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Molina Healthcare:
Q2 Financial Results

July 23, 2025

Molina Healthcare Financial Result Q2 2025

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HealthWorksAI

INDEX

WHY THIS REPORT

As Medicare Advantage competition intensifies, staying informed isn't optional, it's a strategic advantage. That's why HealthworksAI is curating rapid-turn summaries of earnings calls from key MA players, started with Humana. In a matter of minutes, you'll get the key themes and what it all means for your 2026 plan design, provider alignment, and market positioning.

This is part of our CI (Competitive Intelligence) Beta Series—insightful, fast, and focused on helping MA leaders to strategize.

SUMMARY

Molina Healthcare reported Q2 2025 adjusted EPS of $5.48 on $10.9 billion in premium revenue, with a consolidated MCR of 90.4%. Due to persistent cost pressures—especially in Medicaid and Marketplace—the company lowered its full-year EPS guidance to a floor of $19, down from $24.50. Medicaid costs remain elevated from behavioral health, high-cost drugs, and increased utilization, while Marketplace margins were impacted by prior-year reconciliations and new market expansion.

Despite these challenges, Molina reaffirmed its 2025 revenue guidance of $42 billion and remains on track to achieve $46 billion in 2026 and $52 billion in 2027. The company continues to leverage cost controls, maintain a strong balance sheet, and pursue growth through RFP wins and strategic M&A. Molina expects gradual policy impacts from the federal budget bill starting in 2027 and is proactively addressing 2026 Marketplace risk through conservative rate filings. Management remains confident in restoring margins and sustaining long-term profitable growth.

KEY EXECUTIVE QUOTES:

Medicaid Margins & MLR (Medical Loss Ratio)

- Medicaid MLR is projected to increase modestly from 90.8% in 1H to 91% in 2H. Trend is slightly outpacing rate increases, but no material member headwinds expected from integrity reviews.
- States are allowing some pricing flexibility, especially around acuity shifts due to policy changes and redeterminations.

Leadership Quotes:

“What we have is trend slightly outstripping the rates that we know about, which is why we have a little upward pressure on that.”

Mark Keim, Senior EVP, CFO *[Link]*

“States need to be a little bit accommodating here because the last thing they want is folks to drop out. They need to be accommodating on pricing because it’s part of a sustaining market.”

Mark Keim, Senior EVP, CFO *[Link]*

ACA Marketplace Dynamics

- Trend assumptions increased from 7% to 11% due to worsening risk pool acuity (+8% YoY).
- The company is not focused on growth in 2026; instead, it aims to restore margins via rate adjustments.
- Expecting a potential 30% decline in Marketplace enrollment market-wide; company plans to remain small and stable (~10% of revenue).

Leadership Quotes:

“The risk pool has deteriorated by 8% year-over-year. The acuity of the entire marketplace risk pool is higher by 8% year-over-year, which means on a relative basis, risk adjustment is not going to keep up with the elevated trend.”

Joseph Michael Zubretsky - President, CEO & Director *[Link]*

“We’re looking to get back to mid-single-digit target margins having rated up for all the elements that are going to impact next year.”

Joseph Michael Zubretsky - President, CEO & Director *[Link]*

“If it becomes lower in order to get to mid-single-digit margins, that’s the way it’s going to be.”

Joseph Michael Zubretsky - President, CEO & Director *[Link]*

Outlook for 2026 Earnings

- Back-half 2025 EPS is run-rating ~$15, but 2026 depends on rate adequacy, especially for Medicaid.
- $8.65 EPS of embedded earnings remains intact, with ~$1 from implementation costs set to unwind automatically in 2026.

Leadership Quotes:

“We’re optimistic about the 1/1 rate cycle for ‘26. Of course, we have 1/3 of embedded earnings that are going to emerge in 2026, including the $1 of implementation cost that just disappears.”

Joseph Michael Zubretsky - President, CEO & Director *[Link]*

“$1 of it is guaranteed. It’s just the reversal of the implementation fees we carry this year. So too soon to give guidance for next year, but I think those are the building blocks in the setup for next year.”

Mark Keim, Senior EVP, CFO *[Link]*

Policy & Regulatory Risks

Redetermination, work requirements, and undocumented immigrant coverage are being assessed state-by-state. Gradual implementation is expected, minimizing disruption.

Leadership Quotes:

"With respect to the risk pool, we believe this will happen in a gradual manner."

Joseph Michael Zubretsky - President, CEO & Director *[Link]*

Elevated Cost Trend Analysis

- Utilization and cost trends are up across all segments (Medicaid, Medicare, Commercial).
- Factors include behavioral health demand, provider coding practices, delayed care catch-up, and broader system trends.

Leadership Quotes:

"We have our arms around the what. The industry doesn't have its arms around the why."

Joseph Michael Zubretsky - President, CEO & Director *[Link]*

M&A and Capital Deployment

- The M&A pipeline is active with struggling single-geography players. ~$1.5—$2B in “dry powder” is available for M&A or share buybacks.
- Organic growth remains a priority, but M&A is expected to contribute more over the next 12—18 months.

Leadership Quotes:

> “We’re buying these things barely above book value and they are fixer-uppers, but we know how to get these things to target margins.”
>
> *Joseph Michael Zubretsky - President, CEO & Director* *[Link]*

Segment-Specific Trends

- Marketplace SEP members (Special Enrollment Period) are not significantly riskier than others in 2025.
- Inpatient and outpatient cost spikes were newly identified in Q2, with trend acceleration vs. Q1.

Leadership Quotes:

“We saw very little distinction in the performance of the member. We do have a lot of members that have very low HCCs”

Joseph Michael Zubretsky - President, CEO & Director *[Link]*

“ER visits up significantly. What happens when somebody goes to the ER, they get admitted for complex conditions.”

Joseph Michael Zubretsky - President, CEO & Director *[Link]*

Q2 FINANCIAL RESULTS

Financial Results	Q2-2025	Q2-2024
(In millions, except per-share results)		
Premium Revenue	**$10,868**	$9,446
Total Revenue	**$11,427**	$9,880
GAAP:		
Net Income	**$255**	$301
EPS — Diluted	**$4.75**	$5.17
Medical Care Ratio (MCR)	**90.40%**	88.60%
G&A Ratio	**6.20%**	7.00%
After-tax Margin	**2.20%**	3.00%
Adjusted:		
Net Income	**$294**	$341
EPS — Diluted	**$5.48**	$5.86
G&A Ratio	**6.10%**	6.90%
After-tax Margin	**2.60%**	3.50%

SEGMENT PERFORMANCE

Medicaid:

- Q2 MCR: 91.3%, above target range
- Driven by behavioral health, specialty pharmacy, and complex inpatient care
- Full-year MCR guidance: 90.9%
- 2026 rates expected to improve via 55% premium re-contracting on Jan 1

Medicare:

- Q2 MCR: 90%
- Higher utilization in dual-eligible populations and LTSS
- Full-year margin: ~1.5%, with higher costs factored into 2026 bids

Marketplace:

- Q2 MCR: 85.4%; normalized at 82.4%
- Includes 300 bps pressure from ConnectiCare and prior-year true-ups
- Full-year MCR guidance raised to 85%
- Despite volatility, expected low single-digit margin; cautious growth approach maintained

CMS REBATE REALLOCATION: WHAT IT MEANS FOR MEDICARE ADVANTAGE PLANS

From Subsidy Shift to Strategic Reallocation

The recent CMS adjustment to Part D direct subsidies while presented as a technical update has become a strategic trigger for plan executives. Internally referred to by many clients as rebate reallocation, this refers to late-cycle shifts in rebate values (e.g., a $10—$20 delta from projected benchmarks) that can significantly impact final plan bids.

Plans must now respond with agility tweaking premiums, adjusting givebacks, and fine-tuning benefit configurations, all under high time pressure.

Rapid Response Requires Predictive Readiness

The organizations best prepared are those who've already run scenario simulations and can act on final rebate figures within hours, not days.

Where HealthworksAI's xAI-Powered Intelligence Delivers

This is where our Benefit Simulator, powered by HealthworksAI's xAI predictive analytics engine, creates true competitive advantage. With our platform, leading payers are able to:

- Pre-load likely subsidy ranges and simulate benefit trade-offs in advance.
- Quantify the enrollment and financial impact of each $ rebate shift.
- Align decisions with Stars, market share, and benchmark positioning across counties.

Make It Annual. Make It Actionable.

As CMS continues to evolve its IRA-driven reimbursement strategy, plans must treat this as a recurring AEP ritual. HealthworksAI clients are operationalizing this now embedding it into their annual benefit design calendar. Those who simulate earlier, win earlier.

DON'T FALL BEHIND

- Your competitors already see what's next.
- These reports will plug directly into our **Benefit Strategy Simulator™** to test competitive scenarios by market, Stars, or subsidy impact.

REAL-TIME INTELLIGENCE.STRATEGIC ADVANTAGE

It's earnings season — and while others wait for industry roundups, our clients already have the insights.

Key executive quotes flagged by theme (Stars, ACA, Medicaid, MLR, Compliance)

Market movements decoded by enrollment, benefit shifts & margin levers

Used by top MA teams to inform 2026 bid strategy & pricing

Deep-dive earnings call analysis within 24—48 hours

Schedule your Competitive Intelligence Demo

Visit: www.healthworksai.com | Email: info@healthworksai.com