

**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): April 1, 2005

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 9.01 Financial Statements and Exhibits.**(b) Pro forma financial information.**

The unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2004 giving pro forma effect to our acquisition of Health Care Horizons, Inc. as of January 1, 2004 is filed as Exhibit 99.1 hereto and is hereby incorporated by reference.

(c) Exhibits:

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Unaudited pro forma condensed consolidated statement of income. |

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: April 1, 2005

By: */s/ Mark L. Andrews*

Mark L. Andrews
Executive Vice President,
General Counsel, and Corporate Secretary

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Unaudited pro forma condensed consolidated statement of income. |

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

The following Unaudited Pro Forma Condensed Consolidated Statement of Income summarizes the results of our operations for the year ended December 31, 2004, as if the acquisition of Health Care Horizons, Inc., or the HCH Purchase, and the sale to Lovelace Sandia Health System, Inc. (Lovelace) of the commercial membership acquired in the HCH Purchase, or the Divestiture Transaction (collectively the Transactions) had occurred on January 1, 2004. The balance sheet and results of operations of Health Care Horizons, Inc. have been included in our consolidated financial statements since July 1, 2004, the date of acquisition. Accordingly, the Unaudited Pro Forma Condensed Consolidated Statement of Income combines our reported results of operations for the year ended December 31, 2004 with the results of operations of HCH for the period January 1, 2004 through June 30, 2004 and gives effect to the pro forma adjustments discussed below.

The Unaudited Pro Forma Condensed Consolidated Financial Statements do not give effect to any synergies that may be realized as a result of the Transactions.

The Unaudited Pro Forma Condensed Consolidated Statement of Income is provided for informational purposes only and does not purport to present the results of operations of Molina Healthcare, Inc. and Health Care Horizons, Inc. had the Transactions assumed therein occurred on the date specified, nor are they necessarily indicative of the results of operations that may be expected in the future.

MOLINA HEALTHCARE, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the Year Ended December 31, 2004
(dollars in thousands)

| | Molina Healthcare, Inc. | Healthcare Horizons, Inc. For the Six Months Ended June 30, 2004 | Pro Forma Adjustments | | Molina Healthcare, Inc., as Adjusted |
|---|----------------------------|--|----------------------------|--------------------------------|--|
| | | | Purchase Accounting (a) | Divestiture Transaction (b) | |
| Revenue: | | | | | |
| Premium revenue | \$ 1,166,870 | \$ 179,178 | — | \$ (52,967)(f) | \$ 1,293,081 |
| Other operating revenue | 4,168 | 966 | — | (966)(f) | 4,168 |
| Total premium and other operating revenue | 1,171,038 | 180,144 | — | (53,933) | 1,297,249 |
| Investment income | 4,230 | 201 | \$ (387)(c) | — | 4,044 |
| Total revenue | 1,175,268 | 180,345 | (387) | (53,933) | 1,301,293 |
| Expenses: | | | | | |
| Medical care costs | 984,686 | 158,724 | — | (45,355)(g) | 1,098,055 |
| Salary, general and administrative expenses | 94,150 | 18,735 | — | (3,956)(h) | 108,929 |
| Depreciation and amortization | 8,869 | 287 | 797(d) | — | 9,953 |
| Total expenses | 1,087,705 | 177,746 | 797 | (49,311) | 1,216,937 |
| Operating income | 87,563 | 2,599 | (1,184) | (4,622) | 84,356 |
| Total other income (expense), net | 122 | 863 | — | — | 985 |
| Income (loss) before income taxes | 87,685 | 3,462 | (1,184) | (4,622) | 85,341 |
| Provision for income taxes | 31,912 | 1,672 | 152(e) | (1,733)(e) | 32,003 |
| Net income (loss) | \$ 55,773 | \$ 1,790 | \$ (1,336) | \$ (2,889) | \$ 53,338 |
| Basic income per share | \$ 2.07 | | | | \$ 1.98 |
| Diluted income per share | \$ 2.04 | | | | \$ 1.95 |
| Weighted average number of common shares outstanding | 26,965,000 | | | | 26,965,000 |
| Weighted average number of common shares and potential dilutive common shares outstanding | 27,342,000 | | | | 27,342,000 |

See accompanying notes.

MOLINA HEALTHCARE, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
(dollars in thousands, except per share data)
December 31, 2004

- a. Purchase accounting.** The HCH purchase has been accounted for under the purchase method of accounting. Accordingly, the consideration paid has been allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess of such consideration paid over the estimated fair value of the assets and liabilities has been allocated to certain identifiable intangible assets and goodwill. The goodwill has been reduced by the consideration received for the commercial membership assets transferred to Lovelace, and further adjusted for the net cash inflows of the commercial operations for the one-month period ended July 31, 2004, or \$260, the estimated cash outflows of the transition services agreement and other actions taken in connection with the termination of the commercial line of business, or \$2,900, and a tax liability resulting from a gain on transfer of \$5,279.
- Integration synergies.** We believe that we will achieve synergies from the integration of the acquisition by eliminating redundant administrative costs and using our increased purchasing power to achieve lower health care and general and administrative expenses. The anticipated impact of such synergies has not been reflected in the Unaudited Pro Forma Condensed Consolidated Statement of Income.
- Purchase price.** Purchase price consideration was approximately \$69,000, in addition to the assumption of approximately \$5,819 of bank debt. The purchase price also included "Other Purchase Related Costs" consisting of (i) \$1,440 in change of control payments to certain members of HCH management based upon executive employment agreements in effect at the HCH purchase date, (ii) \$660 of direct transaction costs, and (iii) \$660 representing the after-tax proceeds realized by HCH upon the sale of certain warrants to purchase the common stock of an unaffiliated entity.
- b. Divestiture Transaction.** Prior to the closing of the HCH acquisition, we announced a definitive agreement had been reached to transfer the commercial membership acquired in the HCH purchase to Lovelace Sandia Health System, Inc. ("Lovelace"). Effective August 1, 2004, the transfer was completed. We received a total of \$17,994 (net of approximately \$265 in direct transactions costs) in connection with the transfer. We also entered into a transition services agreement with Lovelace to provide commercial claims processing, customer and provider call handling, and billing and treasury services through the date the commercial contracts are expected to be fully transitioned to Lovelace.
- c. Investment income.** Pro forma adjustment to reflect a reduction to investment income assuming a payment of the purchase price and bank debt on January 1, 2004, offset by the receipt of the net proceeds for the sale of commercial membership contract rights. The net decrease in cash and investments of \$59,585 would have reduced invested balances and the related investment income for the period January 1, 2004 through June 30, 2004. Interest income is assumed to be earned at an average rate of 1.3% for the six months ended June 30, 2004.
- d. Amortization of intangibles.** Pro forma adjustment reflects the amortization of identified, amortizable intangible assets acquired in the HCH purchase for the period January 1, 2004 through June 30, 2004. Identifiable amortizable intangible assets consist of a Medicaid service contract with the state of New Mexico valued at approximately \$11,900 and the Medicaid medical provider network in the state of New Mexico valued at approximately \$850. Both of these identifiable intangible assets are being amortized over ninety-six months.
- e. Provision for income taxes.** Pro forma adjustments reflect the tax effect of the acquisition for the period January 1, 2004 through June 30, 2004 at statutory rates in effect during the year ended December 31, 2004. For purposes of calculating the pro forma adjustments a consolidated as adjusted effective tax rate of 37.5% was used. Pro forma adjustments reflect the application of that statutory rate to HCH income.

- f. Commercial premium and other operating revenue.** Pro forma adjustments eliminate premium and other operating revenue directly attributed to the commercial line of business for the period January 1, 2004 through June 30, 2004.
- g. Commercial medical care costs.** Pro forma adjustments eliminate medical care costs directly attributed to the commercial line of business for the period January 1 2004 through June 30, 2004.
- h. Commercial salary, general and administrative expenses.** Pro forma adjustments eliminate salary, general and administrative expenses directly attributed to the commercial line of business for the period January 1 2004 through June 30, 2004. Such expense includes premium taxes, broker commissions, assessments and salary costs of employees working exclusively in support of the commercial line of business.