
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): October 25, 2018 (October 19, 2018)

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)

200 Oceangate, Suite 100, 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))

Indicated by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On October 19, 2018, Molina Healthcare, Inc. (the “Company”), Molina Pathways, LLC (“Seller”), and Pyramid Health Holdings, LLC, an affiliate of Atar Capital, LLC (“Buyer”), entered into a Membership Interests Purchase Agreement (the “Purchase Agreement”). Pursuant to the terms of the Purchase Agreement and effective as of the same date thereof, Seller sold all of the outstanding membership interests in Pathways Health and Community Support LLC to Buyer for a nominal purchase price (the “Pathways Sale”).

The Purchase Agreement contains customary representations and warranties of Seller and Buyer. The Purchase Agreement also contains customary covenants and agreements of each of the Company, Seller and Buyer, including indemnification provisions under which the Company and Seller, jointly and severally, agree to indemnify Buyer for certain liabilities. The foregoing summary of the Purchase Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Purchase Agreement, a copy of which will be filed with the Securities and Exchange Commission as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018.

Item 2.01. Completion of Acquisition or Disposition of Assets.

The information set forth in Item 1.01 above is incorporated herein by reference in its entirety. In connection with the Pathways Sale, the Company is filing herewith certain unaudited pro forma condensed consolidated financial information, which is attached hereto as Exhibit 99.1.

Item 7.01. Regulation FD Disclosure.

On October 22, 2018, the Company announced the closing of the Pathways Sale. The full text of the press release is included as Exhibit 99.2 to this report.

Note: The information furnished herewith pursuant to Item 7.01 of this Current Report on Form 8-K shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement or other document filed by the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Unaudited Pro Forma Condensed Consolidated Financial Statements
99.2	Press release issued by the Company on October 22, 2018, regarding the Pathways Sale

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: October 25, 2018

By: /s/ Jeff D. Barlow

Jeff D. Barlow

Chief Legal Officer and Secretary

EXHIBIT INDEX

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Unaudited Pro Forma Condensed Consolidated Financial Statements

The following unaudited pro forma condensed consolidated financial statements are based on the historical consolidated financial statements of Molina Healthcare, Inc. (the "Company"), as adjusted to give effect to the October 19, 2018, sale of its wholly owned subsidiary, Pathways Health and Community Support LLC (the "Pathways Sale") to Pyramid Health Holdings, LLC (the "Buyer"). The Pathways Sale was not a disposition that qualifies as a discontinued operation under Accounting Standards Codification No. 205, *Presentation of Financial Statements*.

The unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2018, and the year ended December 31, 2017, give effect to the Pathways Sale as if it had occurred on January 1, 2017. The unaudited pro forma condensed consolidated balance sheet as of June 30, 2018, gives effect to the Pathways Sale as if it had occurred on June 30, 2018.

The unaudited pro forma condensed consolidated financial statements are for informational purposes only and are not necessarily indicative of what the Company's financial performance and financial position would have been had the Pathways Sale been completed on the dates assumed, nor is such unaudited pro forma condensed consolidated financial information necessarily indicative of the results to be expected in any future period.

MOLINA HEALTHCARE, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In millions, except per-share amounts)

	Historical	Adjustments to reflect Pathways Sale (a)	Pro Forma
Total revenue	\$ 9,529	\$ (162)	\$ 9,367
Operating expenses:			
Medical care costs	7,572	—	7,572
Cost of service revenue	238	(151)	87
General and administrative expenses	687	(15)	672
Premium tax expenses	210	—	210
Health insurer fees	174	—	174
Depreciation and amortization	51	(1)	50
Restructuring and separation costs	33	—	33
Total operating expenses	8,965	(167)	8,798
Operating income	564	5	569
Other expenses, net	80	—	80
Income before income tax expense	484	5	489
Income tax expense	175	1	176
Net income	\$ 309	\$ 4	\$ 313
Net income per share:			
Basic	\$ 5.10		\$ 5.16
Diluted	\$ 4.68		\$ 4.73
Weighted average shares outstanding:			
Basic	60.5		60.5
Diluted	66.0		66.0

(a) Reflects the elimination of the results of operations of Pathways Health and Community Support LLC ("Pathways"), as if the sale had occurred on January 1, 2017.

MOLINA HEALTHCARE, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In millions, except per-share amounts)

	Historical	Adjustments to reflect Pathways Sale (a)	Pro Forma
Total revenue	\$ 19,883	\$ (332)	\$ 19,551
Operating expenses:			
Medical care costs	17,073	—	17,073
Cost of service revenue	492	(318)	174
General and administrative expenses	1,594	(29)	1,565
Premium tax expenses	438	—	438
Depreciation and amortization	137	(5)	132
Impairment losses	470	(171)	299
Restructuring and separation costs	234	—	234
Total operating expenses	20,438	(523)	19,915
Operating loss	(555)	191	(364)
Other expenses, net	57	—	57
Loss before income tax benefit	(612)	191	(421)
Income tax benefit	(100)	29	(71)
Net loss	\$ (512)	\$ 162	\$ (350)
Net loss per share:			
Basic	\$ (9.07)		\$ (6.19)
Diluted	\$ (9.07)		\$ (6.19)
Weighted average shares outstanding:			
Basic	56.4		56.4
Diluted	56.4		56.4

(a) Reflects the elimination of the results of operations of Pathways, as if the sale had occurred on January 1, 2017.

MOLINA HEALTHCARE, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2018
(In millions)

ASSETS	Historical	Adjustments to reflect Pathways Sale (a)	Pro Forma
Current assets:			
Cash and cash equivalents	\$ 3,392	\$ (19)	\$ 3,373
Investments	2,176	—	2,176
Restricted investments	80	—	80
Receivables	1,148	(40)	1,108
Income tax refundable (b)	—	30	30
Prepaid expenses and other current assets	344	(5)	339
Derivative asset	657	—	657
Assets held for sale	230	—	230
Total current assets	8,027	(34)	7,993
Property, equipment, and capitalized software, net	276	(9)	267
Goodwill and intangible assets, net	201	—	201
Restricted investments	117	—	117
Deferred income taxes	114	(18)	96
Other assets	28	(1)	27
	\$ 8,763	\$ (62)	\$ 8,701
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Medical claims and benefits payable	\$ 1,920	\$ —	\$ 1,920
Amounts due government agencies	1,746	—	1,746
Accounts payable and accrued liabilities	754	(20)	734
Deferred revenue	193	—	193
Current portion of long-term debt	484	—	484
Derivative liability	657	—	657
Liabilities held for sale	66	—	66
Total current liabilities	5,820	(20)	5,800
Long-term debt and other long-term liabilities	1,285	(1)	1,284
Total liabilities	7,105	(21)	7,084
Total stockholders' equity	1,658	(41)	1,617
	\$ 8,763	\$ (62)	\$ 8,701

(a) Reflects the elimination of the assets and liabilities of Pathways, Buyer's retention of approximately \$19 million of the cash balance, payment of approximately \$3 million of transaction fees, and recognition of a \$41 million loss on sale, net of taxes, as if the sale had occurred on June 30, 2018. A tax rate of 22% is applied to the loss on sale.

(b) The Company will record income taxes refundable for the tax benefits arising from the loss on its investment in Pathways.

News Release

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MOLINA HEALTHCARE REACHES AGREEMENT TO SELL PATHWAYS HEALTH AND COMMUNITY SUPPORT TO ATAR CAPITAL

LONG BEACH, Calif. (October 22, 2018) – Molina Healthcare, Inc. (NYSE: MOH) today announced that it has completed the sale of Pathways Health and Community Support LLC, a provider of home and community-based human services, to Atar Capital, LLC, a global private investment firm.

As part of Molina Healthcare’s renewed focus on its health plan business and continued execution of its margin recovery and sustainability plan, the Company identified Pathways as a non-core asset. Molina has sold the business for a nominal purchase price.

Pathways provides national home and community-based human services. It offers a full spectrum of social service and behavioral health solutions to over 60,000 children, adults, and families in 17 states and the District of Columbia.

About Molina Healthcare

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through its locally operated health plans, Molina Healthcare served approximately 4.1 million members as of June 30, 2018. For more information about Molina Healthcare, please visit our website at molinahealthcare.com.

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