

MOLINA HEALTHCARE INC
Form 10-Q
October 26, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-31719

Molina Healthcare, Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	13-4204626 (I.R.S. Employer Identification No.)
200 Oceangate, Suite 100 Long Beach, California (Address of principal executive offices)	90802 (Zip Code)
(562) 435-3666 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the issuer's Common Stock outstanding as of October 19, 2012, was approximately 46,583,300.

Table of Contents

MOLINA HEALTHCARE, INC.

Index

Part I Financial Information

Item 1. Financial Statements

<u>Consolidated Balance Sheets as of September 30, 2012 (unaudited) and December 31, 2011</u>	1
<u>Consolidated Statements of Operations for the three month and nine month periods ended September 30, 2012 and 2011 (unaudited)</u>	2
<u>Consolidated Statements of Comprehensive Income for the three month and nine month periods ended September 30, 2012 and 2011 (unaudited)</u>	3
<u>Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2012 and 2011 (unaudited)</u>	4
<u>Notes to Consolidated Financial Statements (unaudited)</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	50
<u>Item 4. Controls and Procedures</u>	50

Part II Other Information

<u>Item 1. Legal Proceedings</u>	51
<u>Item 1A. Risk Factors</u>	51
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	52
<u>Item 6. Exhibits</u>	52
<u>Signatures</u>	53

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****MOLINA HEALTHCARE, INC.****CONSOLIDATED BALANCE SHEETS**

	September 30, 2012	December 31, 2011
	(Amounts in thousands, except per-share data)	
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 715,480	\$ 493,827
Investments	356,895	336,916
Receivables	156,909	167,898
Income tax refundable	33,530	11,679
Deferred income taxes	21,533	18,327
Prepaid expenses and other current assets	30,002	19,435
Total current assets	1,314,349	1,048,082
Property, equipment, and capitalized software, net	210,972	190,934
Deferred contract costs	67,516	54,582
Intangible assets, net	85,033	101,796
Goodwill and indefinite-lived intangible assets	151,088	153,954
Auction rate securities	13,523	16,134
Restricted investments	44,488	46,164
Receivable for ceded life and annuity contracts		23,401
Other assets	20,098	17,099
	\$ 1,907,067	\$ 1,652,146
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Medical claims and benefits payable	\$ 536,463	\$ 402,476
Accounts payable and accrued liabilities	151,029	147,214
Deferred revenue	143,301	50,947
Current maturities of long-term debt	1,143	1,197
Total current liabilities	831,936	601,834
Long-term debt	260,551	216,929
Deferred income taxes	37,478	33,127
Liability for ceded life and annuity contracts		23,401
Other long-term liabilities	22,101	21,782
Total liabilities	1,152,066	897,073
Stockholders equity:		
Common stock, \$0.001 par value; 80,000 shares authorized; outstanding: 46,571 shares at September 30, 2012 and 45,815 shares at December 31, 2011	46	46
Preferred stock, \$0.001 par value; 20,000 shares authorized, no shares issued and outstanding		

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Additional paid-in capital	280,728	266,022
Accumulated other comprehensive loss	(330)	(1,405)
Retained earnings	474,557	490,410
Total stockholders' equity	755,001	755,073
	\$ 1,907,067	\$ 1,652,146

See accompanying notes.

Table of Contents**MOLINA HEALTHCARE, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Amounts in thousands, except net (loss) income per share) (Unaudited)			
Revenue:				
Premium revenue	\$ 1,488,718	\$ 1,138,230	\$ 4,308,439	\$ 3,348,438
Service revenue	48,422	37,728	132,351	111,290
Investment income	1,171	764	3,996	3,804
Rental income	1,879		5,408	
Total revenue	1,540,190	1,176,722	4,450,194	3,463,532
Expenses:				
Medical care costs	1,314,571	959,158	3,823,136	2,822,049
Cost of service revenue	37,004	34,584	98,111	105,020
General and administrative expenses	127,500	99,610	379,208	290,967
Premium tax expenses	37,894	36,374	120,953	110,633
Depreciation and amortization	16,034	13,430	47,446	38,587
Total expenses	1,533,003	1,143,156	4,468,854	3,367,256
Operating income (loss)	7,187	33,566	(18,660)	96,276
Interest expense	4,315	4,380	12,421	11,666
Income (loss) before income taxes	2,872	29,186	(31,081)	84,610
Income tax (benefit) expense	(492)	10,236	(15,228)	30,832
Net income (loss)	\$ 3,364	\$ 18,950	\$ (15,853)	\$ 53,778
Net income (loss) per share:				
Basic	\$ 0.07	\$ 0.41	\$ (0.34)	\$ 1.18
Diluted	\$ 0.07	\$ 0.41	\$ (0.34)	\$ 1.16
Weighted average shares outstanding:				
Basic	46,546	45,834	46,301	45,693
Diluted	46,880	46,296	46,301	46,334

See accompanying notes.

Table of Contents**MOLINA HEALTHCARE, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Amounts in thousands)			
	(Unaudited)			
Net income (loss)	\$ 3,364	\$ 18,950	\$ (15,853)	\$ 53,778
Other comprehensive income, net of tax:				
Unrealized gain (loss) on investments	455	(165)	1,075	430
Other comprehensive income (loss)	455	(165)	1,075	430
Comprehensive income (loss)	\$ 3,819	\$ 18,785	\$ (14,778)	\$ 54,208

See accompanying notes.

Table of Contents**MOLINA HEALTHCARE, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30,	
	2012	2011
	(Amounts in thousands)	
	(Unaudited)	
Operating activities:		
Net (loss) income	\$ (15,853)	\$ 53,778
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	58,289	52,414
Deferred income taxes		