

MOLINA HEALTHCARE INC
Form S-1/A
June 13, 2003
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As filed with the Securities and Exchange Commission on June 13, 2003.

Registration No. 333-102268

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 6

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Molina Healthcare, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6324
(Primary Standard Industrial
Classification Code Number)

13-4204626
(I.R.S. Employer
Identification Number)

One Golden Shore Drive

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Long Beach, CA 90802

(562) 435-3666

(Address, including zip code, and telephone number including area code, of registrant's principal executive offices)

J. Mario Molina, M.D.

President and Chief Executive Officer

One Golden Shore Drive

Long Beach, CA 90802

(562) 435-3666

(Name, address, including zip code, and telephone number including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form is to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box. "

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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The information contained in this prospectus is not complete and may be changed without notice. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale of these securities is not permitted.

PROSPECTUS (Not Complete)

Issued _____, 2003

6,000,000 Shares

Common Stock

Molina Healthcare, Inc. is offering 6,000,000 shares of common stock in a firmly underwritten offering.

This is Molina Healthcare, Inc.'s initial public offering, and no public market currently exists for its shares. Molina Healthcare, Inc. anticipates that the initial public offering price for its shares will be between \$16.00 and \$18.00 per share.

Molina Healthcare, Inc. has applied to list its common stock on the New York Stock Exchange under the symbol MOH.

Investing in the common stock involves a high degree of risk.

See **Risk Factors** beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Offering Price	\$	\$
Discounts and Commissions to Underwriters	\$	\$
Offering Proceeds to Company	\$	\$

The underwriters also may purchase from Molina Healthcare, Inc. up to an additional 900,000 shares of common stock at the public offering price less the underwriting discounts and commissions, to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the offering. The underwriters expect to deliver the shares of common stock to investors on _____, 2003.

Banc of America Securities LLC

CIBC World Markets

SG Cowen

, 2003

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[INSIDE COVER: COVER ART]

[Artwork in twelve colors depicting a woman and child approaching a welcome sign over a path which winds through a hillside. Caption below reads: Healthy families begin with Molina Healthcare. Below caption is Molina Healthcare's logo.]

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PROSPECTUS SUMMARY

Our Business

We are a rapidly growing, multi-state managed care organization that arranges for the delivery of health care services to persons eligible for Medicaid and other programs for low-income families and individuals. We were founded in 1980 by C. David Molina, M.D. as a provider organization serving the Medicaid population through a network of primary care clinics in California. In 1994, we received our health maintenance organization, or HMO, license and began operating as a health plan. Over the past several years, we have taken advantage of attractive expansion opportunities and now operate health plans in California, Washington, Michigan and Utah. Our annual revenue has grown from \$135.9 million in 1998 to \$644.2 million in 2002, while our net income grew from \$2.6 million to \$30.5 million over the same period. Our net income has grown at a greater rate than our revenues due to our effective medical management programs and ability to control administrative costs. As of March 31, 2003, we had approximately 511,000 members.

From our inception, we have designed our company to work with government agencies to serve low-income populations. Low-income families and individuals have distinct social and medical needs and are characterized by their cultural, ethnic and linguistic diversity. Our success has been driven by our expertise in working with government programs, experience with low-income members, 23 years of owning and operating primary care clinics, our cultural and linguistic expertise and our focus on operational and administrative efficiency. We believe our proven ability to replicate our disciplined business model in new markets and our ability to customize provider contracts to local conditions position us well for continued growth and success.

Our Industry

Medicaid provides health care coverage to low-income families and individuals and is jointly funded by state and federal governments. Each state establishes its own eligibility standards, benefit packages, payment rates and program administration within federal guidelines. In 2001, Medicaid covered approximately 44.6 million individuals, with 51% of those being children, according to the Kaiser Commission on Medicaid and the Uninsured. The federal Centers for Medicare and Medicaid Services estimates the total health care expenditures for Medicaid and the State Children's Health Insurance Program was \$228.0 billion in 2001 and projects that total outlays will reach \$372.9 billion in 2007.

Under traditional Medicaid programs, health care services are made available to low-income individuals in a largely uncoordinated manner. Beneficiaries typically receive minimal preventive care such as immunizations and have limited access to primary care physicians. Treatment is often postponed until medical conditions become more severe, leading to higher utilization of costly emergency room services. In addition, providers are paid on a fee-for-service basis and lack incentives to monitor utilization and control costs. In response, the federal government has expanded the ability of state Medicaid agencies to explore, and, in many cases, mandate the use of managed care for Medicaid beneficiaries. From 1996 to 2001, managed care enrollment among Medicaid beneficiaries increased from approximately 13.3 million to approximately 20.8 million, according to the Centers for Medicare and Medicaid Services. All states in which we operate have mandated Medicaid managed care programs in place.

Our Approach

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We have built a successful Medicaid managed care company by integrating those capabilities that we believe have allowed us to compete in our industry. Our approach to managed care is based on the following key attributes:

Experience. We have significant expertise as a government contractor and a very strong track record of obtaining and renewing contracts. We have served Medicaid beneficiaries as a provider and a health plan for 23 years. In that time we have developed and forged strong relationships with the constituents whom we serve – members, providers and government agencies.

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Administrative Efficiency. We maintain a disciplined focus on business processes and have centralized and standardized various functions and practices across our health plans. As a result, we believe our administrative efficiency is among the best in our industry. In addition, we have designed our administrative and operational infrastructure to be scalable for rapid and cost-effective expansion in new and existing markets.

Proven Expansion Capability. We have successfully replicated our business model in new markets through the acquisition of health plans, the development of new operations and the transition of members from other plans. The establishment of our health plan in Utah reflected our ability to replicate our business model in new states, while the acquisitions in Michigan and Washington demonstrated our ability to acquire and successfully integrate existing operations.

Flexible Care Delivery Systems. Our systems for delivery of health care services are diverse and readily adaptable to different markets and changing conditions. We contract with providers that are best suited, based on proximity, culture and experience, to provide services to a low income population. In addition, we operate 21 primary care clinics in California. These clinics require low capital expenditures, minimal startup time and are profitable. Our clinics provide select communities with access to primary care and provide us with insights into physician practice patterns, first hand knowledge of the needs of our members, and a platform to pilot new programs.

Cultural and Linguistic Expertise. We have significant expertise in developing targeted health care programs for our culturally diverse members. We contract with a broad network of providers who have the capabilities to address the language and cultural needs of our members. We believe we are well-positioned to successfully serve this growing population.

Proven Medical Management. We believe our experience as a provider has helped us improve medical outcomes for our members and lower costs. We carefully monitor day-to-day medical management in order to provide appropriate care to our members, contain costs and ensure an efficient delivery network. We have also designed and implemented disease management and health education programs that address the particular health care needs of a culturally diverse, low-income population.

Our Strategy

Our objective is to be the leading managed care organization serving low-income families and individuals. To achieve this objective, we intend to:

- maintain our focus on serving low-income families and individuals,
- increase our membership through internal growth, development of new plans and acquisitions,
- maintain our low medical costs, and
- maximize our operational efficiencies.

Our Company

Molina Healthcare, Inc. was incorporated in California in 1999, as the parent company of our health plan subsidiaries, under the name American Family Care, Inc. We changed our name to Molina Healthcare, Inc. in March of 2000. We intend to reincorporate in Delaware effecting a 40-for-1 stock split before the closing of this offering. Our principal executive offices are located at One Golden Shore Drive, Long Beach, CA 90802, and our telephone number is (562) 435-3666. Our website is located at www.molinahealthcare.com. Information contained on our website or linked to our website is not a part of this prospectus. Our company is the federally registered owner of the Molina service mark and name. All other product names, trademarks, service marks and trade names referred to are the property of their respective owners.

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THE OFFERING

Common stock offered	6,000,000 shares
Over-allotment option	900,000 shares
Common stock to be outstanding after this offering	24,798,826 shares
Use of proceeds	We intend to use the net proceeds of this offering primarily for repayment of amounts borrowed under our credit facility, selective acquisitions, financing the purchase of up to \$19.6 million in common stock from existing stockholders by our contemplated employee stock ownership plan or, alternatively, by us in a redemption, enrollment initiatives and general corporate purposes, including working capital.
Proposed New York Stock Exchange symbol	MOH

In the table above, the number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of March 31, 2003. This information excludes:

- 492,540 shares of common stock issuable upon the exercise of vested stock options with a weighted average exercise price of \$3.52 per share,
- 321,820 shares of common stock issuable upon the exercise of unvested stock options with a weighted average exercise price of \$5.98 per share,
- 1,600,000 shares of common stock reserved for issuance under our stock option plans,
- 600,000 shares of common stock reserved for issuance under the 2002 Employee Stock Purchase Plan, and
- the purchase for \$19.6 million of shares of common stock by our contemplated employee stock ownership plan at fair market value or, alternatively, our redemption of an equivalent number of shares. For purposes of this offering, we have assumed the purchase of 1,152,941 shares of common stock at \$17.00 per share.

The information in this prospectus assumes the following:

- a 40-for-1 stock split of our outstanding common stock and recapitalization as a result of the exchange in the reincorporation merger to occur prior to the effectiveness of our registration statement with the Securities and Exchange Commission, and
- no exercise of the underwriters' over-allotment option.

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The following tables summarize consolidated financial data for our business. You should read the summary consolidated financial data set forth below together with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes to those financial statements included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended	
	2000	2001	2002	2002	2003
(dollars in thousands, except per share data)					
Statements of Income Data:					
Revenue:					
Premium revenue	\$ 324,300	\$ 499,471	\$ 639,295	\$ 143,499	\$ 191,377
Other operating revenue	1,971	1,402	2,884	353	391
Investment income	3,161	2,982	1,982	520	339
Total operating revenue	329,432	503,855	644,161	144,372	192,107
Expenses:					
Medical care costs	264,408	408,410	530,018	122,862	162,732
Marketing, general and administrative expenses (including a charge for stock option settlements of \$7,796 in November 2002)	38,701	42,822	61,227	12,310	14,709
Depreciation and amortization	2,085	2,407	4,112	679	1,317
Total expenses	305,194	453,639	595,357	135,851	178,758
Operating income	24,238	50,216	48,804	8,521	13,349
Total other expense, net	(197)	(561)	(405)	(91)	(74)
Income before income taxes	24,041	49,655	48,399	8,430	13,275
Provision for income taxes	9,156	19,453	17,891	3,330	5,295
Income before minority interest	14,885	30,202	30,508	5,100	7,980
Minority interest	79	(73)			
Net income	14,964	30,129	30,508	5,100	7,980
Net income per share:					
Basic	0.75	1.51	1.53	0.26	0.41
Diluted	0.73	1.46	1.48	0.25	0.40
Cash dividends declared per share	0.05				

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Weighted average number of common shares outstanding	20,000,000	20,000,000	20,000,000	20,000,000	19,445,000
Weighted average number of common shares and potential dilutive common shares outstanding	20,376,000	20,572,000	20,609,000	20,762,000	19,802,000
Operating Statistics:					
Medical care ratio (1)	81.0%	81.5%	82.5%	85.4%	84.9%
Marketing, general and administrative expense ratio (2)	11.7%	8.5%	9.5%	8.5%	7.7%
Members (3)	298,000	405,000	489,000	424,000	511,000

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	As of December 31,			As of March 31,	
	2000	2001	2002	2003	2003 As Adjusted(4)
	(dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	\$ 45,785	\$ 102,750	\$ 139,300	\$ 125,568	\$ 194,988
Total assets	102,012	149,620	204,966	212,111	279,926
Long-term debt (including current maturities)	3,448	3,401	3,350	8,336	3,336
Total liabilities					