

Centene Corporation Reports 2015 First Quarter Results And Raises Guidance - Apr 28, 2015

-- Revenue increase of 42% and diluted earnings per share (EPS) from continuing operations of \$0.52 --

ST. LOUIS, April 28, 2015 [/PRNewswire/](#) -- Centene Corporation (NYSE: CNC) today announced its financial results for the quarter ended March 31, 2015. The following discussions, with the exception of cash flow information, are in the context of continuing operations.

| | | |
|---|----|--------|
| Premium and Service Revenues (in millions) | \$ | 4,761 |
| Consolidated Health Benefits Ratio | | 89.8 % |
| General & Administrative expense ratio | | 8.5 % |
| Diluted earnings per share (EPS) | \$ | 0.52 |
| Total cash flow from operations (in millions) | \$ | 45 |

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "We had a strong start to 2015, delivering exceptional top and bottom line growth compared to last year. We continue to be successful in executing on our robust growth pipeline while maintaining operational discipline."

First Quarter Highlights

- March 31, 2015 managed care membership of 4.4 million, an increase of 1.4 million members, or 44% compared to the first quarter of 2014.
- Premium and service revenues for the first quarter of \$4.8 billion, representing 42% growth compared to the first quarter of 2014.
- Health Benefits Ratio of 89.8% for the first quarter 2015, compared to 89.3% in the first quarter of 2014.
- General and Administrative expense ratio of 8.5% for the first quarter of 2015, compared to 8.8% in the first quarter of 2014.
- Operating cash flow of \$45 million for the first quarter of 2015.
- Diluted EPS for the first quarter of 2015 of \$0.52, compared to \$0.29 in 2014.

Other Events

- In April 2015, our Indiana subsidiary, Managed Health Services, began operating under an expanded contract with the Indiana Family & Social Services Administration to provide services to its ABD Medicaid enrollees who qualify for the new Hoosier Care Connect Program.
- In April 2015, Centurion was recommended for an award by the Mississippi Department of Corrections to provide comprehensive correctional healthcare services. The contract is expected to commence in the third quarter of 2015.
- In March 2015, we began operating under an expanded STAR+PLUS contract with the Texas Health and Human Service Commission (HHSC) to include nursing facility benefits. We also began operating under a new contract with the Texas HHSC and the Centers for Medicare and Medicaid Services to serve dual-eligible members in three counties as part of the state's dual demonstration program.
- In March 2015, our Missouri subsidiary, Home State Health, was selected by the Missouri Division of Purchasing and Materials Management to continue providing managed care services to MO HealthNet Managed Care beneficiaries. The new contract will be effective in the third quarter of 2015.
- In February 2015, Superior HealthPlan was tentatively recommended for a contract award by the Texas HHSC to continue to serve STAR Health (Foster Care) Medicaid recipients. The new STAR Health contract is expected to commence in the third quarter of 2015.

Accreditations & Senior Management Additions

- In April 2015, we announced the appointment of Marcela Manjarrez Williams to Senior Vice President and Chief Communications Officer and the appointment of Ken Yamaguchi, M.D. to Executive Vice President and Chief Medical Officer.
- In April 2015, Nurtur, our health and wellness subsidiary, received full Disease Management Accreditation renewal from URAC, a Washington, DC-based healthcare accrediting organization that establishes quality standards for the healthcare industry. In February 2015, Nurtur also received a three-year Wellness and Health Promotion Accreditation renewal from the National Committee for Quality Assurance (NCQA) for its wellness services.
- In March 2015, NurseWise, our national multilingual nurse triage and health education subsidiary, also received full Health Call Center Accreditation renewal from URAC.

Membership

The following table sets forth the Company's membership by state for its managed care organizations:

| | March 31, | |
|--------------------------|------------------|-------------|
| | 2015 | 2014 |
| Arizona | 202,200 | 169,800 |
| Arkansas | 43,200 | 16,400 |
| California | 171,200 | 118,100 |
| Florida | 463,100 | 230,300 |
| Georgia | 405,600 | 331,400 |
| Illinois | 184,800 | 22,400 |
| Indiana | 227,700 | 198,700 |
| Kansas | 143,700 | 145,000 |
| Louisiana | 359,500 | 149,800 |
| Massachusetts | 64,500 | 50,800 |
| Minnesota | 9,500 | 9,400 |
| Mississippi | 141,900 | 85,400 |
| Missouri | 75,600 | 58,100 |
| New Hampshire | 67,500 | 37,100 |
| Ohio | 296,000 | 181,800 |
| South Carolina | 106,000 | 96,300 |
| Tennessee | 20,800 | 21,100 |
| Texas | 974,900 | 904,000 |
| Vermont | 1,600 | — |
| Washington | 207,100 | 151,700 |
| Wisconsin | 82,100 | 70,800 |
| Total at-risk membership | 4,248,500 | 3,048,400 |
| Non-risk membership | 153,200 | — |
| Total | 4,401,700 | 3,048,400 |

At March 31, 2015, the Company served 331,800 Medicaid members in Medicaid expansion programs in California, Illinois, Indiana, Massachusetts, New Hampshire, Ohio and Washington included in the table above.

The following table sets forth our membership by line of business:

| | March 31, | |
|----------------------------------|------------------|-------------|
| | 2015 | 2014 |
| Medicaid | 3,133,900 | 2,169,100 |
| CHIP & Foster Care | 233,600 | 269,200 |
| ABD, Medicare & Duals | 410,400 | 300,500 |
| Long Term Care (LTC) | 71,200 | 51,800 |
| Health Insurance Marketplaces | 161,700 | 39,700 |
| Hybrid Programs ¹ | — | 14,400 |
| Behavioral Health | 195,100 | 162,700 |
| Correctional Healthcare Services | 42,600 | 41,000 |
| Total at-risk membership | 4,248,500 | 3,048,400 |
| Non-risk membership | 153,200 | — |
| Total | 4,401,700 | 3,048,400 |

¹ In February 2015, hybrid programs in Indiana and Massachusetts were converted to Medicaid expansion contracts.

The following table identifies our dual-eligible membership by line of business. The membership tables above include these members.

| | March 31, | |
|---------------------|------------------|-------------|
| | 2015 | 2014 |
| ABD | 112,600 | 72,800 |
| LTC | 52,000 | 41,300 |
| Medicare | 6,800 | 6,500 |
| Medicaid / Medicare | | |
| Duals | 12,600 | — |
| Total | 184,000 | 120,600 |

Statement of Operations: Three Months Ended March 31, 2015

- For the first quarter of 2015, Premium and Service Revenues increased 42% to \$4.8 billion from \$3.4 billion in the first quarter of 2014. The increase was a result of a full quarter's impact from expansions or new programs in 2014 in many of our states, particularly Florida, Illinois and Ohio.
- Consolidated HBR of 89.8% for the first quarter of 2015 represents an increase from 89.3% in the comparable period in 2014 and an increase from 89.3% in the fourth quarter of 2014. The year over year HBR increase is primarily attributable to an increase in higher acuity membership and higher flu related costs over the prior year.
- The following table compares the results for new business and existing business for the quarters ended March 31:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|-------------|-------------|
| Premium and Service Revenue | | |
| New business | 23% | 20% |
| Existing business | 77% | 80% |
| HBR | | |
| New business | 91.0% | 93.1% |
| Existing business | 89.5% | 88.3% |

- Consolidated G&A expense ratio for the first quarter of 2015 was 8.5%, compared to 8.8% in the prior year. The year over year decrease in the G&A ratio reflects the leveraging of expenses over higher revenues in 2015 as well as the impact of transaction costs recognized in 2014.
- Diluted earnings per share of \$0.52 in the first quarter of 2015, compared to \$0.29 in 2014. Diluted earnings per share in 2014 was impacted by \$0.11 of net cost associated with the health insurer fee and acquisition transaction costs.

Balance Sheet and Cash Flow

At March 31, 2015, the Company had cash, investments and restricted deposits of \$3.4 billion, including \$97 million held by its unregulated entities. Medical claims liabilities totaled \$2.0 billion, representing 45.5 days in claims payable. Total debt was \$1.1 billion, which includes \$125 million of borrowings on the \$500 million revolving credit facility at quarter end. Debt to capitalization was 36.6% at March 31, 2015, excluding the \$69 million non-recourse mortgage note.

Cash flow from operations for the three months ended March 31, 2015, was \$45 million, or 0.7 times net earnings. Cash flow was reduced in the first quarter as a result of a one time change in payment terms for one of our states.

A reconciliation of the Company's change in days in claims payable from the immediately preceding quarter-end is presented below:

| | |
|---|-------------|
| Days in claims payable, December 31, 2014 | 44.2 |
| Timing of claim payments | 1.3 |
| Days in claims payable, March 31, 2015 | <u>45.5</u> |

Outlook

The table below depicts the Company's annual GAAP guidance for 2015.

| | Full Year 2015 | |
|--|-----------------------|-------------|
| | Low | High |
| Premium and Service Revenues (in millions) | \$ 20,500 | \$ 21,000 |
| Diluted EPS | \$ 2.60 | \$ 2.72 |
| Consolidated Health Benefits Ratio | 89.2 % | 89.6 % |
| General & Administrative expense ratio | 8.0 % | 8.4 % |
| Effective Tax Rate | 48.0 % | 50.0 % |
| Diluted Shares Outstanding (in millions) | 123.0 | 124.0 |

Consistent with our policy, the above table does not include acquisitions that have not yet closed.

Conference Call

As previously announced, the Company will host a conference call Tuesday, April 28, 2015, at 8:30 AM (Eastern Time) to review the financial results for the first quarter ended March 31, 2015, and to discuss its business outlook. Michael F. Neidorff and William N. Scheffel will host the conference call.

Investors and other interested parties are invited to listen to the conference call by dialing 1-866-739-7850 in the U.S. and Canada; +1-412-902-6577 from abroad; or via a live, audio webcast on the Company's website at www.centene.com, under the Investors section. Or, participants can register for the conference call in advance by navigating to <http://dpreregister.com/10061838>, to receive a dial-in number upon registration. A webcast replay will be available for on-demand listening shortly after the completion of the call for the next twelve months or until 11:59 PM (Eastern Time) on Tuesday, April 26, 2016, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 AM Eastern Time on Wednesday, May 6, 2015, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10061838.

Other Information

The discussion in the third bullet under the heading "Statement of Operations: Three Months Ended March 31, 2015" contains financial information for new and existing businesses. Existing businesses are primarily state markets or significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets or significant geographic expansion in an existing state or product that conversely, we have not managed for four complete quarters.

About Centene Corporation

Centene Corporation, a Fortune 500 company, is a diversified, multi-national healthcare enterprise that provides a portfolio of services to government-sponsored healthcare programs, focusing on under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long Term Care (LTC), in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health management, care management software, correctional healthcare services, dental benefits management, in-home health services, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

The information provided in this press release contains forward-looking statements that relate to future events and future financial performance of Centene. 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 and reserves; competition; membership and revenue projections; timing of regulatory contract approval; changes in healthcare practices; changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder; changes in expected contract start dates; changes in expected closing dates, estimated purchase price and accretion for acquisitions; inflation; foreign currency fluctuations; provider and state contract changes; new technologies; advances in medicine; 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 our Medicare or Medicaid managed care contracts by federal or state governments; the outcome of pending legal proceedings; availability of debt and equity financing, on terms that are favorable to us; and general economic and market conditions, as well as those factors disclosed in the Company's publicly filed documents.

This list of important factors is not intended to be exhaustive. We discuss certain of these matters more fully, as well as certain risk factors that may affect our business operations, financial condition and results of operations, in our filings with the Securities and Exchange Commission, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

[Tables Follow]

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions except share data)
(Unaudited)

| | March 31, 2015 | December 31, 2014 |
|--|-------------------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,666 | \$ 1,610 |
| Premium and related receivables | 1,245 | 912 |
| Short term investments | 151 | 177 |
| Other current assets | 528 | 335 |
| Total current assets | 3,590 | 3,034 |
| Long term investments | 1,527 | 1,280 |
| Restricted deposits | 98 | 100 |
| Property, software and equipment, net | 450 | 445 |
| Goodwill | 786 | 754 |
| Intangible assets, net | 131 | 120 |
| Other long term assets | 114 | 91 |
| Total assets | <u>\$ 6,696</u> | <u>\$ 5,824</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Medical claims liability | \$ 1,950 | \$ 1,723 |
| Accounts payable and accrued expenses | 1,002 | 768 |
| Return of premium payable | 269 | 236 |
| Unearned revenue | 117 | 168 |
| Current portion of long term debt | 5 | 5 |
| Total current liabilities | 3,343 | 2,900 |
| Long term debt | 1,123 | 874 |
| Other long term liabilities | 238 | 159 |
| Total liabilities | 4,704 | 3,933 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interests | 155 | 148 |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value; authorized 10,000,000 shares; no shares issued or outstanding at March 31, 2015 and December 31, 2014 | — | — |
| Common stock, \$.001 par value; authorized 200,000,000 shares; 124,562,959 issued and 118,886,912 outstanding at March 31, 2015, and 124,274,864 issued and 118,433,416 outstanding at December 31, 2014 | — | — |
| Additional paid-in capital | 870 | 840 |
| Accumulated other comprehensive loss | (1) | (1) |
| Retained earnings | 1,066 | 1,003 |
| Treasury stock, at cost (5,676,047 and 5,841,448 shares, respectively) | (98) | (98) |
| Total Centene stockholders' equity | 1,837 | 1,744 |
| Noncontrolling interest | — | (1) |
| Total stockholders' equity | 1,837 | 1,743 |
| Total liabilities and stockholders' equity | <u>\$ 6,696</u> | <u>\$ 5,824</u> |

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share data)
(Unaudited)

| | | Three Months Ended March 31, | |
|--|--|-------------------------------------|--------------|
| | | 2015 | 2014 |
| Revenues: | | | |
| Premium | | \$ 4,299 | \$ 3,071 |
| Service | | 462 | 281 |
| Premium and service revenues | | 4,761 | 3,352 |
| Premium tax and health insurer fee | | 370 | 108 |
| Total revenues | | 5,131 | 3,460 |
| Expenses: | | | |
| Medical costs | | 3,861 | 2,743 |
| Cost of services | | 402 | 242 |
| General and administrative expenses | | 403 | 296 |
| Premium tax expense | | 281 | 78 |
| Health insurer fee expense | | 55 | 31 |
| Total operating expenses | | 5,002 | 3,390 |
| Earnings from operations | | 129 | 70 |
| Other income (expense): | | | |
| Investment and other income | | 9 | 5 |
| Interest expense | | (10) | (7) |
| Earnings from continuing operations, before income tax expense | | 128 | 68 |
| Income tax expense | | 63 | 35 |
| Earnings from continuing operations, net of income tax expense | | 65 | 33 |
| Discontinued operations, net of income tax expense of \$0 and \$0, respectively | | | |
| | | (1) | (1) |
| Net earnings | | 64 | 32 |
| (Earnings) loss attributable to noncontrolling interests | | | |
| | | (1) | 1 |
| Net earnings attributable to Centene Corporation | | \$ 63 | \$ 33 |
| Amounts attributable to Centene Corporation common shareholders: | | | |
| Earnings from continuing operations, net of income tax expense | | \$ 64 | \$ 34 |
| Discontinued operations, net of income tax expense (benefit) | | (1) | (1) |
| Net earnings | | \$ 63 | \$ 33 |
| Net earnings (loss) per common share attributable to Centene Corporation: | | | |
| Basic: | | | |
| Continuing operations | | \$ 0.54 | \$ 0.30 |
| Discontinued operations | | (0.01) | (0.01) |
| Basic earnings per common share | | \$ 0.53 | \$ 0.29 |
| Diluted: | | | |
| Continuing operations | | \$ 0.52 | \$ 0.29 |
| Discontinued operations | | (0.01) | (0.01) |
| Diluted earnings per common share | | \$ 0.51 | \$ 0.28 |
| Weighted average number of common shares outstanding: | | | |
| Basic | | 118,783,755 | 114,967,752 |
| Diluted | | 122,572,366 | 118,722,532 |

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

| | | Three Months Ended March 31, | |
|---|--|-------------------------------------|-------------|
| | | 2015 | 2014 |
| Cash flows from operating activities: | | | |
| Net earnings | | \$ 64 | \$ 32 |
| Adjustments to reconcile net earnings to net cash provided by operating | | | |

| | | |
|---|-----------------|-----------------|
| activities | | |
| Depreciation and amortization | 27 | 20 |
| Stock compensation expense | 16 | 11 |
| Deferred income taxes | (6) | (8) |
| Gain on settlement of contingent consideration | (10) | — |
| Changes in assets and liabilities | | |
| Premium and related receivables | (334) | (119) |
| Other current assets | (3) | 3 |
| Other assets | (13) | (14) |
| Medical claims liabilities | 227 | 196 |
| Unearned revenue | (51) | 35 |
| Accounts payable and accrued expenses | 58 | 91 |
| Other long term liabilities | 68 | 4 |
| Other operating activities | 2 | 1 |
| Net cash provided by operating activities | 45 | 252 |
| Cash flows from investing activities: | | |
| Capital expenditures | (27) | (18) |
| Purchases of investments | (307) | (167) |
| Sales and maturities of investments | 111 | 112 |
| Proceeds from asset sale | 7 | — |
| Investments in acquisitions, net of cash acquired | (9) | (77) |
| Net cash used in investing activities | (225) | (150) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options | 2 | 2 |
| Proceeds from borrowings | 500 | 645 |
| Payment of long term debt | (253) | (519) |
| Excess tax benefits from stock compensation | 3 | — |
| Common stock repurchases | (4) | (2) |
| Contribution from noncontrolling interest | — | 5 |
| Debt issue costs | (4) | — |
| Payment of contingent consideration obligation | (8) | — |
| Net cash provided by financing activities | 236 | 131 |
| Net increase in cash and cash equivalents | 56 | 233 |
| Cash and cash equivalents, beginning of period | 1,610 | 1,038 |
| Cash and cash equivalents, end of period | \$ 1,666 | \$ 1,271 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | \$ 2 | \$ 2 |
| Income taxes paid | \$ 24 | \$ 21 |
| Equity issued in connection with acquisitions | \$ 13 | \$ 132 |

CENTENE CORPORATION
SUPPLEMENTAL FINANCIAL DATA FROM CONTINUING OPERATIONS

| | Q1 2015 | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| MANAGED CARE MEMBERSHIP | | | | | |
| Arizona | 202,200 | 204,000 | 202,500 | 189,200 | 169,800 |
| Arkansas | 43,200 | 38,400 | 36,600 | 31,100 | 16,400 |
| California | 171,200 | 163,900 | 144,700 | 131,100 | 118,100 |
| Florida | 463,100 | 425,700 | 411,200 | 313,800 | 230,300 |
| Georgia | 405,600 | 389,100 | 382,600 | 373,000 | 331,400 |
| Illinois | 184,800 | 87,800 | 31,300 | 29,500 | 22,400 |
| Indiana | 227,700 | 197,700 | 199,500 | 200,500 | 198,700 |
| Kansas | 143,700 | 143,300 | 144,200 | 146,100 | 145,000 |
| Louisiana | 359,500 | 152,900 | 150,800 | 148,600 | 149,800 |
| Massachusetts | 64,500 | 48,400 | 46,600 | 47,200 | 50,800 |
| Minnesota | 9,500 | 9,500 | 9,500 | 9,400 | 9,400 |
| Mississippi | 141,900 | 108,700 | 99,300 | 97,400 | 85,400 |
| Missouri | 75,600 | 71,000 | 64,900 | 58,700 | 58,100 |
| New Hampshire | 67,500 | 62,700 | 56,600 | 39,500 | 37,100 |

| | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Ohio | 296,000 | 280,100 | 261,000 | 225,900 | 181,800 |
| South Carolina | 106,000 | 109,700 | 106,500 | 101,800 | 96,300 |
| Tennessee | 20,800 | 21,000 | 21,200 | 21,300 | 21,100 |
| Texas | 974,900 | 971,000 | 961,100 | 921,500 | 904,000 |
| Vermont | 1,600 | — | — | — | — |
| Washington | 207,100 | 194,400 | 192,500 | 193,800 | 151,700 |
| Wisconsin | 82,100 | 83,200 | 74,700 | 67,300 | 70,800 |
| Total at-risk membership | <u>4,248,500</u> | <u>3,762,500</u> | <u>3,597,300</u> | <u>3,346,700</u> | <u>3,048,400</u> |
| Non-risk membership | <u>153,200</u> | <u>298,400</u> | <u>303,500</u> | <u>—</u> | <u>—</u> |
| TOTAL | <u>4,401,700</u> | <u>4,060,900</u> | <u>3,900,800</u> | <u>3,346,700</u> | <u>3,048,400</u> |
| Medicaid | 3,133,900 | 2,754,900 | 2,578,300 | 2,385,500 | 2,169,100 |
| CHIP & Foster Care | 233,600 | 222,700 | 247,700 | 261,800 | 269,200 |
| ABD, Medicare & Duals | 410,400 | 392,700 | 383,400 | 329,700 | 300,500 |
| LTC | 71,200 | 60,800 | 55,200 | 53,500 | 51,800 |
| Health Insurance | | | | | |
| Marketplaces | 161,700 | 74,500 | 76,000 | 75,700 | 39,700 |
| Hybrid Programs | — | 18,900 | 19,900 | 17,000 | 14,400 |
| Behavioral Health | 195,100 | 197,000 | 195,500 | 182,200 | 162,700 |
| Correctional Healthcare | | | | | |
| Services | <u>42,600</u> | <u>41,000</u> | <u>41,300</u> | <u>41,300</u> | <u>41,000</u> |
| Total at-risk membership | <u>4,248,500</u> | <u>3,762,500</u> | <u>3,597,300</u> | <u>3,346,700</u> | <u>3,048,400</u> |
| Non-risk membership | <u>153,200</u> | <u>298,400</u> | <u>303,500</u> | <u>—</u> | <u>—</u> |
| TOTAL | <u>4,401,700</u> | <u>4,060,900</u> | <u>3,900,800</u> | <u>3,346,700</u> | <u>3,048,400</u> |

**REVENUE PER MEMBER
PER MONTH^(a)**

| | | | | |
|--------|--------|--------|--------|--------|
| \$ 349 | \$ 360 | \$ 354 | \$ 344 | \$ 340 |
|--------|--------|--------|--------|--------|

CLAIMS^(a)

| | | | | | |
|---------------------------------|-----------|-----------|-----------|---------|---------|
| Period-end inventory | 1,217,000 | 1,086,600 | 1,021,200 | 771,900 | 832,600 |
| Average inventory | 841,000 | 806,000 | 660,200 | 603,700 | 584,700 |
| Period-end inventory per member | 0.29 | 0.29 | 0.28 | 0.23 | 0.27 |

(a) Revenue per member and claims information are presented for the Managed Care at-risk members.

**NUMBER OF
EMPLOYEES**

| | | | | |
|--------|--------|--------|--------|--------|
| 14,800 | 13,400 | 12,900 | 12,300 | 11,200 |
|--------|--------|--------|--------|--------|

| | <u>Q1 2015</u> | <u>Q4 2014</u> | <u>Q3 2014</u> | <u>Q2 2014</u> | <u>Q1 2014</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|--|--------------------|--------------------|--------------------|--------------------|--------------------|

**DAYS IN CLAIMS
PAYABLE^(b)**

| | | | | |
|------|------|------|------|------|
| 45.5 | 44.2 | 43.1 | 42.9 | 42.6 |
|------|------|------|------|------|

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

CASH, INVESTMENTS AND RESTRICTED DEPOSITS (in millions)

| | | | | | |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Regulated | \$ 3,345 | \$ 3,082 | \$ 2,829 | \$ 2,353 | \$ 2,167 |
| Unregulated | 97 | 85 | 70 | 50 | 49 |
| TOTAL | <u>\$ 3,442</u> | <u>\$ 3,167</u> | <u>\$ 2,899</u> | <u>\$ 2,403</u> | <u>\$ 2,216</u> |

**DEBT TO
CAPITALIZATION
DEBT TO**

| | | | | |
|--------|--------|--------|--------|--------|
| 38.0 % | 33.5 % | 36.4 % | 35.3 % | 36.2 % |
|--------|--------|--------|--------|--------|

**CAPITALIZATION
EXCLUDING NON-
RECOURSE DEBT^(c)**

36.6 % 31.7 % 34.6 % 33.4 % 34.1 %

(c) The non-recourse debt represents the Company's mortgage note payable (\$69 million at March 31, 2015). Debt to Capitalization is calculated as follows: total debt divided by (total debt + total equity).

Operating Ratios:

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2015 | 2014 |
| Health Benefits Ratios: | | |
| Medicaid, CHIP, Foster Care & Health Insurance | | |
| Marketplaces | 87.6 % | 86.9 % |
| ABD, LTC & Medicare | 92.9 | 92.9 |
| Specialty Services | 85.2 | 87.7 |
| Total | 89.8 | 89.3 |
| Total General & Administrative Expense Ratio | 8.5 % | 8.8 % |

MEDICAL CLAIMS LIABILITY (In millions)

The changes in medical claims liability are summarized as follows:

| | |
|--------------------------------|-----------------|
| Balance, March 31, 2014 | \$ 1,299 |
| Incurred related to: | |
| Current period | 13,981 |
| Prior period | (185) |
| Total incurred | <u>13,796</u> |
| Paid related to: | |
| Current period | 12,072 |
| Prior period | 1,073 |
| Total paid | <u>13,145</u> |
| Balance, March 31, 2015 | <u>\$ 1,950</u> |

Centene's claims reserving process utilizes a consistent actuarial methodology to estimate Centene's ultimate liability. Any reduction in the "Incurred related to: Prior period" amount may be offset as Centene actuarially determines "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. Centene believes it has consistently applied its claims reserving methodology in each of the periods presented. Additionally, as a result of minimum HBR and other state return of premium programs, approximately \$60 million of the "Incurred related to: Prior period" was reclassified to Return of Premium Payable.

The amount of the "Incurred related to: Prior period" above represents favorable development and includes the effects of reserving under moderately adverse conditions, new markets where we use a conservative approach in setting reserves during the initial periods of operations, receipts from other third party payors related to coordination of benefits and lower medical utilization and cost trends for dates of service prior to March 31, 2014.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/centene-corporation-reports-2015-first-quarter-results-and-raises-guidance-300072946.html>

SOURCE Centene Corporation

For further information: Investor Relations Inquiries, Edmund E. Kroll, Jr., Senior Vice President, Finance & Investor Relations, (212) 759-0382; Media Inquiries, Marcela Manjarrez Williams, Senior Vice President and Chief

<https://investors.centene.com/2015-04-28-Centene-Corporation-Reports-2015-First-Quarter-Results-And-Raises-Guidance>