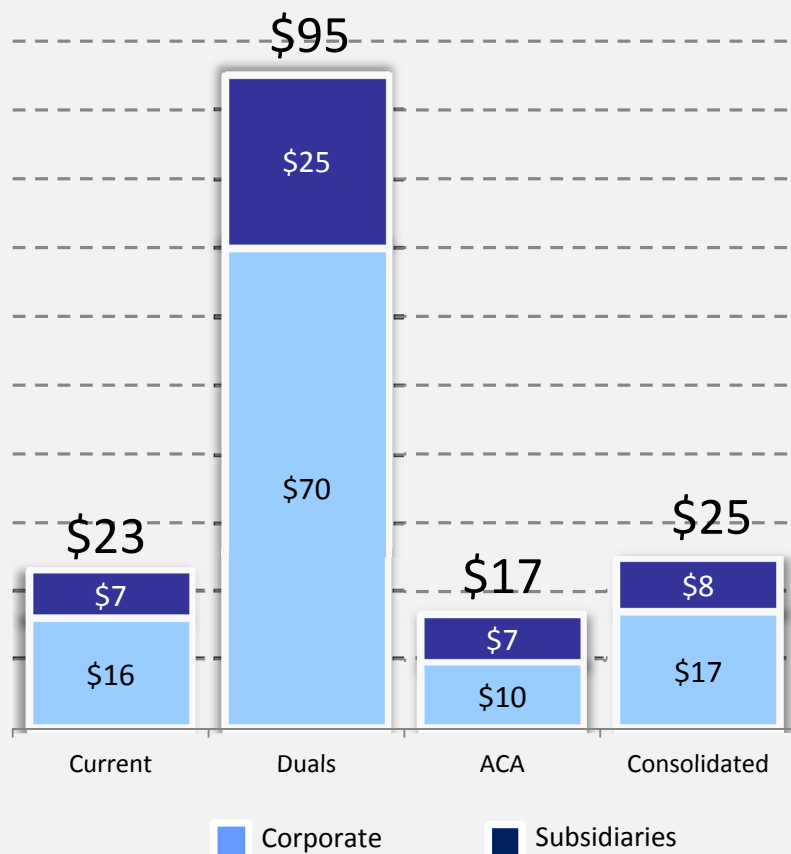
## Variable Costs



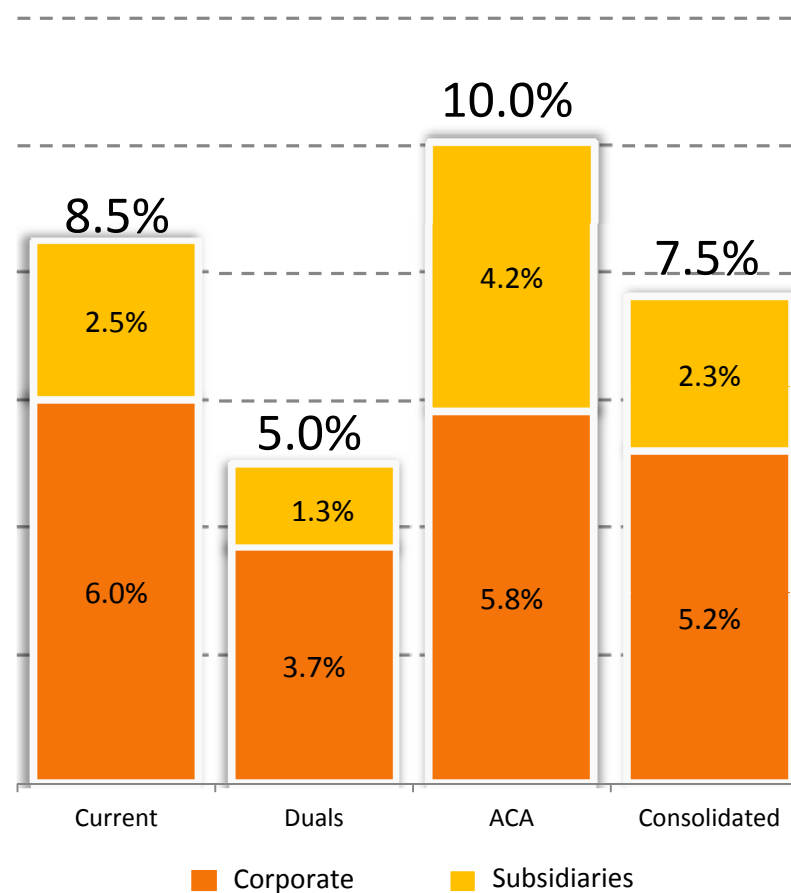
# Long-Term Admin Ratio Goal Below 8%

50

## G&A PMPM



## G&A Ratio







Your Extended Family.



# Funding Our Growth

**John Molina**  
Chief Financial Officer

September 19, 2012  
New York, New York

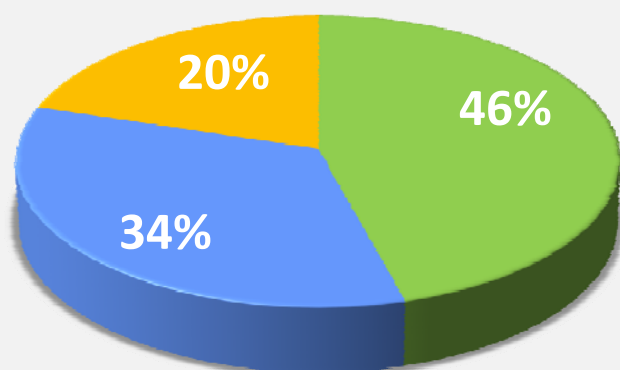
**MOH**  
NYSE




# Molina Earnings Have Funded Past Growth

53

Please refer to the Company's cautionary statements.

**Sources of Capital**  
2006 through 2Q2012

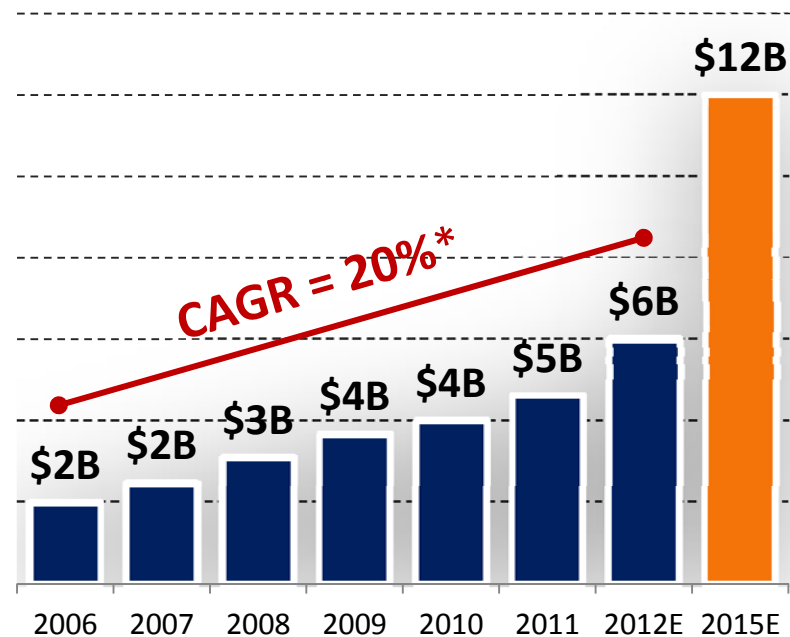


-  Net Income
-  Convertible Debt
-  Common Equity

Source(s): SEC Filings

\*CAGR calculated from 2006 to 2012E.

**Total Premium Revenue**  
2006-2011

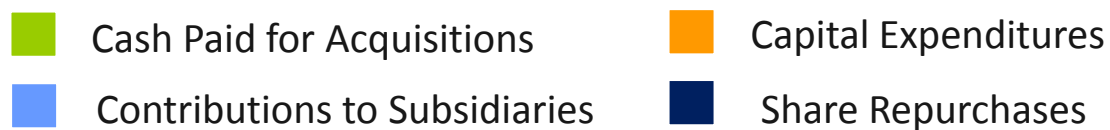
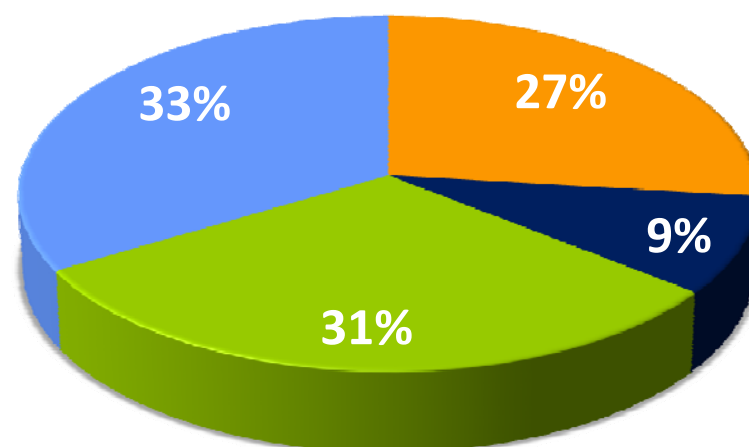


# Molina Has Invested to Grow Its Business

54

Please refer to the Company's cautionary statements.

**Capital Deployment**  
2006 through 2Q2012



Source(s): SEC Filings and Company Data

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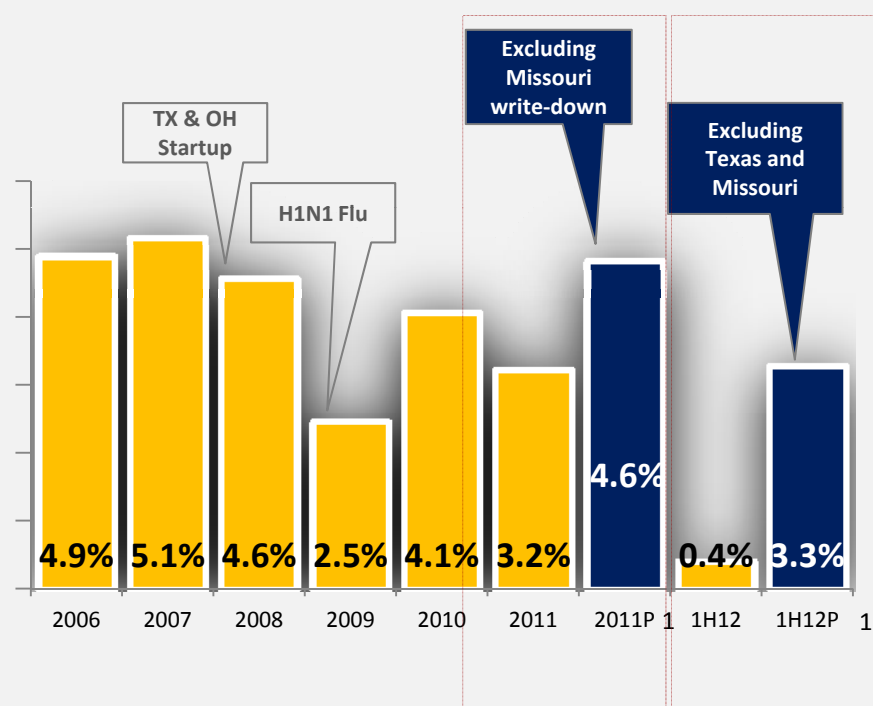


# Earnings Margin 2006-1H2012

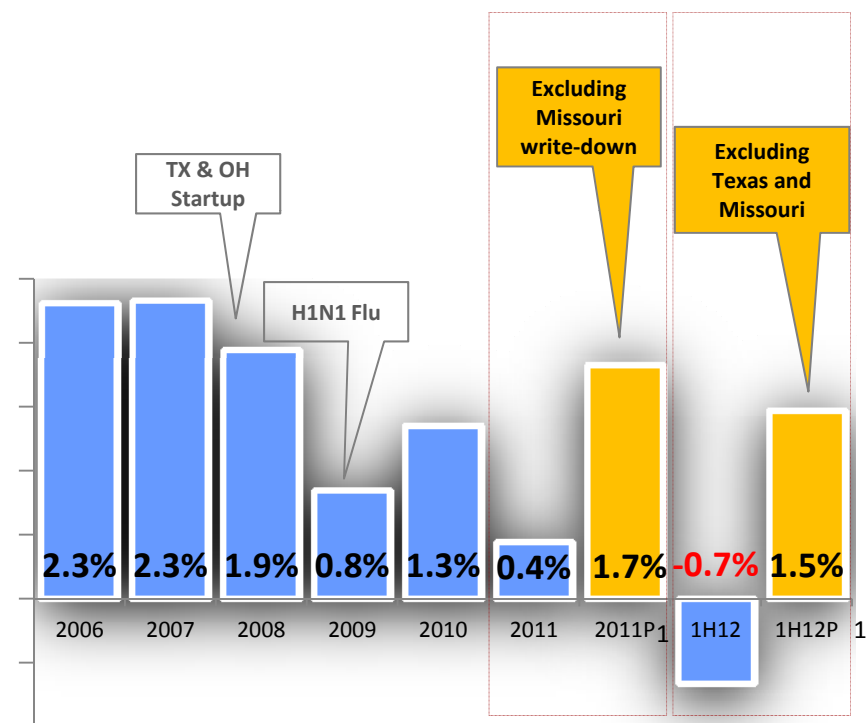
55

Please refer to the Company's cautionary statements.

## EBITDA MARGIN



## AFTER TAX MARGIN



1. P denotes results excluding Missouri write-down in 2011, and Texas and Missouri operations in 2012

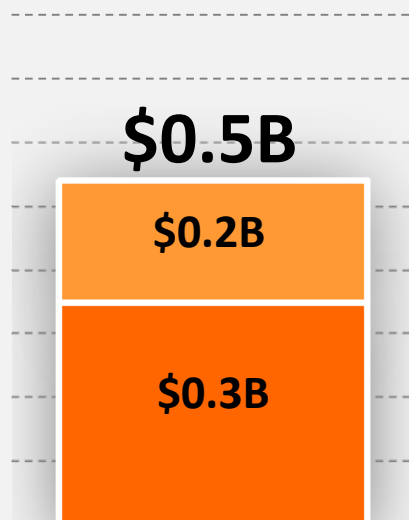
# Preparing for Growth

56

Please refer to the Company's cautionary statements.

## Regulatory Capital

Estimated regulatory capital at 12/31/12 approximately \$0.5B; compared to a requirement of approximately \$0.3B.



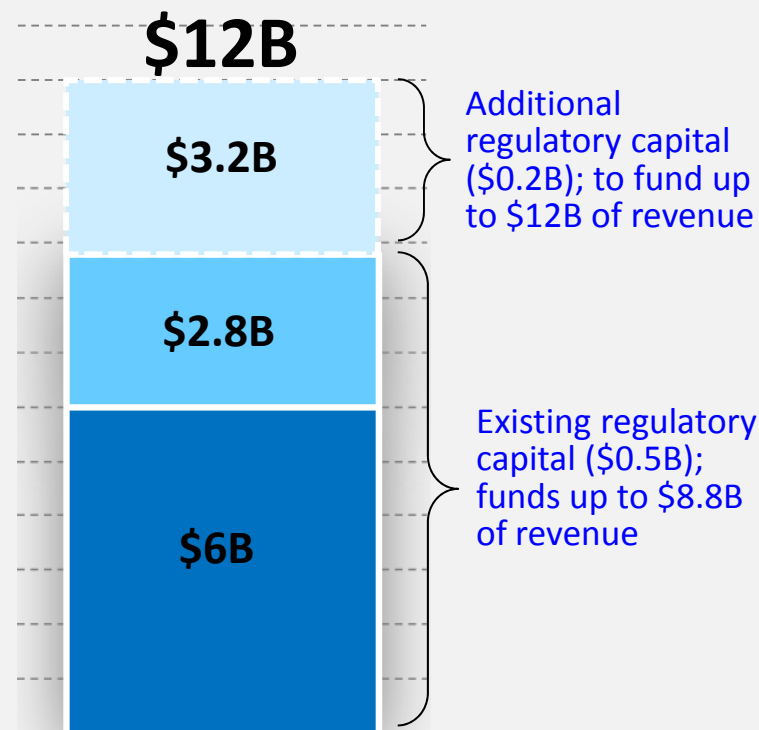
- Required Regulatory Capital<sup>1</sup>
- Excess Regulatory Capital<sup>2</sup>

1. Denotes estimated required regulatory capital for 12.31.12

2. Excess assumes actual regulatory capital as of 6.30.2012

## Growth Capacity

Surplus regulatory capital would contribute to funding growth



- Current Revenue
- Growth Capacity with Existing Regulatory Capital<sup>1</sup>
- Estimated Revenues Requiring additional Regulatory Capital<sup>1</sup>

1. Assumes estimated required regulatory capital for 12.31.12 and actual regulatory capital as of 6.30.2012.

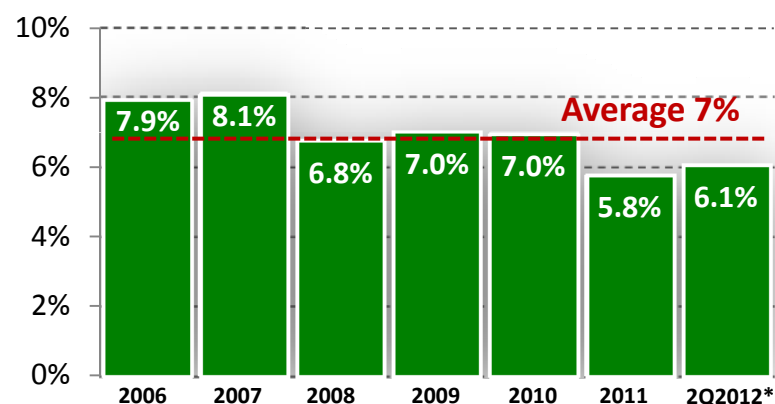


# Potential Capital Needs

57

Please refer to the Company's cautionary statements.

**Required Equity as % of Premium Revenue**  
2006 - 2Q2012\*



\*Denotes estimated required regulatory capital for 12.31.12 as a percentage of annualized revenue for the six months ended 6.30.12. Source(s): Company Data

## Est. Incremental Capital Sensitivity

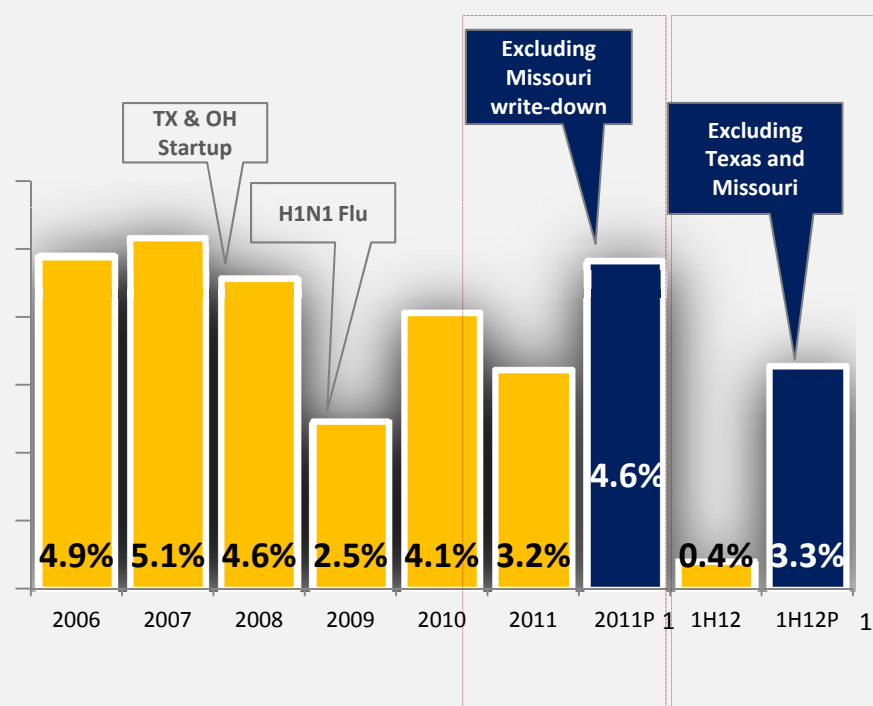
	Low	Med	High
Base Revenue	\$6B	\$6B	\$6B
Incremental Revenue	\$3B	\$4.5B	\$6B
Total Revenue	\$9B	\$10.5B	\$12B
After Tax Margin	1.5%	1.5%	1.5%
Avg. Incremental Cap Requirement (%)	7.0%	7.0%	7.0%
Incremental Cap Requirement (\$)	(\$210M)	(\$315M)	(\$420M)
Pro-forma Net Income @ 1.5%	\$135M	\$158M	\$180M
Estimated 2012 Excess Capacity	\$200M	\$200M	\$200M
Capital Need	\$0M	\$0M	\$40M

# Earnings Margin 2006-1H2012

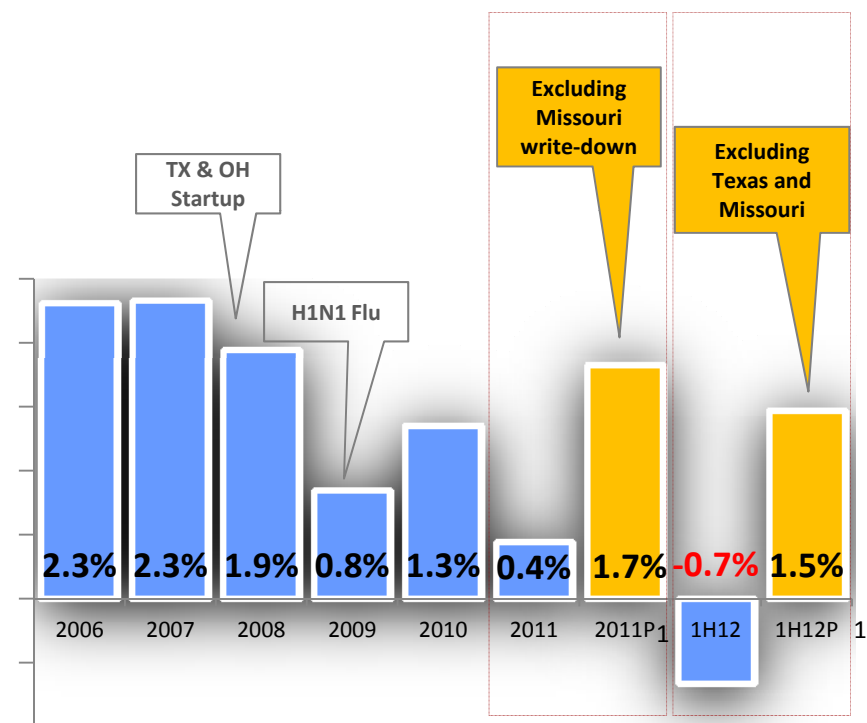
58

Please refer to the Company's cautionary statements.

## EBITDA MARGIN



## AFTER TAX MARGIN



1. P denotes results excluding Missouri write-down in 2011, and Texas and Missouri operations in 2012

# Why We Might Want To Raise Capital?

59

Please refer to the Company's cautionary statements.



- **Acquisitions**
- **Convertible debt repayment in 2014**
- **Capital expenditures**
- **Variability in profitability**
  - Timing
  - New benefits
- **Growth above expectations**
- **Desire for capital cushion (e.g. debt covenant and rating agencies)**
- **Excluded duals in WA and potential FL & TX ACA Medicaid expansion**
- **Regulatory capital in excess of minimum requirements**
- **Regulatory requirements in advance of premium receipts**

# Investment Highlights

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Please refer to the Company's cautionary statement



We've Got  
You Covered



- Attractive sector growth prospects driven by government policies and economic conditions
- Proven flexible health care services portfolio (risk-based, fee-based and direct delivery)
- Diversified geographic exposure with significant presence in high growth regions
- Focus on government-sponsored health care programs
- Seasoned management team with strong track record of delivering earnings growth
- Over 30 years of experience

