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): 01/18/2007

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

Commission File Number: 001-31719

DE	134204626
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

One Golden Shore Drive
Long Beach, CA 90802-4202
(Address of principal executive offices, including zip code)

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

(Former name or former address, if changed since last report)

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))

Information to be included in the report

Item 7.01. Regulation FD Disclosure

On January 18, 2007, Molina Healthcare, Inc. issued a press release announcing its guidance for fiscal year 2007. The full text of the Company's press release is attached as Exhibit 99.1 to this report. The information contained in the websites cited in the press release is not part of this report.

In addition, on January 18, 2007, in connection with the Company's presentation given at its Investor Day Conference held at Le Parker Meridien Hotel in New York City, the Company's displayed and webcast certain slides. A copy of the Company's complete slide presentation is included as Exhibit 99.2 to this report. An audio replay of the live broadcast of the Company's Investor Day presentation will be available for 30 days at the Company's website, www.molinahealthcare.com.

The information in this Form 8-K and Exhibits 99.1 and 99.2 attached hereto shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange 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 Exchange Act of 1934, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press release of Molina Healthcare, Inc. issued January 18, 2007 reporting guidance for fiscal year 2007.

99.2 Slide presentation given at Company's Investor Day Conference on January 18, 2007.

Signature(s)

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: January 18, 2007

By: /s/ Mark L. Andrews
Mark L. Andrews
Chief Legal Officer, Corporate Secretary

Exhibit 99.1

News Release

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

MOLINA HEALTHCARE ANNOUNCES 2007 GUIDANCE

LONG BEACH, California (January 18, 2007) — Molina Healthcare, Inc. (NYSE: MOH) today announced its guidance for 2007. For its 2007 fiscal year, the Company expects:

Earnings per diluted share of approximately	\$1.75 - \$1.90
Net income of approximately	\$50.5 - \$54.9 million
Premium revenue of approximately	\$2.6 billion
Medical care costs as a percentage of premium revenue of approximately	86.2%
Core G&A (administrative expenses excluding premium taxes) as a percentage of total revenue of approximately	7.0%
Administrative expenses (including premium taxes) as a percentage of total revenue of approximately	10.3%

The Company's claims reserving methodology remains consistently applied. Accordingly, the Company's guidance does not anticipate any net impact from out-of-period claims development for the 2007 fiscal year.

Guidance for 2007 assumes an effective tax rate of 38.4%, and weighted average diluted shares outstanding of 28.9 million.

The Company will report its results for the fourth quarter and year ended December 31, 2006, after the market closes on Tuesday, February 13, 2007. The Company's management will host a conference call and webcast to discuss its results at 5:00 p.m. Eastern time on the same day. The number to call for this interactive conference call is 212-748-2799, and the webcast can be accessed on the Company's website at www.molinahealthcare.com, or at www.earnings.com. A 30-day online replay will be available approximately one hour following the conclusion of the webcast.

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 government-sponsored programs for low-income families and individuals. Molina Healthcare, Inc. currently operates health plans in California, Michigan, New Mexico, Ohio, Texas, 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 numerous "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 achievement of a decrease in the medical care ratio of our start-up health plans in Ohio and Texas; the achievement of projected savings from a decrease in the medical care ratio of our California health plan; an increase in enrollment in our Ohio and Texas health plans and in our dually eligible population consistent with our expectations; the Company's ability to reduce administrative costs in the event enrollment or revenue is lower than expected; higher than expected costs associated with the addition of new members in Ohio or Texas or dually eligible members and risks related to the Company's lack of experience with such members; the Company's ability to accurately estimate incurred but not reported medical costs; the securing of premium rate increases consistent with our expectations; costs associated with the non-renewal of the Medicaid contract of the Company's Indiana health plan; the successful renewal and continuation of the government contracts of the Company's health plans; the availability of adequate financing to fund and/or capitalize the Company's acquisitions and start-up activities; membership eligibility processes and methodologies; unexpected changes in member utilization patterns, healthcare practices, or healthcare technologies; high dollar claims related to catastrophic illness; changes in federal or state laws or regulations or in their interpretation; failure to maintain effective and efficient information systems and claims processing technology; potential reductions in funding for Medicaid and other government-sponsored healthcare programs; 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 January 18, 2007. 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.*

-END-

Exhibit 99.2

Molina Healthcare, Inc.

2007 Investor Day

January 18, 2007
New York, NY

Cautionary Statement

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: This presentation contains "forward-looking statements". All of the Company's forward-looking statements are subject to numerous known and unknown risks, uncertainties, and other factors that could cause our actual results to differ materially. Anyone viewing or listening to this presentation is expected to have read Molina's Form 10-K for the year ended December 31, 2005, and its Forms 10-Q for the quarters ended March 31, 2006, June 30, 2006, and September 30, 2006. All forward-looking statements should be considered in connection with the risk factors and cautionary statements contained in our reports and filings with the Securities and Exchange Commission. Unless otherwise indicated, all forward-looking statements represent our judgment as of January 18, 2007, and we disclaim any obligation to update such statements.

Important Note: Unless otherwise indicated, statements regarding the Company's results as of December 31, 2006 are annualized based on the Company's results as of September 30, 2006, and do not represent actual fourth-quarter or 2006 year-end results.

MOLINA HEALTHCARE

Molina Healthcare, Inc.
2007 Investor Day
January 18, 2007

New York, NY

J. Mario Molina, MD
President & Chief Executive Officer
Molina Healthcare, Inc.

Competitive Advantage

Operational Efficiency

Membership Growth

Medical Management

About Us

Our goal is to be the industry leader with a reputation for excellence and sustainable financial performance.

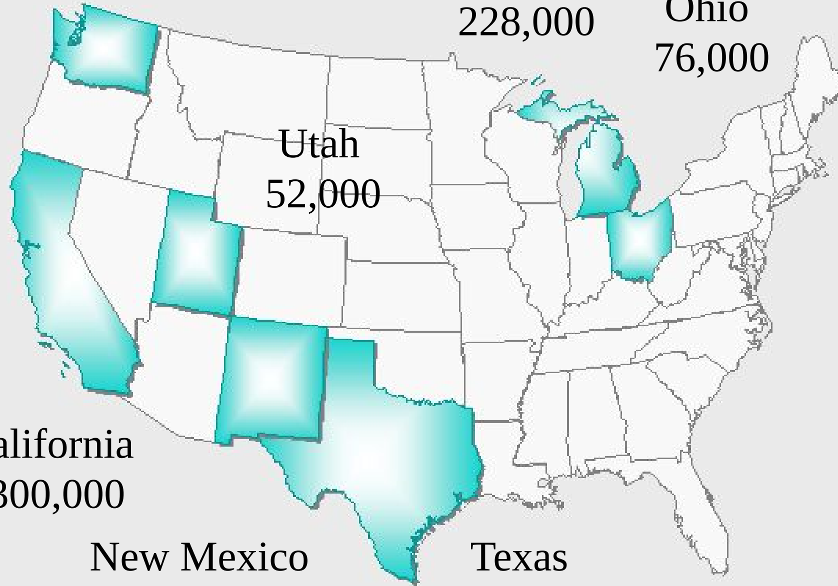
- Revenues $2.0 Billion*
- Over one million members
- 1,950 employees
- NCQA Accredited
- ≈1 Billion in Market Cap
- ≈28 million shares outstanding
- Founded over 25 years ago

*Annualized figure based on September 30, 2006 results.

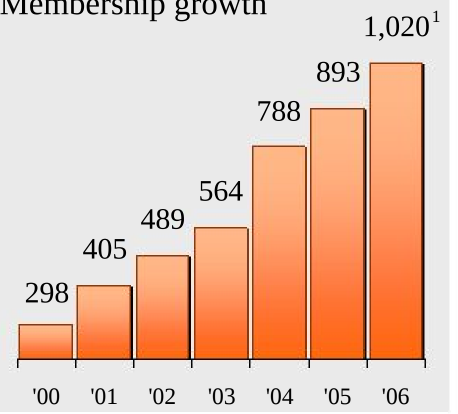
MOLINA HEALTHCARE

Business Snapshot

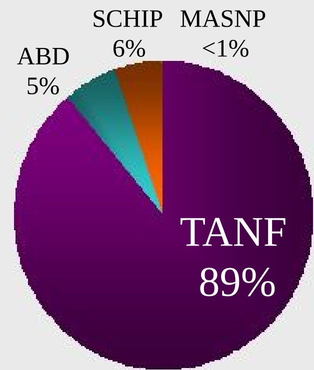
Markets and members served[1]



Membership growth



Our members



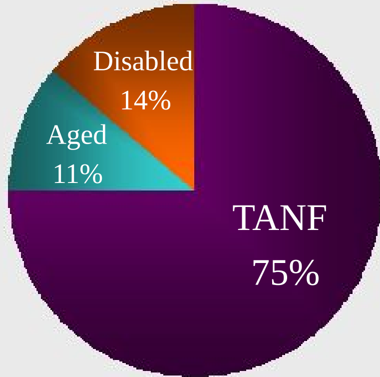
1. Estimated membership December 31, 2006. Excludes discontinued operation in Indiana.

MOLINA HEALTHCARE

Sizeable Market with Continued Opportunities for Growth

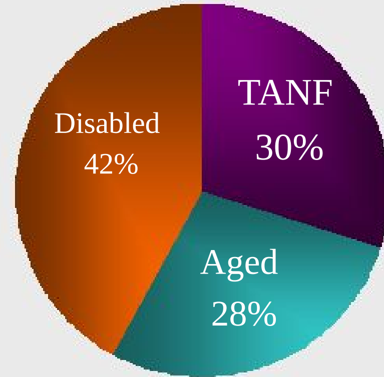
Medicaid Eligibles:

≈45.6 M [1]



Medicaid Expenditures:

≈$300B [1]

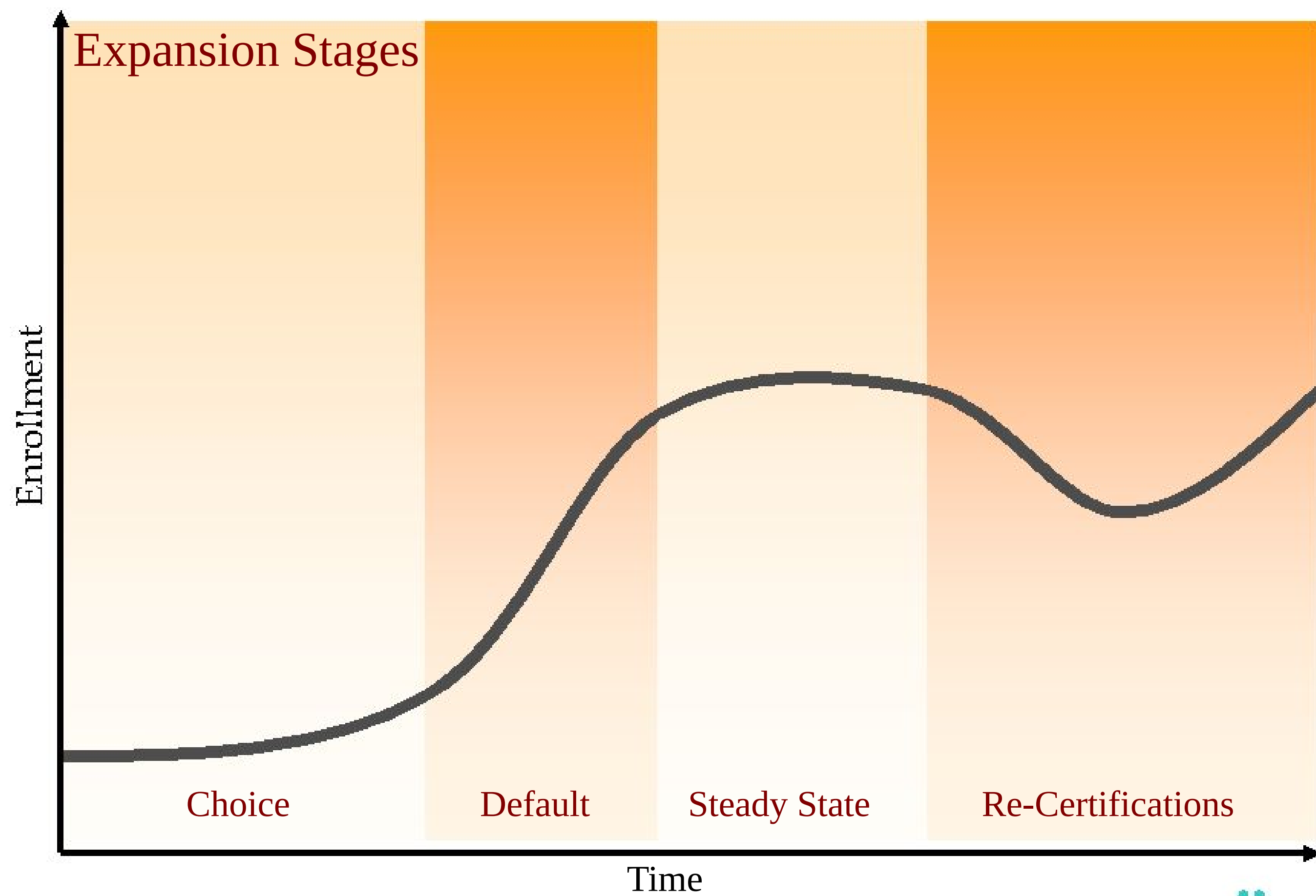


- Managed care is an alternative to state's rising Medicaid costs
- Migration of new populations to managed care
- Growing diversity and complexity of social and healthcare needs

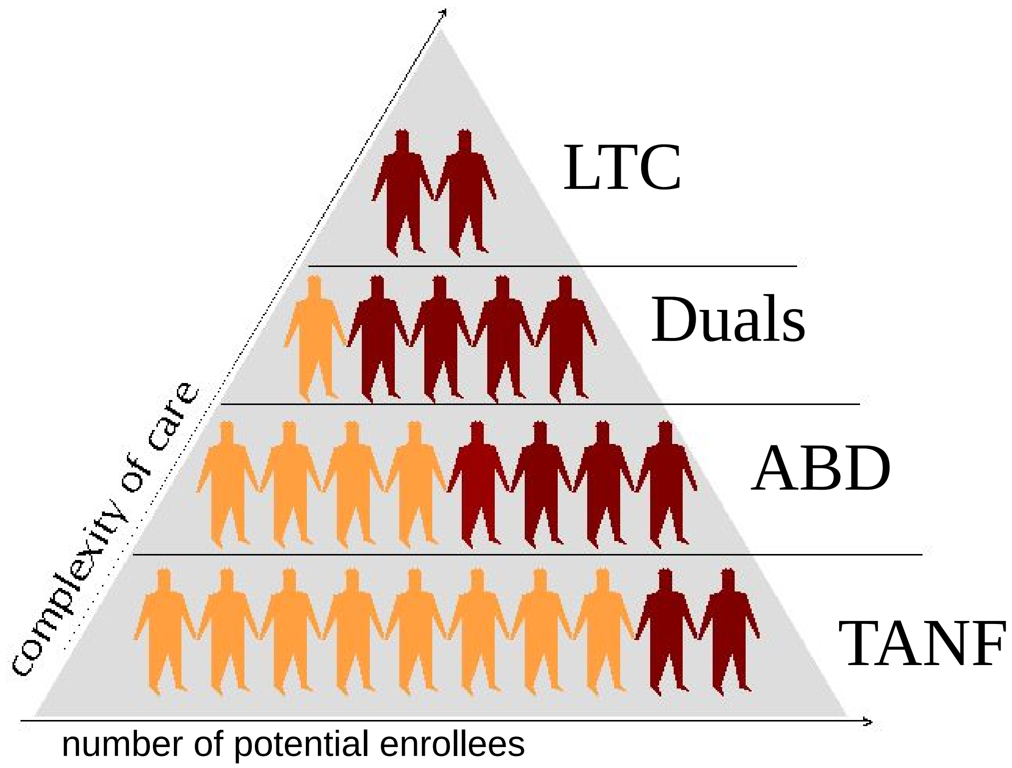
1. Urban Institute estimates based on data from MSIS, Kaiser Commission on Medicaid and the Uninsured 2005, CMS, & Company Estimates

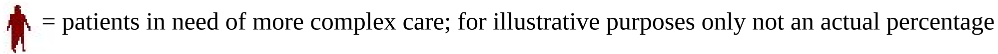
MOLINA HEALTHCARE

Membership Growth: Managed Care Expansions



Membership Growth: Segmentation




= patients in need of more complex care; for illustrative purposes only not an actual percentage

MOLINA HEALTHCARE

Sizeable market with continued opportunities for growth

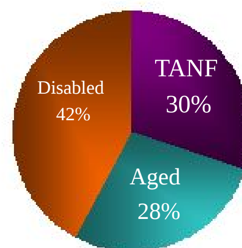
Competencies

- 25+ years of Medicaid experience & provider roots
- NCQA accredited in 5 states
- Management team
- Administrative efficiency
- Cultural & linguistic services

Other Opportunities

- Staff model offices
- Medicare
- Long term care
- Molina Healthcare Insurance

Medicaid Expenditures:
≈ $300B



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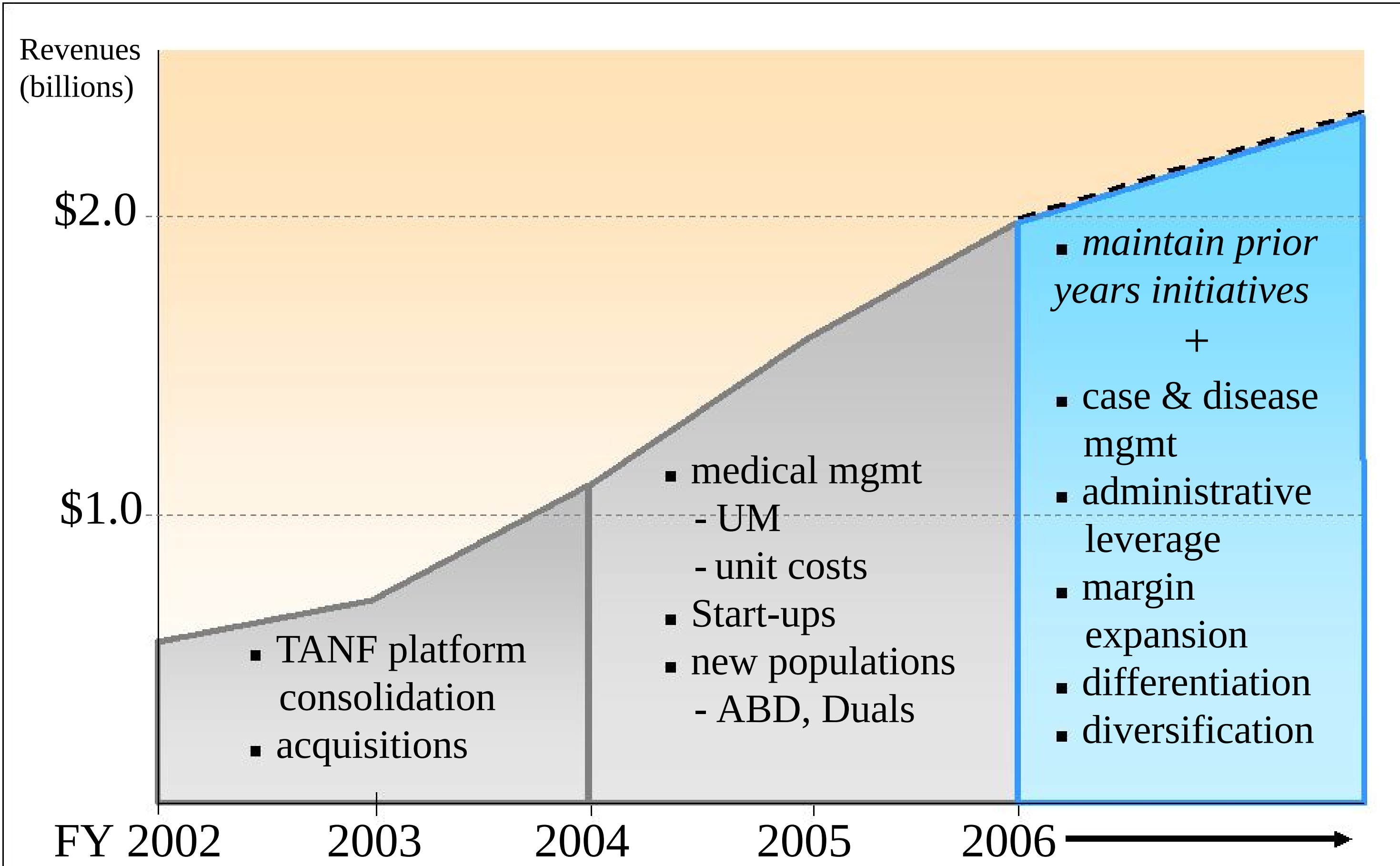
Growth & Focus



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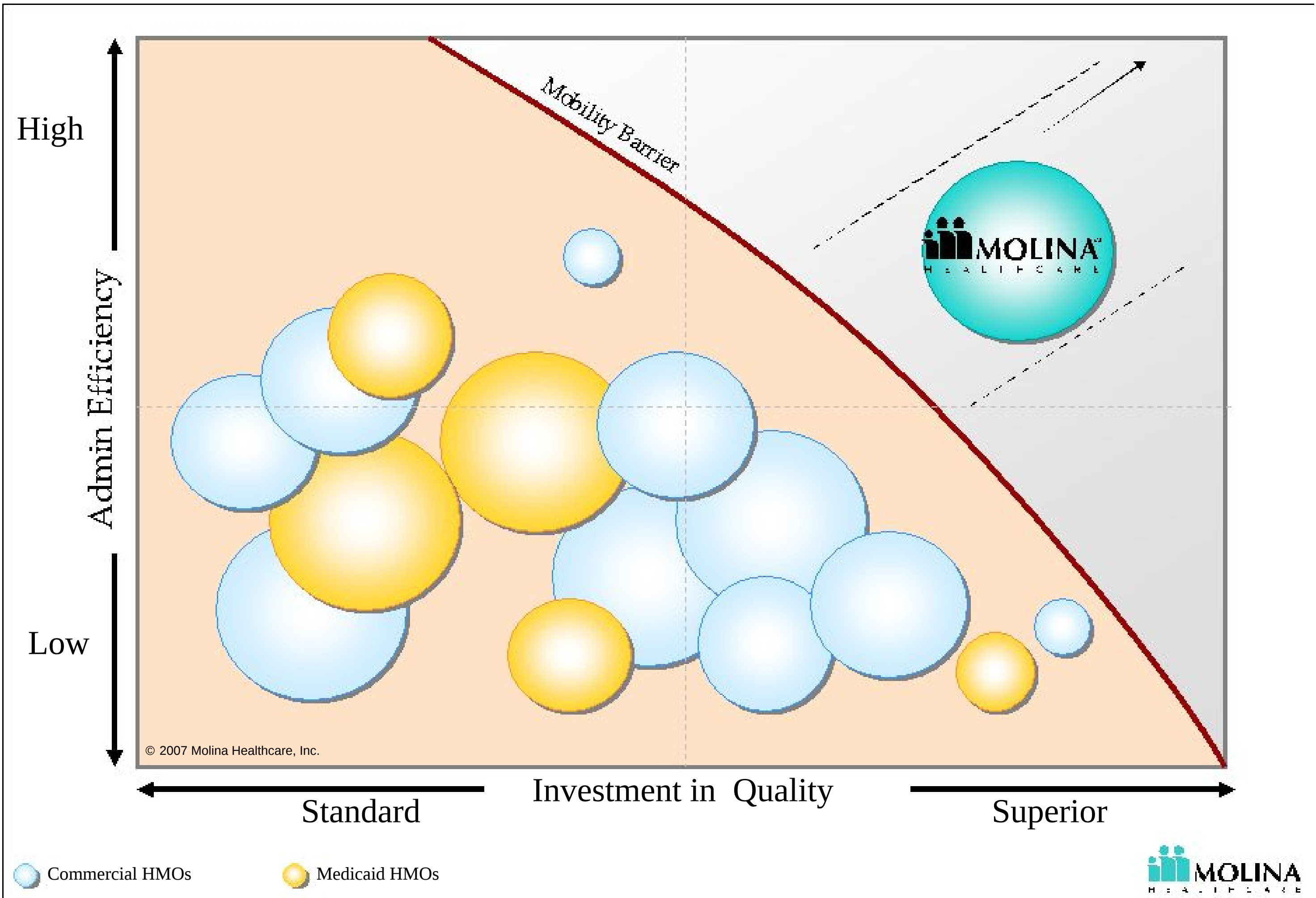
Strategic Positioning



Commercial HMOs Medicaid HMOs

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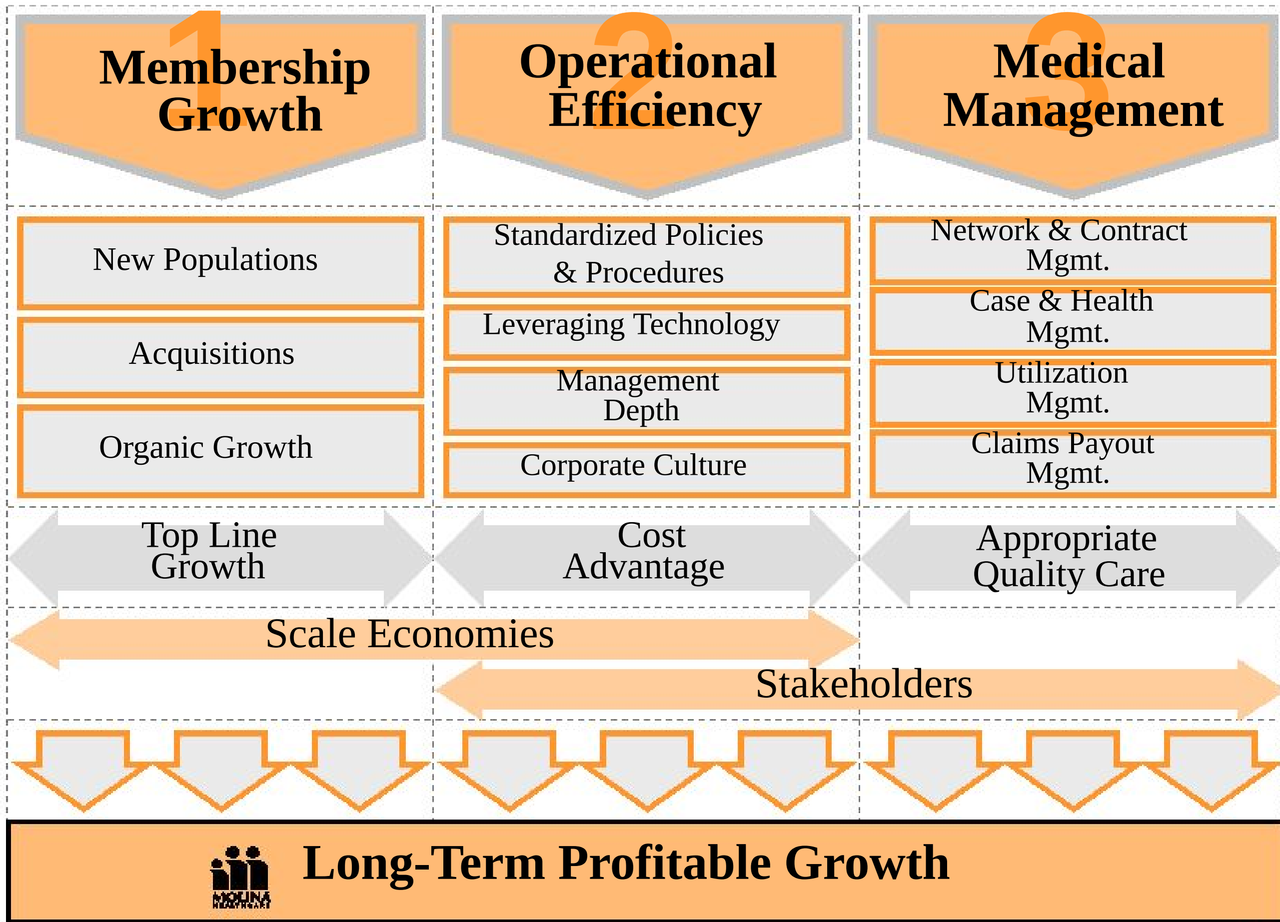
Business Strategy



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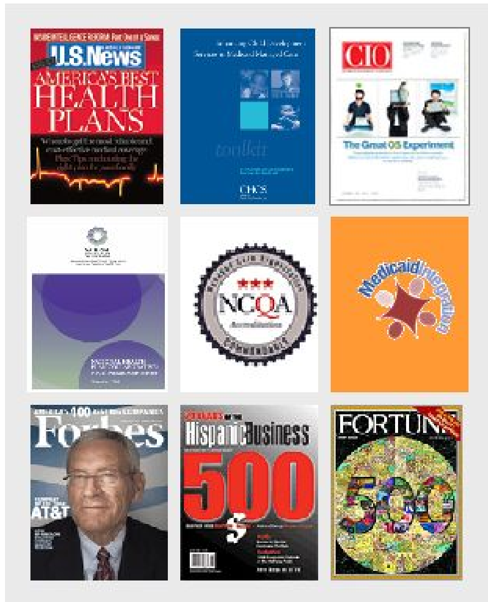
MOLINA HEALTHCARE

Recognized for Quality, Innovation, and Success



- All of Molina’s eligible health plans named among the **nation’s Top 50 Medicaid health plans** by US News & World Report
- Recognized for **innovation in multi-cultural healthcare** by The Robert Wood Johnson Foundation, NCQA and CHCS
- A Fortune 1000 Company
- Ranked among Forbes 400 **Best Big Company’s** in America

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Molina Healthcare, Inc.
2007 Investor Day
January 18, 2007

New York, NY

Health Plan Executive Panel

Terry P. Bayer
Chief Operating Officer
Molina Healthcare, Inc.

Health Plan Executive Panel

Stephen T. O'Dell
President
Molina Healthcare of California

Ann O. Wehr
President
Molina Healthcare of New Mexico

Jesse L. Thomas
President
Molina Healthcare of Ohio

Molina Healthcare, Inc.
2007 Investor Day
January 18, 2007

New York, NY

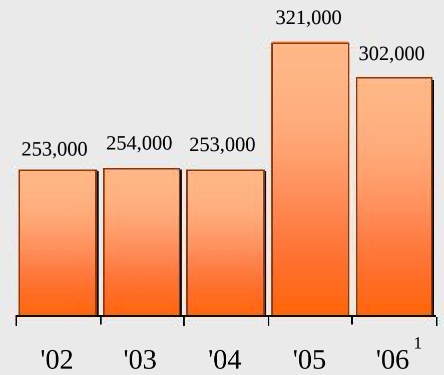
California Update

Stephen T. O'Dell
President
Molina Healthcare of California

About Molina Healthcare of California

- First company health plan
- Serves 6 counties
- Multiple government contracts
- Acquired Medicaid business from Sharp and Universal Care in San Diego County in 2005

Membership history



Staff model presence

1. Estimated membership December 31, 2006

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California Topics

- Short Term Profitability Priorities
- 2007 Initiatives
- Prospects for Coverage Expansion in California

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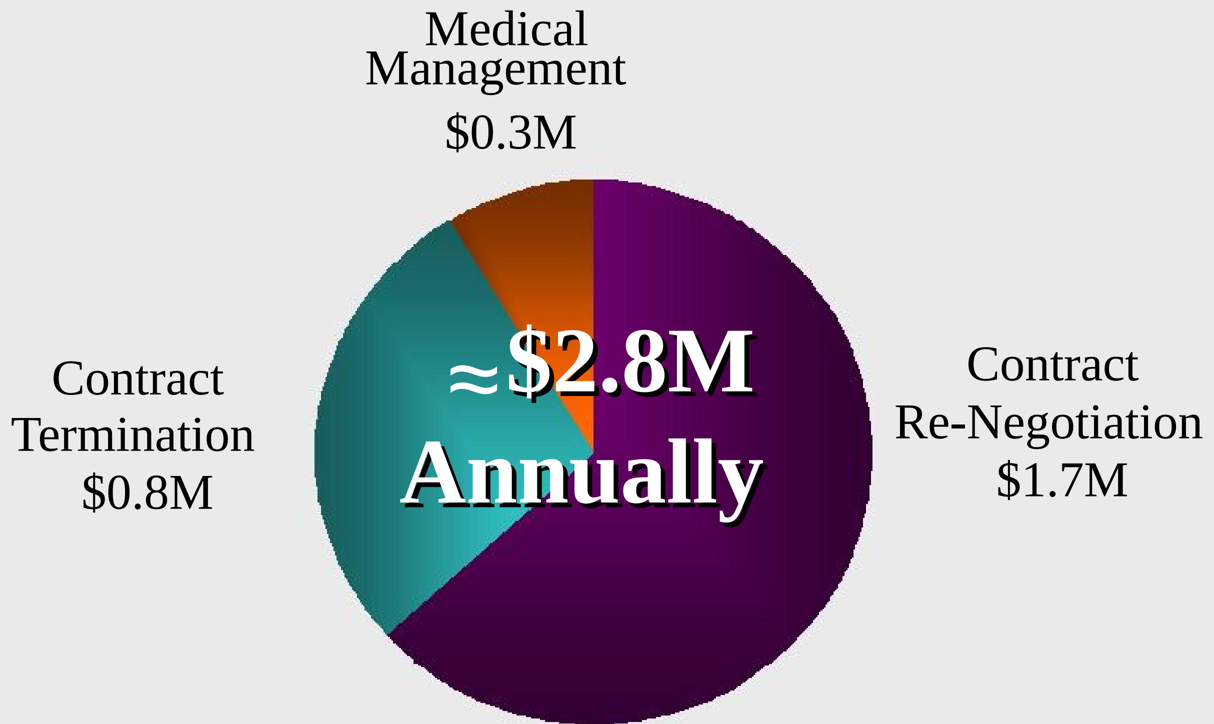
California Priorities

- Decrease Medical Care Costs with focus on San Diego
- Increase Revenue by negotiating rate increases
- Membership Stabilization

Case Study: Reducing Costs in San Diego



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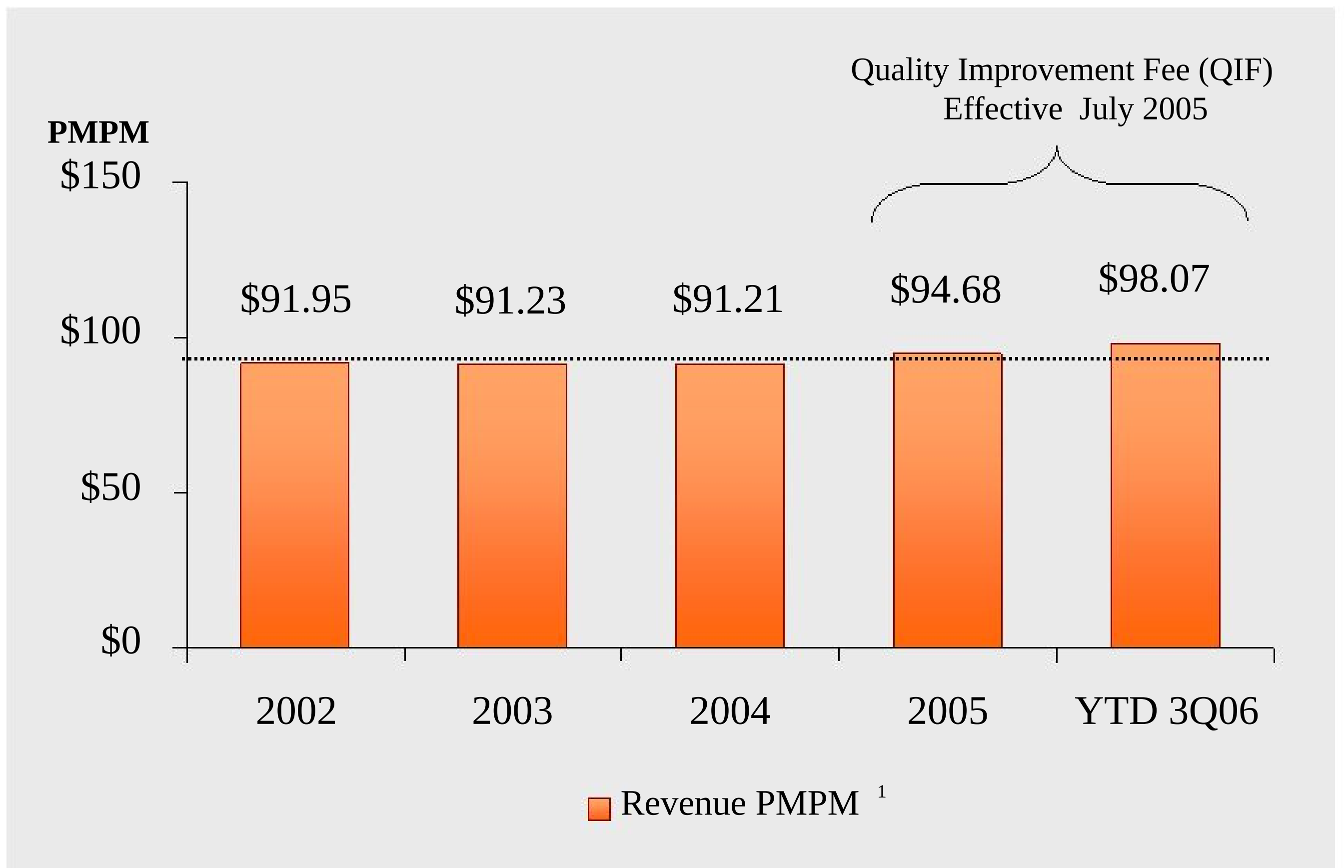
Medi-Cal Revenue PMPM



1. Excludes San Diego operations acquired June 2005; From Molina Healthcare of California

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2007 Initiatives

- Profitable growth in membership
  - SCHIP
  - Staff Model Offices
  - Medicare
- Provider network strategic partnerships
- Achieve operational competence leading to excellence
- Establish position as best plan in the counties we serve

Prospects for Coverage Expansion

Governor Schwarzenegger's coverage expansion proposal

- Increasing Medi-Cal rates significantly
- Requiring individual coverage
- Guaranteeing coverage
- Encouraging personal responsibility for health and wellness
- Providing low-income individuals affordable coverage
- Improving insurer and hospital efficiency
- Enhancing tax breaks for purchasing coverage
- Contributing to the cost of coverage

Molina Healthcare, Inc.
2007 Investor Day
January 18, 2007

New York, NY

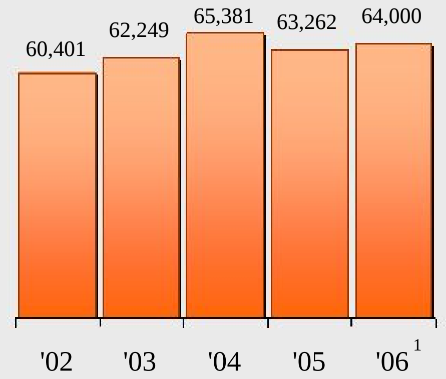
New Mexico: Acquisition & Integration

Ann O. Wehr, MD
President
Molina Healthcare of New Mexico

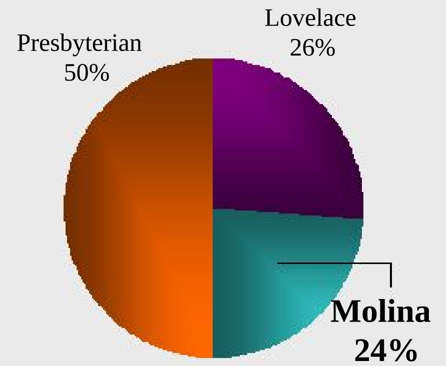
About Molina Healthcare of New Mexico

- Health plan acquired by Molina in 2004
- 3:1 Federal to State match
- Statewide service area including ABD
- 11% of membership are ABD members

Membership history



Market Share



1. Estimated membership as of December 31, 2006

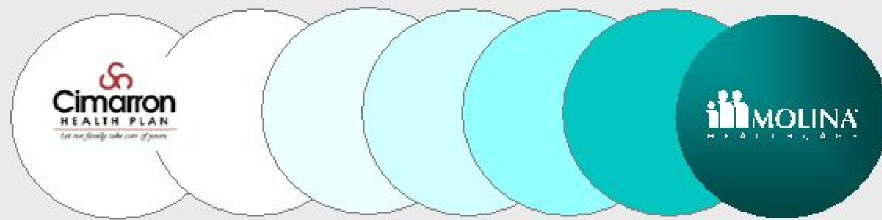
Refocusing on Medicaid

- Change of contract structure

  Commercial → Medicaid

- Network Alignment

- Administrative Resource Realignment



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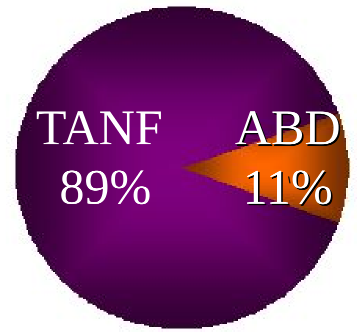
Serving Elderly & Disabled Medicaid Members

- Caring for the ABD population since inception of Medicaid Managed Care (Salud!) in NM in July 1, 1997

Molina Healthcare of New Mexico Membership Profile



- LTC, Native American, and Duals are only populations excluded from NM managed care.

- All Diagnosis included in managed care (except behavioral health carve out effective July 1, 2005)

- Care of these members is integrated into that of entire membership

Appropriate Management of Medicaid ABD Population

TANF →EPISODIC CARE

TANF Common Conditions*

- Pregnancy
- Perinatal complications
- Respiratory Illness
- Injury & poisoning

ABD →CHRONIC CARE

ABD Common Conditions *

- Circulatory System Diseases
- Respiratory System Diseases
- Digestive System Diseases
- Neoplasm
- Injury & poisoning

1. Identification of High Risk Members
2. Managing their conditions

* Based on New Mexico FFS Claims for 12 months ended 9/2006

How you do identify High Risk Members?

Identify members through a variety of methodologies:

- Prior authorization request, concurrent review, specific drug utilization, etc
- Claims reports
- Risk Stratification Software
- Referrals from employees, providers, and vendors
- Enrollment surveys
- Welcome calls

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Management of TANF vs. ABD

Medical Management Levers	TANF	ABD
Utilization Management	Episodic, Acute, Pregnancy-related conditions	▪ Aggressive Concurrent Review ▪ Level of Care Management ▪ Behavioral Health Conditions
Disease Management	▪ Pregnancy, Motherhood Matters ▪ Asthma, Breathe with Ease	▪ Cardiac ▪ Diabetes
Provider Contracting	▪ PCP contracting, Pediatric contracting ▪ Episodic, Acute Hospital Admission ▪ Pregnancy related conditions and providers (OB-GYNs)	▪ Specialty Contracting ▪ Behavioral Health Contracting ▪ LTC Co-ordinations ▪ Hospital Contracting ▪ Home Health ▪ I.V. Therapy ▪ Durable Medical Equipment (DME)
Care Coordination	Episodic, Acute, Pregnancy-related condition	▪ Chronic Complex Conditions ▪ Behavioral Health Coordination ▪ Pharmacy ▪ Emergency Room

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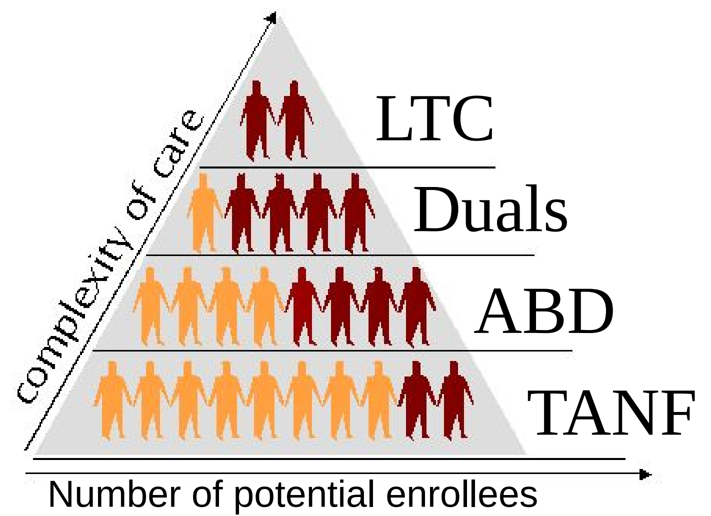
Summary

- Caring for the ABD population requires a broader range of staff skills than the traditional Medicaid population
- Programmatic differences will have an impact: Benefits vary by state
- Successful coordination of care results in positive financial impact for the company and more efficient use of healthcare resources



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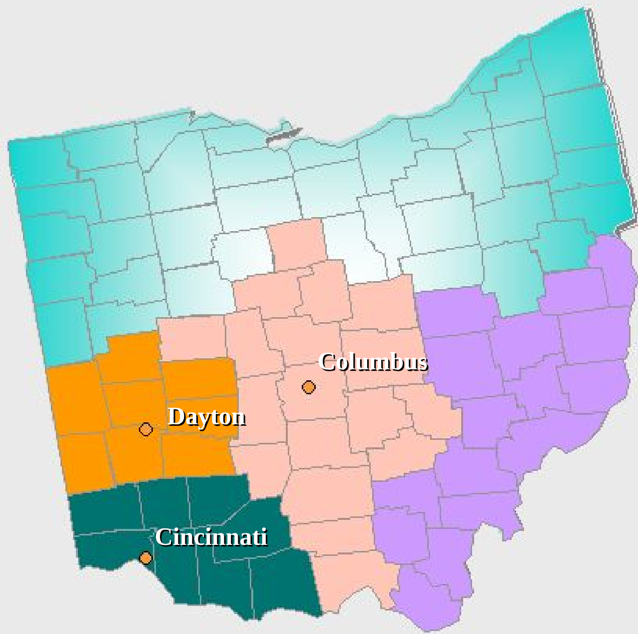
Molina Healthcare, Inc.
2007 Investor Day
January 18, 2007

New York, NY

Story of a Start-up

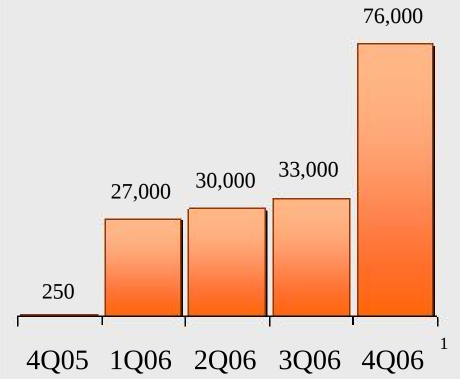
Jesse L. Thomas
President
Molina Healthcare of Ohio

About Molina Healthcare of Ohio

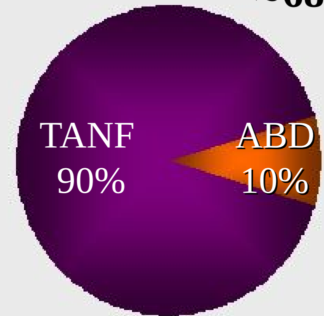


- Began discussions with the State in 2004
- Selected to serve 4 regions for TANF & ABD population
- Began operations in December 2005

Membership history



Eligibles in four (awarded) regions: **≈682K**



1. Estimated membership as of December 31, 2006

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Expansion Timeline

2007

January
Provider Agreement effective for Southwest ABD region

2006

February
Submitted application for Regional CFC RFA

August
Provider Agreement effective for West Central and Southwest CFC regions

Submitted response to Regional Aged, Blind, and Disabled (ABD) RFA

September
Provider Agreement effective for Southeast region

October
Received Approval for ABD regional expansion

December
Provider Agreement effective for Central CFC region

2005

March
Entered ODJFS Readiness Review Phase

June
Opened permanent office

November
Provider Agreement effective for Montgomery and Clark counties

December
Provider Agreement effective for Franklin County

2004

Initial county-specific Covered Families and Children (CFC) Request for application (RFA) submitted

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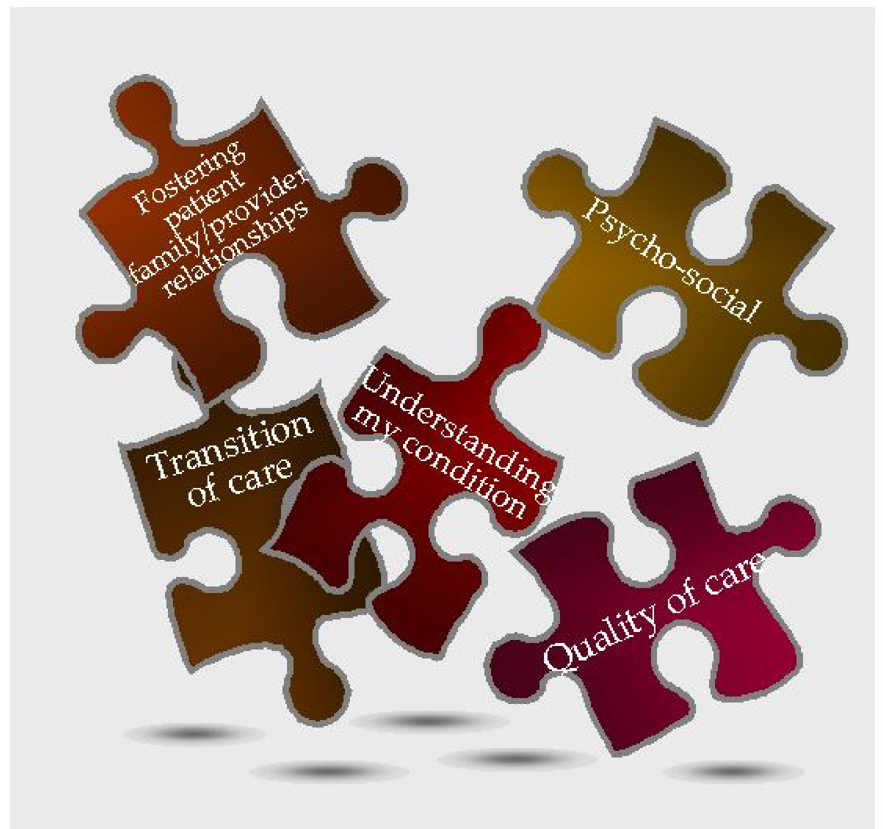
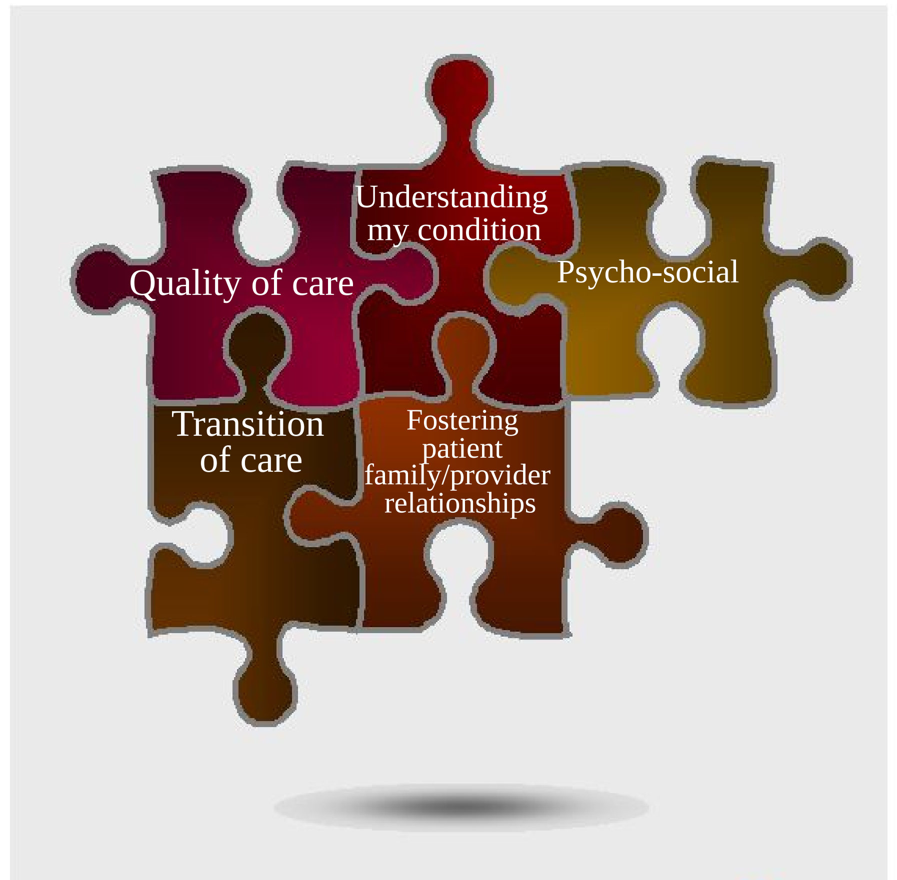
Vulnerable Without Care Management

- Growing case loads
- Uncontrolled spending
- Geographically dispersed population
- Poor access to care
- Pent up demand for services
- Over utilization of Emergency Room (ER)



Improved Health and Quality of Life with Care Management

- Quality of care
- Improved access to care
- Cost savings
- Case management
- Disease management
- Pharmacy management
- Medical home



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Lessons Learned from a Start-Up

- Transition
- Contracting challenges
- Expansion time frame
- Lack of claims experience

Lessons Learned

Lessons Learned	NM Acquisition	Ohio Start-Up
Management	Transition from multiple products to Medicaid only	Transition from development to operations
Product Focus	Exit of commercial business	100% Medicaid focus
Provider Contracting	Membership permitted re-contracting effort	Difficult to enter market; membership now supports re-contracting
Culture	Transition to Molina from former company	Molina

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Break

Next: Guest Speaker

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Molina Healthcare, Inc.
2007 Investor Day
January 18, 2007

New York, NY

Increasing Administrative Efficiency

Terry P. Bayer
Chief Operating Officer
Molina Healthcare, Inc.

"You can *manage* your medical costs, but you can *control* your administrative costs."

- C. David Molina, MD, MPH

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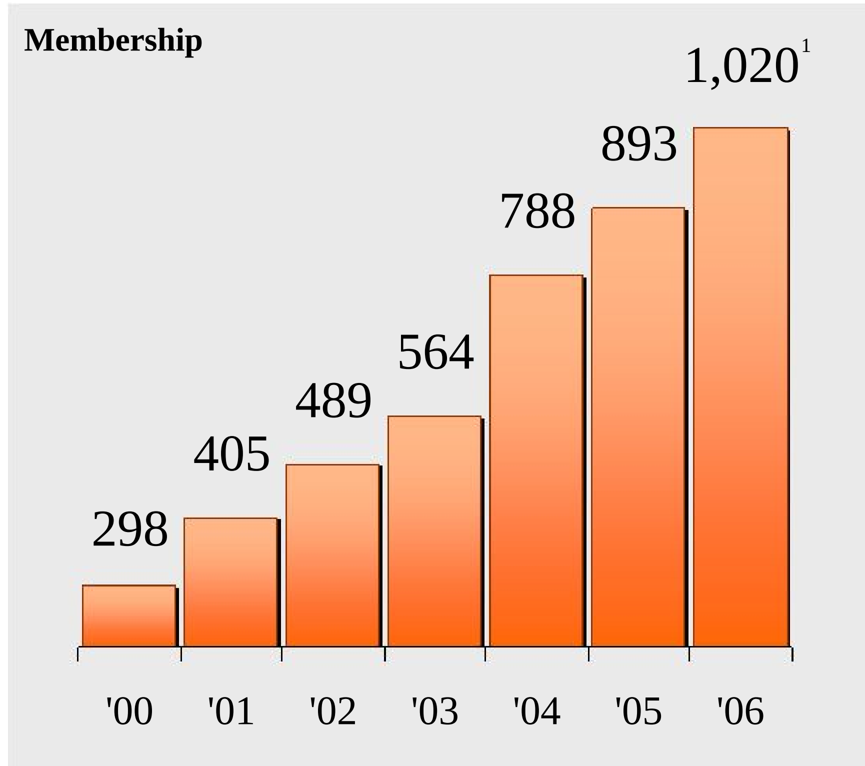
Membership & Infrastructure Growth



1. Estimated membership December 31, 2006. Excludes discontinued Indiana operation.

MOLINA HEALTHCARE

Provider Contracting Efficiency

- **Why?**
  - Unit cost reduction
  - Network expansion
- **How?**
  - Contract templates
  - Language library
  - Contract management tracking software
  - Contract modeling software
  - Negotiation training

Reducing the “Hassle” Factor

- **Why?**
  - Strengthening relationships with providers & members
  - Reducing cost in provider offices and at Molina

- **How?**

  Electronic Access via ePortal

  - Eligibility inquiry
  - Claims submission and status inquiry
  - Authorization submission and status inquiry
  - Member ID cards

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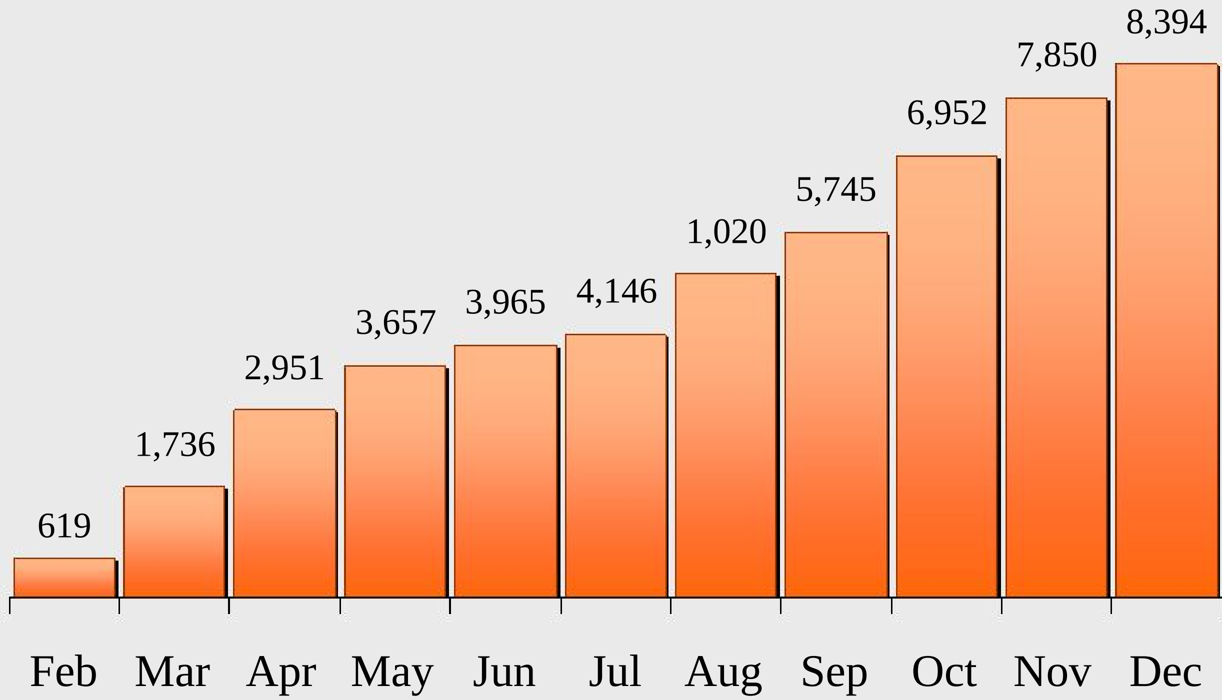
ePortal: Providers



Provider Payment Efficiency

- **Why?**

  Reduce labor cost & increase accuracy

- **How?**

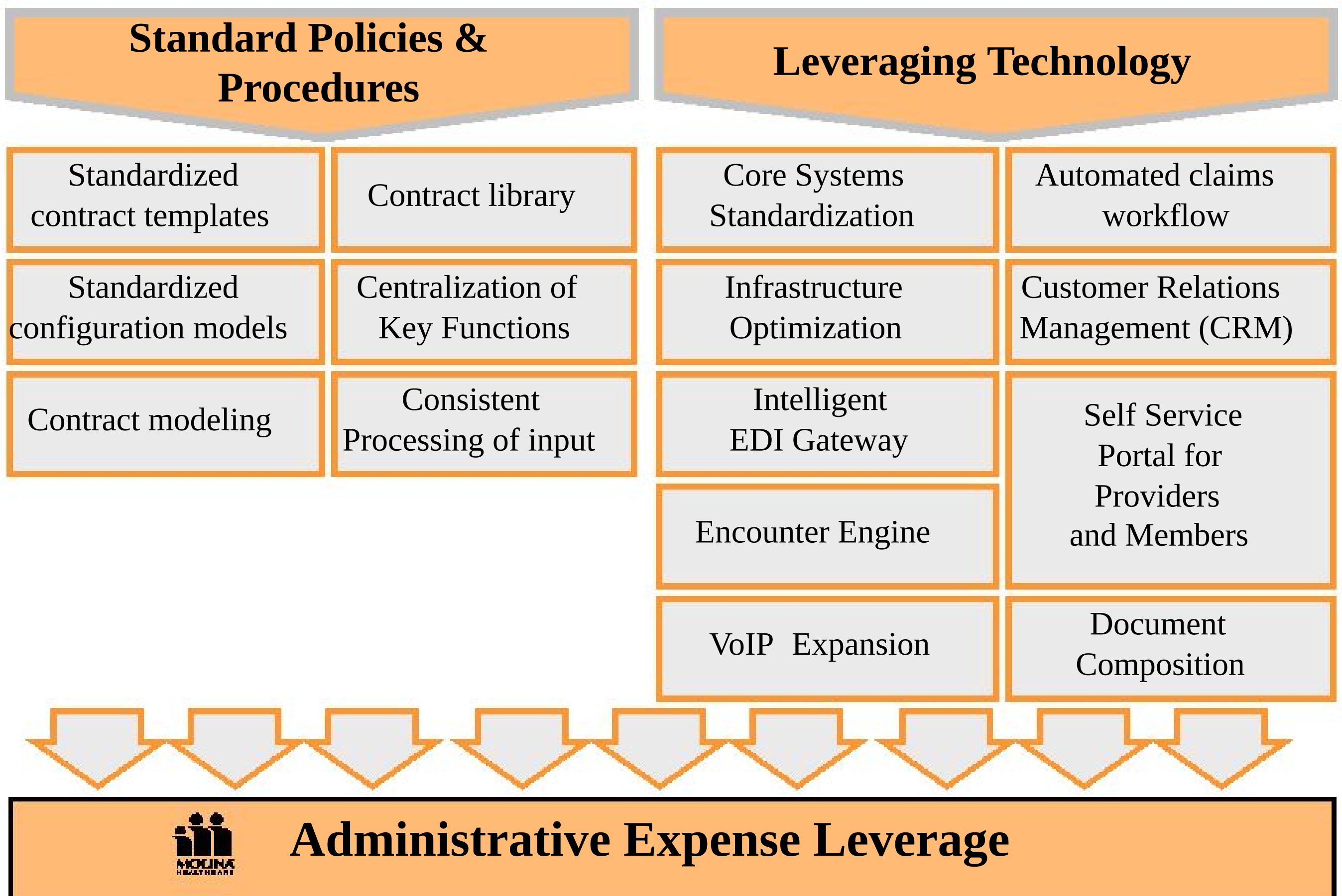
  Reduce paper claims submission

  - Increasing EDI
  - Reducing vendor costs to scan paper

  Auto-Adjudication of Claims

  - Contract standardization
  - System configuration
  - Pre-adjudication logic
  - Provider match
  - Member match

Operational Efficiency



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Molina Healthcare, Inc.
2007 Investor Day
January 18, 2007

New York, NY

Enabling Administrative Efficiency

Amir Desai
Vice President, Core Systems
Molina Healthcare, Inc.

IT Focus

Adopting Next Generation Technology

- Services oriented technology
- Virtualization

Extending our Application Footprint

- Enterprise Capabilities
  - Workflow
  - Document composition
  - Customer Relationship Management
  - Encounters engine
  - Self-Service portal
  - Intelligent EDI

Enhancing Organizational Efficiency

- Architectural governance
- Portfolio management
- ITIL®

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Next Generation of Technology

- Services Oriented Architecture (SOA)
  - Creating abstracted logic that can be leveraged multiple times across the organization to speed development and reduce costs.
  - Ensuring scalability to keep up with growth.

- Virtualization
  - Deploying virtualization technology to decrease hardware costs.

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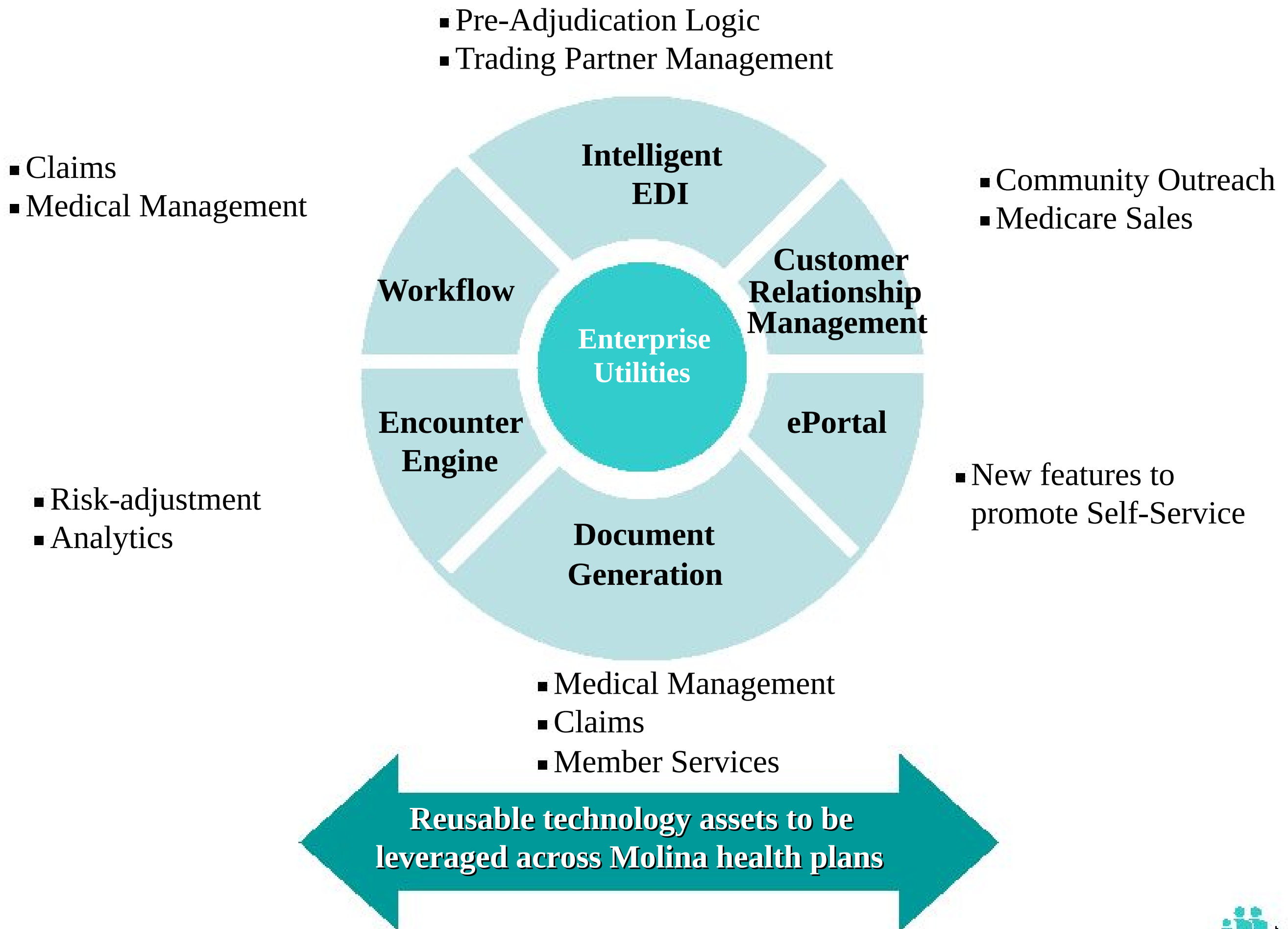
Extending Our Application Footprint



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Enhancing IT Organization Efficiency

- Architectural Governance
- Portfolio Management
- Adoption of IT Infrastructure Library (ITIL®)

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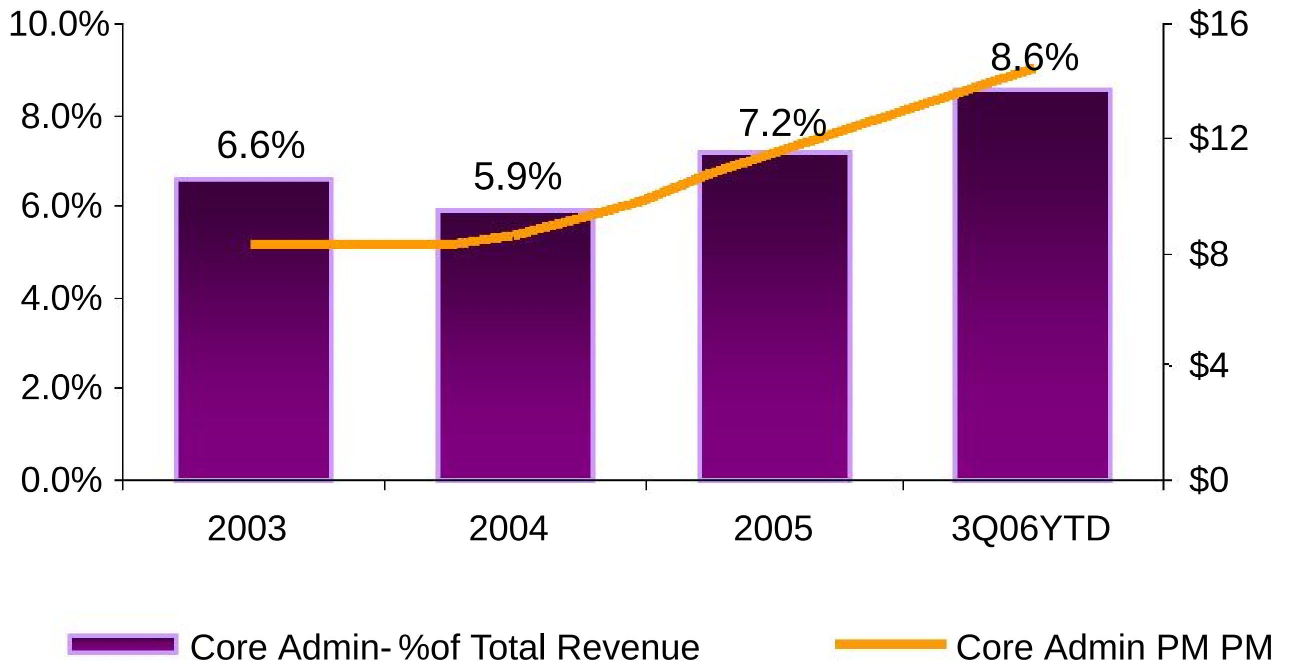
New York, NY

Leveraging Administrative Efficiency

Joseph W. White
Chief Accounting Officer
Molina Healthcare, Inc.

Continued Investment in our Infrastructure

Growth related investments as well as strengthening our existing operational efficiency



1. Core Admin as a percentage of revenue is admin expenses excluding premium taxes as a percentage of total revenue

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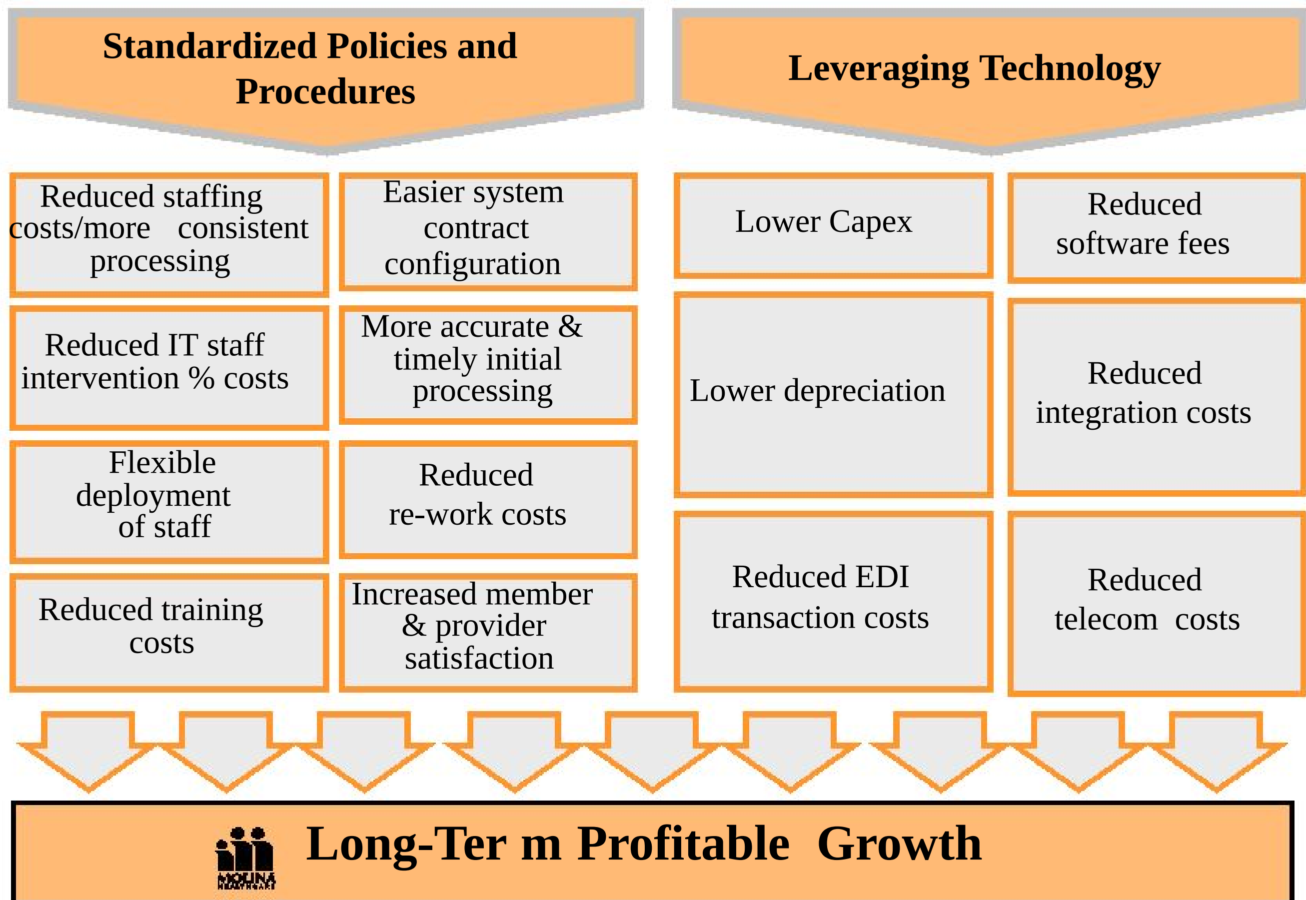
Administrative Expense Leverage



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Executive Panel 2: Q&A

Break: Lunch

Next: Financial Review

Molina Healthcare, Inc.

2007 Investor Day

January 18, 2007

New York, NY

Financial Review

John C. Molina

Chief Financial Officer

Molina Healthcare, Inc.

Molina Healthcare, Inc.
2007 Investor Day
January 18, 2007

New York, NY

Outlook for 2007

John C. Molina
Chief Financial Officer
Molina Healthcare, Inc.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:

This presentation contains numerous "forward-looking statements" regarding the Company's 2007 earnings guidance. Any statements that refer to guidance, projections, expectations, strategies, challenges, and opportunities, 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 subject to numerous known and unknown risks, uncertainties, and other factors that could cause our actual results to differ materially. Such factors include, without limitation, risks related to: the achievement of a decrease in the medical care ratio of our start-up health plans in Ohio and Texas; the achievement of projected savings from a decrease in the medical care ratio of our California health plan; an increase in enrollment in our Ohio and Texas health plans and in our dually eligible population consistent with our expectations; the Company's ability to reduce administrative costs in the event enrollment or revenue is lower than expected; higher than expected costs associated with the addition of new member in Ohio or Texas or dually eligible members and risks related to the Company's lack of experience with such members; the Company's ability to accurately estimate incurred but not reported medical costs; the securing of premium rate increases consistent with our expectations; costs associated with the non-renewal of the Medicaid contract of the Company's Indiana health plan; the successful renewal and continuation of the government contracts of the Company's health plans; the availability of adequate financing to fund and/or capitalize the Company's acquisitions and start-up activities; membership eligibility processes and methodologies; unexpected changes in member utilization patterns, healthcare practices, or healthcare technologies; changes in federal or state laws or regulations or in their interpretation; failure to maintain effective and efficient information systems and claims processing technology; 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 presentation represent the Company's judgment as of January 18, 2007. 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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See cautionary language regarding the Company's guidance and other forward-looking statements.

2007 Earnings Guidance

Revenue	≈ $2.6B
Medical Care Ratio	≈86.2%
G&A Ratio	≈10.3%
Core G&A	≈ 7.0%
Net Income	≈$50.5M - $54.9M
Diluted EPS	≈$1.75 - $1.90
Diluted Shares Outstanding	≈28.9M
Effective Tax Rate	≈38.4%

$470K pre tax equals $0.01 diluted EPS

See cautionary language regarding the Company's guidance and other forward-looking statements.

What will change in 2007?

	2007 Guidance	Drivers
Revenue	$2.6B	•Full Year of CAPE •OH and TX expansions •Dual eligible expansion •Loss of IN contract
Medical Care Ratio	86.2%	•OH and TX expansions •Dual eligible expansion •Pent up demand in OH and TX •CA Improvement
Core SG&A	7.0%	•Higher premium revenue •Core SG&A flat PMPM
Investment Income	$25.0M	•Higher invested balances off setting lower interest rates
Interest Expense	$7.0M	•Borrowing to fund capital infusions into OH, IN, TX and CA

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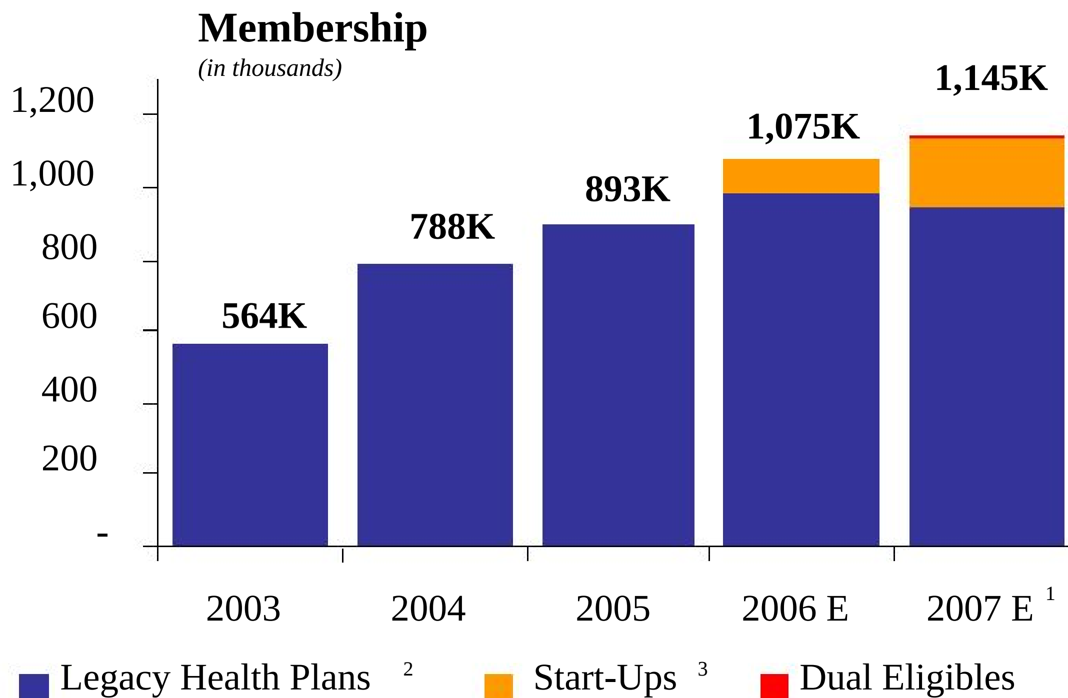
How will we grow in 2007?

Membership growth will come from Ohio, Texas and Dual Eligibles

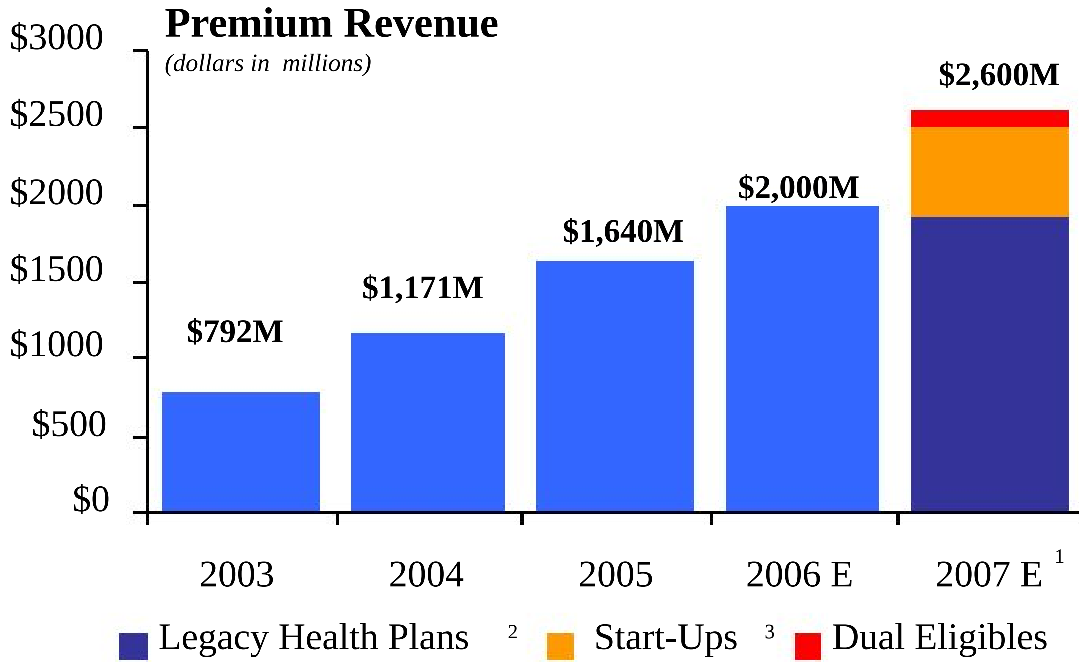


1. “E” represents estimated
2. Legacy health plans include California, Indiana, Michigan, New Mexico, Utah and Washington. Indiana operations terminated 12/31/2006.
3. “Start-Ups” health plans include Ohio and Texas.

See cautionary language regarding the Company's guidance and other forward-looking statements.

How will we grow in 2007?

Premium revenue growth will come from Ohio, Texas and Dual Eligibles



1. "E" represents estimated
2. Legacy health plans include California, Indiana, Michigan, New Mexico, Utah and Washington. Indiana operations terminated 12/31/2006.
3. "Start-Ups" health plans include Ohio and Texas.

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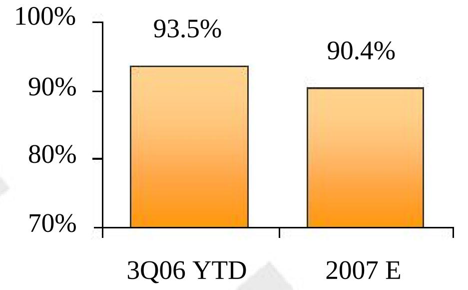
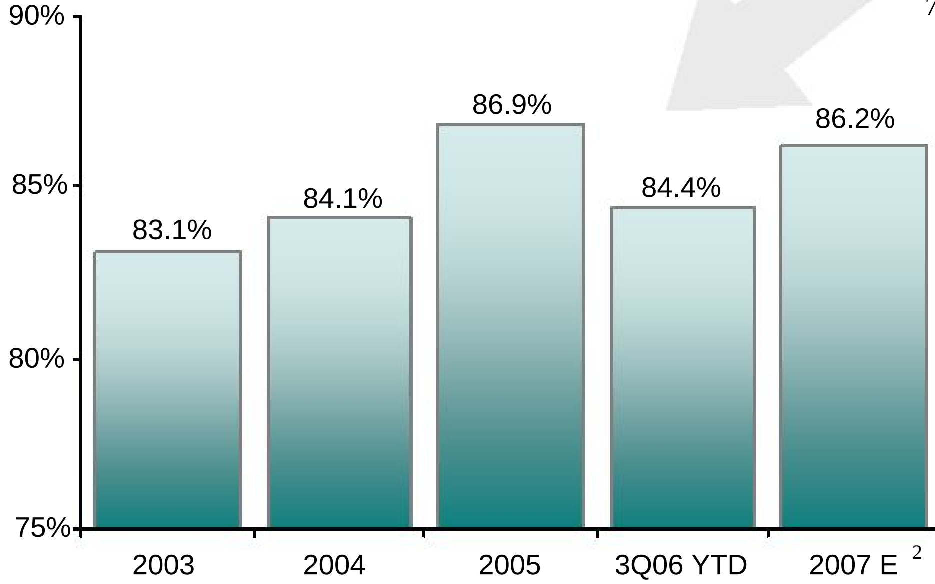
See cautionary language regarding the Company's guidance and other forward-looking statements.

Medical Care Ratio

Our guidance assumes a decrease in our Start-Ups' medical care ratios.

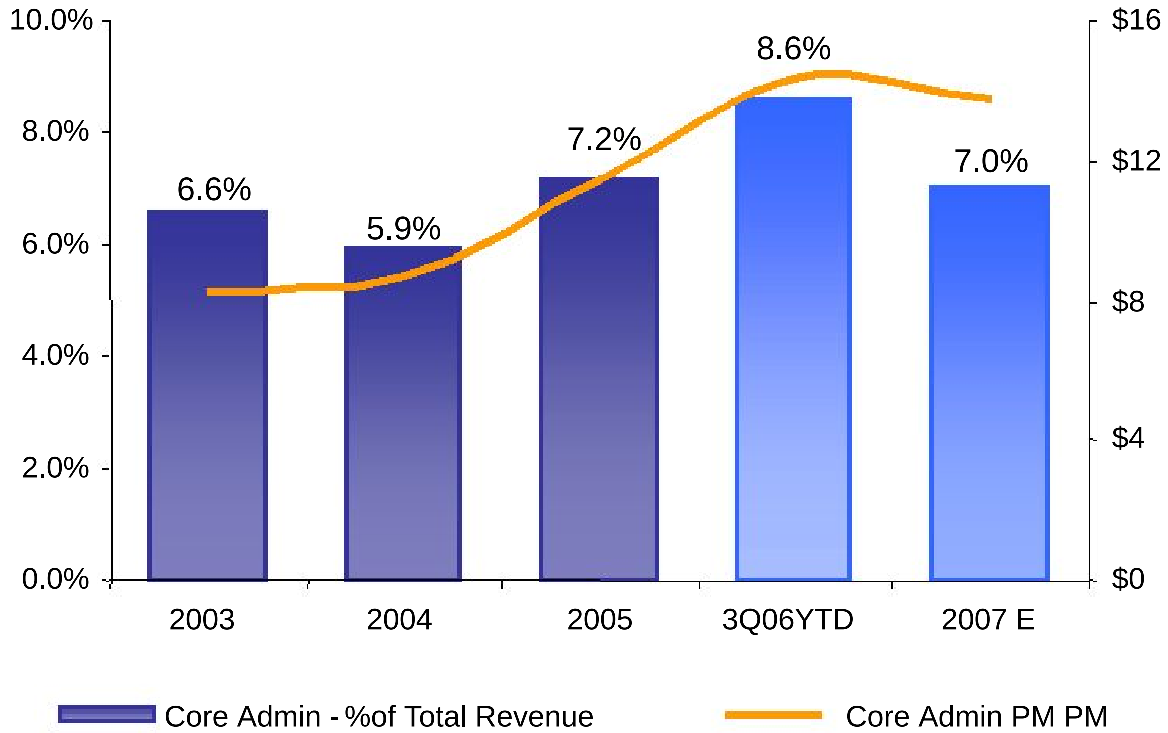




1. "Start-Ups" include operations in Ohio and Texas.
2. "E" represents estimated

Continued Investment in our Infrastructure

Investing in growth and strengthening our existing operational efficiency



Core Admin is administrative expenses excluding premium taxes. "E" represents estimated.

Selected Health Plan Outlook

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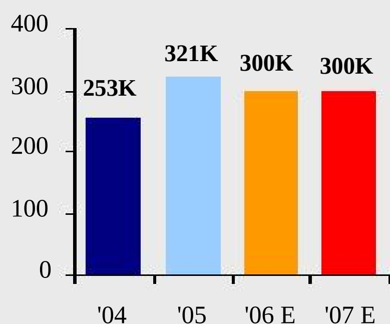
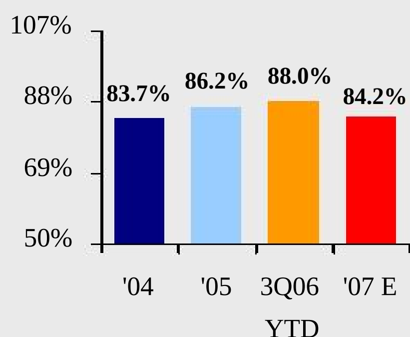
California excluding Dual Eligibles





Opportunities:

- In 2007 a one percent change in the MCR changes medical costs by $3.6M (≈$0.07 -$0.08 EPS).
- Guidance includes only a 1.75% rate increase.
- Utilization is well managed.
- Re-contracting efforts have shown success in the second half of 2006.
- Excess clinic capacity can reduce capitation expense.

Challenges:

- Termination of certain contracts may decrease enrollment.
- Guidance assumes savings of $7.4M (≈$0.16 EPS) as the MCR drops from anticipated 2006 levels to approximately 84.2%.
- Most savings will need to come from contracting.
- Projected decrease in MCR may be difficult to achieve with limited premium increases.

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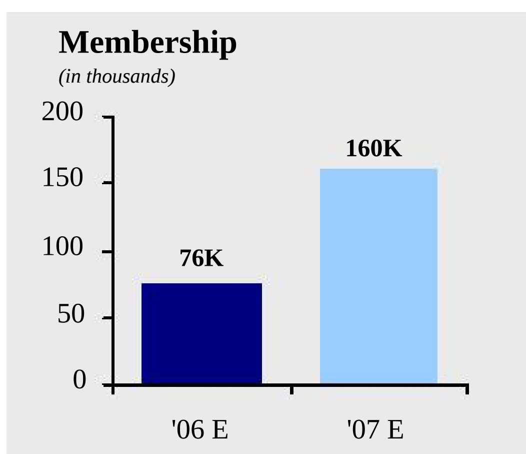
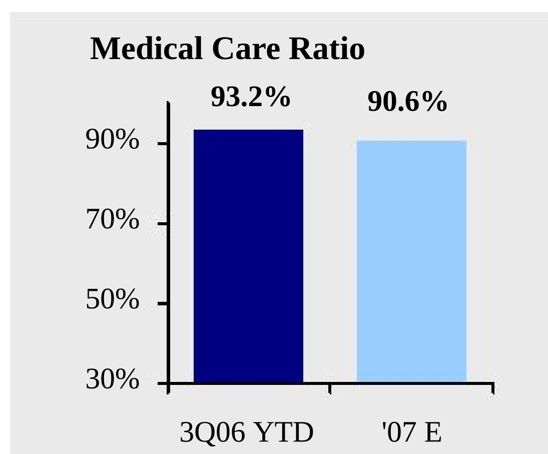
Ohio





Opportunities:

- Large TANF and ABD populations.
- Ohio PMPM revenue is higher than Company average.
- TANF rate increase for 2007 is minimal (1.0%); but ABD members will increase blended PMPM by 35%.
- Management of ABD population may yield savings.
- In 2007 a one percent change in the MCR changes medical costs by $5.2M (≈$0.11 EPS)

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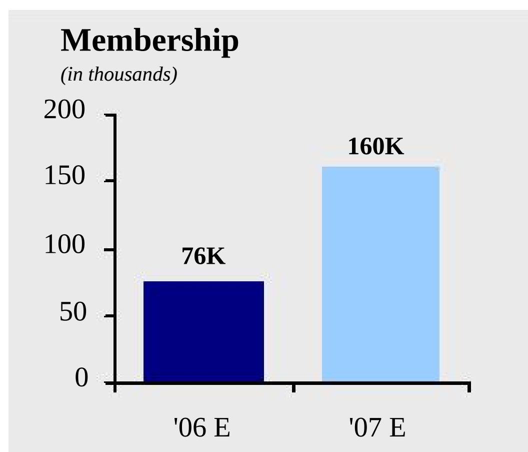
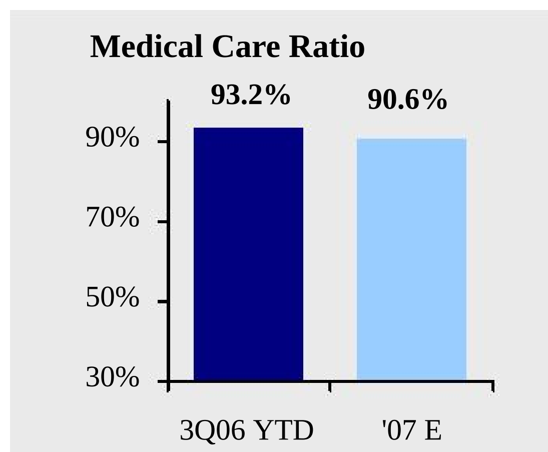
Ohio





Challenges:

- Guidance assumes 31% TANF penetration.
- Each 1% of TANF penetration equates to approximately $16.0M of revenue on an annualized basis.
- Guidance projects improved medical costs due to re-contracting and lower costs in new regions.
- Guidance assumes savings of $3.5M (≈ $0.07-$0.08 EPS) as the MCR drops from anticipated 2006 levels to approximately 90.6%.
- Guidance assumes a decreasing MCR through the year. Delays in re-contracting and membership rollout may delay improvements in the MCR.

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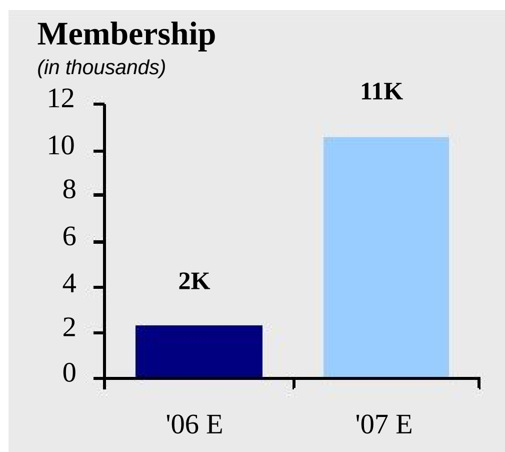
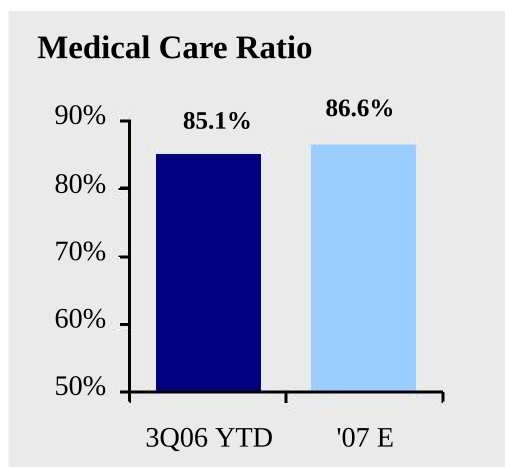
Dual Eligibles





Opportunities:

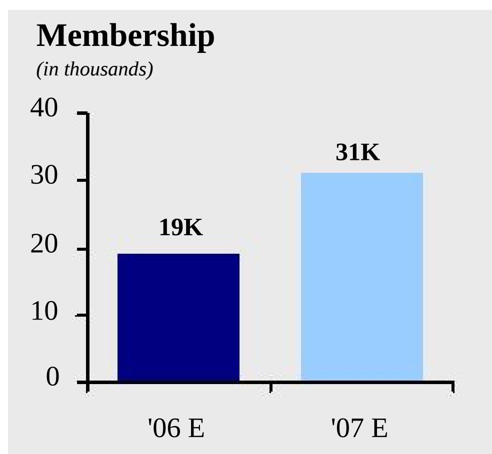
- High per member per month revenue.
- Each 1,000 additional members add $14M in annualized premium revenue (Revenue PMPM is $1,100 - $1,200).
- Large populations in CA and MI.
- Providers have extensive managed care experience.
- Medical costs in UT have been better than expected.
- In 2007 a one percent change in the MCR changes medical costs by $1.0M. (≈$0.02 EPS)

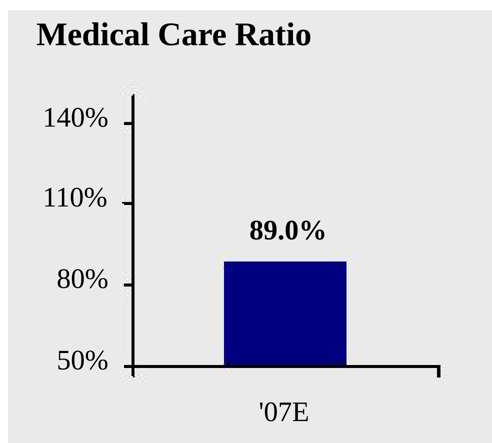
Challenges:

- Members are acquired one at a time.
- High member acquisition cost.
- Limited Company experience with product.
- Limited cost data to set rate bids and claims reserves.
- FY 2007 costs will depend heavily on two new markets (CA and MI).

See cautionary language regarding the Company's guidance and other forward-looking statements.

Texas





Opportunities:

- LTC benefit for STAR Plus.
- TX PMPM revenue is higher than Company average.
- Guidance includes no TANF or SCHIP rates increase.

Challenges:

- Guidance assumes improved medical care ratio.
- In 2007 a one percent change in the MCR is expected to change medical costs by $0.8M (≈$0.02 EPS).
- There may be delays in the roll out of membership.

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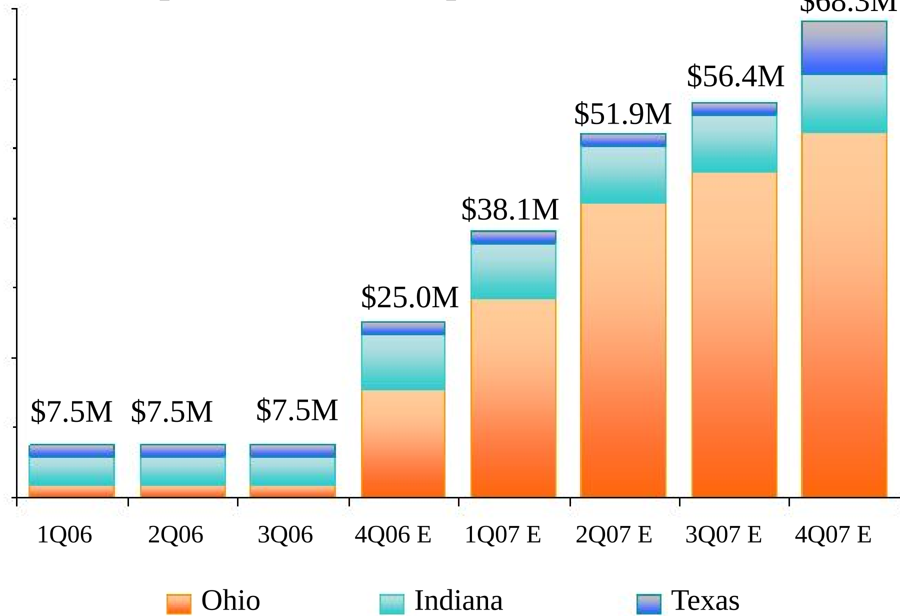
Investing in Growth

Start-Ups require statutory and contractual capital commitments



By December 31, 2007, we project we will have drawn approximately $75M on our credit facility, principally to fund the capital requirements of our California and Start-Up health plans. Increased interest expense is expected to exceed increased interest income.

1. For the purpose of this slide Start-Up health plans include Ohio, Texas and Indiana.
2. "E" represents estimated.

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Risks and Opportunities

Risks	Opportunities
Start-Up Medical Costs	New Mexico Contract Amendment
Start-Up Enrollment	Start-Up Medical Costs including SNP
California Medical Costs	Admin Leverage
SNP Growth	Utah Savings Sharing
Start-Up Capital Requirements	Reducing Interest Costs

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EPS Build Out: Illustrative Example Based on Guidance Mid-Point

(All figures and estimates are approximate)

Earnings per diluted share for nine months ended September 30, 2006	**$1.21**
Additional Increment required to annualize net income for nine months ended September 30, 2006	$0.40 [1]
Exclude 2006 positive prior period development	($0.11)
Starting Point	$1.50 [1]
Expected Incremental changes in 2007:	
▪ Ohio Enrollment & Lower Medical Costs	$0.21
▪ Lower Medical Cost in California	$0.18
▪ Texas Enrollment & Lower Medical Costs	$0.12
▪ Termination of Indiana Contract	$0.09
▪ Additional Corporate Interest Expense, Net of Investment Income	($0.09)
▪ Net Changes in Other Plans	($0.19)
2007 Guidance Mid-Point Diluted EPS	**$1.82**

1. IMPORTANT DISCLAIMER; these figure represents our annualized earnings per share (based 9/30/06 results) for illustrative purposes only and are NOT to be construed or interpreted as our actual fourth quarter or 2006 year end results.

Q&A