

ST. LOUIS--(BUSINESS WIRE)--July 28, 2003--Centene Corporation (Nasdaq:CNTX) today announced its financial results for the quarter ended June 30, 2003.

Second Quarter Highlights

- Revenues of \$186.2 million, a 73% increase over the second quarter of 2002.
- Earnings from operations of \$10.3 million, a 34% increase over the second quarter of 2002 reflecting the integration of new business which provides a basis for sustainable margin expansion.
- Three-for-two split of Centene stock in the form of a 50% stock dividend.
- Earnings per diluted share of \$0.43, or \$0.65 on a pre-split basis.
- Organic membership growth of 30% over second quarter of 2002.
- Days in claims payable of 52, in the Company's target range of 50-55.
- Health benefits ratio of 83.3%, within the Company's target range of 82% to 83.5%; at forecasted levels for New Jersey and at 82.4% for the Medicaid component.
- Agreement by Centene's Texas subsidiary, Superior HealthPlan, to acquire the Medicaid-related contract rights of HMO Blue Texas in the San Antonio market.

Michael F. Neidorff, Centene's president and chief executive officer, said, "We are pleased to announce our sixteenth quarter of consecutive profitability and growth, and are proud to again deliver predictable and sustainable operating results which are fully in-line with our expectations. These results reflect our ongoing success in working within the states in which we operate to provide optimal care for our recipients while helping them to manage their healthcare cost objectives."

"Our margin protection programs, which combine policy changes and rate increases, continue to yield strong and consistent results. We recently received notification that our rates in Texas, which are subject to Centers for Medicare and Medicaid Services (CMS) approval, would reflect a 6.3% composite Medicaid rate increase effective September 1, 2003. Importantly, we received positive rate adjustments in each of our Texas service areas. We are currently in negotiations with the state of Texas regarding our SCHIP premium rates and expect the state to "buy-down" the rates with changes in benefits. Concurrently, Texas is planning to reduce the physician fee schedule by up to 5%, which in turn lowers our cost. New Jersey has approved a 6.2% increase, effective July 1, 2003; and we are awaiting CMS approval to expand our footprint throughout the entire state and be operating in all 21 counties. We are still in negotiations with New Jersey regarding our SSI rates. We remain confident that our approach to working with the states is positive and effective," concluded Neidorff.

The following table depicts membership in Centene's managed care organizations by state at June 30, 2003 and 2002:

	2003	2002
Wisconsin	145,600	123,900
Texas	131,400	61,900
Indiana	109,000	92,800
New Jersey	52,700	-
TOTAL	438,700	278,600

The following table depicts membership in Centene's managed care organizations by member category at June 30, 2003 and 2002:

	2003	2002
Medicaid	361,700	250,800
SCHIP	68,800	25,200
SSI	8,200 (a)	2,600
TOTAL	438,700	278,600

(a) 4,300 at-risk; 3,900 ASO

Statement of Earnings Highlights

- For the second quarter of 2003, revenues increased 73% to \$186.2 million from \$107.6 million in the second quarter of 2002.
- The health benefits ratio, which reflects medical costs as a percent of premium revenues, was 83.3% for the second quarter of 2003, with the Medicaid component steady at 82.4% and compared to 82.0% for the same period in 2002. Both ratios were within the Company's targeted range of 82.0% to 83.5%. The Company experienced a slight increase in this ratio due to the addition of SSI risk members in New Jersey in December 2002. As previously reported, the health benefits ratio for SSI is affected by a low membership base; the Company expects this ratio to be more volatile until the Company has achieved a critical mass in this population base.
- General and administrative expenses as a percent of revenues on the Company's Medicaid business has consistently decreased, and was 10.3% for the second quarter of 2003 as compared to 10.9% in the second quarter of 2002 and 10.5% in the first quarter of 2003. Including the effects of the Company's specialty business, which the Company entered into during the first quarter of 2003 and which has a higher level of general and administrative expenses, the combined general and administrative expense ratio was 11.2%.
- Earnings from operations increased to \$10.3 million in the second quarter of 2003 from \$7.7 million in the comparable period of 2002. Net earnings improved to \$7.7 million, or \$0.43 per diluted share, compared to \$5.2 million, or \$0.30 per diluted share, for the second quarter of 2002.
- For the six months ended June 30, 2003, revenues increased 78.8% to \$363.7 million from \$203.4 million for the same period in the prior year. The health benefits ratio was 83.3%, with the Medicaid component steady at 82.4%, and compares to 82.2% for the same period in 2002. General and administrative expenses as a percent of revenues for the Medicaid segment decreased to 10.4% from 11.0%, and was slightly higher on a combined basis, reflecting the addition of the Company's specialty segment. Earnings from operations increased 46.5% to \$20.5 million from \$14.0 million in 2002. Net earnings improved to \$14.9 million, or \$0.83 per diluted share.

Balance Sheet Highlights

At June 30, 2003, the Company had cash and investments of \$169.4 million, a portion of which is restricted due to state regulatory requirements. Medical claims liabilities totaled \$87.1 million, representing 52 days in claims payable. The Company continues to experience improved claims turnaround time contributing to its overall claims efficiencies, thereby reducing claims inventory levels in sequential quarters. A full reconciliation of the Company's change in days in claims payable from the immediately preceding quarter is highlighted below:

Physician Bonus	(2.2)
Pharmacy Accrual Changes	1.2
Faster Payment Turn-Around	(3.6)
Lower Ending Inventory	(1.5)

Total	(6.1)
	=====

Outlook

Karey L. Witty, Centene's chief financial officer, commented, "Our 2003 revenue guidance is expected to be in the range of \$765 million to \$768 million and reflects the addition of the 21,000 HMO Blue Texas members, effective August 1, 2003. We anticipate net earnings of \$1.77 to \$1.80 per diluted share, based on 17.8 million shares outstanding."

Conference Call

As previously announced, the Company will host a conference call tomorrow, July 29, 2003, at 8:30 a.m. (Eastern Time) to review the financial results for the second quarter ended June 30, 2003, and to discuss its business outlook. Michael F. Neidorff and Karey L. Witty will host the conference call. Investors are invited to participate in the conference call by dialing 800-273-1254 in the U.S. and Canada, 706-679-8592 from abroad, or via a live Internet broadcast on the Company's website at www.centene.com, under the Investor Relations section. A replay will be available for on demand listening shortly after the completion of the call until 11:59 PM Eastern on August 12, 2003 at the aforementioned URL, or by dialing 800-642-1687 in the U.S. and Canada, or 706-645-9291 from abroad, and entering access code 1488323.

About Centene Corporation

Centene Corporation provides managed care programs and related services to individuals receiving benefits under Medicaid, including Supplemental Security Income (SSI), and the State Children's Health Insurance Program (SCHIP). The Company operates health plans in Wisconsin, Texas, Indiana and New Jersey. In addition, the Company contracts with other healthcare organizations to provide specialty services including behavioral health, nurse triage and pharmacy compliance.

The information provided in the second paragraph following the bullet listing under "Second Quarter Highlights," the second bullet under "Statement of Earnings Highlights" and the paragraph under "Outlook" above contain forward-looking statements that relate to future events and future financial performance of Centene. These forward-looking statements represent the Company's estimates as of July 28, 2003. Subsequent events and developments may cause the Company's estimates to change. The Company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses, competition, changes in healthcare practices, changes in federal or state laws or regulations, inflation, provider contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare. The expiration, cancellation or suspension of Centene's Medicaid managed care contracts by state governments would also negatively affect Centene.

(Tables Follow)

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30, 2003	DECEMBER 31, 2002
	-----	-----
(Unaudited)		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 43,422	\$ 59,656
Premium and related receivables, net of allowances of \$246 and \$219, respectively	16,739	16,773
Short-term investments, at fair value (amortized cost \$9,396 and \$9,687, respectively)	9,405	9,571
Deferred income taxes	1,688	2,846
Other current assets	6,574	4,243
	-----	-----
Total current assets	77,828	93,089
LONG-TERM INVESTMENTS, at fair value (amortized cost \$94,813 and \$78,025, respectively)	96,489	79,666
RESTRICTED DEPOSITS, at fair value (amortized cost \$19,840 and \$15,561, respectively)	20,068	15,762
PROPERTY AND EQUIPMENT, net	8,202	6,295
INTANGIBLE ASSETS, net	13,039	10,695
DEFERRED INCOME TAXES	726	472
OTHER ASSETS	4,062	4,348
	-----	-----
Total assets	\$ 220,414	\$ 210,327
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Medical claims liabilities	\$ 87,101	\$ 91,181
Accounts payable and accrued expenses	9,810	10,748
Other current liabilities	30	--
	-----	-----
Total current liabilities	96,941	101,929
OTHER LIABILITIES	5,641	5,334
	-----	-----

Total liabilities	102,582	107,263
MINORITY INTEREST	7	881
STOCKHOLDERS' EQUITY:		
Common stock, \$.001 par value; authorized 40,000,000 shares; 16,606,059 and 16,243,649 shares issued and outstanding, respectively	17	16
Additional paid-in capital	73,026	72,372
Accumulated other comprehensive income:		
Net unrealized gain on investments, net of tax	1,204	1,087
Retained earnings	43,578	28,708
	-----	-----
Total stockholders' equity	117,825	102,183
	-----	-----
Total liabilities and stockholders' equity	\$ 220,414	\$ 210,327
	=====	=====

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
	(Unaudited)		(Unaudited)	
REVENUES:				
Premiums	\$ 182,900	\$ 107,503	\$ 359,112	\$ 203,152
Services	3,332	107	4,554	211
	-----	-----	-----	-----
Total revenues	186,232	107,610	363,666	203,363
	-----	-----	-----	-----
EXPENSES:				
Medical costs	152,404	88,109	299,311	167,053
Cost of services	2,613	86	3,588	168
General and administrative expenses	20,879	11,697	40,284	22,162
	-----	-----	-----	-----
Total operating expenses	175,896	99,892	343,183	189,383
	-----	-----	-----	-----
Earnings from operations	10,336	7,718	20,483	13,980
OTHER INCOME (EXPENSE):				
Investment and other income, net	1,257	976	2,231	1,891
Interest expense	(4)	(11)	(31)	(11)
	-----	-----	-----	-----
Earnings before income taxes	11,589	8,683	22,683	15,860
INCOME TAX EXPENSE	4,462	3,449	8,695	6,327
MINORITY INTEREST	581	--	881	--
	-----	-----	-----	-----
Net earnings	\$ 7,708	\$ 5,234	\$ 14,869	\$ 9,533
	=====	=====	=====	=====

EARNINGS PER
COMMON SHARE,
BASIC:

Net earnings per common share	\$	0.47	\$	0.34	\$	0.91	\$	0.62
-------------------------------------	----	------	----	------	----	------	----	------

EARNINGS PER
COMMON SHARE,
DILUTED:

Net earnings per common share	\$	0.43	\$	0.30	\$	0.83	\$	0.56
-------------------------------------	----	------	----	------	----	------	----	------

SHARES USED IN
COMPUTING PER
SHARE AMOUNTS:

Basic	16,484,945	15,483,915	16,409,291	15,311,427
Diluted	17,803,016	17,319,569	17,829,558	17,152,775

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

SIX MONTHS ENDED
JUNE 30,

2003	2002
------	------

(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$	14,869	\$	9,533
Adjustments to reconcile net earnings to net cash provided by operating activities --				
Depreciation and amortization		2,761		975
Stock compensation expense		108		49
Minority interest	(881)	--		
Gain on sale of investments	(777)	(307)		
Loss on disposal of equipment	44	--		
Changes in assets and liabilities --				
Decrease (increase) in premium and related receivables	1,205	(492)		
Increase in other current assets	(2,065)	(1,676)		
Decrease (increase) in deferred income taxes	836	(555)		
Decrease (increase) in other assets	286	(106)		
(Decrease) increase in medical claims liabilities	(4,081)	3,992		
Decrease in accounts payable and accrued expenses	(3,248)	(2,497)		
Increase in other current liabilities	30	--		
Increase in other liabilities	308	--		
Net cash provided by operating activities		9,395		8,916

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(2,561)	(2,431)
Purchase of investments	(103,310)	(87,328)
Sales and maturities of investments	83,196	29,093
Contract acquisitions	(561)	--
Investment in subsidiary	(1,734)	(3,193)
Proceeds from disposal of equipment	11	--
Net cash used in investing activities	(24,959)	(63,859)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net proceeds from issuance of common stock	--	10,304
Extinguishment of acquired liabilities	(1,218)	--
Proceeds from exercise of stock options	548	108

Net cash (used in) provided by financing activities	(670)	10,412
---	-------	--------

Net decrease in cash and cash equivalents	(16,234)	(44,531)
---	----------	----------

CASH AND CASH EQUIVALENTS, beginning of period	59,656	88,867
--	--------	--------

CASH AND CASH EQUIVALENTS, end of period	\$	43,422	\$	44,336
--	----	--------	----	--------

=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION:

Interest paid	\$	42	\$	--
Income taxes paid	\$	8,580	\$	9,282

CENTENE CORPORATION

SUPPLEMENTAL FINANCIAL DATA

	Q2 2003	Q1 2003	Q4 2002	Q3 2002
MEMBERSHIP				
Wisconsin	145,600	139,100	133,000	126,800
Texas	131,400	122,700	118,000	67,800
Indiana	109,000	104,800	105,700	101,500
New Jersey	52,700	52,700	52,900	-
Total	438,700	419,300	409,600	296,100
Medicaid	361,700	344,700	336,100	264,100
SCHIP	68,800	66,600	65,900	29,400
SSI	8,200	8,000	7,600	2,600
Total	438,700	419,300	409,600	296,100

REVENUE PER MEMBER \$142.26 \$142.06 \$134.08 \$133.20

CLAIMS

Period-end Inventory	109,865	144,465	150,717	140,432
Average Inventory	85,412	131,382	73,800	51,700
Period-end Inventory per Member	0.25	0.34	0.37	0.47

DAYS IN CLAIMS PAYABLE(b) 52.0 58.1 71.8 62.7

(b) Days in Claims Payable is a calculation of Medical Claims Liabilities at the end of the period divided by average medical costs per calendar day for such period.

ANNUALIZED RETURN ON EQUITY(c)

	27.1%	27.0%	27.7%	27.5%
--	-------	-------	-------	-------

(c) Annualized Return on Equity is calculated as follows: (net income for quarter x 4) divided by ((beginning of period equity + end of period equity) divided by 2).

HEALTH BENEFITS RATIO BY CATEGORY:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
Medicaid (excluding SSI)	82.4%	82.0%	82.4%	82.2%
SSI	103.3	--	103.7	--
Total	83.3	82.0	83.3	82.2

GENERAL AND ADMINISTRATIVE EXPENSE RATIO BY BUSINESS SEGMENT:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
Medicaid Managed Care	10.3%	10.9%	10.4%	11.0%
Specialty Services	32.2	--	30.2	--
Total	11.2	10.9	11.1	11.0

MEDICAL CLAIMS LIABILITIES
(in thousands)

Four rolling quarters of the changes in medical claims liabilities are summarized as follows:

Balance, June 30, 2002 \$	63,557
Acquisitions	16,230(d)
Incurring related to:	
Current period	535,975
Prior period	(24,249)

Total incurred	511,726

Paid related to:	
Current period	467,744
Prior period	36,668

Total paid	504,412

Balance, June 30, 2003 \$	87,101
	=====

(d) Includes reserves acquired in connection with the acquisition of 80% of the outstanding capital stock of University Health Plans, Inc.

Our claims reserving process utilizes a consistent actuarial methodology to estimate our ultimate liability. Any reduction in the "Incurred related to: Prior period" claims may be offset as we actuarially determine "Incurred related to: Current period." As such, only in the absence of a consistent reserving methodology would favorable development of prior period claims liability estimates reduce medical costs. We believe we have consistently applied our claims reserving methodology in each of the periods presented.

CONTACT: Centene Corporation
Karey L. Witty, 314-725-4477
or
Lisa M. Wilson, 212-759-3929

SOURCE: Centene Corporation

<https://investors.centene.com/2003-07-28-Centene-Corporation-Reports-Sixteenth-Consecutive-Quarter-of-Increased-Profitability>