



MOLINA HEALTHCARE

Molina Healthcare Q1 2026 Results

Earnings Insight Report for MA Payer Competitive Intelligence



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EXECUTIVE SUMMARY

The most significant and surprising finding in Molina Healthcare’s Q1 2026 results is not the EPS beat—it is the explicit reversal of the 2025 acuity shift that destroyed earnings for the sector. Molina’s Medicaid MCR of 92.0% was ‘modestly favorable’ to internal expectations, and CEO Joe Zubretsky confirmed that the 2.5% acuity shift component embedded in the 7.5% 2025 medical cost trend did not recur in Q1 2026. Annualized Q1 2026 Medicaid trend would come in below the 5% full-year assumption. This is the single most important data point for the managed Medicaid industry in this earnings season—and Molina has the most granular, transparent Medicaid cost tracking of any public company.

Adjusted EPS of \$2.35 beat consensus of \$2.17 by 8.3%, on premium revenue of \$10.2B (down 4% YoY). The revenue decline reflects two deliberate portfolio decisions: exit of the Virginia Medicaid contract and intentional Marketplace member reduction. The company reaffirmed full-year 2026 adjusted EPS guidance of at least \$5.00 and premium revenue of approximately \$42B, declining to raise guidance at this early stage despite the favorable trend—a discipline management calls ‘time-tested.’

The most strategically significant disclosure beyond trend: Molina exited Medicare Advantage Prescription Drug (MAPD) for 2027, booking a \$93M intangible impairment, and is actively pivoting its Medicare segment entirely to dual-eligible (D-SNP, FIDE-SNP, HIDE-SNP) products. This strategic sharpening, combined with the \$6B Florida CMS KidCare contract entering implementation, positions Molina for what management explicitly calls a ‘meaningful’ embedded earnings harvest in 2027– 2028. Investor Day on May 8 will provide a three-year financial outlook for 2029.

Strategic Positioning & Key Developments

Acuity Shift Behind Us: The Most Important Medicaid Signal in This Earnings Season

In 2025, Molina experienced a 7.5% Medicaid medical cost trend that included 250 basis points of acuity shift—the statistical consequence of low and no utilizers being disenrolled during the post-pandemic redetermination process, leaving a higher-cost remaining membership. In Q1 2026, Zubretsky confirmed this acuity shift ‘did not recur.’ The company’s low-and-no-utilizer metric is now 7.5 percentage points below its pandemic peak and below pre-pandemic levels. Stayer-versus-leaver analysis shows departing Medicaid members now exiting at portfolio-average cost profiles—confirming the high-cost/low-cost skew is normalized. This is the cleanest evidence yet from any large Medicaid payer that the post-redetermination acuity distortion is structurally resolved.

MAPD Exit and Dual Pivot: Medicare Strategy Simplified for 2027

Molina booked a \$93M intangible asset impairment in Q1 2026 reflecting the decision to exit Medicare Advantage Prescription Drug plans for plan year 2027. The MAPD product generated a \$1.00 per share drag on 2026 earnings on \$1.2B of revenue—drag that will fully disappear in 2027. The company is simultaneously negotiating with potential strategic partners to warm-transfer MAPD members rather than simply terminating the product. Post-2026, Molina’s Medicare segment will consist exclusively of D-SNP, FIDE-SNP, and HIDE-SNP dual-eligible products on approximately \$5.5B of revenue with a current run-rate MCR of approximately 94%. Improved Stars performance for payment year 2027 and the regulatory tailwind of Medicare-Medicaid integration make this a more focused, higher-margin business.

Florida KidCare: \$6B Revenue Engine Entering Implementation

The Florida CMS KidCare contract—officially the Florida Children’s Medicaid program—is a \$6B annual run-rate revenue program currently in full implementation mode. Management confirmed they have complete visibility into 2025 and 2026 program rates and full cost/claims data from the state regulator. Zubretsky characterized the financial profile as ‘attractive’ and called it a ‘meaningful addition to embedded earnings to be harvested over a two-year period.’ This is Molina’s largest single contract win in its history. Q4 2026 will see high first quarter-style implementation MCRs, a manageable drag given the front-half earnings loading. By 2027, Florida KidCare becomes accretive at full run rate and is a core component of the \$2.50/share of embedded earnings highlighted in prior quarters.

Medicaid Membership Attrition Revised: California UIS and State Eligibility Driving Higher Decline

Molina revised its same-store Medicaid membership attrition assumption from 2% to 6% for 2026, driven primarily by California (undocumented immigrant status members), Illinois, New York, and Texas. This is a meaningful increase, but management emphasized two mitigating factors: (1) the revenue impact is offset by higher Marketplace membership, preserving the \$42B premium revenue guidance, and (2) acuity impact is expected to be negligible because low-and-no utilizers have already exited the Medicaid pool. The company expects to end 2026 with approximately 4.5 million Medicaid members. Work requirements are expected to drive minor and gradual membership impacts through 2027–2028 rather than creating a step-change attrition event.

Marketplace: Deliberate Contraction to Stability, Silver-Concentrated Book

Molina’s Marketplace strategy is the counterpoint to the industry’s bronze-shift narrative. While peers like Elevance report surging bronze enrollment, Molina deliberately maintains a silver-dominated (50%), gold-heavy (30%) book with 70% renewal membership. Marketplace membership ended Q1 at 305,000—above prior guidance—and is expected to decline to approximately 250,000 at year-end through natural attrition (~40,000 terminations minus ~20,000 SEP additions per quarter). The Q1 Marketplace MCR of 84%—or 79.5% excluding CMS program integrity impact validates the margin-first pricing discipline. The company is deliberately avoiding the bronze-tier volume growth that creates H2 cost seasonality risk.

M&A Pipeline Active: Distressed Medicaid Plans as Acquisition Targets

Zubretsky confirmed an active and 'replete' M&A pipeline of distressed Medicaid plans across multiple states, signaling at Investor Day (May 8) for detailed discussion. The company's preferred valuation benchmark has evolved: paying book value (regulatory capital) is now considered as attractive as a new contract win—a shift from the prior 22–23% of revenue valuation framework. With parent cash expected to reach \$600M+ by year-end and debt-to-capital at 47–48% (targeting low-40s long-term), Molina has acquisition capacity. The strategic logic: buy distressed Medicaid plans at regulatory capital levels, apply Molina's superior clinical management, and extract embedded margin from turnaround.

KEY LEADERSHIP QUOTES

Acuity Shift Is Gone: Q1 2026 Validates 2025 Was an Aberration



Joe Zubretsky

President and CEO, Molina Healthcare

"In 2026, for one quarter only, the 2.5% acuity shift component of trend for 2025 did not recur. The trend observed in the first quarter annualized would put us at better than 5% for the full year. Despite what it was doing in 2025, it looks like at least for one quarter, our trend pick for 2026 is holding."

Strategic Implication: This is the most consequential statement in all Q1 2026 Medicaid earnings season. Zubretsky is providing the earliest, most statistically rigorous confirmation that the post-pandemic acuity distortion is structurally behind the industry—not just behind Molina. The annualized Q1 trend running below 5% means Molina's full-year MCR guidance of 92.9% for Medicaid may be conservative. For MA payers: this is the clearest signal, yet that Medicaid medical cost trend is normalizing, which should eventually feed through to state rate-setting and reduce competitive pressure on Medicaid MCOs.

Time-Tested Prudence: Q2 Is the Real Guidance Update



Joe Zubretsky

President and CEO, Molina Healthcare

"We use the term time-tested because I think it is prudent to see six months of results before updating our guidance, particularly coming off a highly volatile medical cost inflection environment in 2025. In Medicaid, with a 92% result in the first quarter, a 92.9% indication in our guidance for the full year, we can actually produce loss ratios north of 93% and still hit our guidance for the rest of the year."

Strategic Implication: Management is explicitly building a H2 shock absorber into guidance. The statement that they can run Medicaid MCRs north of 93% and still hit \$5+ EPS reveals meaningful cushion in the second half. This is disciplined by sandbagging not pessimism. The Q2 earnings call will almost certainly bring a guidance raise. For MA payers watching Molina as a Medicaid bellwether: the 5% trend assumption with a 92.9% full-year MCR target gives states 3–4 percentage points of rate update headroom before Molina's business becomes impaired.

MAPD Exit Crystallizes \$1/Share of 2027 EPS Upside



Mark Keim

Chief Financial Officer, Molina Healthcare

"For our guidance for Medicare, we have about \$6.6 billion in revenue and a loss of \$1.25. The MAPD component of that is a dollar loss on \$1.2 billion of revenue. That goes away next year. With next year just being the duals, the D-SNPs, the FIDE-SNPs, the HIDEs, the current run rate is about \$5.5 billion, about a 94% MLR, and we see that only getting better over time."

Strategic Implication: The \$1.00/share MAPD drag is a guaranteed 2027 earnings tailwind—a rare certainty in a sector full of estimates. When combined with the Florida KidCare ramp (the other component of the \$2.50 embedded earnings cited previously), Molina has over \$2 of identifiable, already-contracted earnings improvement already locked in for 2027. This makes the \$5.00 2026 EPS a very conservative-looking baseline for 2027 projections.

Low and No Utilizers at Pre-Pandemic Lows: Acuity Shift Structurally Resolved



Mark Keim

Chief Financial Officer, Molina Healthcare

"The percentage of low utilizers and zero utilizers, by all approaches, is much lower. The stayers, leavers analysis—a year or two ago, leavers would have left at much lower PMPMs or MLRs, whereas now they're leaving at those ratios being much closer to the average."

Strategic Implication: This is the actuarial proof point underpinning Zubretsky's trend narrative. Keim is providing two independent validation methods—absolute low/no utilizer levels and the stayer/leaver cost ratio convergence—both confirming the same conclusion. For the MA payer audience: this data suggests that Medicaid membership redeterminations have now fully flushed the 'healthy-person bias' from government program rolls, and remaining Medicaid populations are representative of true managed care risk pools.

Florida KidCare: \$6B Program at Attractive Economics



Joe Zubretsky

President and CEO, Molina Healthcare

"We have good visibility into the economics of the program now that we're in implementation mode. We have all the cost and claim data from our customer, our state regulator, and we have visibility on the 2025, 2026 program rates. We believe the financial profile of this program is attractive and will provide for a meaningful addition to our embedded earnings to be harvested over a two-year period."

Strategic Implication: Management's explicit use of 'attractive' financial profile and 'all the cost and claim data' signals high conviction in the Florida KidCare economics—rare for a new program still in implementation. The behavioral health and complex care management capabilities Molina is deploying are purpose-built for this population. The two-year harvest timeline (2027–2028) makes this the clearest multi-year earnings growth catalyst in Molina's portfolio. The risk is Q4 2026 implementation MCR drag—already anticipated in guidance seasonality comments.

M&A: Book Value Is the New Standard



Joe Zubretsky

President and CEO, Molina Healthcare

"Book value seems to be the best benchmark that one can look at now. If you're only paying for regulatory capital, an M&A opportunity is as good, if not better, than a new contract win. We know where they are, we know who they are. We've probably talked to them. The M&A pipeline is quite replete with actionable opportunities."

Strategic Implication: The pivot from '22–23% of revenue' to 'book value' as the valuation standard is a significant statement about market conditions. Distressed Medicaid plans trading at or below regulatory capital represent deeply discounted acquisition opportunities. Zubretsky is signaling that Molina will act opportunistically and at low valuation multiples—essentially acquiring earnings power for the cost of regulatory capital rather than premium multiples. May 8 Investor Day will likely include specific M&A pipeline guidance within the 2027–2029 framework.

Q1 2026 Financial Performance

A. Key Metrics Summary

| Metric | Q1 2026 | Q1 2025 | YoY Change |
|-------------------------|--------------------|---------|--------------------------|
| Premium Revenue | \$10.2B | \$10.6B | -4.3% |
| Total Revenue | \$10.8B | \$11.1B | -3.1% |
| Adjusted EPS | \$2.35 | \$6.08 | -61.3% |
| GAAP EPS | \$0.27 | \$5.45 | -95.0% |
| Consolidated MCR | 91.1% | 89.2% | +190 bps |
| Medicaid MCR | 92.0% | 90.3% | +170 bps |
| Medicare MCR | 89.8% | 88.3% | +150 bps |
| Marketplace MCR | 84.0% (79.5% adj.) | 81.7% | +230 bps (adj. -220 bps) |
| Adjusted G&A Ratio | 6.9% | 6.3% | +60 bps (timing) |
| Adjusted Pre-Tax Margin | 1.6% | 3.9% | -230 bps |
| Operating Cash Flow | \$1.08B | \$0.19B | +\$0.89B |
| Days in Claims Payable | 44 | 46 | -2 days (timing) |
| Total Membership | 5.034M | 5.752M | -12.5% YoY |

B. Segment Revenue & Performance

| Segment | Q1 2026 Revenue | Medical Margin | MCR | Members |
|--------------|-----------------|----------------|--------------------|-----------|
| Medicaid | \$7.927B | \$631M | 92.0% | 4,498,000 |
| Medicare | \$1.517B | \$154M | 89.8% | 229,000 |
| Marketplace | \$0.724B | \$116M | 84.0% (79.5% adj.) | 305,000 |
| Other | \$0.004B | \$1M | 92.0% | 2,000 |
| Consolidated | \$10.172B | \$902M | 91.1% | 5,034,000 |

C. MCR & Key Performance Drivers

The consolidated Q1 2026 MCR of 91.1% reflects two competing forces: elevated Medicaid medical costs relative to the January 1 rate cycle (which came in as expected) offset by prior year reserve development of \$253M vs. \$186M in Q1 2025. The increase in prior year redundancies year-over-year reflects improving actuarial conservatism, not deterioration. Days in claims payable of 44 (below the 46–47 typical range) was entirely payment timing—corroborated by claims payable growing meaningfully year-over-year even as premium revenue declined, and per-member-per-month incurred tracking at portfolio averages.

- **Medicaid MCR:** 92.0%, up 170 bps YoY but modestly favorable to internal expectations. January rate updates came in as expected. 2025 acuity shift of 250 bps not recurring. Annualized Q1 trend running below the 5% full-year assumption. Inpatient trend flattening. Pharmacy unit cost leveling. Behavioral health more favorable than prior years.
- **Medicare MCR:** 89.8%, in line with expectations. Pricing and benefit adjustments for 2026 performing as designed. The successful conversion of 80,000 MMP members to integrated FIDE/HIDE products performed better than anticipated. MAPD drag (\$1/share for full year) remains on track. D-SNP and integrated dual products generating modest profit.
- **Marketplace MCR:** 84.0% reported, 79.5% adjusted (excluding 450 bps of prior year risk adjustment and CMS program integrity impacts). Silver-concentrated, high-renewal (70%) book performing as expected. Deliberately avoiding bronze-tier membership surge that creates H2 cost risk.
- **Prior Year Reserve Development:** \$253M favorable in Q1 2026 vs. \$186M in Q1 2025—an increase in actuarial redundancy consistent with conservative reserve posture. Current-year paid as a percentage of current-year incurred was 61.7%, suggesting appropriate development pace.
- **G&A Ratio:** Adjusted G&A of 6.9% vs. 6.3% YoY, reflecting timing of operating expenses and Florida KidCare implementation ramp costs. Full-year guidance unchanged at 6.4%.

2026 Outlook & Strategic Priorities

A. Full-Year 2026 Guidance Summary

| Metric | 2026 Guidance | Q1 2026 Actual | Commentary |
|------------------------|---------------|-------------------|--|
| Premium Revenue | ~\$42B | \$10.2B | Unchanged; Medicaid vol. offset by Marketplace |
| Adjusted EPS | ≥\$5.00 | \$2.35 | Reaffirmed; Q2 update likely a raise |
| GAAP EPS | ≥\$1.90 | \$0.27 | Includes \$93M MAPD impairment |
| Medicaid MCR | ~92.9% | 92.0% (favorable) | Full-year rate 4%, trend 5% |
| Medicare MCR | ~94.0% | 89.8% | Includes \$1/share MAPD drag |
| Marketplace MCR | ~85.5% | 84.0% | Normal H2 seasonality expected |
| Adjusted G&A Ratio | ~92.9% | 6.9% (timing) | Q1 lumpy; full year unchanged |
| Medicaid Membership | ~4.5M YE | 4.498M | 6% same-store decline (revised from 2%) |
| Marketplace Membership | ~250K YE | 305K | ~40K term / 20K add per quarter |
| Earnings Seasonality | ≥2/3 in H1 | \$2.35 in Q1 | Florida KidCare Q4 implementation drag |

B. Membership Outlook & Strategic Trade-offs

Molina's 2026 membership strategy is defined by deliberate portfolio simplification: shrink where economics are structurally challenged (traditional MAPD, low-margin Marketplace tiers, Medicaid states with inadequate rates) and grow where Molina has sustainable competitive advantage (dual-eligible integration, Medicaid behavioral health, KidCare-style high-complexity programs). Total membership of 5.0M at Q1 end will likely exit 2026 at approximately 5.0M–5.1M as Florida KidCare additions offset Medicaid attrition.

- **Medicaid:** 4,498K at Q1 end. Same-store attrition revised to 6% from 2%. California (UIS members), Illinois, New York, Texas driving incremental pressure. Full-year exit ~4.5M. Acuity impact: minimal. Retro rate updates from multiple states creating potential upside.
- **Medicare Duals (D-SNP/FIDE/HIDE):** 229K at Q1 end (down from 262K peak). Q1 2026 MMP-to-integrated-product conversion completed successfully and 'exceeded expectations.' MAPD exit for 2027 will remove \$1.2B revenue but eliminate \$1/share drag. Pure dual business (\$5.5B revenue) targeting improving MCR with Stars tailwind for 2027.

- **Marketplace:** 305K at Q1 end, above prior guidance. Declining to ~250K by year-end through natural attrition (not active exits). 70% renewal members, 50% silver, 30% gold. Deliberately avoiding bronze-tier exposure. Pricing adjusted for higher-acuity risk pool following subsidy changes.
- **Florida KidCare:** Implementation mode currently. Full run-rate \$6B revenue expected post-implementation. Q4 2026 will carry implementation MCR pressure. Full earnings contribution begins 2027.

C. 2026–2027 Strategic Priorities

- **Exit MAPD, Concentrate Medicare on Duals:** MAPD exit eliminates \$1/share 2026 drag by 2027. Warm transfer to strategic partner preferred; wind-down if not possible. Pure dual business has improved Stars profile, regulatory tailwind from Medicare-Medicaid integration policy.
- **Harvest Florida KidCare Embedded Earnings:** \$6B run-rate contract with 'attractive' financial profile enters revenue generation. Behavioral health and complex care capabilities are core competitive advantages. Full earnings contribution to 2027 EPS, forming major component of \$2.50 embedded earnings.
- **Restore Medicaid Margins via Rate Catch-Up:** Multiple states providing off-cycle retro rate updates. 4% rate embedded in guidance vs. 5% trend—gap narrowing. States implementing eligibility verification and UM protocol reinstatement as countermeasures. 300–400 bps better-than-market performance creates advocacy leverage with state partners.
- **Deploy M&A at Book Value:** Distressed Medicaid plan acquisition at regulatory capital multiples. May 8 Investor Day will include M&A pipeline details within 2027–2029 three-year outlook. Parent cash is expected to reach \$600M+ by year-end, providing acquisition capacity.
- **Provide 2029 Three-Year Financial Roadmap at Investor Day:** May 8 Investor Day will include detailed premium revenue and EPS guidance through 2029 across all three businesses. Will demonstrate margin recovery path and growth building blocks. The 2026 \$5 baseline is the foundation; management expects to 'realize intrinsic franchise value' over the outlook period.
- **Work Requirement Preparation:** Nebraska going early with work requirements mid-2026. State-by-state variation in definitions, ex-parte termination rules, medical frailty exceptions. Molina's community engagement teams 'nationally engaged' with state clients. Expected impact: minor and gradual through 2027–2028.

KEY RISKS & CONSIDERATIONS

2026 Headwinds

- Medicaid Membership Attrition Worse Than Revised Guidance:** Same-store attrition was revised from 2% to 6%, driven primarily by California UIS population, Illinois, New York, and Texas. If additional states accelerate eligibility verifications or work requirements generate larger-than-anticipated disenrollments, membership could fall further. Management notes that low-and-no-utilizer depletion limits acuity impact, but volume loss directly reduces premium revenue. Any further attrition beyond 6% would require the Marketplace offset to be larger than currently assumed.
- Florida KidCare Q4 Implementation MCR Drag:** New large-scale Medicaid contracts characteristically carry higher first-quarter MCRs as provider networks ramp, case management protocols establish, and claims inventory builds. Q4 2026 will be Florida KidCare's operational first quarter and is expected to generate elevated MCRs that weigh on H2 earnings. Management has built this into the 2/3 front-half / 1/3 back-half earnings seasonality guidance, but if implementation challenges exceed expectations, Q4 could miss estimates.
- Medicaid Rate Adequacy:** 4% Rates vs. 5% Trend: Molina's full-year guidance embeds 4% Medicaid rate increases against a 5% trend assumption—a 100 bps rate-trend gap. While management is 'optimistic' about off-cycle retro rate updates (several states have already provided them), if states fail to close this gap, the Medicaid MCR could migrate toward 93%+ in H2 without improvement. At Molina's \$7.9B Medicaid premium run rate, 100 bps of MCR movement = approximately \$79M of operating income.
- Marketplace Risk Pool Deterioration from Subsidy Changes:** Molina's Marketplace book is 70% renewal members in silver/gold tiers. But the loss of enhanced premium subsidies changes the risk pool dynamics as lower-acuity members drop coverage. Leavers currently exiting at 'moderately higher' prior PMPMs than cancellation cohorts—suggesting some adverse selection pressure in the remaining pool. The June weekly data will be the critical early read on H2 Marketplace MCR trajectory.
- Work Requirement Uncertainty:** Timing and Execution: CMS guidance on work requirement implementation is 'general'—Zubretsky explicitly noted it is 'still a bit unclear what information is required to terminate someone ex parte' and what medical frailty exceptions apply. Nebraska going early in mid-2026 will be the industry proof point. If work requirement implementation is faster or broader than expected, Medicaid membership attrition and acuity impacts could exceed the 'minor and gradual' assumption.

- **MAPD Warm Transfer Risk:** Wind-Down as Fallback: Molina is in negotiations to warm-transfer MAPD members to a strategic partner rather than terminate the product. If negotiations fail, the company defaults to plan exit—a more disruptive outcome for members and potentially for state regulator relationships. The California and Northeast MAPD membership represent a vulnerable transition that could create member dissatisfaction and reputational risk in key Medicaid markets.

Strategic Opportunities

- **Q2 Guidance Raise:** The Most Likely Near-Term Catalyst: Management was explicit: the Q2 update will reflect two full quarters of data and will be the basis for raising full-year guidance. If Medicaid MCR reaches nearly 92% in Q2 and trend continues below 5%, a meaningful raise from the \$5.00 floor becomes highly probable. With \$2.35 already booked in Q1, the remaining three quarters need to average only \$0.88 per quarter to hit \$5.00—leaving substantial upside potential if trend holds.
- **\$2.50 Embedded Earnings:** Already-Contracted 2027 Upside: The \$1.00 MAPD exit benefit plus Florida KidCare full-year earnings contribution are the two components of the \$2.50/share embedded earnings. Both are contractually certainly not aspirational. Added to the \$5.00 2026 baseline, these alone imply \$7.50+ adjusted EPS in 2027 before any organic margin improvement. Management has never disclosed whether \$2.50 includes growth or only loss-of-drag effects; Investor Day will clarify.
- **Medicaid Rate Catch-Up Accelerating:** Multiple states already providing off-cycle retro rate increases in 2026, ahead of the July rate cycle. The three-year cost trend accumulation ($4.5\% + 6.5\% + 7.5\% = \sim 20\%$ cumulative above the pre-pandemic baseline) creates powerful actuarial evidence for rate adequacy advocacy. As state actuaries incorporate 2025 experience into 2027 rate-setting, the rate-trend gap for Medicaid should narrow significantly, creating operating leverage for Molina's dominant Medicaid franchise.
- **Dual Integration Regulatory Tailwind:** CMS policy continues to promote Medicare-Medicaid program integration, which structurally advantages Molina's D-SNP/FIDE/HIDE dual model. States converting MMP programs to integrated products are adding to Molina's addressable market. For 2027 and beyond, Molina will be exclusively a dual specialist in Medicare—a cleaner, higher-margin business than the diversified MAPD portfolio. Improved Stars for payment year 2027 add further revenue upside.

- **M&A at Regulatory Capital:** Acquisitions as Embedded Earnings Generators: The shift to book-value acquisition multiples for distressed Medicaid plans creates a potentially transformative capital deployment strategy. At Molina's operating cost discipline (300–400 bps below market MCR in Medicaid), acquiring a plan at regulatory capital and applying Molina's protocols generates high-IRR returns. Parent cash of \$600M+ by year-end and \$3.8B debt headroom (targeting low-40s debt-to-capital) provide acquisition capacity that exceeds any single deal in Molina's history.
- **May 8 Investor Day as Valuation Reset Catalyst:** A three-year financial outlook through 2029 with 'block by block, brick by brick' margin recovery specifics—management's own description—has the potential to substantially re-rate Molina's stock. The company is trading at historically depressed multiples coming out of the 2025 earnings collapse. A credible, specific 2027–2028–2029 EPS trajectory, combined with the embedded earnings clarity and M&A pipeline disclosure, could be the most significant investor catalyst Molina has produced in several years.

BOTTOM LINE ASSESSMENT

Strategic Direction & Forward-Looking Credibility

Molina Healthcare's Q1 2026 results represent the clearest early validation of the post-pandemic Medicaid cost normalization thesis of any major managed care company in this earnings season. The non-recurrence of the 250-bps acuity shift, the stayer-leaver cost convergence, and the low-and-no-utilizer metric at pre-pandemic lows collectively constitute strong evidence that 2025's 7.5% Medicaid medical cost trend was an aberration, not a new normal. Zubretsky's track record of transparent, data-rich guidance—including the willingness to flag a 6% membership attrition assumption (tripling the prior 2% expectation) in the same call where trend is improving—reinforces management credibility.

The EPS story for 2026 and 2027 is fundamentally about embedded earnings crystallization. The \$2.35 Q1 adjusted EPS beat was solid but the real value is what it signals forward: a highly probable Q2 guidance raise, \$2.50 of identifiable 2027 EPS upside from MAPD exit and Florida KidCare, and a May 8 Investor Day that will provide a three-year financial roadmap that management calls their most detailed since the company's franchise-building years. The risk is execution on Florida KidCare and whether the acuity shift normalization thesis holds through Q2 and Q3—but management has constructed guidance with meaningful conservatism at both the MCR and EPS levels.

For MA payer competitive intelligence: Molina's data is the clearest signal available that Medicaid medical cost trend is moderate structurally. This has three downstream effects on the MA competitive landscape: (1) states will face less pressure to squeeze managed care rates in 2027, improving the Medicaid rate environment broadly; (2) Molina's MAPD exit creates displaced members in California and the Northeast for 2027—particularly D-SNP eligible populations where Molina will retain and grow; and (3) Molina's M&A appetite for distressed Medicaid plans at book value may accelerate market consolidation in states where regional Medicaid-only plans are economically unsustainable, reshaping competitive dynamics in overlapping MA/Medicaid geographies. Investor Day on May 8 is the single most important Molina monitoring event through mid-2026.

REAL-TIME INTELLIGENCE WITH STRATEGIC ADVANTAGE

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



Key executive quotes



Market movements



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For support with your **2027 bid strategy**, contact **Dan Paladino** (dan.paladino@healthworksai.com) or your **Client Success Manager**.