

February 16, 2017  
New York, New York

# 2017A Investor Day

# Cautionary Statement



**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, without limitation: our 2017 financial outlook and business expectations for 2017; expected rate changes in 2017; potential efforts to repeal and replace the Affordable Care Act; potential changes in the Medicaid program, including changes in funding mechanisms or the switch to state block grants; Marketplace product and performance issues, including rate adequacy, the Marketplace risk transfer methodology in 2017, cost sharing reductions and premium subsidies, the individual mandate, the special enrollment period, potential effects of announced market exits, and pending Marketplace risk corridor litigation; our expected operational improvements and profit improvement initiatives; general changes in the health care industry; the continued growth of the Company, including continued expansion into Medicare Advantage and Long Term Services and Supports; our quality improvement initiatives; medical expense seasonality; our success in securing procurements of existing contracts in Illinois, Washington, Florida, Texas, and New Mexico; projected improvements in our medical care ratio and administrative costs; expected revenues from investment income; our projected effective tax rate; and various other 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 from those projected in each forward-looking statement. 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 on Form 10-Q, in our Current Reports on Form 8-K, and in our other filings with the Securities and Exchange Commission and available for viewing on our website at [sec.gov](http://sec.gov). Except to the extent 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.

# Investor day 2017A

## Agenda



Approx. Time	Topic	Speaker
12:30pm-12:35pm	Opening Remarks	Juan José Orellana, SVP Investor Relations
12:35pm-1:20pm	Business Overview	J. Mario Molina, MD, Chief Executive Officer; Terry Bayer, Chief Operating Officer
1:20pm-1:35pm	Q&A	
1:35pm-1:40pm	Break	
1:40pm-2:10pm	Marketplace	Joseph White, Chief Accounting Officer
2:15pm-3:00pm	2017 Outlook	John Molina, Chief Financial Officer; Joseph White, Chief Accounting Officer
3:00pm-3:30pm	Q&A	
3:30pm	End of Program	

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# 2017A Investor Day

J. Mario Molina, MD  
President & Chief Executive Officer



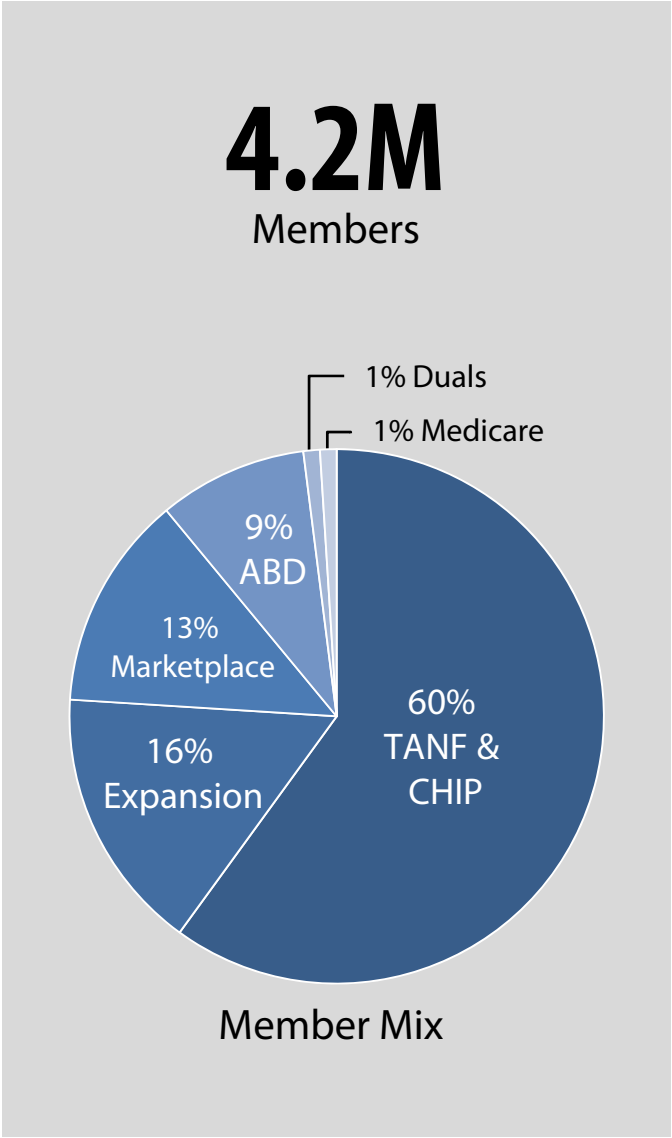
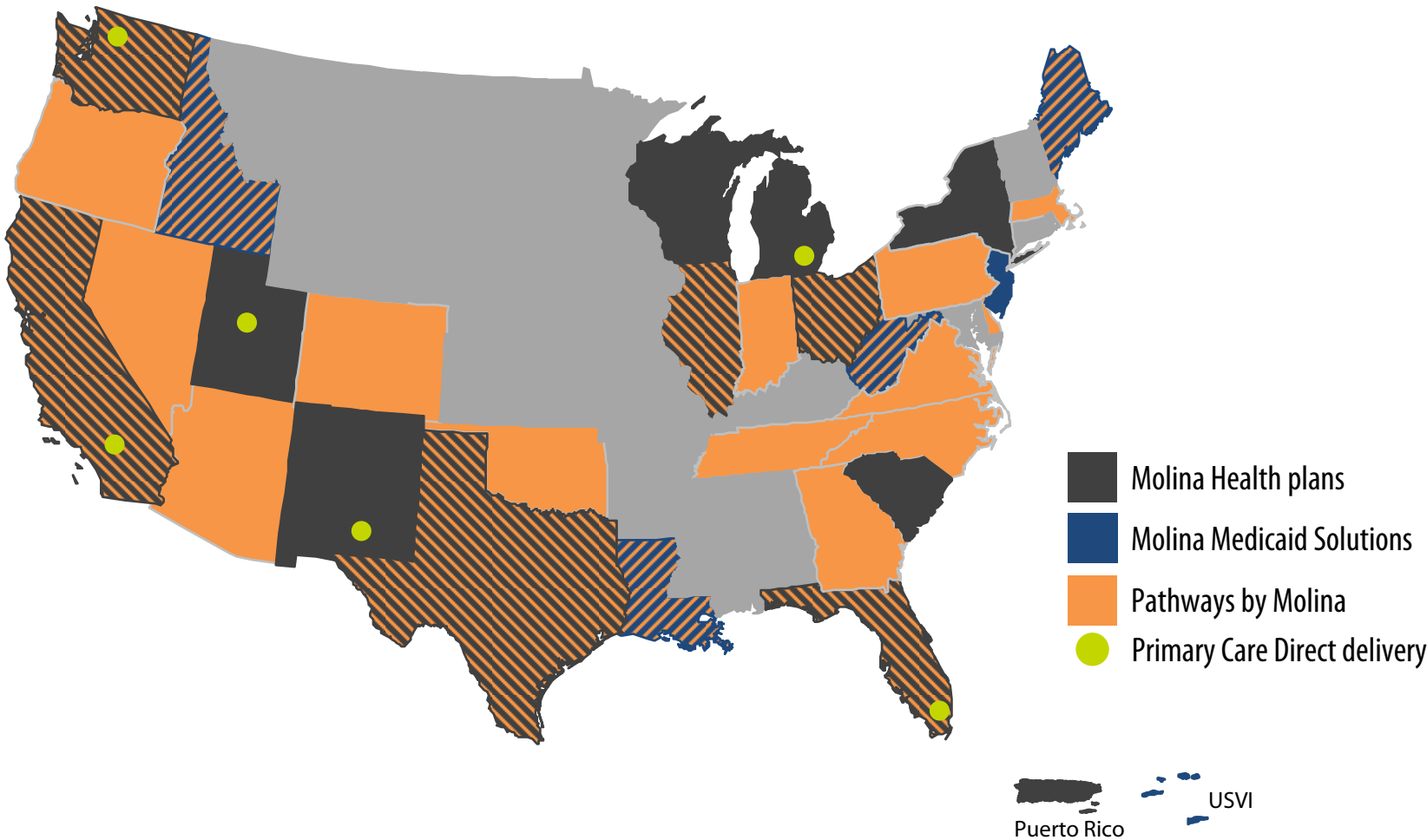
# Our mission

To provide quality health care to people receiving government assistance



# Our footprint today

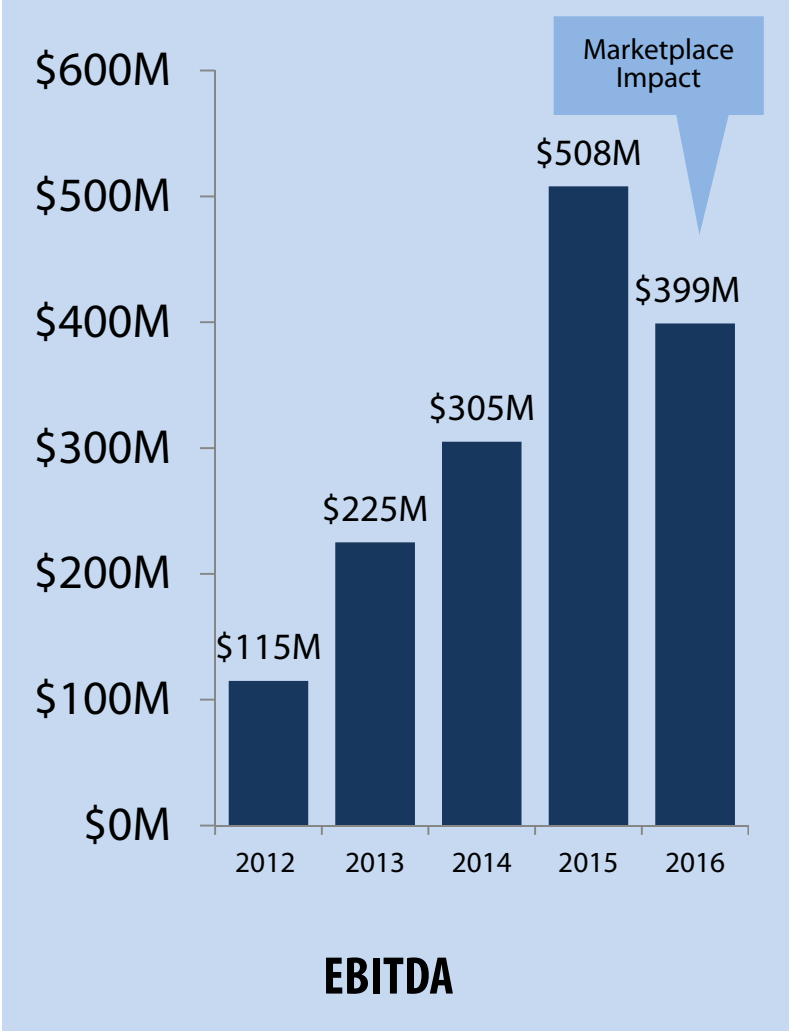
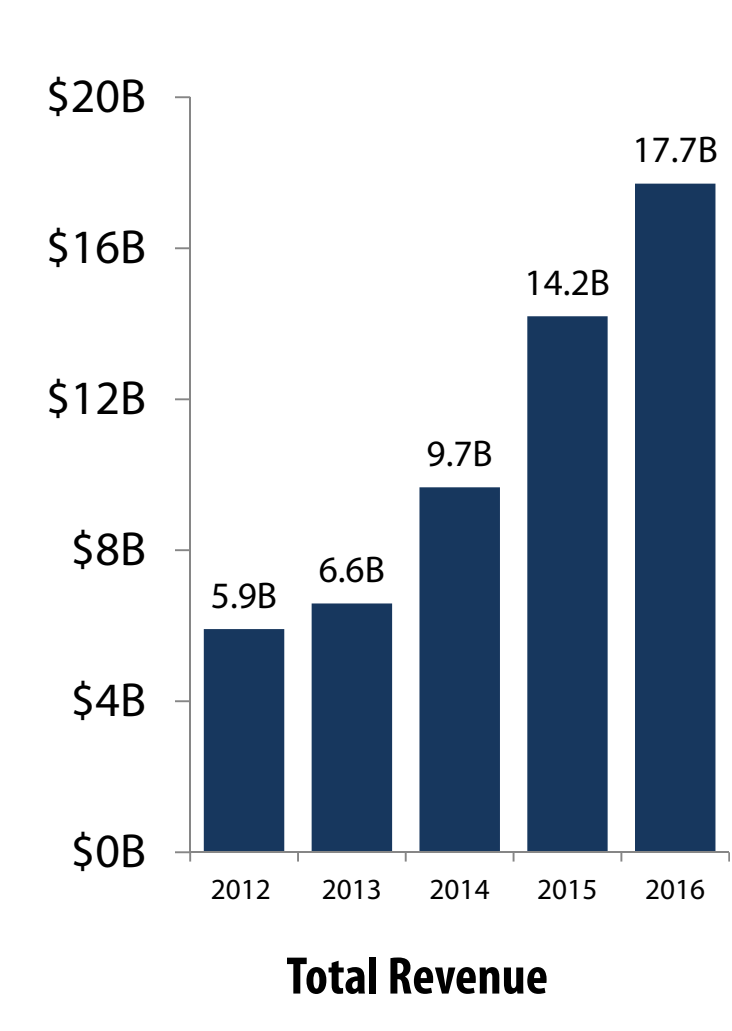
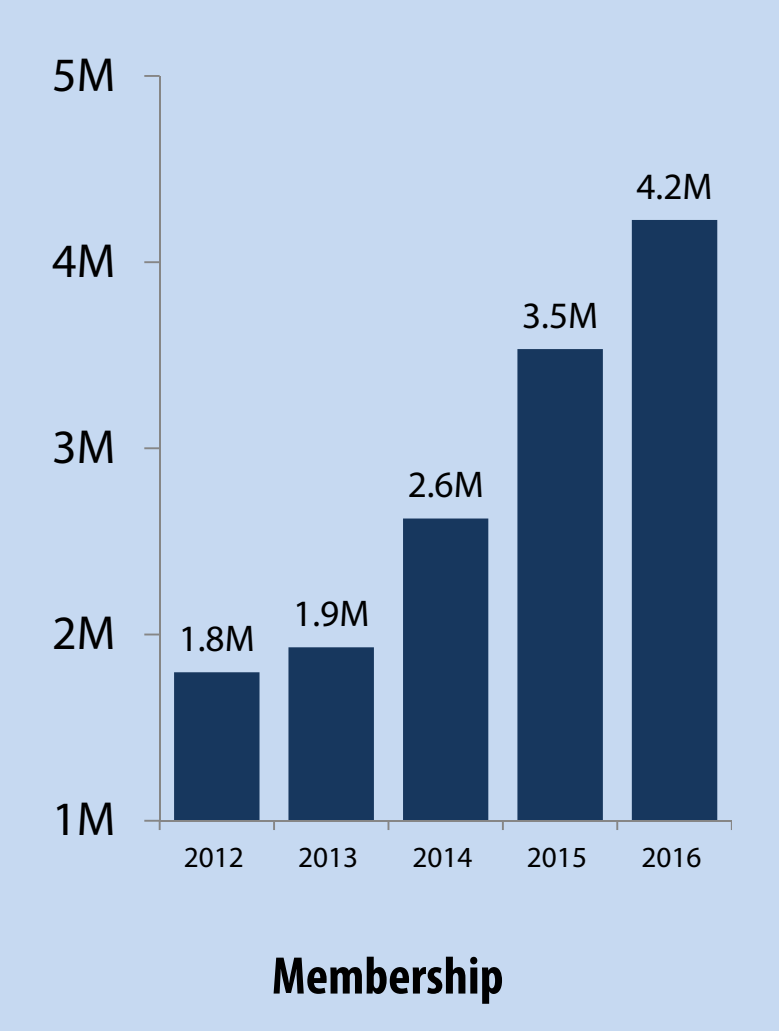
Health plan footprint includes the 5 largest Medicaid markets



Total enrollment relates to membership as of December 31, 2016

# Strong topline growth amidst Marketplace headwinds

2016 Marketplace loss significantly impacted EBITDA



# Driving profitability

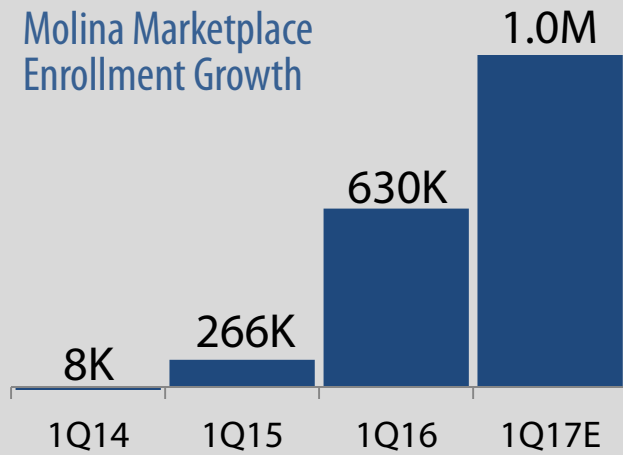
- Marketplace risk transfer payments
- Premium rate increases in Illinois, Ohio and Washington
- Need for ongoing operational improvements
  - Redirection, reduce hospitalization, leverage technology, integrate behavioral health, care coordination

# Marketplace

Dramatic year over year growth in enrollment



Molina Marketplace  
Enrollment Growth



**Government must address these key elements that are needed to stabilize the program long term:**

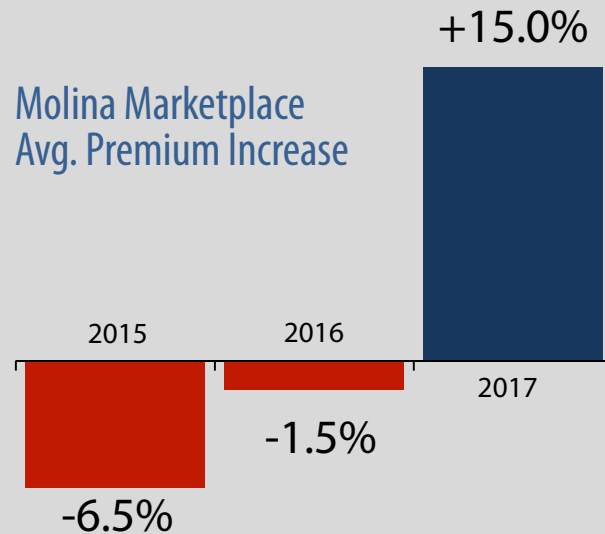
1. Address issues around the special enrollment period (SEP)
2. Improve the risk transfer methodology
3. Cost sharing reductions (CSRs) and premium subsidies must continue
4. The purchase of health insurance must continue to be a requirement

# Decisive actions with Marketplace

Our approach may affect Marketplace sales, but will also reduce our business risk



Molina Marketplace  
Avg. Premium Increase



- Increased premiums approximately 15% across all markets (range +6% to +37%)
- Premium deficiency reserve recorded in 4Q for 2017
- Evaluate 2018 Marketplace participation based on:
  - State by state performance
  - Policy and program developments
- Federal government risk corridor litigation
  - ~ \$52M for 2015
  - ~\$90M in 2016

# Proposed Marketplace Rules

New regulations are helpful, comments due back March 7<sup>th</sup>

## **Guaranteed Availability**

- Closes loophole that allows consumers who do not pay premiums then re-enroll in next open enrollment

## **Open Enrollment**

- November 1 – December 15
- Simplifies things for consumers and plans

## **Special Enrollment Period**

- Tightens pre-enrollment verification to 100%
- Begins June 2017
- Limits ability to change metal tiers

## **Broader Actuarial Ranges**

- Gold 76% – 82%
- Silver 66% – 72%
- Bronze 56 %– 65%
- No change to silver CSR

# We are improving the strength of our core business

## Government Health Plans



Risk-based health plan outsourcing for Medicaid, Medicare, and other government programs.

- Strengthen operational performance
  - 1.5%-2.0% margin target now a longer term goal in light of 4Q results and political uncertainty
- Appropriate documentation of medical conditions
- Continue to lower hospital utilization
- Continue to improve quality scores

# Aligning the organization for better results

Our mission driven team continues to be a major strength



- Reviewing how to best evolve our operating model in response to:
  - Company scale and maturity
  - Dynamic industry context
- Identification of team strength, development areas, and talent
- Identifying implementation priorities

# An industry in transition

The government health care space is complex and changing rapidly

## Members



- People aged >65 years will make up 20% of the nation's population by 2030; driving **growth in Medicare enrollment**.
- 61% of Long Term Services & Support paid by Medicaid.
- Mental Health Parity.

## Providers



- Greater **consolidation among providers** seeking additional scale.
- Greater **vertical integration** health plan & direct delivery.

## Cost Trends & Public Health



- National **prescription drug spending** is expected to continue growing at 7% per year for the next decade.
- U.S. becoming more **vulnerable to diseases** not seen in the U.S. (e.g. Zika).

## State & Federal Government



- **ACA revisited**
- Spending on **government healthcare rising faster than spending on social security** and other programs.
- Medicaid program expected to experience **enrollment and spending increases** across most eligibility groups.

# Molina responds and adapts

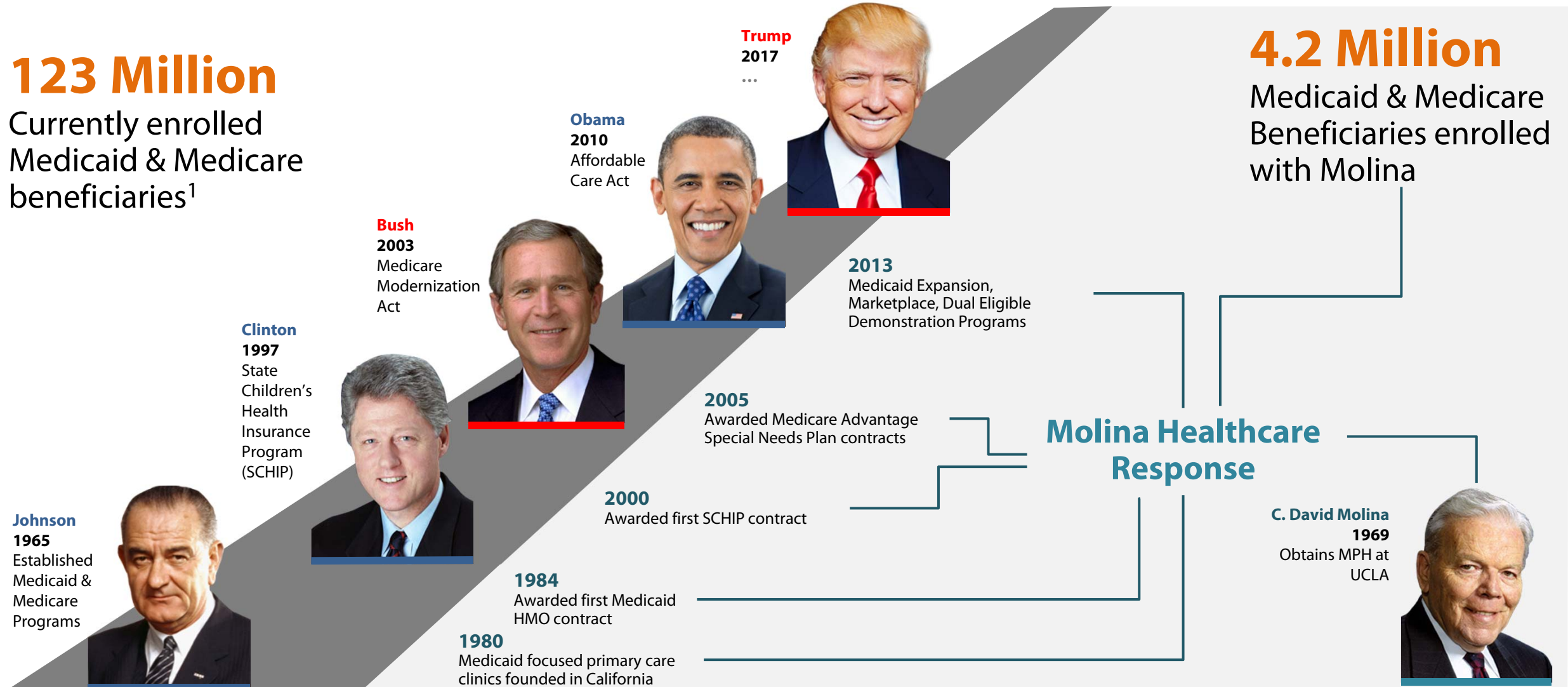
Molina has a proven track record in responding to changes in government programs

## 123 Million

Currently enrolled  
Medicaid & Medicare  
beneficiaries<sup>1</sup>

## 4.2 Million

Medicaid & Medicare  
Beneficiaries enrolled  
with Molina



1. MAC Stats Data Book December 2016, US Census, CMS office of the Actuary

# Our toolkit for responding to industry changes & customer needs

## Product portfolios



### Government Health Plans



Risk-based health plan outsourcing for Medicaid, Medicare, and other government programs.

### Medical Services Primary Care



Company owned and operated primary care clinics.

### Medical Services Behavioral Health



Provider network of outcome based behavioral/mental health and social services.

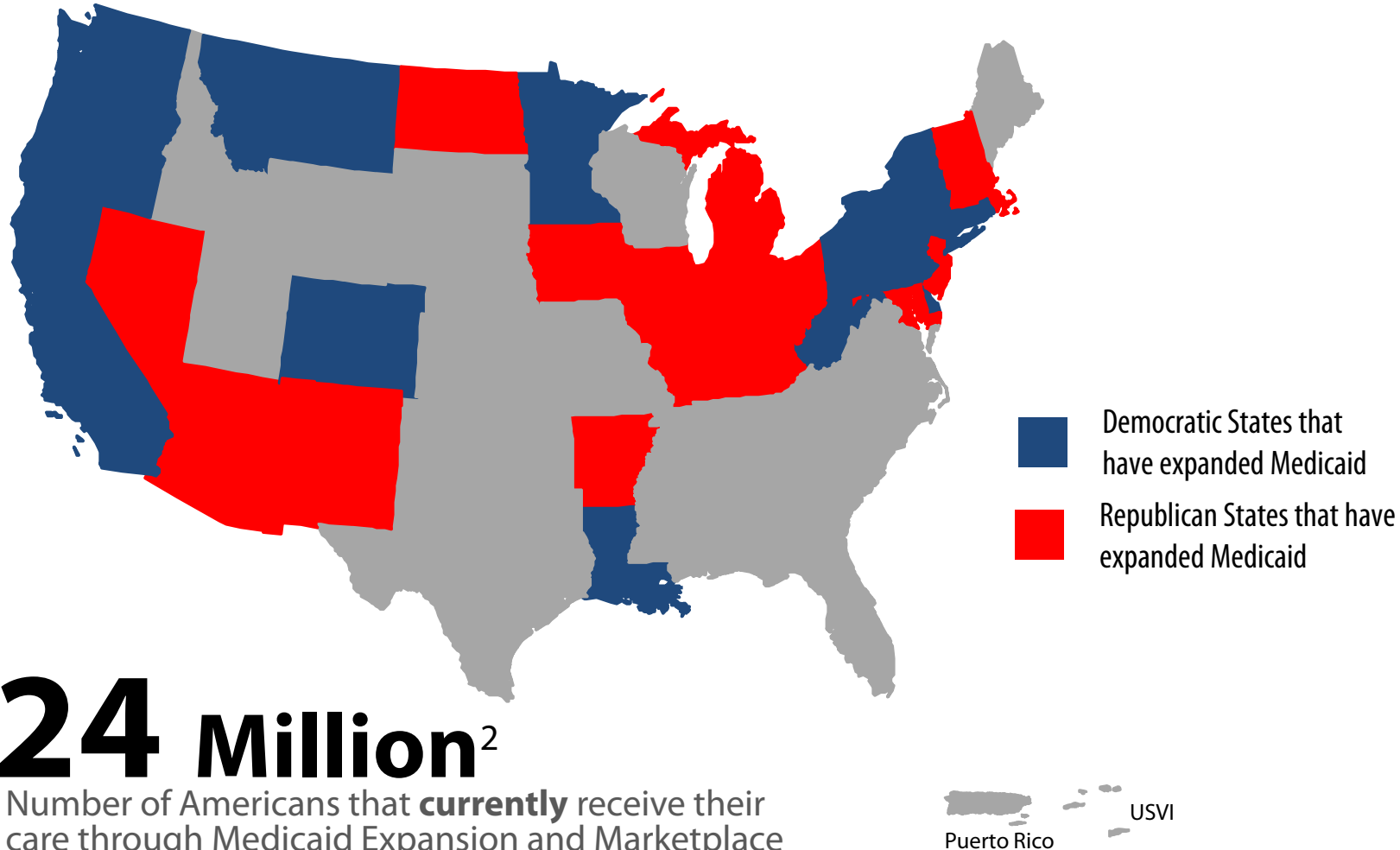
### Medicaid Health Information Management



Medicaid non-risk fee based fiscal agent services, business process outsourcing, and care and utilization management.

# Demand for low-cost health insurance will continue

States that have expanded Medicaid<sup>1</sup>



## 24 Million<sup>2</sup>

Number of Americans that **currently** receive their care through Medicaid Expansion and Marketplace products

1. <http://kkf.org/health-reform>

2. <http://www.cnbc.com/2016/06/13/obamacare-repeal-would-lead-to-24-million-more-people-without-health-insurance.html>

- Healthcare is a growing portion of federal and state budgets
- Long term care needs of baby boomers
- Growing cost of drugs (specialty and generic)
- Current and emerging public health threats (e.g. Zika, etc.)

# Positions on Approaches for ACA Replacement



## **Maintain Coverage for Low-Income Populations**

- Medicaid is a more affordable way to provide insurance
- Move high-cost fee for service Medicaid services to managed care to reduce cost (e.g. long term care)
- Leverage expertise & experience of MCOs in replacement planning

## **Advantages of Managed Care**

- Budget certainty (capitation)
- Patients with complex needs drive public healthcare spending
- MCOs deliver high-quality, cost-effective care and provide a source of fiscal stability

# The Washington debate on healthcare

How do we fund government sponsored health care?



## Defined Benefit (Entitlement Program)

VS

## Defined Contribution

Government contributes to health care coverage; sometimes beneficiary also contributes.



Federal/State Governments generally choose how health care is consumed.



Beneficiary generally chooses how health care is consumed.

Beneficiary contributes to health care coverage; sometimes Government also contributes



# Proposed funding mechanisms for Medicaid

Under current law eligible individuals have an entitlement to coverage and states are guaranteed federal matching dollars with no pre-set limit

## BLOCK GRANTS

# VS

## 'PER CAPITA CAPS'

- No Guarantee

### COVERAGE

- May be Guaranteed

- **Capped**; fixed amount not based on enrollment, costs or program needs

### FUNDING

- **Capped**; fixed amount per enrollee; not based on health care costs and needs

- Fixed with pre-set growth rate
- Trend factor used to determine growth rate is critical

### BASELINE

- Fixed with pre-set growth per enrollee
- Baseline (fast vs. slow growing states) & future growth rate critical

- Cannot adjust for enrollment during economic down-turns
- Constrained to respond to cost shocks (e.g. Sovaldi, Zika)

### CONSIDERATIONS

- Can expand/contract with number of enrollees
- Constrained to respond to cost shocks (e.g. Sovaldi, Zika)

- Puerto Rico's Medicaid program pre-ACA funded by a block grant

### MARKET COMPS

- Similar to current health plan PMPM funding but for States; cost control very important

# Proposed funding mechanisms for Medicaid

## Other plans

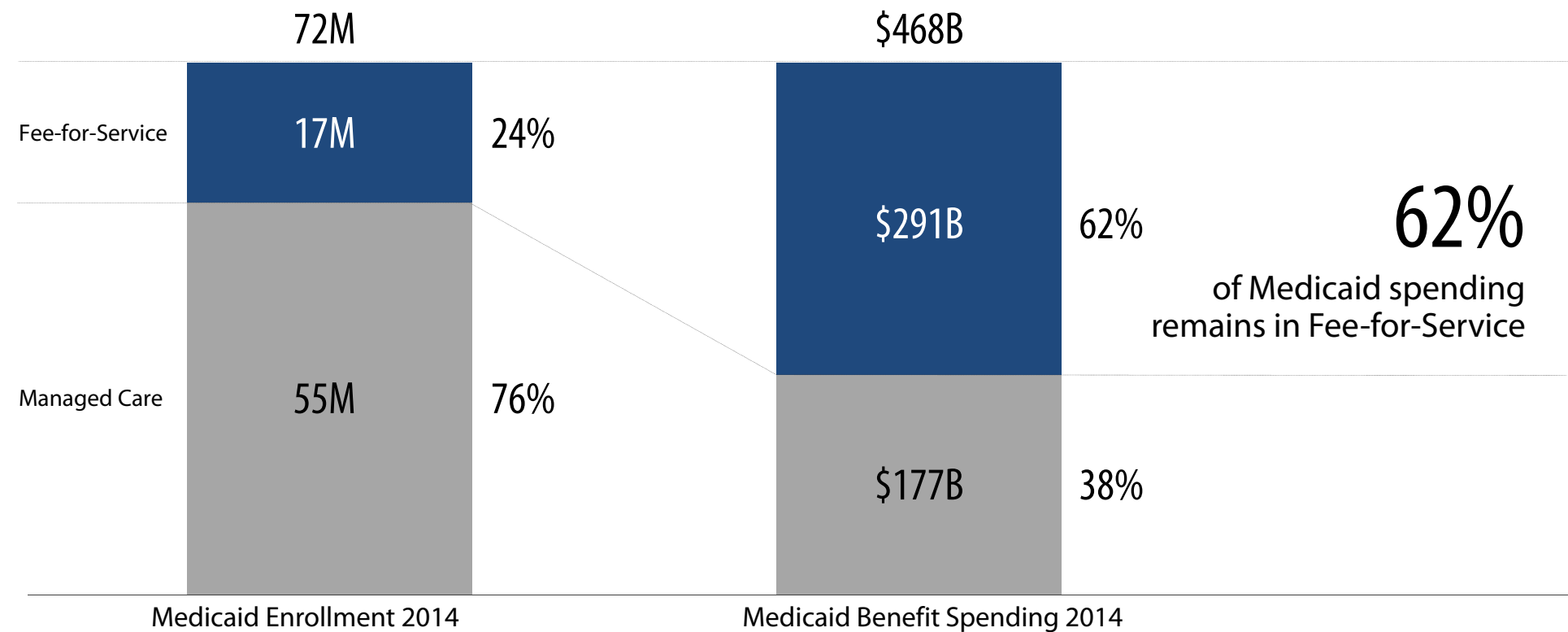
- Cassidy Collins
- Price Plan
- Ryan Plan
- Molina Plan

# But we are having the wrong debate

Medicaid Fee-for-Service expenditures remain high...



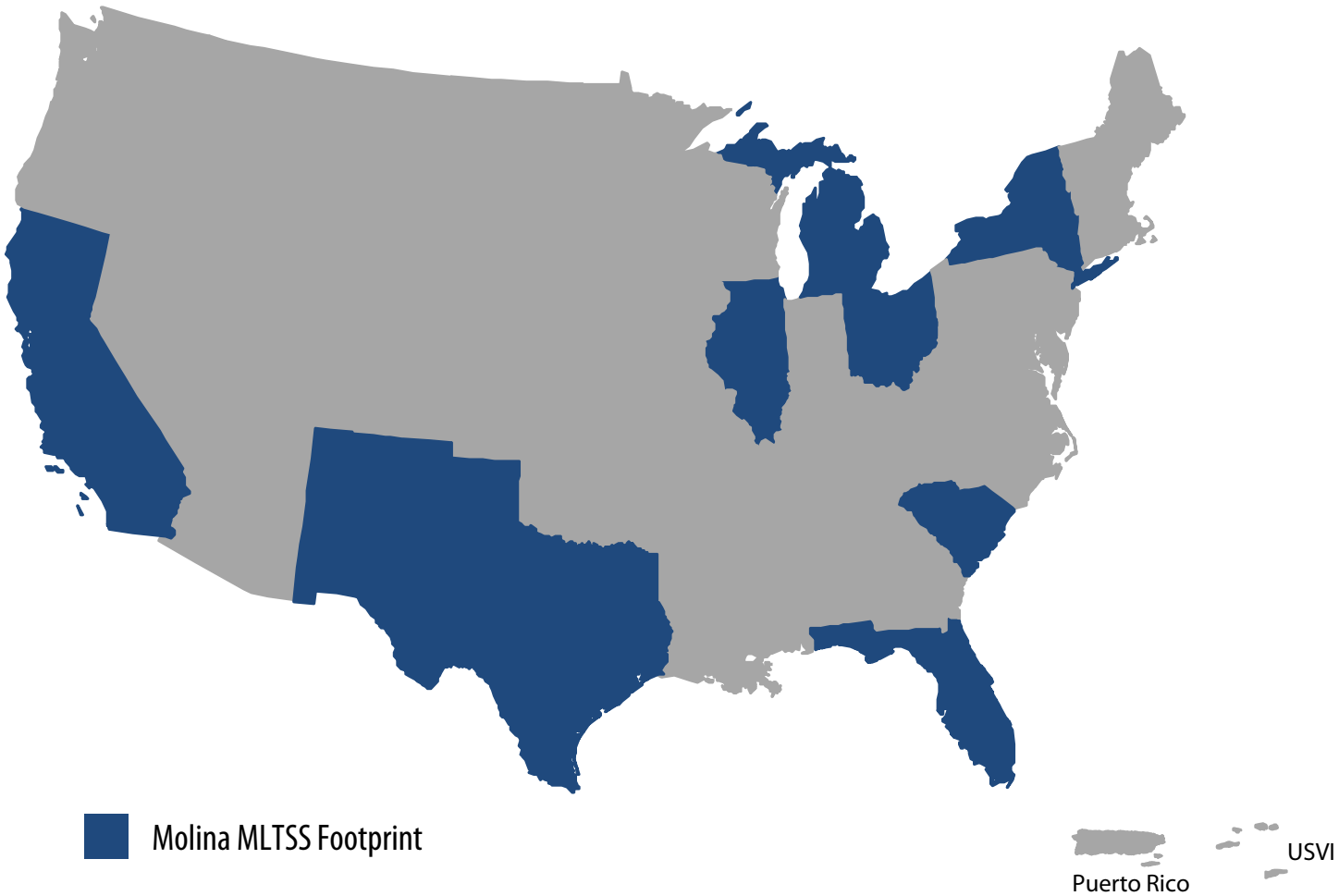
Managed care organizations and Fee-for-Service FY 2014



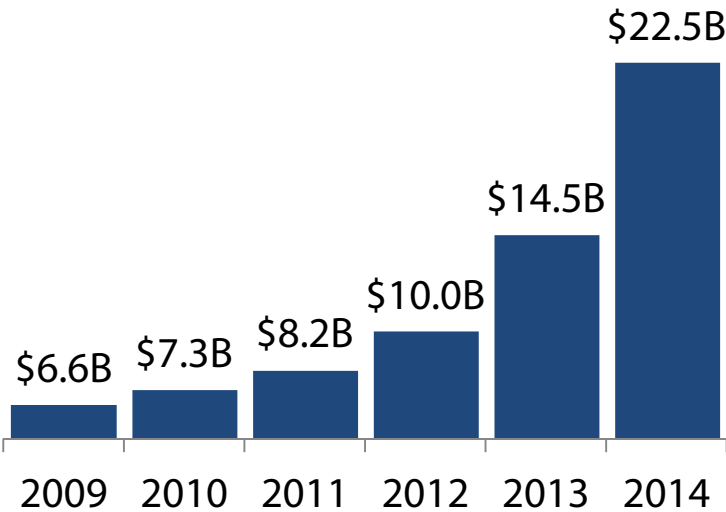
Sources:  
1. CMS Medicaid Managed care Enrollment and Program Characteristics, 2014 – Published spring 2016  
2. MAC Stats Data Book December 2015

# Continued growth in Medicaid Managed Long Term Services & Support

MLTSS provides community-based services, in-home support, senior services and long-term nursing home care.



Spending Growth in MLTSS<sup>1</sup>

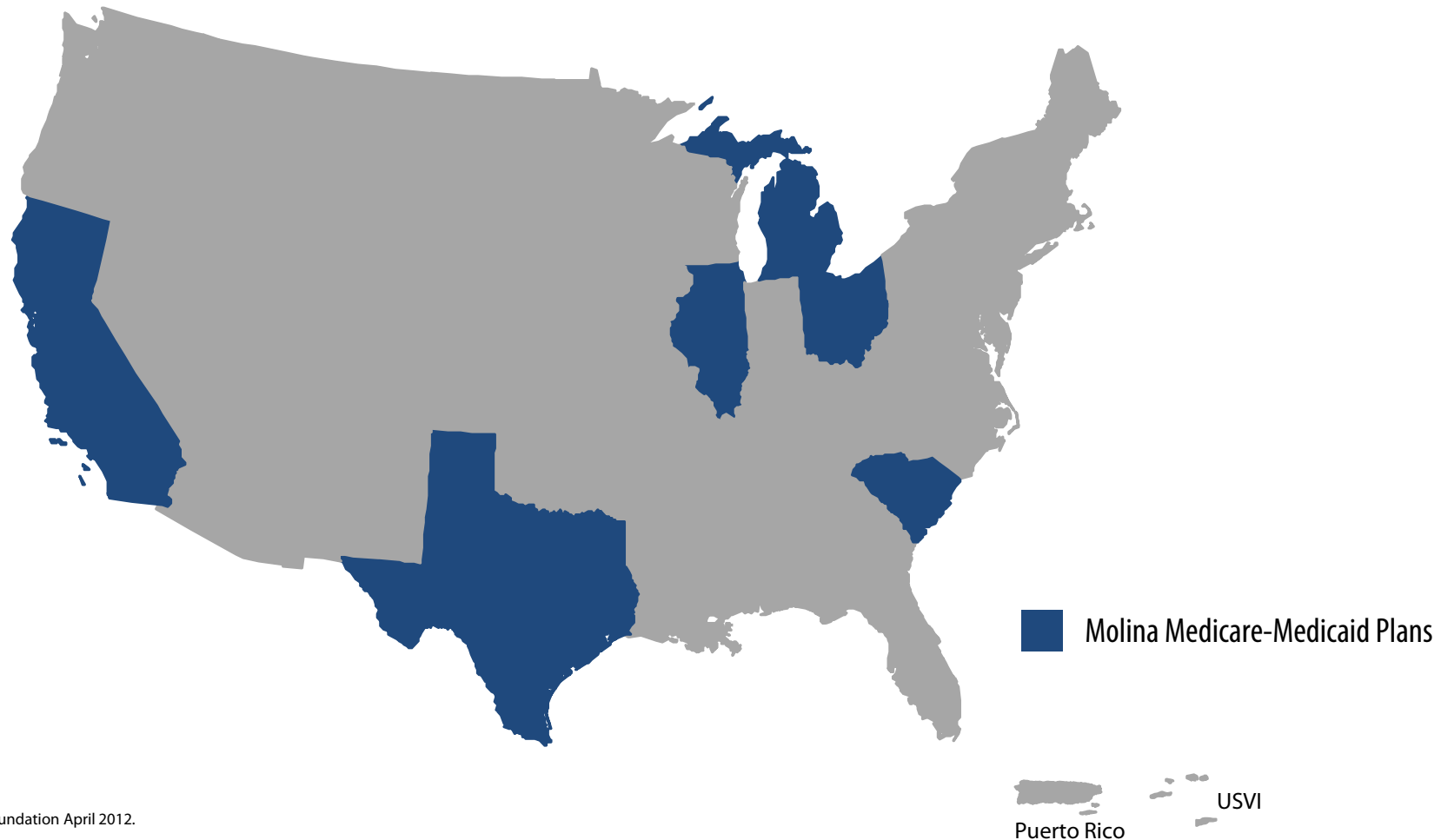


**\$19 Billion is still in Fee-For-Service**

1. Medicaid Expenditures for Long-Term Services and Supports (LTSS) in FY 2014, April 15, 2016. <https://www.medicaid.gov/medicaid/ltss/downloads/ltss-expenditures-2014.pdf>  
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# Molina Medicare-Medicaid Plan (MMP) footprint

...and per capita Medicare-Medicaid spending for the dual eligible is more than 4X per capita spending for other Medicare beneficiaries.<sup>1</sup>



Sources:

1. The Diversity of Dual Eligible Beneficiaries, Kaiser Family Foundation April 2012.

# Strategic foundation driving execution

## Sticking to our knitting

Government programs (Medicaid, Medicare, Marketplace, LTTSS)

## Focus on care management

Care model, social determinants of health

## Administrative efficiency

Leverage scale & lower costs

## Augment brand development

Government program toolkit, greater member and provider connection, customer experience



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# Business Review

Terry Bayer  
Chief Operating Officer



# Our toolkit for responding to industry changes & customer needs

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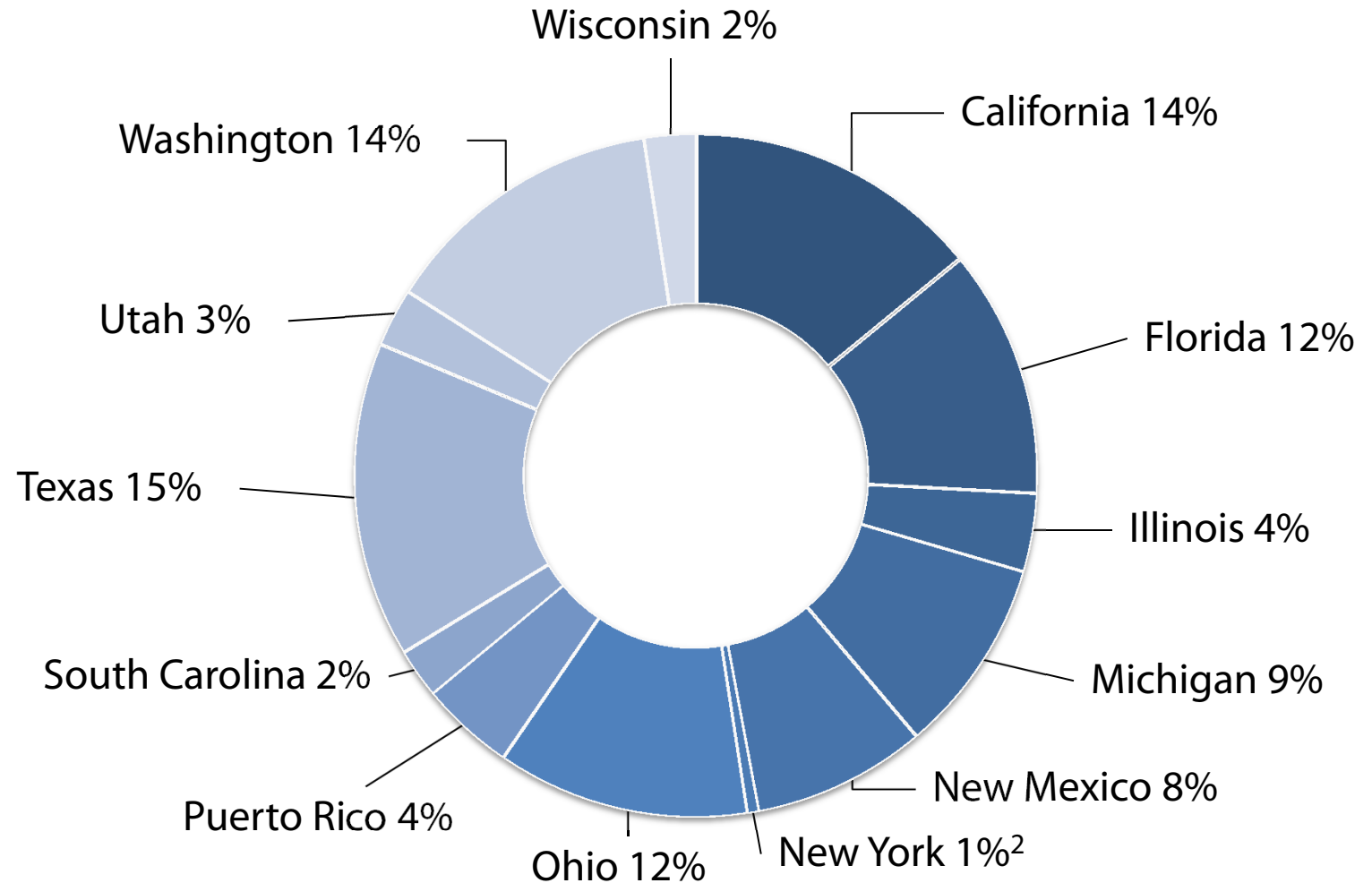
# Diverse \$16 billion premium revenue base

## Government Health Plans



Risk-based health plan outsourcing for Medicaid, Medicare, and other government programs.

## Premium Contribution by State<sup>1</sup>



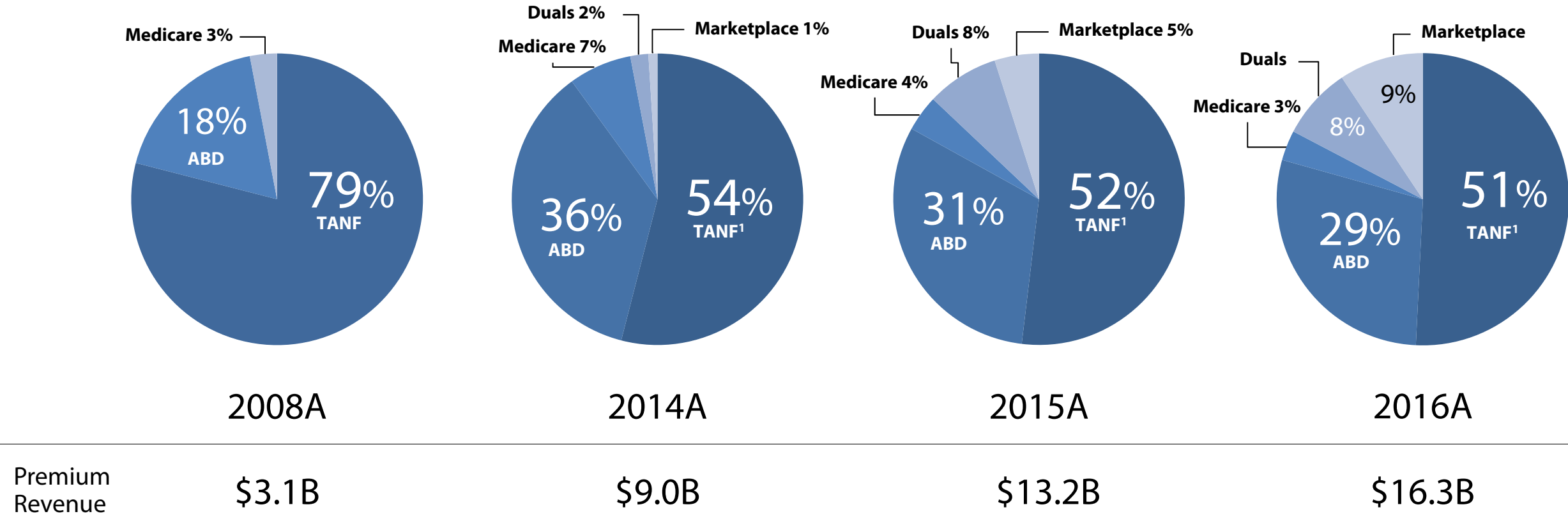
1. Premium revenue as reported for the Year ending December 31, 2016

2. The Total Care transaction in New York, closed on August 1, 2016

# Revenue diversification through expansion into new products



Effect of Molina’s changing patient mix on revenue, by product



1. TANF includes CHIP membership, and starting in 2014, Medicaid Expansion membership

# Strategic foundation driving execution

## Sticking to our Knitting

Government programs (Medicaid, Medicare, Marketplace, LTTSS)

## Focus on care management

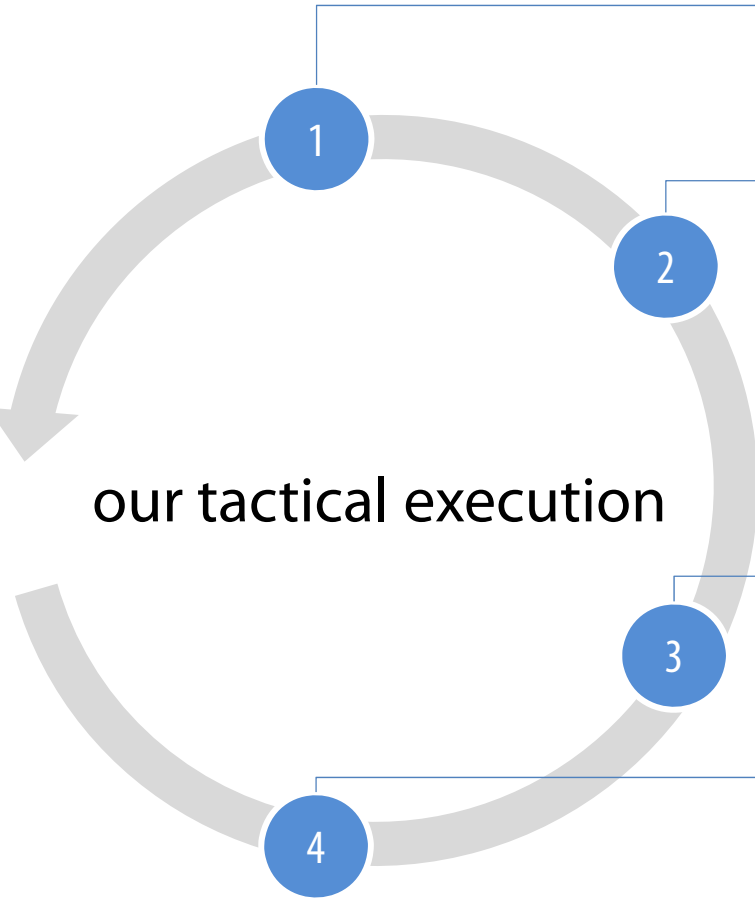
Care model, social determinants of health

## Administrative efficiency

Leverage scale & lower costs

## Augment brand development

Government program toolkit, greater member and provider connection, customer experience



Lower medical costs

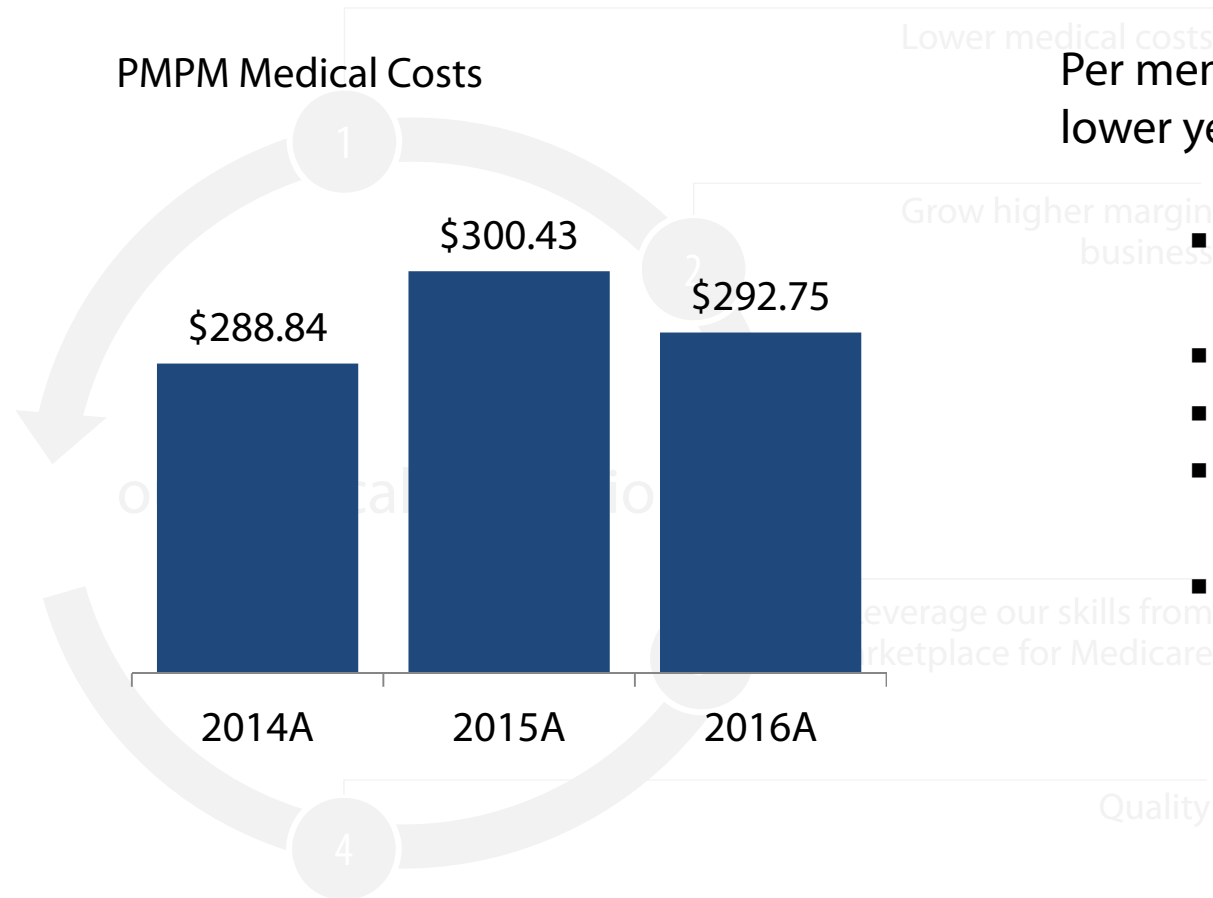
Grow higher margin business

Leverage our skills from Marketplace for Medicare

Quality

# Lowering medical costs

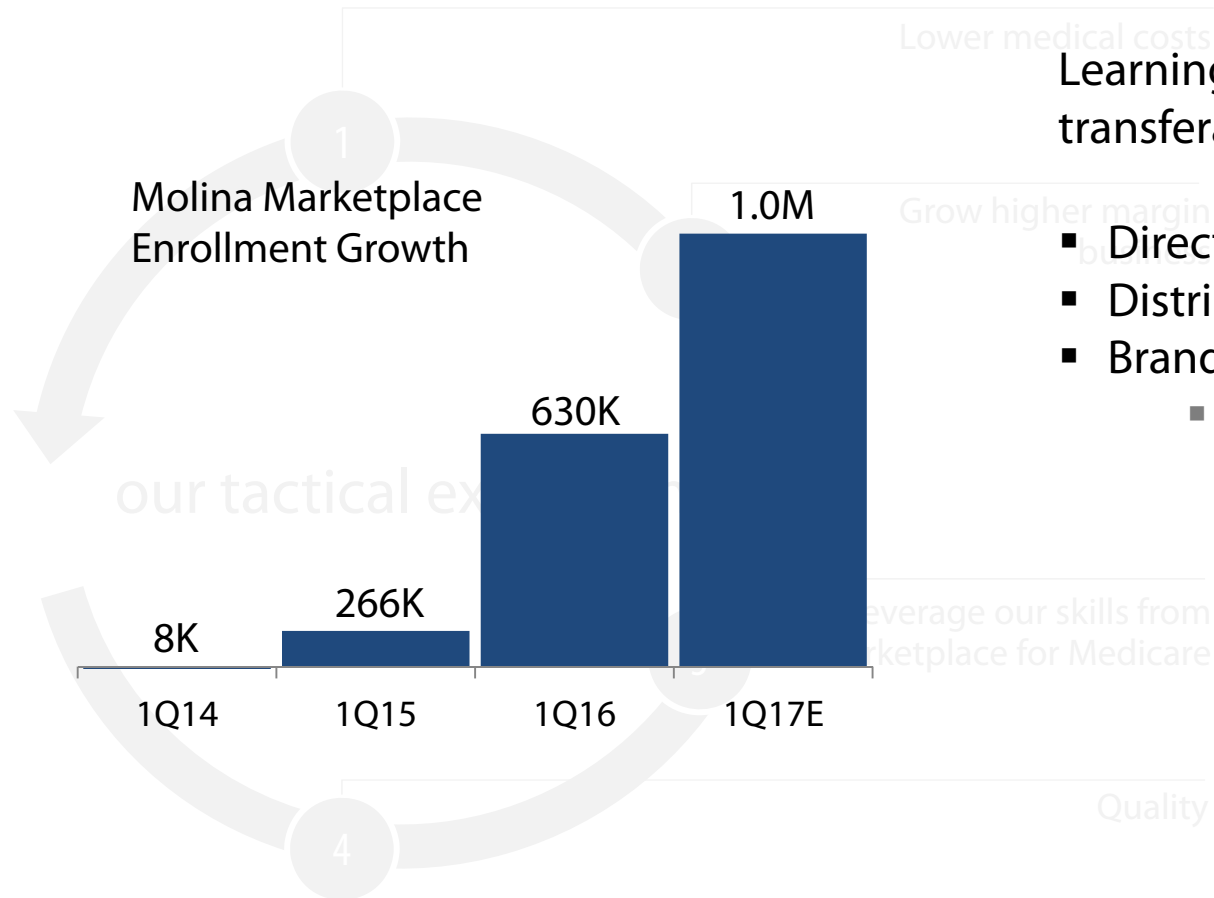
Contributing to higher margins



Per member per month medical costs are about 3% lower year over year by:

- Directing members to high performing networks
- Reducing hospitalizations
- Leveraging technology
- Integrated behavioral and physical health solutions
- Overall care coordination

# Leveraging our skills for Marketplace to Medicare

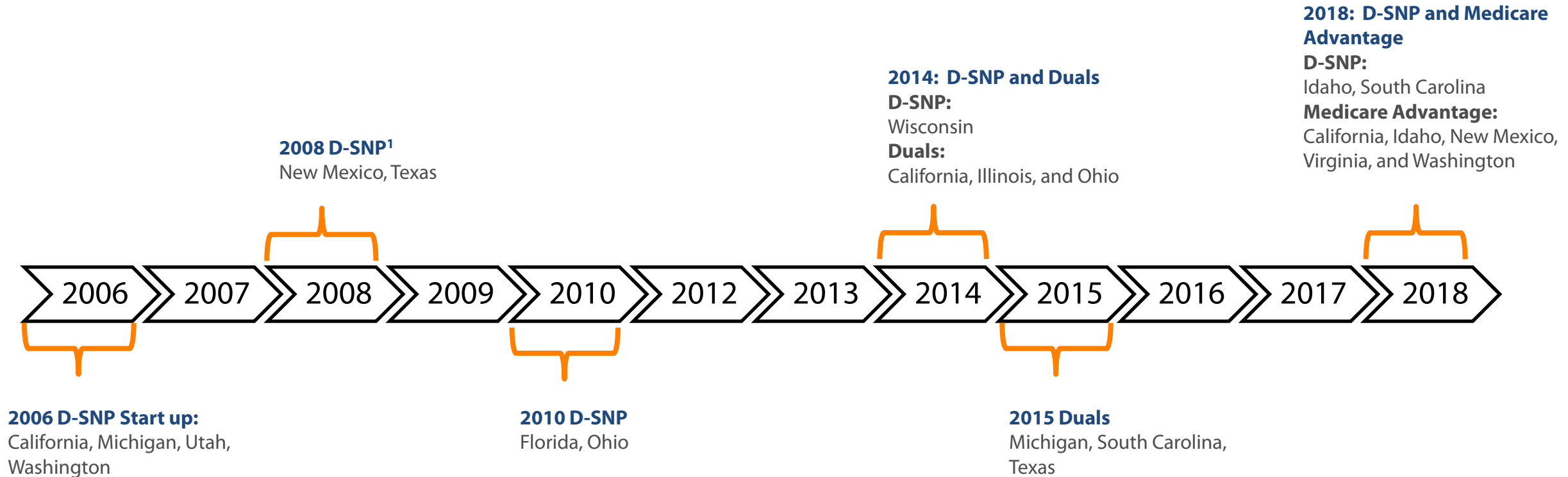


Learning from our Marketplace product is transferable to our MA market entry initiatives

- Direct marketing and sales
- Distribution/Broker channel management
- Brand awareness & development
  - 1 out of 3 adult individuals <250% of FPL in our markets know the Molina brand name

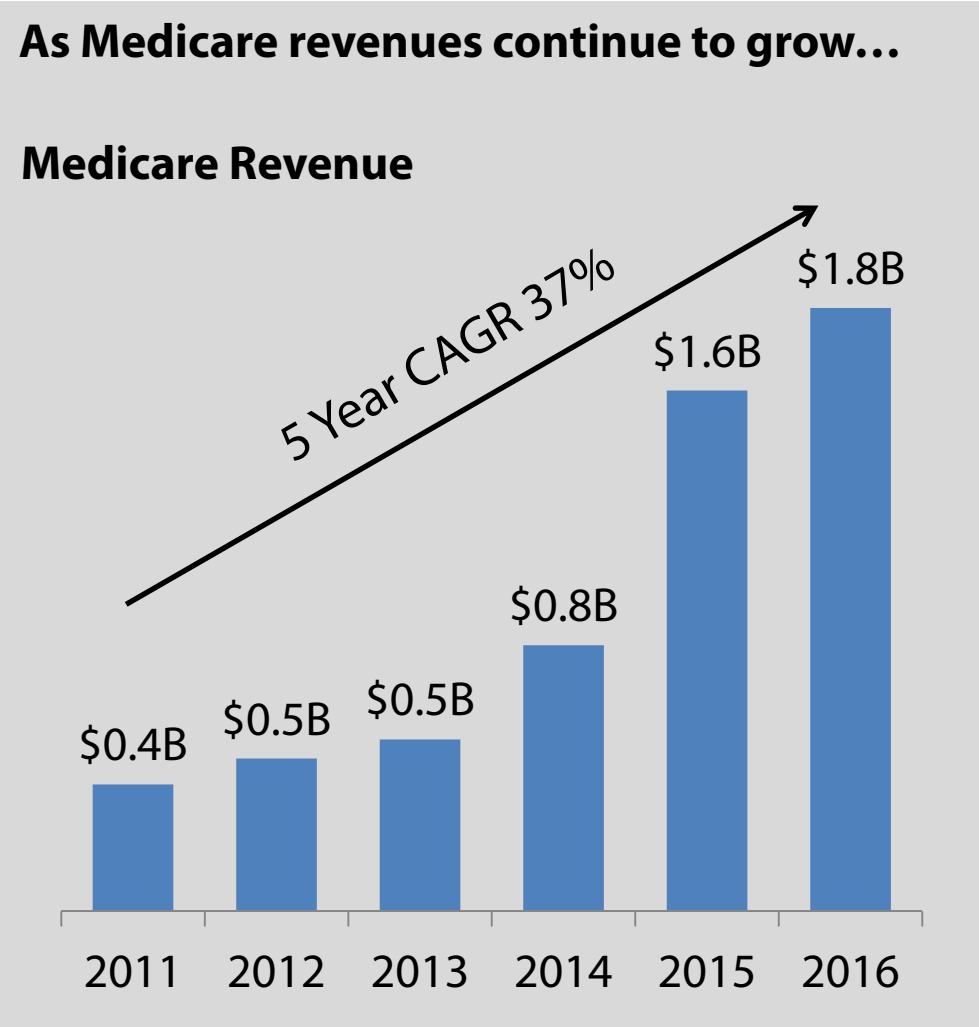
# Medicare

Disciplined history of expansion



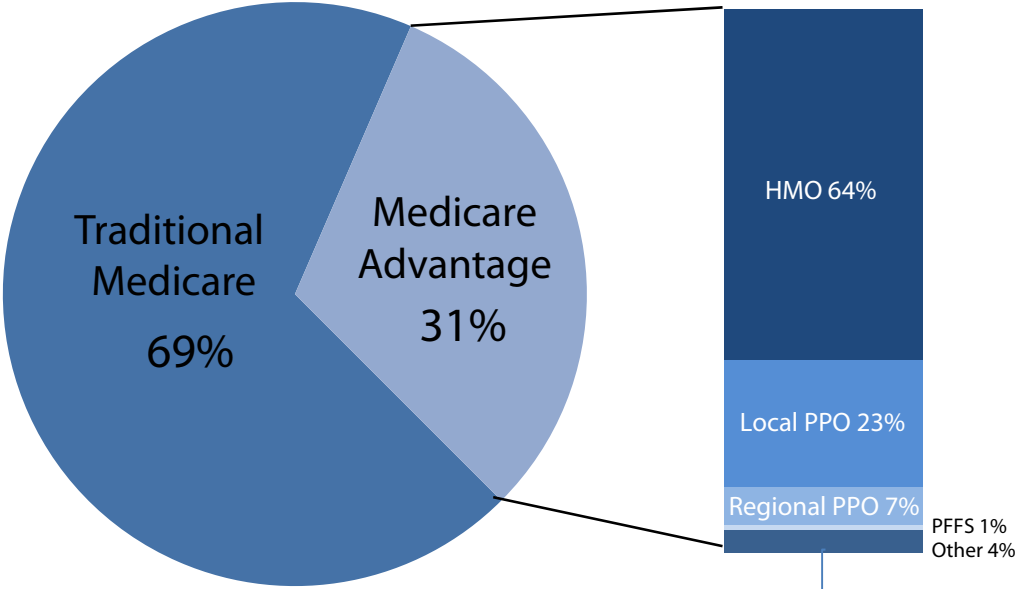
1. Additionally tested Medicare Advantage in a certain existing markets

# Our Medicare business continues to grow



... the opportunity remains large

Distribution of Enrollment in Medicare Private Plans, by Plan Type, 2016



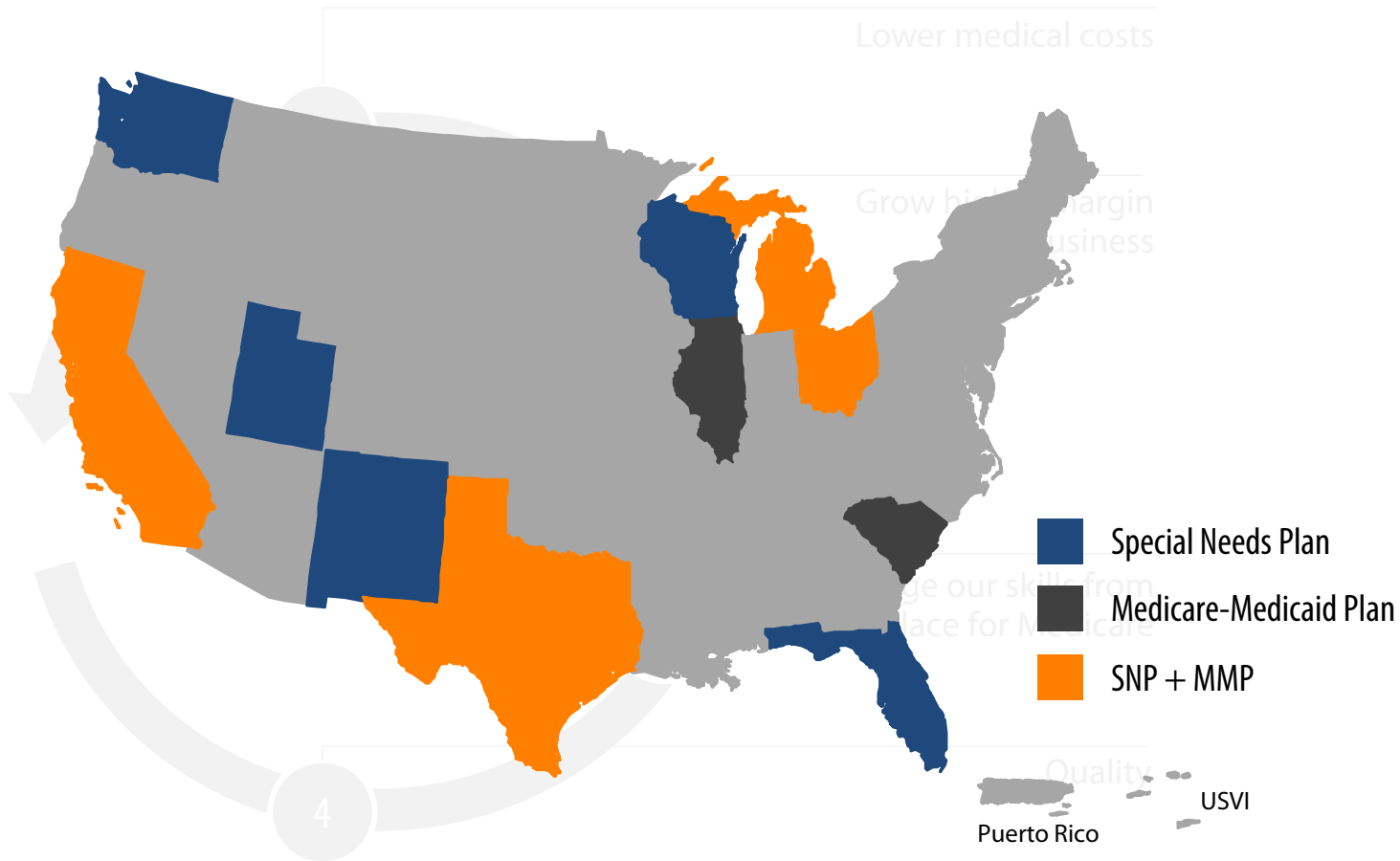
**18 Million<sup>1</sup>**  
Number of Americans enrolled in **Medicare Advantage.**

**50% of all Medicare beneficiaries in the U.S. had incomes below \$24,150<sup>2</sup>**

1. Kaiser Family Foundation, Medicare Advantage Fact Sheet, May 2016. <http://kff.org/medicare/fact-sheet/medicare-advantage/>  
2. <http://kff.org/medicare/issue-brief/income-and-assets-of-medicare-beneficiaries-2014-2030/>  
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# Pursuing higher margin business

Expanding Medicare where 2% of our members drive 22% of our medical margin



- 3 year Medicare expansion roadmap
- 2018 targeting 4 existing states and 1 new entry for MAPD
- Focus on high-performing networks and value-based contracts
- Up to 250% of the FPL

**Current Footprint includes 7 of the 10 largest Medicare Advantage markets<sup>1</sup>**

1. Source: CMS January 2017 Medicare eligibles

# Pursuing higher margin business

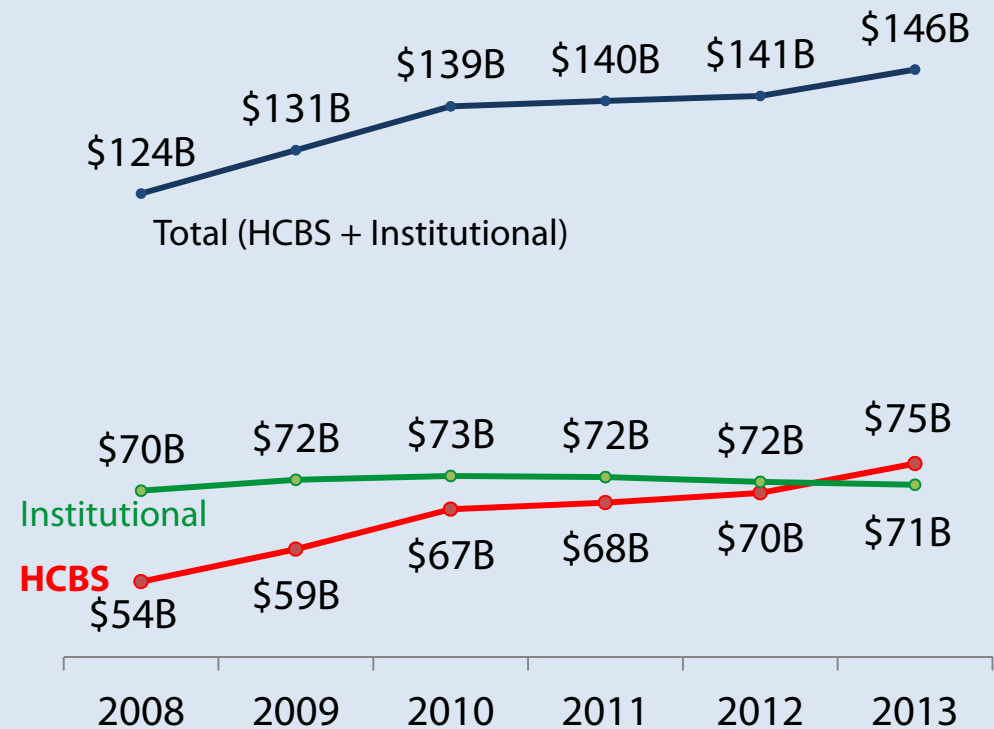
Continuing to pursue organic LTSS opportunities



What are Managed Long Term Services and Support?

Enables an individual to remain in their home or a community based setting, provides services and addresses barriers to social determinants of health. Provides long term care (residential) when needed.

## U.S. Medicaid Expenditures for LTSS<sup>1</sup> 2008-2013



1. Truven Health Analytics, Medicaid Expenditures for Long-Term Services and Supports (LTSS) in FY 2013, June 30, 2015



A map of the United States where states are colored in two categories: dark blue and light gray. The dark blue states include California, Texas, Florida, New York, and several others in the Midwest and Northeast. The light gray states include Washington, Oregon, Arizona, Nevada, Idaho, Montana, Wyoming, Colorado, Utah, New Mexico, Oklahoma, Kansas, Nebraska, South Dakota, North Dakota, Minnesota, Iowa, Missouri, Arkansas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, West Virginia, Maryland, Delaware, Pennsylvania, New Jersey, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, Maine, and Alaska.



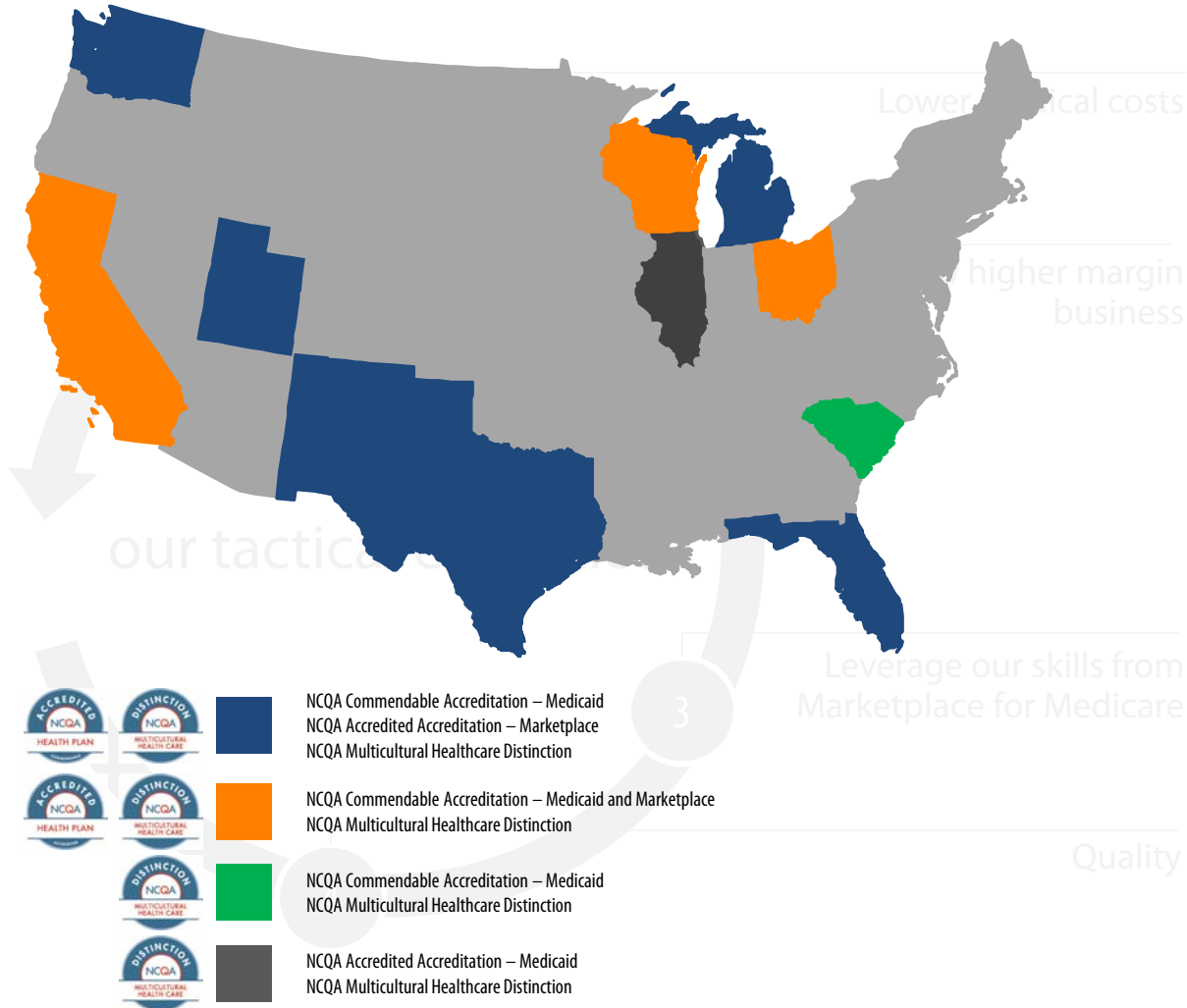
Puerto Rico USVI

Year	Investment (Billion USD)
2009	\$6.6B
2010	\$7.3B
2011	\$8.2B
2012	\$10.0B
2013	\$14.5B
2014	\$22.5B

1. Medicaid Expenditures for Long-Term Services and Supports (LTSS) in FY 2014, April 15, 2016. <https://www.medicaid.gov/medicaid/tss/downloads/tss-expenditures-2014.pdf>  
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# Augmenting brand development through quality

Why does quality matter?



- States link reimbursement and patient assignment to quality scores
- Medicare links quality scores to our premium rates
- STAR ratings
- HEDIS scores

2016 – 2017

NCQA Overall **Medicaid** Quality Rankings<sup>1</sup>

★★★★ MI, UT

★★★★ NM, OH, TX, WA

★★★ CA, FL, SC, WI

2017

**Medicare** Star Ratings

★★★★ NM

★★★★ FL, MI, TX, UT, WA

★★★ CA

1. <http://healthinsuranceratings.ncqa.org/2016/Default.aspx>

2. <http://healthaffairs.org/blog/2014/09/22/medicare-advantage-stars-systems-disproportionate-impact-on-ma-plans-focusing-on-low-income-populations/>



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# Marketplace

Joseph White  
Chief Accounting Officer



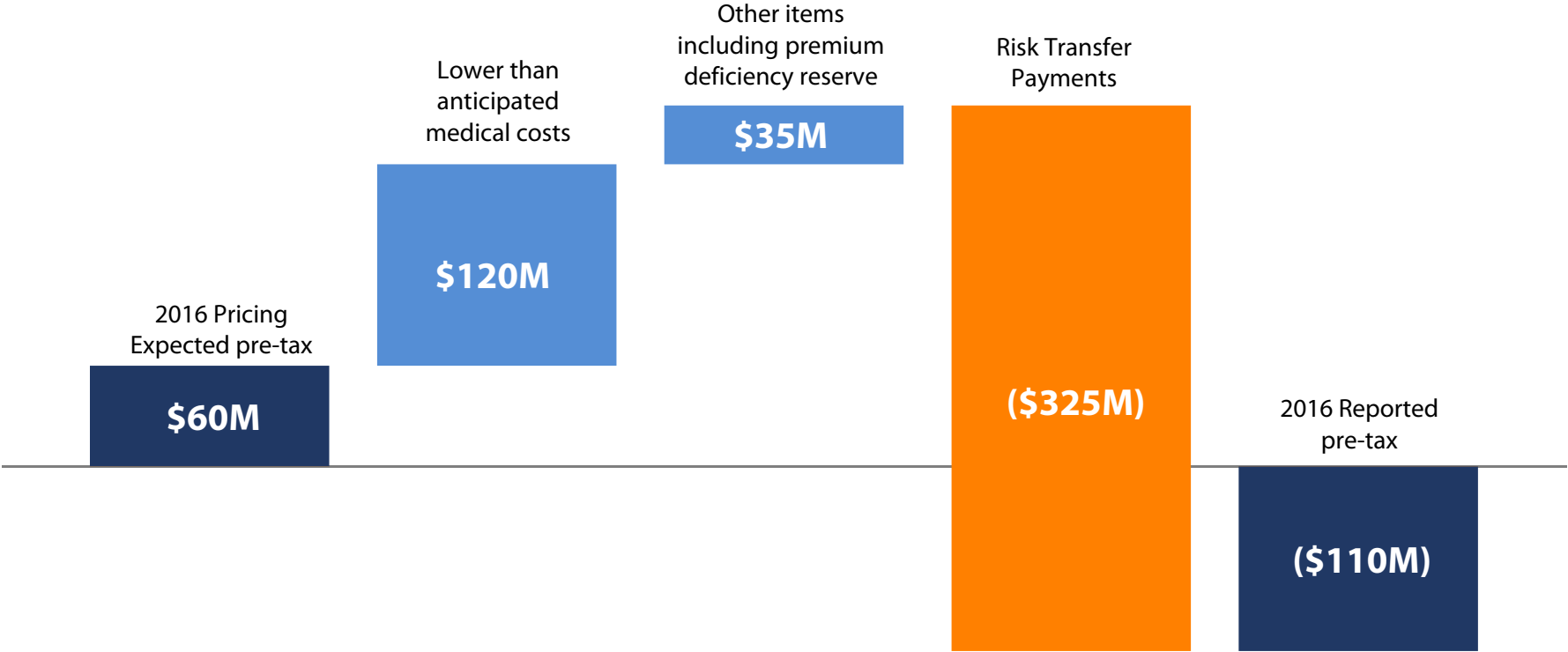
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# Marketplace pretax bridge 2016 pricing to reported

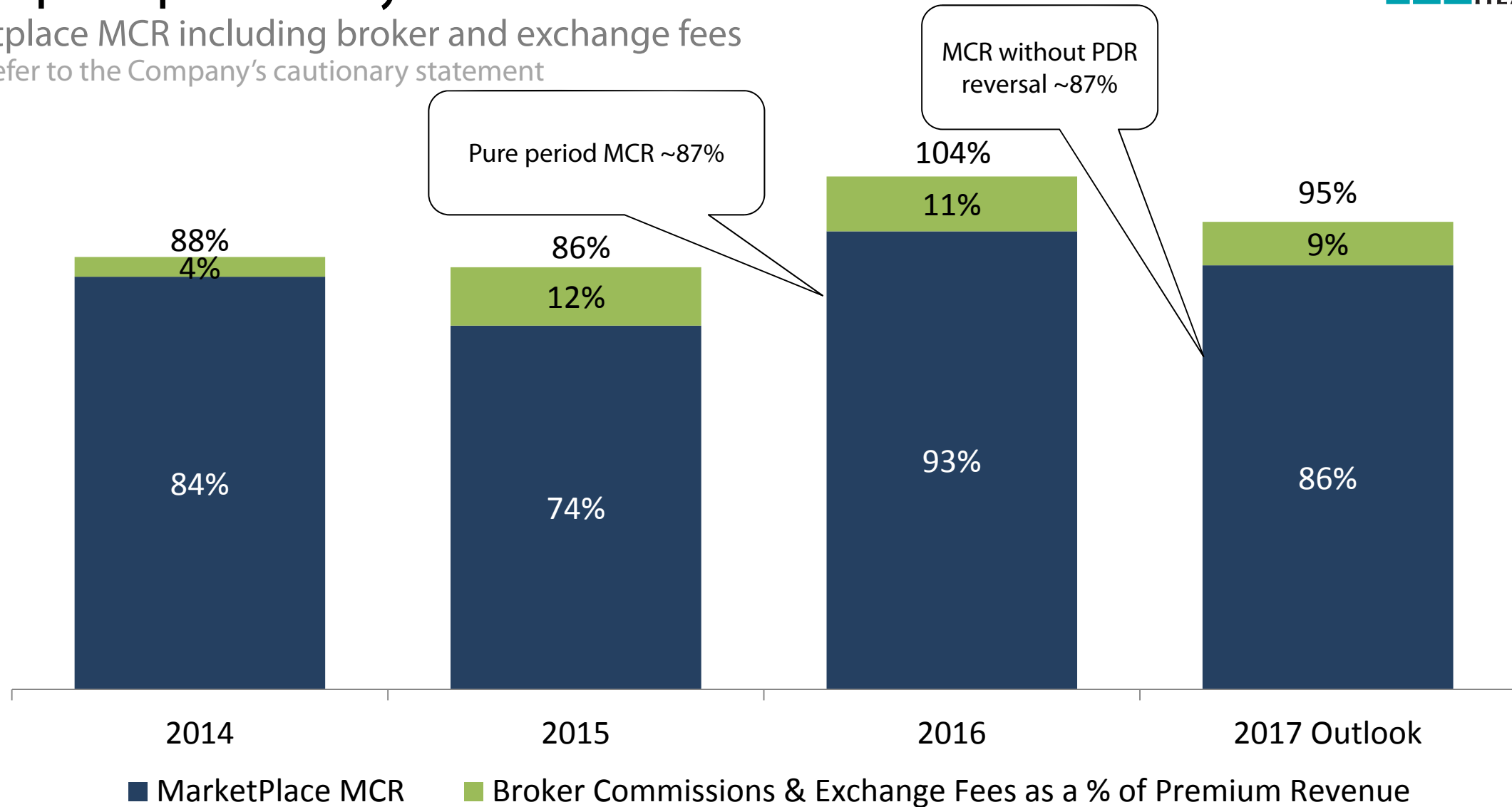
Please refer to the Company's cautionary statement



Note: Other includes out of periods adjustments, premium deficiency reserve and administrative costs

# Marketplace profitability

Marketplace MCR including broker and exchange fees  
Please refer to the Company's cautionary statement

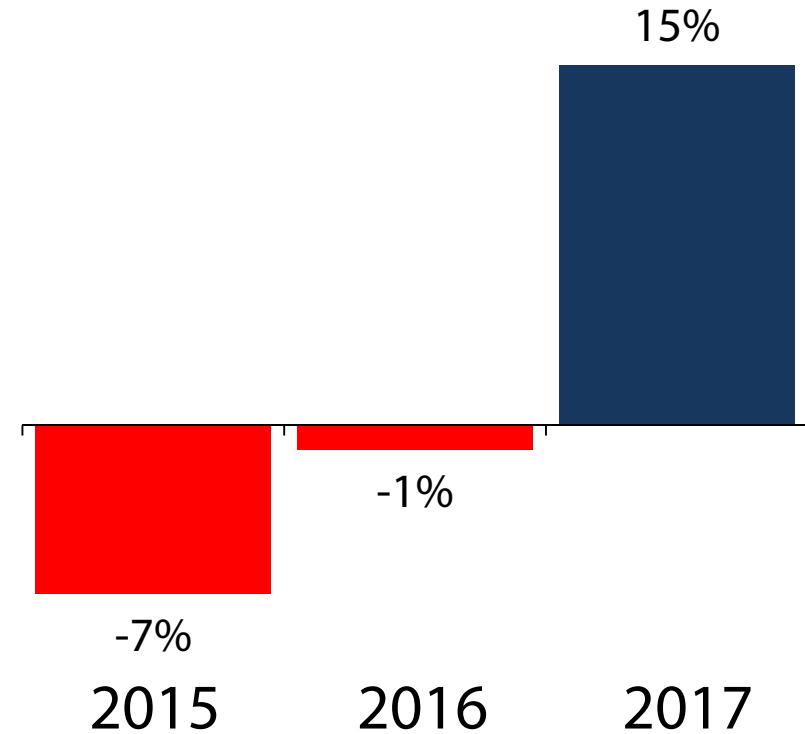


# Marketplace rate changes

In 2017 we priced 15% higher

Please refer to the Company's cautionary statement

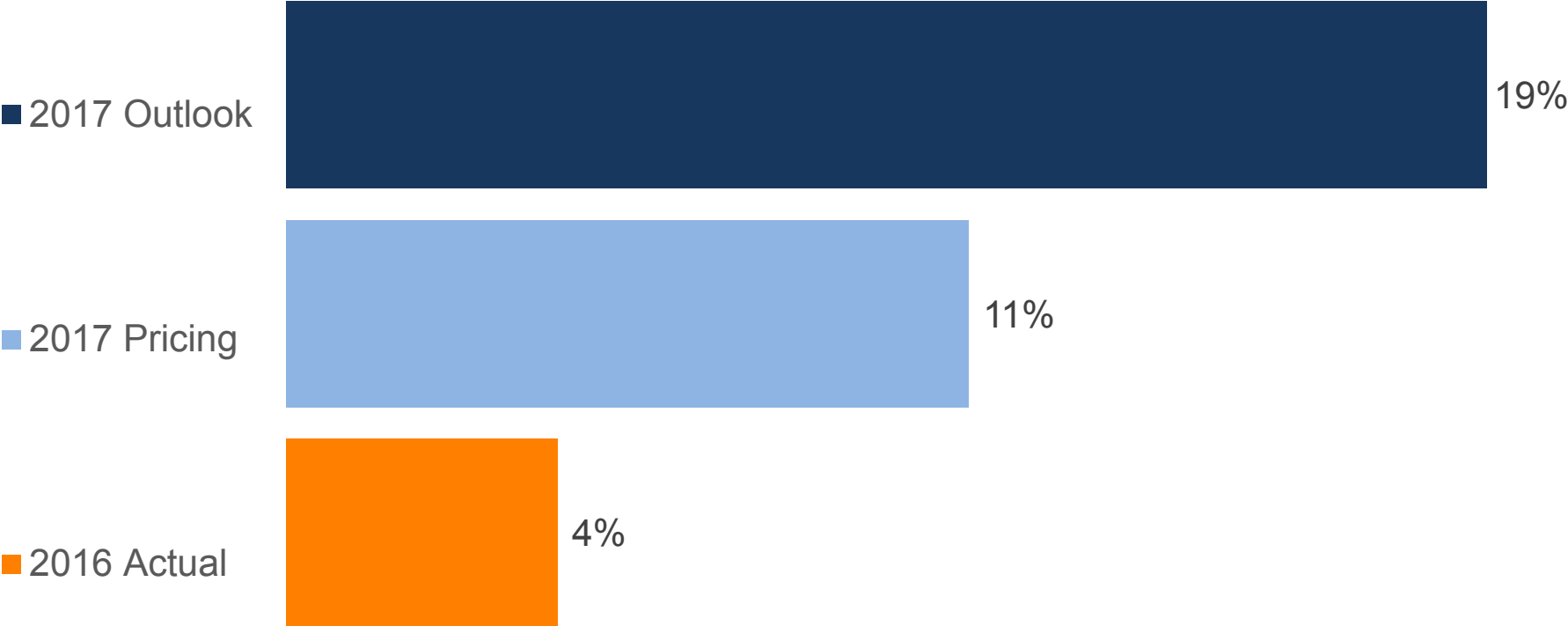
Plan Year	2015	2016	2017
California	2%	-8%	6%
Florida	-9%	0%	17%
Michigan	-22%	-9%	3%
New Mexico	-11%	-3%	24%
Ohio	-22%	-6%	2%
Texas	-14%	-7%	10%
Utah	-11%	0%	37%
Washington	-10%	-12%	8%
Wisconsin	-11%	0%	27%



# Marketplace medical cost trend



Please refer to the Company’s cautionary statement

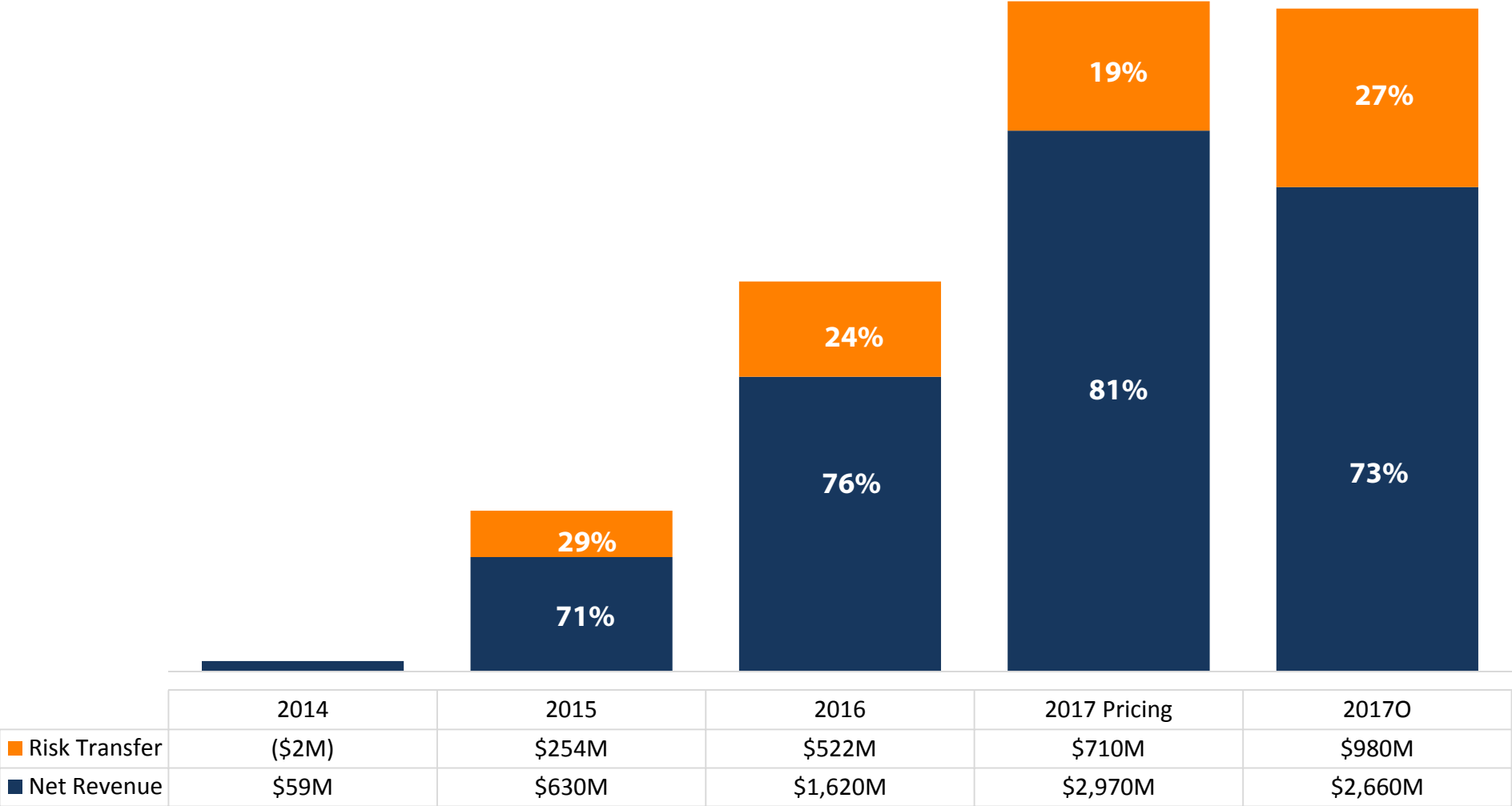


# Marketplace risk transfer



% of Gross Revenue (pure period)

Please refer to the Company’s cautionary statement



O = Outlook

# Risk transfer methodology

The risk transfer (RT) payment methodology encourages higher premiums  
Please refer to the Company's cautionary statement

## Scenario 1 - risk transfer calculated on premium

	Industry	MOH	Competition
Premium	100	90	110
Medical Cost	80	64	96
<b>Risk Transfer</b>		<b>-20</b>	<b>20</b>
Gross Margin	20	6	34
Relative Risk	1	-0.2	0.2
MCR before RT	80%	71%	87%
MCR including RT	<u>80%</u>	<u>93%</u>	<u>69%</u>
Difference	0%	22%	-18%
<b>Percentage transferred</b>		<b>4%</b>	

## Scenario 2 - risk transfer calculated on medical cost

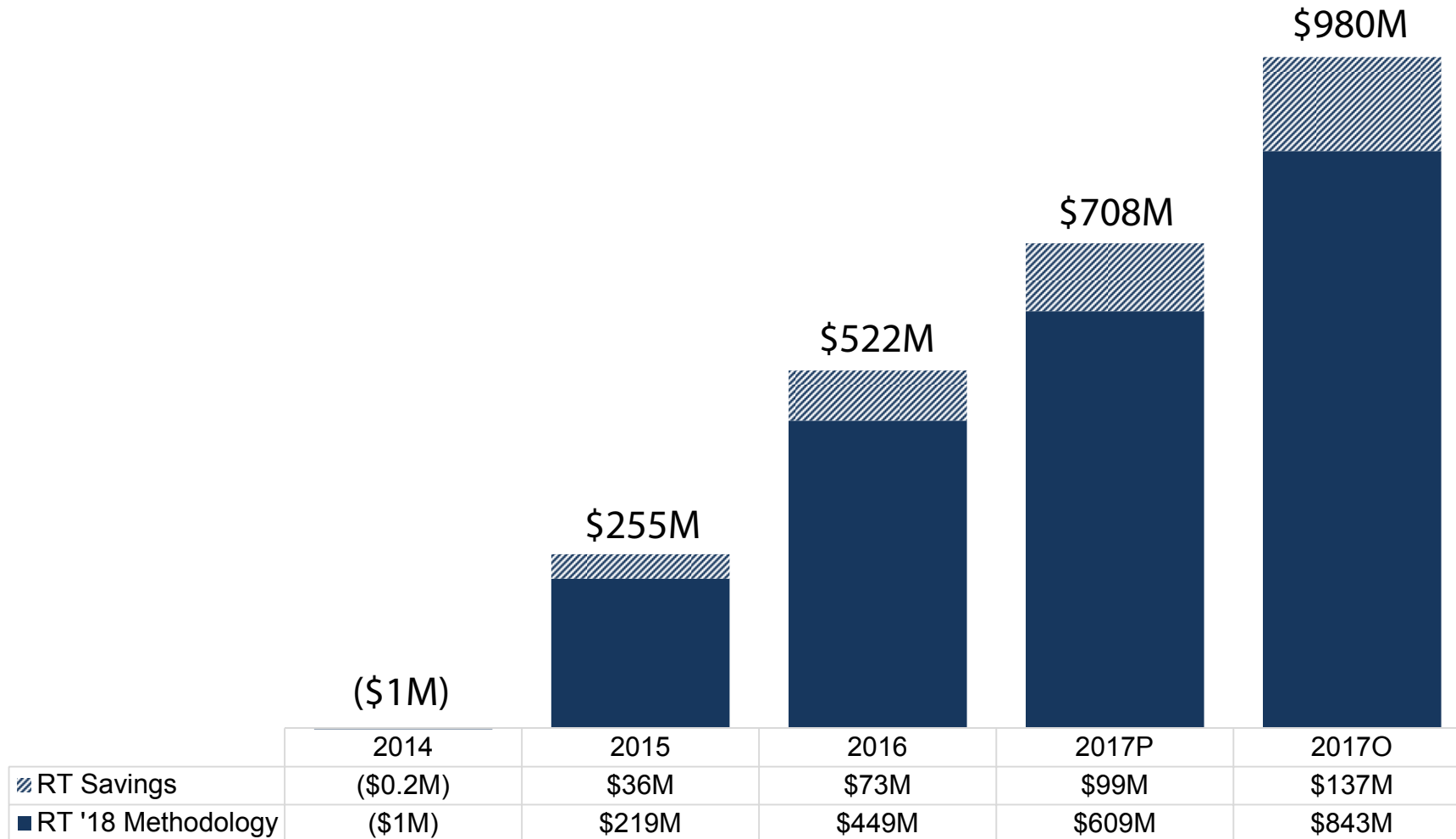
	Industry	MOH	Competition
Premium	100	90	110
Medical Cost	80	64	96
<b>Risk Transfer</b>		<b>-16</b>	<b>16</b>
Gross Margin	20	10	30
Relative Risk	1	-0.2	0.2
MCR before RT	80%	71%	87%
MCR including RT	<u>80%</u>	<u>89%</u>	<u>73%</u>
Difference	0%	18%	-15%
<b>Percentage transferred</b>		<b>3%</b>	

RT = risk transfer

# Marketplace risk transfer

## Impact of 2018 methodology

Please refer to the Company's cautionary statement



RT= Risk Transfer

P = Pricing

O - Outlook

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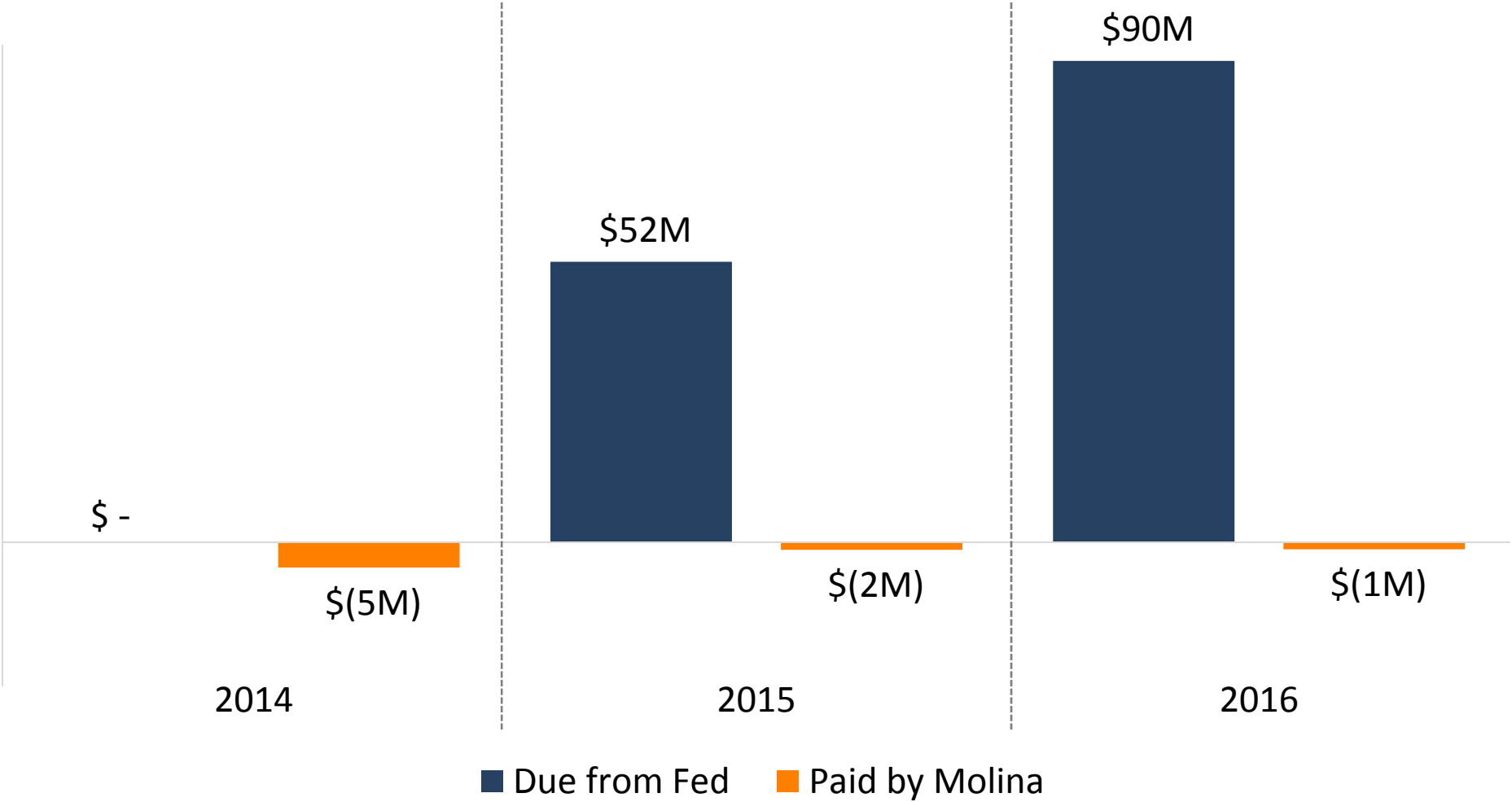
## Changes to the MarketPlace risk transfer methodology<sup>1</sup>

- State wide average premium multiplied by 86%

1. <https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-30433.pdf>

# Marketplace risk corridor

Please refer to the Company's cautionary statement

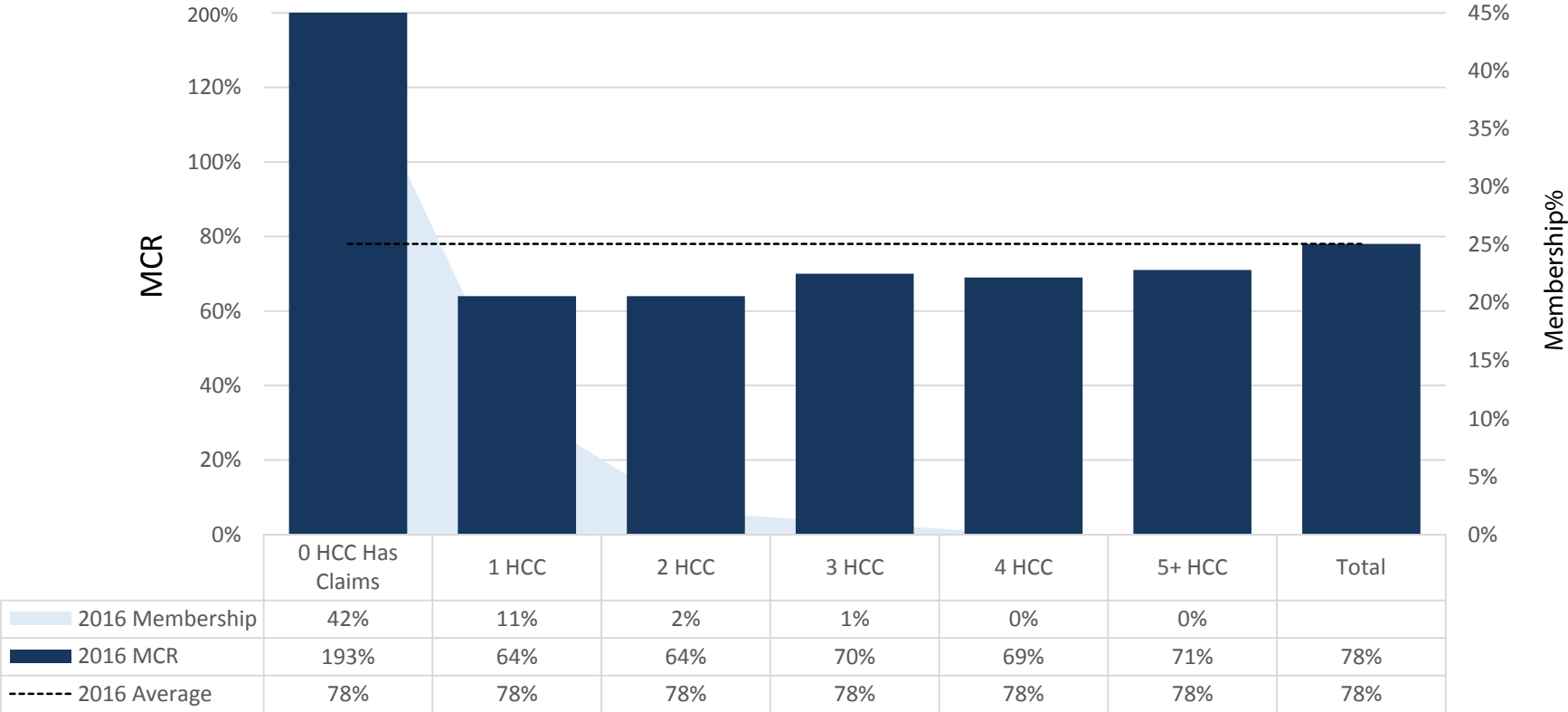


# Higher acuity equals higher margins

The risk model overcompensates for high acuity  
Please refer to the Company's cautionary statement



MCR by HCC and Year



People with claims but no HCCs were the least profitable members

Every cohort with at least one HCC shows an MCR <=71%

# Why SEP is more expensive

Please refer to the Company's cautionary statement

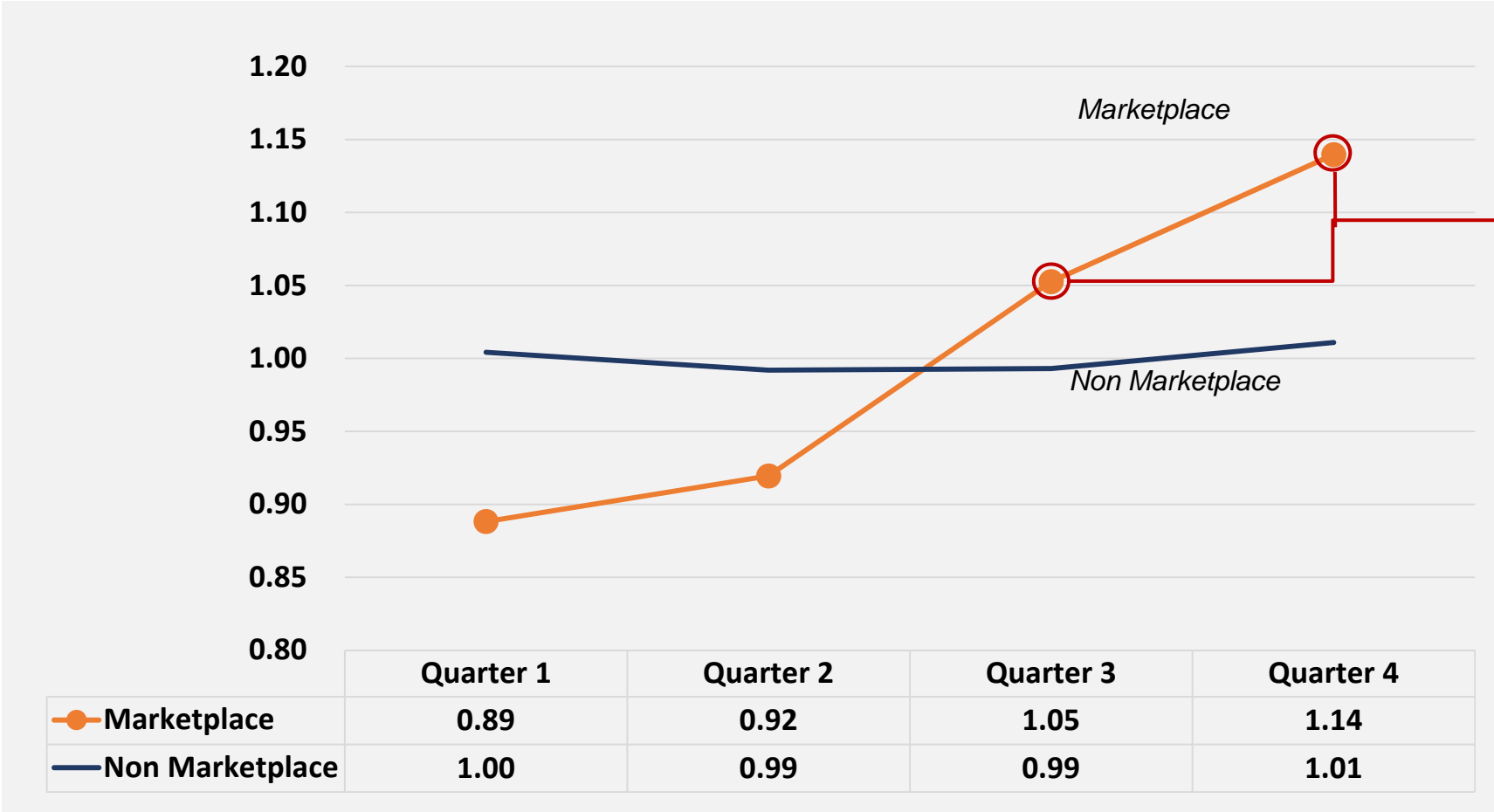
- Pent up demand
- Partial year duration risk scores

	Q3 2016			
Measure	Continuous	Lapse	New	Total
Risk Score	1.27	1.09	1.01	1.25
Direct MCR	87%	61%	144%	88%

	Q4 2016			
Measure	Continuous	Lapse	New	Total
Risk Score	1.25	1.39	0.80	1.23
Direct MCR	92%	78%	185%	95%

# Seasonality of medical expenses

Please refer to the Company's cautionary statement



Marketplace

Utilization increases during the year:

- Special enrollment
- Attrition of healthy members
- Members understanding benefits
- Member cost sharing

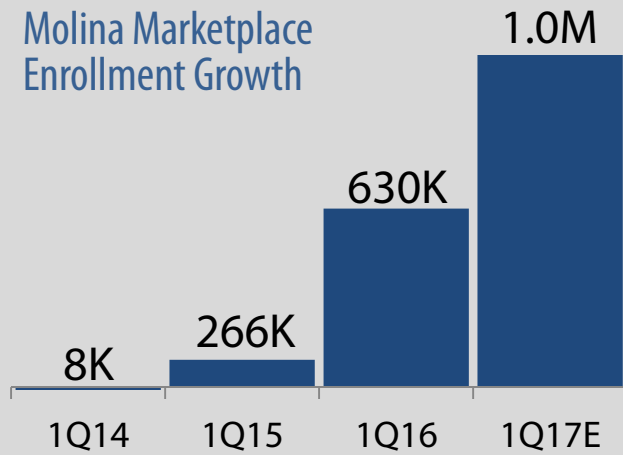
Seasonality calculated as the average cost of each day (specific to day of week and holiday).  
Adjustments were made for distribution of days and holidays in month/ year.

# Marketplace

Dramatic year over year growth in enrollment



Molina Marketplace  
Enrollment Growth



**Government must address these key elements that are needed to stabilize the program long term:**

1. Address issues around the special enrollment period (SEP)
2. Improve the risk transfer methodology
3. Cost sharing reductions (CSRs) and premium subsidies must continue
4. The purchase of health insurance must continue to be a requirement

2017A: Molina Healthcare Investor Day  
February 16, 2017  
New York, New York

# 2017 Outlook

John C. Molina  
Chief Financial Officer



# Keys to 2017 outlook

Please refer to the Company's cautionary statement



- Secure re-procurements
- Marketplace profitability
- Profit improvement initiatives

# 2016 vs. 2017 outlook

Includes \$30 million (approximately \$0.34 per share) impact of PDR in 2016 and 2017 outlook

Please refer to the Company's cautionary statement

	2016 Actual <sup>1</sup>	2017 Outlook <sup>1</sup>	\$ Variance Fav/(UnFav)	% Change Fav/(UnFav)
Premium Revenue	\$16.3B	\$18.4B	\$2.1B	13%
Health Insurer Fee Revenue	\$345M	-	\$ (345M)	(100%)
Premium Tax Revenue	\$465M	\$460M	\$ (5M)	(1%)
Service Revenue	\$539M	\$570M	\$31M	6%
Investment Income and Other Revenue	\$38M	\$40M	\$2M	5%
<b>Total Revenue</b>	<b>\$17.7B</b>	<b>\$19.5B</b>	<b>\$1.8B</b>	<b>10%</b>
<b>Total Medical Care Cost</b>	<b>\$14.8B</b>	<b>\$16.3B</b>	<b>\$ (1.5B)</b>	<b>(10%)</b>
Medical Care Ratio <sup>3</sup>	90.5%	88.5%	2.0%	n/a
Total Cost of Service Revenue	\$485M	\$520M	\$ (35M)	(7%)
<b>General &amp; Administrative Expenses</b>	<b>\$1.4B</b>	<b>\$1.8B</b>	<b>\$ (0.4B)</b>	<b>(29%)</b>
G&A Ratio <sup>4</sup>	7.9%	9.0%	(1.1%)	n/a
Premium Tax Expense	\$465M	\$460M	\$5M	1%
Health Insurer Fee Expense	\$217M	-	\$217M	100%
Depreciation and Amortization	\$139M	\$160M	\$ (21M)	(15%)
Interest and Other Expense	\$101M	\$100M	\$1M	1%
Income Before Taxes	\$137M	\$175M	\$38M	28%
EBITDA <sup>5</sup>	\$399M	\$465M	\$66M	17%
Effective Tax Rate	94%	44%	50%	n/a
Net Income	\$8M	\$100M	\$92M	Not meaningful
Net Profit Margin	- %	0.5%	0.5%	n/a
Diluted EPS	\$0.14	\$1.72	\$1.58	Not meaningful
Adjusted EPS <sup>5</sup>	\$0.50	\$2.09	\$1.59	318%
Weighted Diluted Shares Outstanding	56.3M	58.2M	1.9M	3%

Notes:

1. Subtotals, totals, and other amounts may differ due to rounding.

2. All amounts are estimates; actual results may differ materially. Does not include Aetna/Humana Medicare transaction break-up fee. See our risk factors as discussed in our Form 10-K and other filings.

3. Medical care ratio represents medical care costs as a percentage of premium revenue.

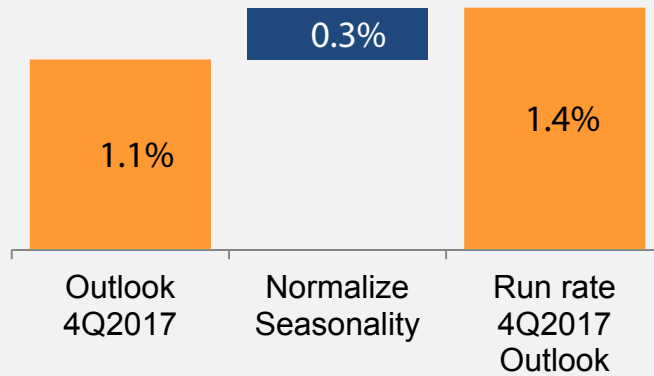
4. G&A expense ratio represents general and administrative expenses as a percentage of total revenue. Net profit margin represents net income as a percentage of total revenue.

5. See following reconciliations of GAAP financial measures to non-GAAP financial measures

# 2017 outlook – Marketplace and non-Marketplace

Please refer to the Company's cautionary statement

## Non Marketplace 4Q Net Profit Margin



If we normalize the non-marketplace fourth quarter for seasonality we expect to be at a 1.4% by the end of 2017

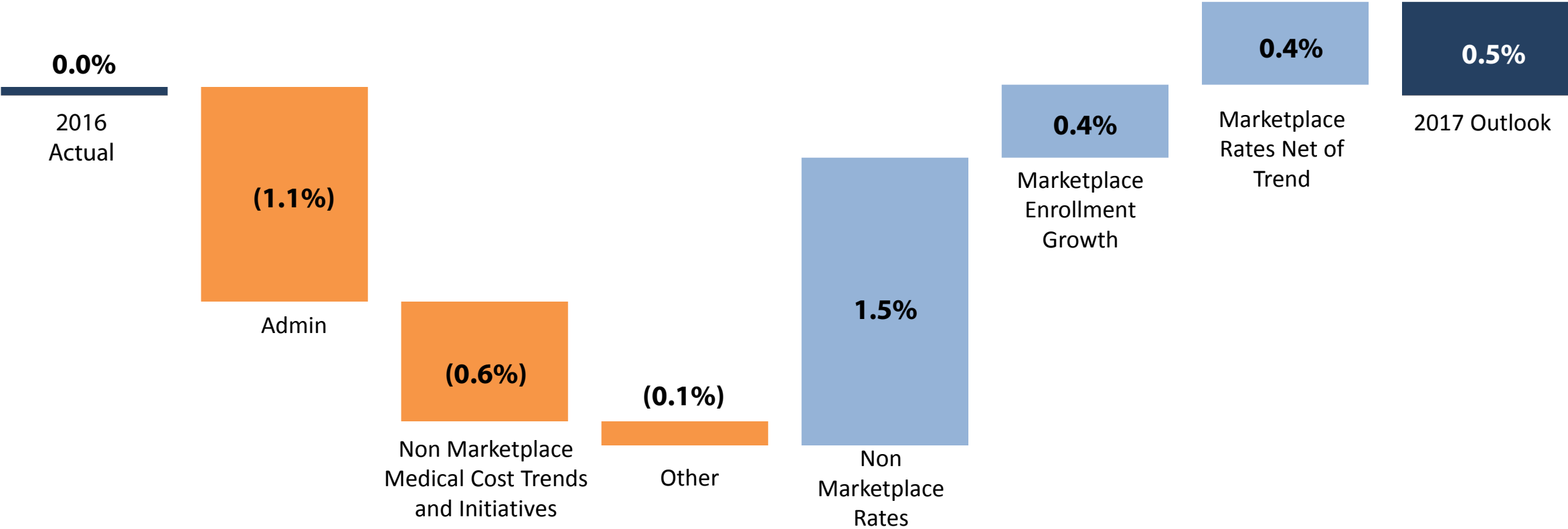
	Non MP	Marketplace	2017 Guidance
Premium Revenue	\$15.7B	\$2.7B	\$18.4B
Health Insurer Fee Revenue	-	-	-
Premium Tax Revenue	\$423M	\$37M	\$460M
Service Revenue	\$570M	-	\$570M
Investment Income and Other Revenue	\$40M	-	\$40M
<b>Total Revenue</b>	<b>\$16.8B</b>	<b>\$2.7B</b>	<b>\$19.5B</b>
<b>Total Medical Care Cost</b>	<b>\$14.0B</b>	<b>\$2.3B</b>	<b>\$16.3B</b>
<i>Medical Care Ratio</i>	89.0%	86.0%	88.5%
Total Cost of Service Revenue	\$520M	-	\$520M
<b>General &amp; Administrative Expenses</b>	<b>\$1.3B</b>	<b>\$0.5B</b>	<b>\$1.8B</b>
<i>G&amp;A Ratio</i>	7.8%	18.0%	9.0%
Premium Tax Expense	\$423M	\$37M	\$460M
Health Insurer Fee Expense	-	-	-
Depreciation and Amortization	\$160M	-	\$160M
Interest and Other Expense	\$100M	-	\$100M
Income Before Taxes	\$290M	(\$115M)	\$175M
<i>Effective Tax Rate</i>	44%	44%	44%
<b>Net Income</b>	<b>\$164M</b>	<b>(\$64M)</b>	<b>\$100M</b>
<b>Net Profit Margin</b>	<b>1.0%</b>	<b>(2.3%)</b>	<b>0.5%</b>

# Bridge 2016 actuals to 2017 outlook



## Net profit margin

Please refer to the Company’s cautionary statement

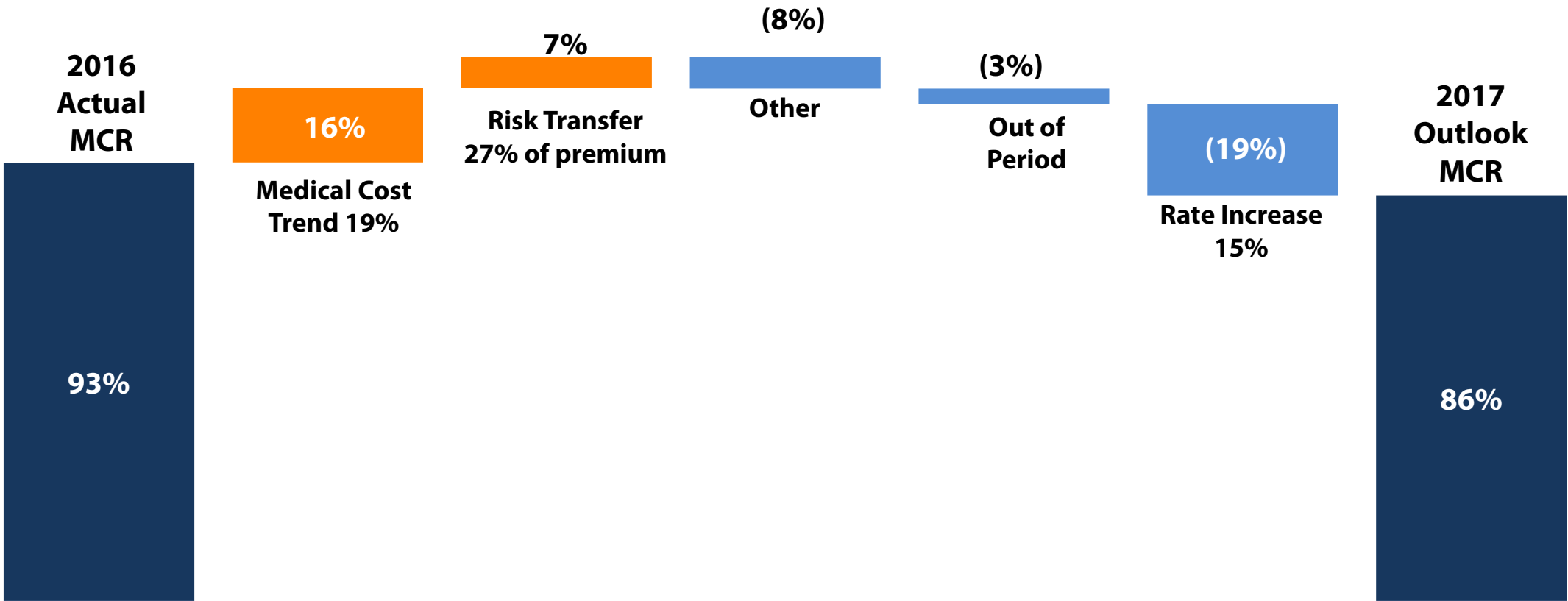


Notes:  
Numbers may not add due to rounding.

# Marketplace 2016 actuals to 2017 outlook



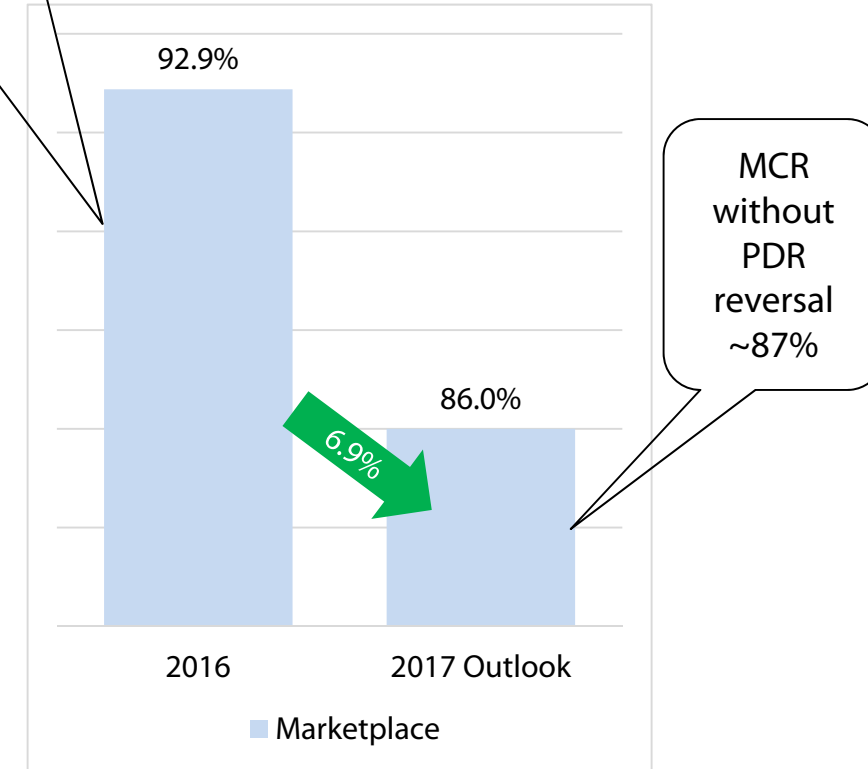
Medical cost ratio percent  
Please refer to the Company’s cautionary statement



Note: Numbers may not add up due to rounding

# MCR year over year change

Please refer to the Company's cautionary statement



- Rate increases
- Profit improvement initiatives

- Increased pricing
- HIF moratorium
- PDR
- 2016 Prior period adjustments

Notes:  
Numbers may not add up due rounding

# Medicaid rate changes

Please refer to the Company's cautionary statement

	Eff. Date	Effective Rate Change	Status
CA	Jul-17	(4.0%)	Estimate
FL	Oct-17	3.0%	Estimate
IL	Jan-17	5.0%	Draft
MI	Jan-17	(0.4%)	Final
NM	Jan-17	(1.0%)	Final
NY	Apr-17	1.0%	Estimate
OH	Jan-17	4.0%	Final
PR	Jan-17	2.0%	Draft
SC	Jul-17	1.0%	Estimate
TX	Sep-17	1.0%	Estimate
UT	Jan-17	4.5%	Final
WA	Jan-17	4.0%	Final
WI	Jan-17	3.0%	Draft

Notes::

Rate changes are net

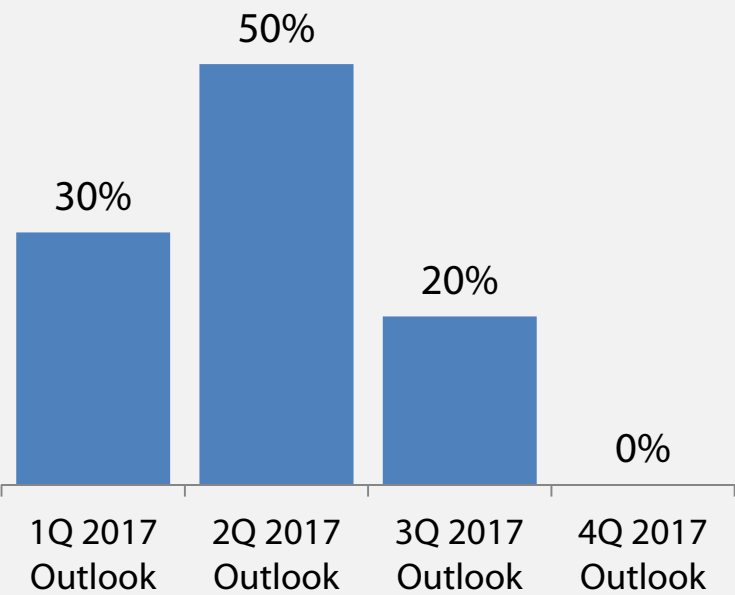
Excludes risk adjustments

# Seasonality

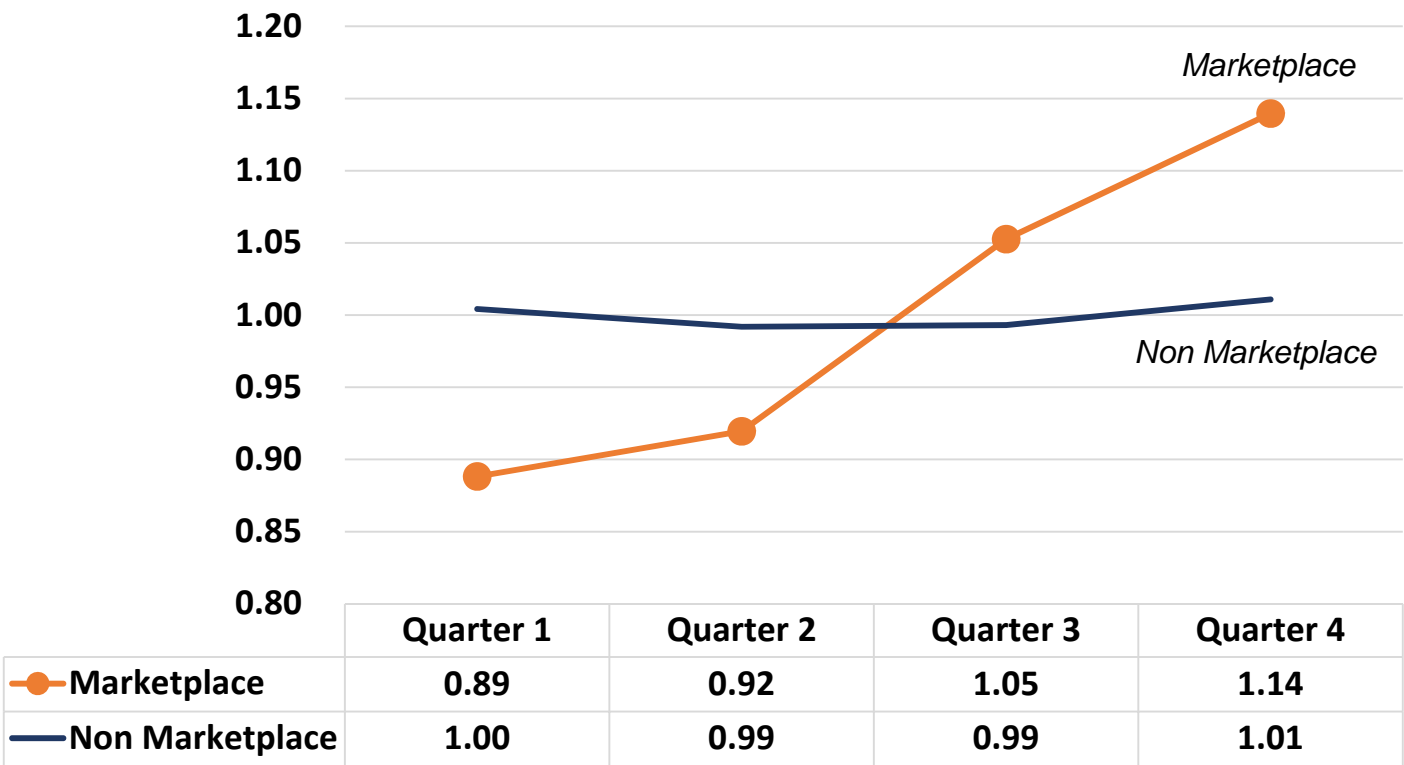
Please refer to the Company's cautionary statement



## Seasonality of earnings



## Seasonality of medical costs

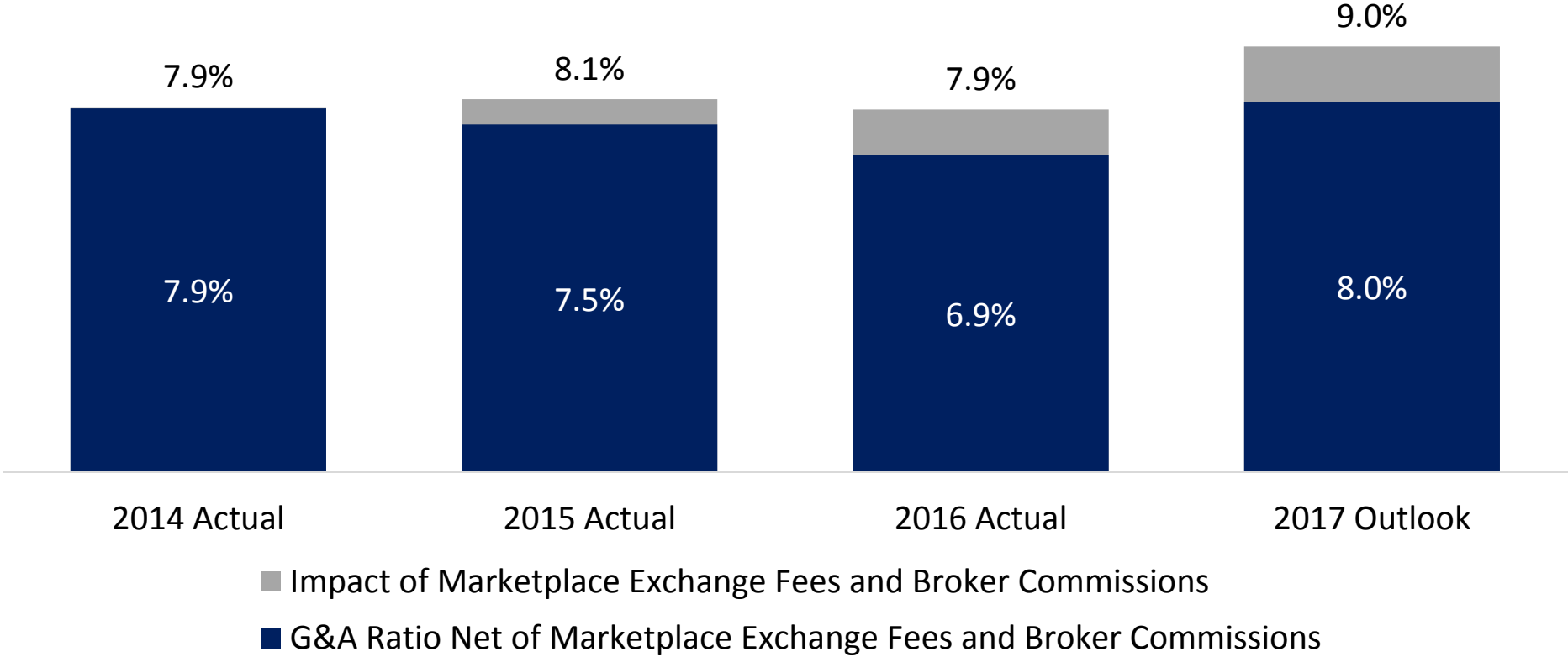


Seasonality calculated as the average cost of each day (specific to day of week and holiday). Adjustments were made for distribution of days and holidays in month/ year.

# G&A ratio – Marketplace impact

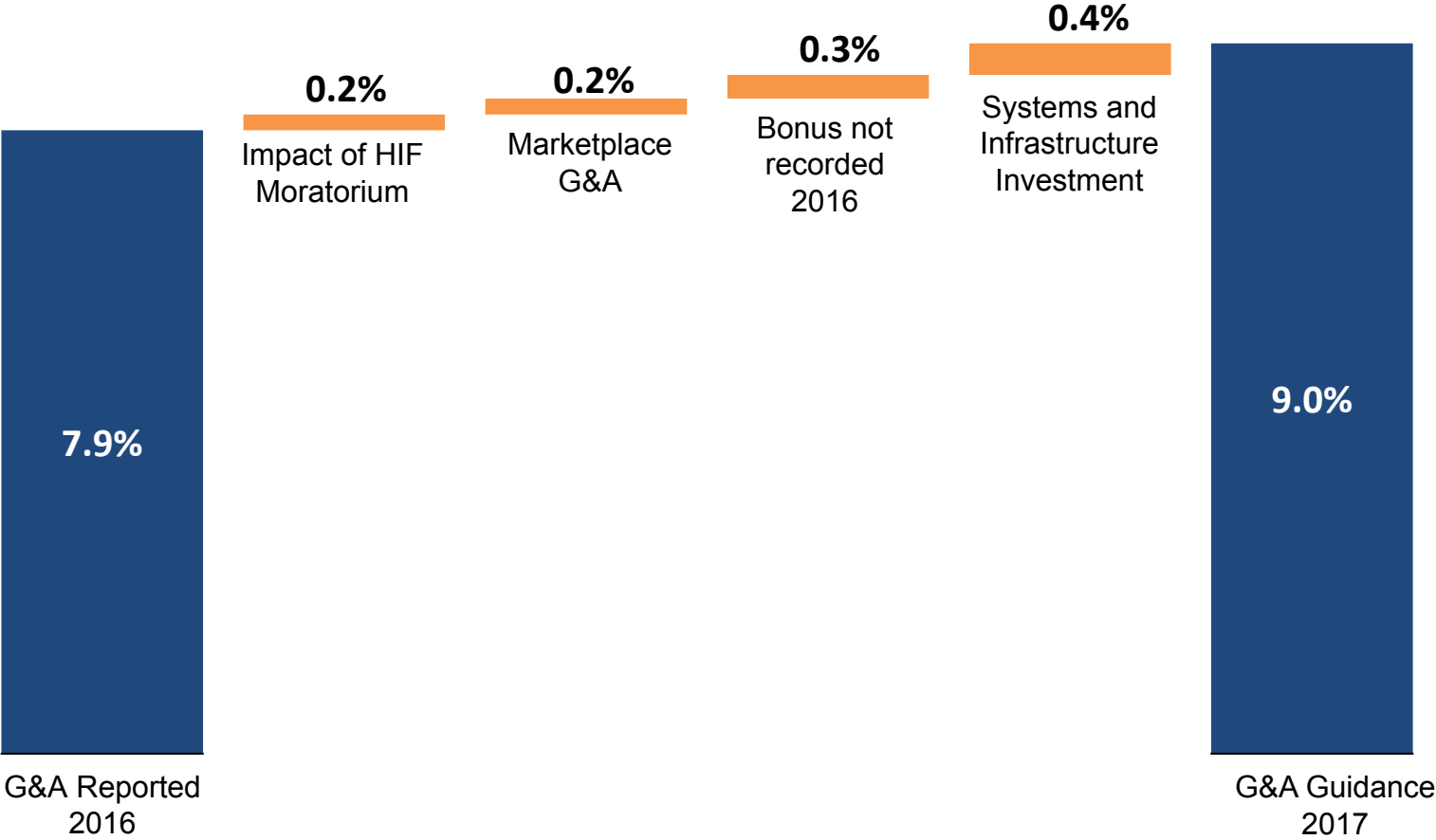
Exchange fees and broker commissions

Please refer to the Company’s cautionary statement



# G&A bridge - actual to outlook

Please refer to the Company's cautionary statement

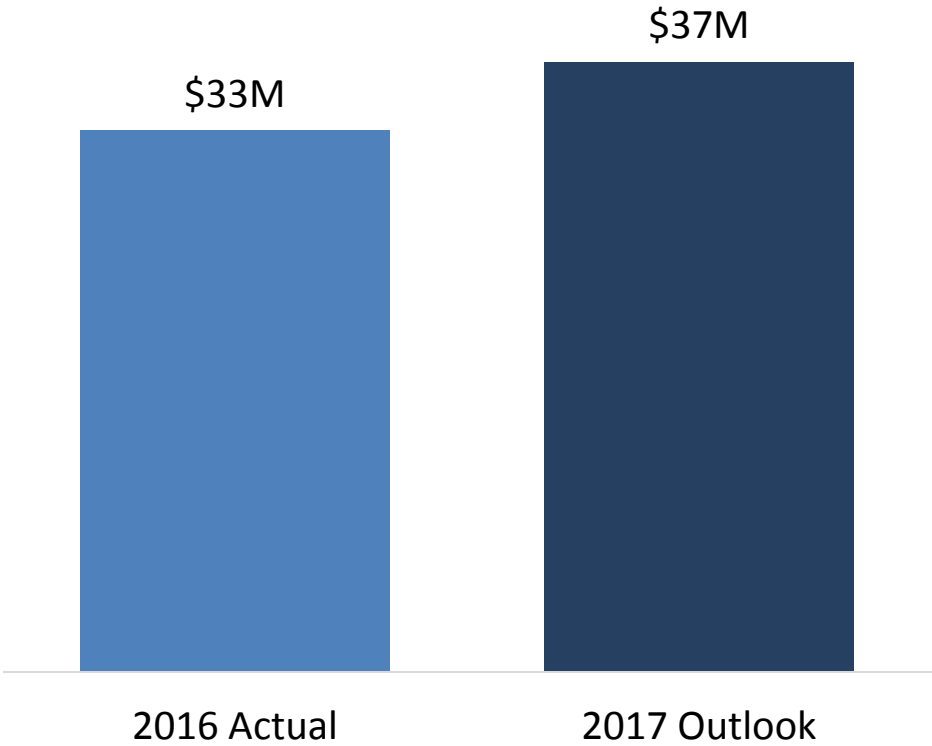


# Investment income



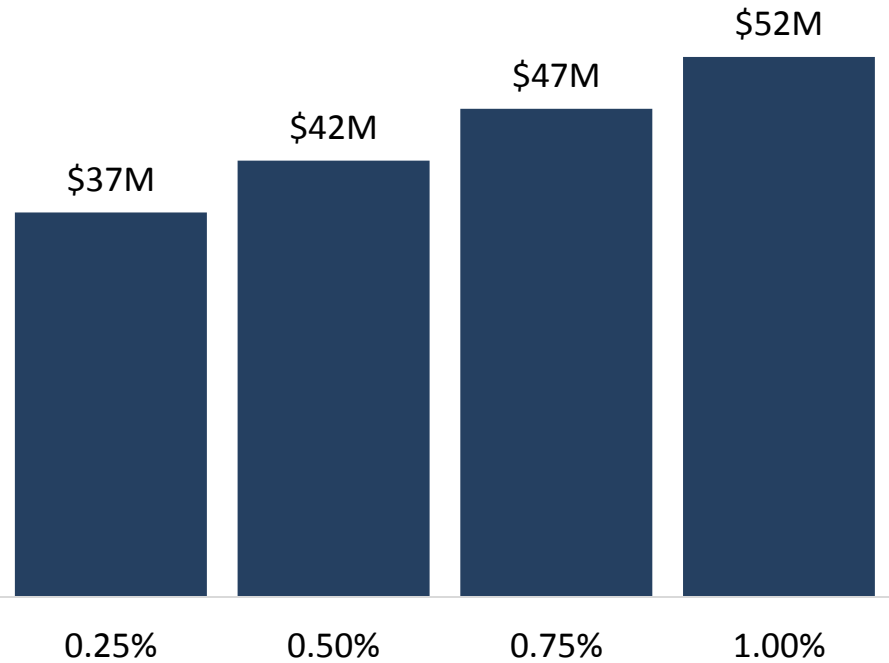
Investment income is projected at \$37M, \$4.3M or 12% up from 2016 Actual, \$4.6M is due to rate increase offset by (\$0.3M) due to lower cash balance.

Please refer to the Company’s cautionary statement



**Outlook Assumptions:**  
(1) Fed rate increase 25 bps in December 2016  
(2) Fed rate increase 25 bps in September 2017

## Investment Income Sensitivity



Investment income increases \$5M for every 25bps fed rate increment effective 1/1/17.

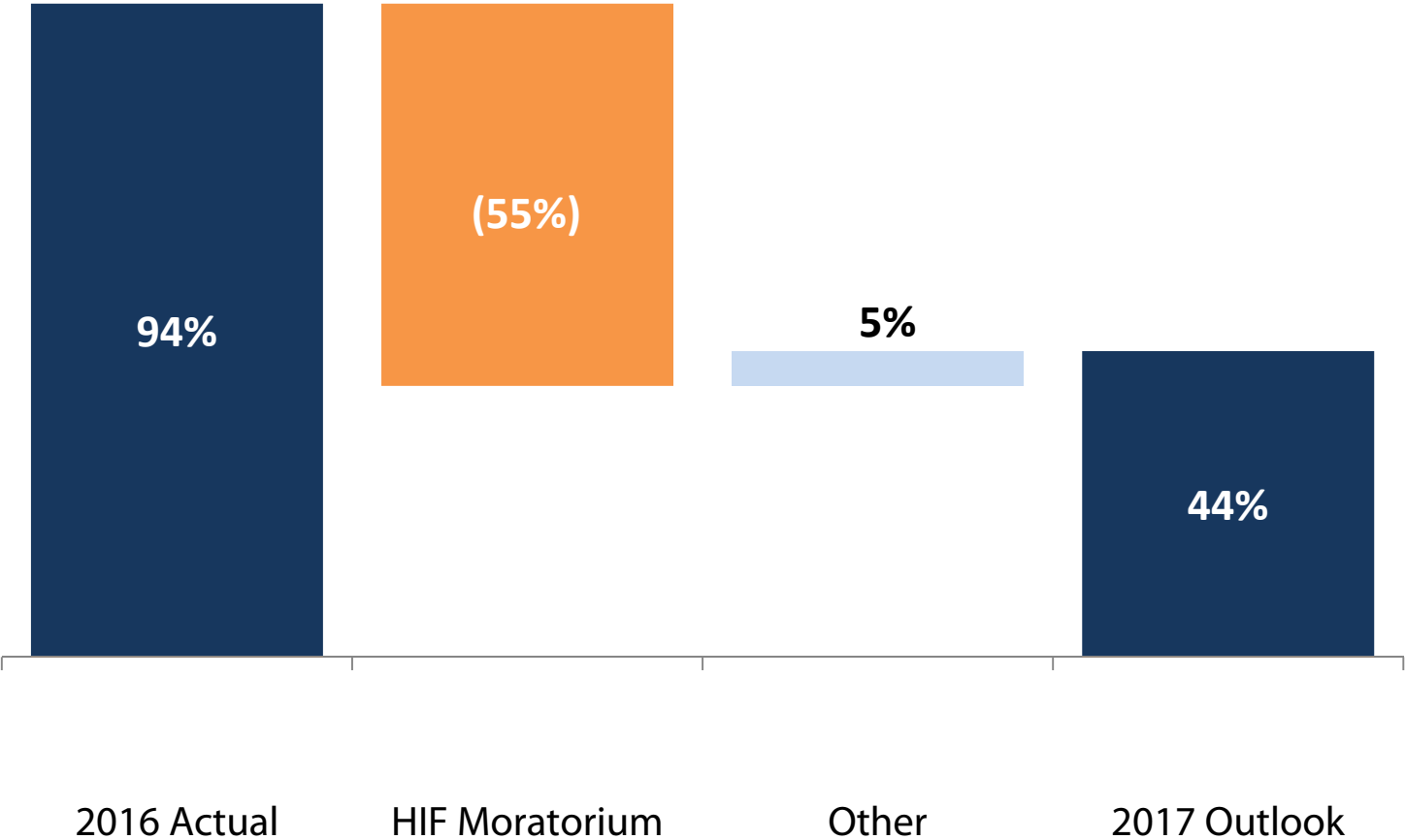
Note: Numbers may be off due to rounding

# Tax rate update

Please refer to the Company's cautionary statement



**Tax Rate Bridge**



# Financial Policy

Please refer to the Company's cautionary statement



Long term focused:

- No planned share repurchase or dividends
- \$500M revolving credit facility
- Disciplined strategic approach to acquisitions



# Supplemental










# Re-procurement and new business





Subject to change

Please refer to the Company's cautionary statement

## Re-procurement of Existing Market

	February 2017			June 2017	August 2017	September 2017	November 2017
							
<b>State</b>	<b>WA</b>	<b>TX</b>	<b>IL</b>	<b>FL</b>	<b>TX</b>	<b>PR</b>	<b>NM</b>
<b>Program Type</b>	<b>North Central Region</b>	<b>CHIP</b>	<b>Medicaid</b>	<b>Medicaid/LTC</b>	<b>Star+ PLUS</b>	<b>TANF, CHIP</b>	<b>Medicaid</b>

## Upcoming Bids – New Business

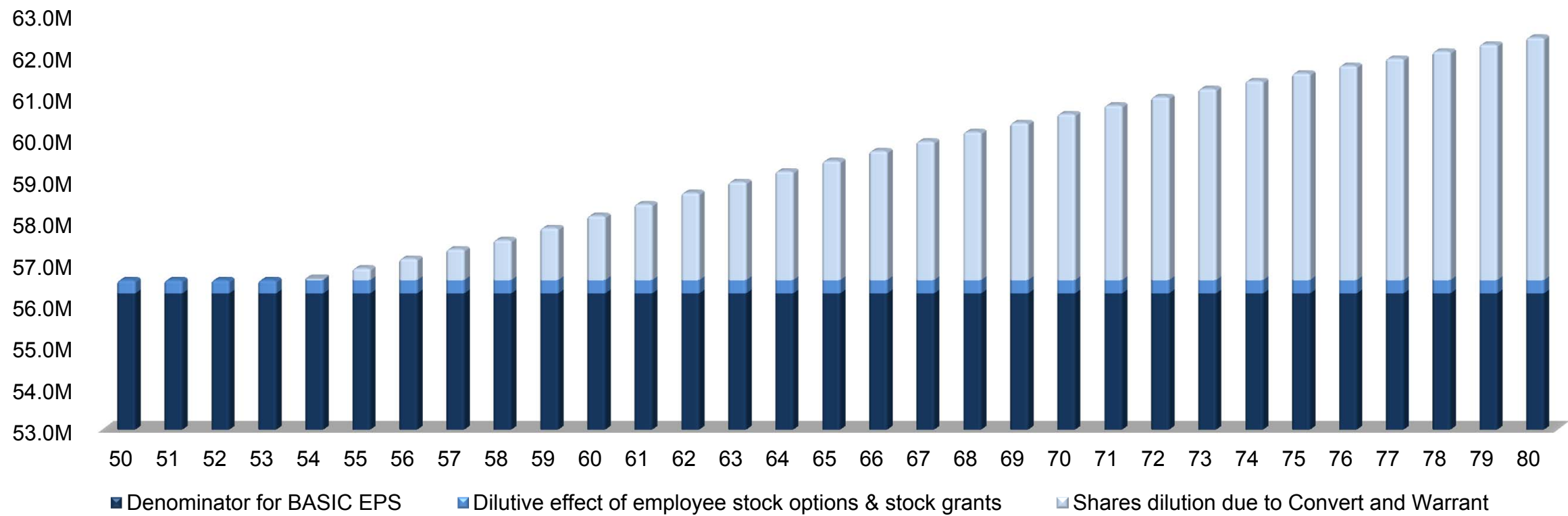
	January 2017	February 2017	May 2017	December 2017
				
<b>State</b>	<b>TX</b>	<b>MS</b>	<b>VA</b>	<b>NC</b>
<b>Program Type</b>	<b>IDD</b>	<b>Medicaid</b>	<b>Medicaid/TANF</b>	<b>Medicaid/TANF</b>

# Share count sensitivity



For every \$1 changed in share price, our diluted shares changes by approximately 250K  
Please refer to the Company’s cautionary statement

Share Dilution Based on Stock Price

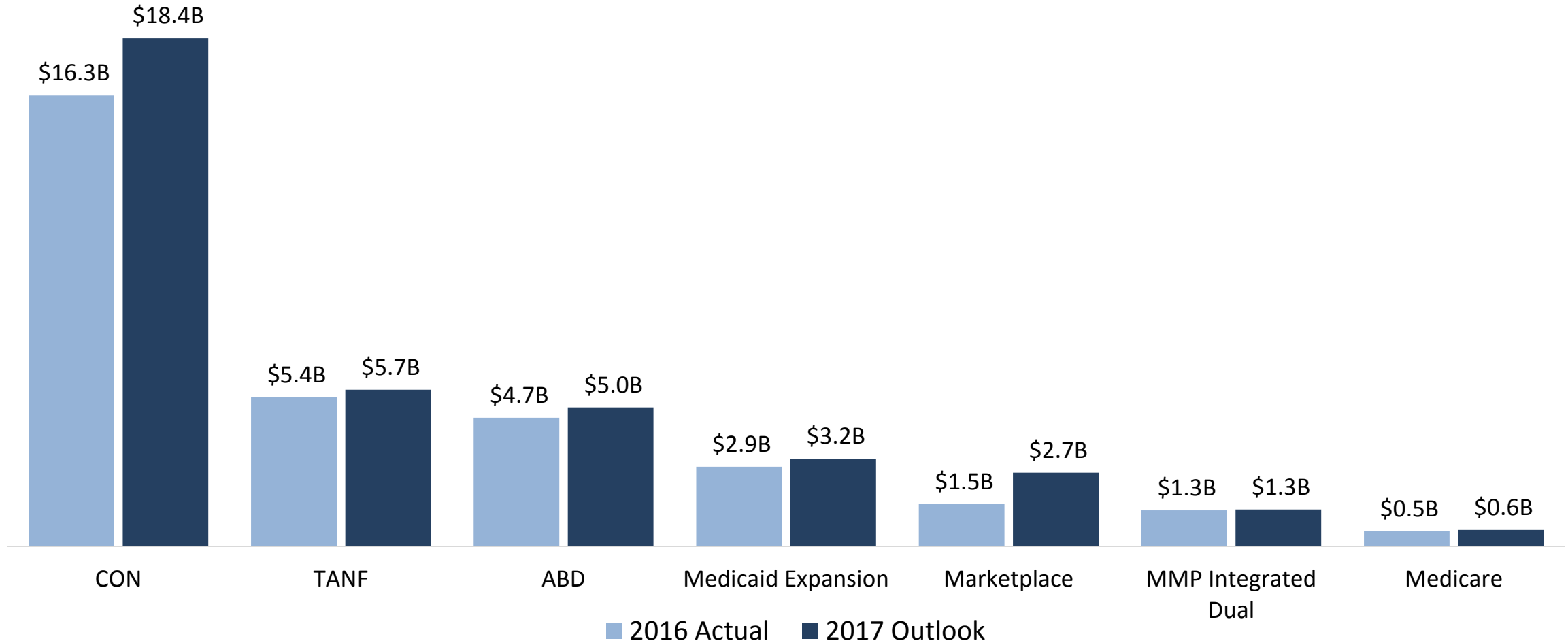


Outlook assumes \$60 share price and 58.2M weighted average shares outstanding

Note:  
Share counts are the same if stock price drops below \$53/share

# Revenue by line of program

Please refer to the Company's cautionary statement

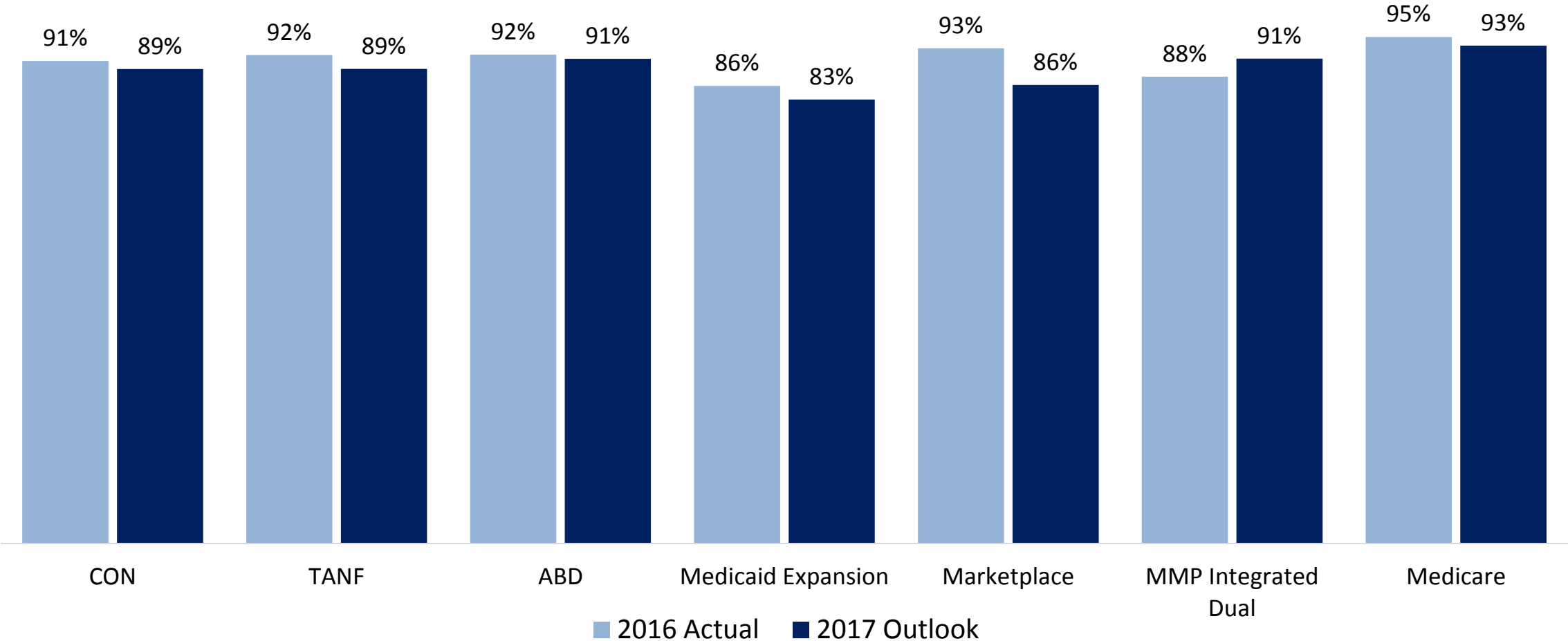


## Notes:

Numbers may not add due to rounding.

# Medical care ratio by program

Please refer to the Company's cautionary statement



Notes:  
Numbers may not add due to rounding.  
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# Reconciliation of non-GAAP financial measures

Please refer to the Company's cautionary statement



	2016 Actual	2017 Outlook
Net Income	\$8M	\$100M
Adjustments:		
Depreciation, and amortization of intangibles assets and capitalized software	\$161M	\$190M
Interest expense	\$101M	\$100M
Income tax expense	\$129M	\$75M
EBITDA	\$399M	\$465M

Per share <sup>1</sup>	2016 Actual	2017 Outlook
Net Income	\$0.14	\$1.72
Adjustments:		
Amortization of intangible assets	\$0.57	\$0.59
Income tax effect <sup>2</sup>	(\$0.21)	(\$0.22)
Amortization of intangible assets, net of tax effect	\$0.36	\$0.37
Adjusted net income	\$0.50	\$2.09

Note:

1. Computation based on 56.3M and 58.2M diluted weighted average shares outstanding for 2016 and 2017 respectively.

2. Income tax effect calculated at the statutory tax rate of 37%.