

April 24, 2012



# - Centene Corporation Reports 2012 First Quarter Earnings of \$0.45 Per Diluted Share and Increases Guidance for 2012 -

ST. LOUIS, April 24, 2012 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced its financial results for the quarter ended March 31, 2012.

## First Quarter Highlights

- Quarter-end managed care at-risk membership of 2,149,500, an increase of 39% year over year.
- Premium and Service Revenues of \$1.7 billion, representing 41% year over year growth.
- Health Benefits Ratio of 88.2%, compared to 84.9% in the prior year and 85.9% in the fourth quarter of 2011.
- General and Administrative expense ratio of 9.8%, compared to 12.0% in the prior year.
- Diluted earnings per share of \$0.45, compared to \$0.46 from the prior year.
- Employees increased from 4,500 at March 31, 2011 to 5,700 at March 31, 2012, reflecting our continued business expansion.

## Other Events

- In January 2012, we were selected to contract with the Washington Health Care Authority to serve Medicaid beneficiaries in the state. Operations are expected to commence in the third quarter of 2012.
- In February 2012, we announced that we were selected to contract with the Office of Administration for Missouri to serve Medicaid beneficiaries in all three regions of the state. Operations are expected to commence in the third quarter of 2012.
- In February 2012, we announced that Superior HealthPlan received an Excellent Accreditation rating by the National Committee for Quality Assurance (NCQA). Superior HealthPlan is the only Medicaid plan in Texas to earn an Excellent Accreditation, the highest rating by NCQA.
- In March 2012, we began operating under contracts in Texas that expanded its operations through new service areas including the 10 county Hidalgo Service Area and the Medicaid Rural Service Areas of West Texas, Central Texas and North-East Texas, as well as the addition of STAR+PLUS in the Lubbock Service Area. The expansion also added the management of outpatient pharmacy benefits in all service areas and products, as well as inpatient facility services for the STAR+PLUS program. At March 31, 2012, we served over 300,000 additional Texas members compared to December 31, 2011.

- In March 2012, Standard & Poor's raised its outlook to positive from stable and affirmed its counterparty credit and senior unsecured debt rating of BB.
- In April 2012, we were notified by the Ohio Department of Job and Family Services that Buckeye Community Health Plan, our Ohio subsidiary, was not awarded a contract to continue serving Medicaid members in Ohio, effective January 2013. We have filed a formal protest contesting the awards.

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "While underlying trend remains predictable, results were mixed due to seasonality of medical costs particularly in March, continued high medical costs in Kentucky, and general and administrative costs at higher levels associated with an additional 370,000 members in Texas. We continue to expect solid full year 2012 results as evidenced by our increased financial guidance. This guidance includes our newest states of Missouri and Washington, as well as the additional Texas lives."

The following table depicts membership in Centene's managed care organizations, by state:

|                          | March 31, |           |
|--------------------------|-----------|-----------|
|                          | 2012      | 2011      |
| Arizona                  | 23,100    | 22,600    |
| Florida                  | 199,500   | 188,800   |
| Georgia                  | 306,000   | 303,300   |
| Illinois                 | 17,400    | —         |
| Indiana                  | 206,300   | 209,400   |
| Kentucky                 | 145,700   | —         |
| Louisiana                | 51,300    | —         |
| Massachusetts            | 36,000    | 34,100    |
| Mississippi              | 29,500    | —         |
| Ohio                     | 161,000   | 160,900   |
| South Carolina           | 86,700    | 84,900    |
| Texas                    | 811,000   | 456,700   |
| Wisconsin                | 76,000    | 81,800    |
| Total at-risk membership | 2,149,500 | 1,542,500 |
| Non-risk membership      | —         | 10,400    |
| Total                    | 2,149,500 | 1,552,900 |

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

|                          | March 31, |           |
|--------------------------|-----------|-----------|
|                          | 2012      | 2011      |
| Medicaid                 | 1,634,800 | 1,169,700 |
| CHIP & Foster Care       | 218,800   | 208,900   |
| ABD & Medicare           | 247,400   | 123,800   |
| Hybrid Programs          | 41,500    | 35,200    |
| Long-term Care           | 7,000     | 4,900     |
| Total at-risk membership | 2,149,500 | 1,542,500 |
| Non-risk membership      | —         | 10,400    |
| Total                    | 2,149,500 | 1,552,900 |

### Statement of Operations: Three Months Ended March 31, 2012

- For the first quarter of 2012, Premium and Service Revenues increased 41% to \$1.7 billion from \$1.2 billion in the first quarter of 2011. The increase was primarily driven by new operations in Mississippi, Illinois, Kentucky and Louisiana as well as the Texas and Arizona expansions, pharmacy carve-ins and overall membership growth.
- Consolidated HBR of 88.2% for the first quarter of 2012 represents an increase of 330 basis points from the comparable period in 2011 and an increase from 85.9% from the fourth quarter of 2011. The increase year over year is primarily due to (1) the addition of our Kentucky market which we continue to record at a high HBR, (2) higher medical costs in Texas specifically in March and a September 1, 2011 premium rate decrease in our existing Texas service areas (excluding the expansion), (3) higher seasonal

medical costs in our South Carolina market and (4) increased medical costs in our individual health business. The increase sequentially is due to retroactive premium rate increases recorded in the fourth quarter of 2011 associated with Georgia and Florida, as well as increased medical costs in our existing Texas service areas.

- Consolidated G&A expense ratio for the first quarter of 2012 was 9.8%, compared to 12.0% in the prior year. The year over year decrease reflects the leveraging of our expenses over higher revenues in 2012 and a reduction in performance based compensation expense in 2012. The G&A ratio in 2011 reflects a 50 basis point increase as a result of the general and administrative costs recorded in our Mississippi market for the first quarter without recording the corresponding revenue.
- Earnings from operations were \$34.2 million in the first quarter 2012 compared to \$39.1 million in the first quarter 2011. Net earnings were \$24.0 million in the first quarter 2012, relatively flat compared to \$23.7 million in the first quarter of 2011.
- Earnings per diluted share were \$0.45 in the first quarter of 2012 compared to \$0.46 in the prior year.

## Balance Sheet and Cash Flow

At March 31, 2012, the Company had cash, investments and restricted deposits of \$1,202.4 million, including \$35.5 million held by its unregulated entities. Medical claims liabilities totaled \$708.8 million, representing 44.7 days in claims payable. Total debt was \$350.4 million and debt to capitalization was 21.8% at March 31, 2012 excluding the \$77.2 million non-recourse mortgage note. Cash flows from operations for the quarter ended March 31, 2012 were \$(32.1) million, which reflects the delay of \$71.2 million in premium payments from one of our state customers.

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, 2011 | 45.3        |
| Impact of new business                    | 0.5         |
| Timing of claim payments                  | (1.1)       |
| Days in claims payable, March 31, 2012    | <u>44.7</u> |

## Outlook

The table below depicts the Company's updated annual guidance for 2012 including our newest states of Missouri and Washington, as well as the additional Texas lives:

|  | Full Year 2012 |          |
|--|----------------|----------|
|  | Low            | High     |
| Premium and Service Revenues (in millions) | \$ 7,700       | \$ 8,100 |
| Diluted EPS                                | \$ 2.64        | \$ 2.84  |
| Consolidated Health Benefits Ratio         | 87.0%          | 88.0%    |
| General & Administrative expense ratio     | 9.5%           | 10.0%    |
| Diluted Shares Outstanding (in thousands)  | 53,400         |          |

The guidance provided in the table above excludes any impairment charge associated with the loss of the Ohio contract, which is currently under appeal. Absent a successful appeal, the Company expects a material non-cash impairment charge will be recorded in its 2012 consolidated statement of operations for the year ended December 31, 2012. As of March 31, 2012, Buckeye Community Health Plan had goodwill and net intangible assets of \$42.8 million.

## Conference Call

As previously announced, the Company will host a conference call Tuesday, April 24, 2012, at 8:30 A.M. (Eastern Time) to review the financial results for the first quarter ended March 31, 2012, 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 1-800-860-2442 in the U.S. and Canada; +1-412-858-4600 from abroad; or via a live, audio webcast on the Company's website at [www.centene.com](http://www.centene.com), under the Investors section. 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 p.m. (Eastern Time) on Tuesday, April 23, 2013, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 a.m. (Eastern Time) on Wednesday, May 2, 2012, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10011606.

## About Centene Corporation

Centene Corporation, a Fortune 500 company, is a leading *multi-line* healthcare enterprise that provides programs and related services to the rising number of 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, in addition to other state-sponsored/hybrid programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange based" and other cost-effective coverage solutions for low-income populations. 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, life and health management, managed vision, telehealth services, and pharmacy benefits management.

*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, competition, membership and revenue projections, timing of regulatory contract approval, 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, or the loss of any appeal of or protest to any such expiration, cancellation or suspension, by state governments would also negatively affect Centene.*

[Tables Follow]

**CENTENE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)  
(Unaudited)

|  | <u>March 31,</u><br><u>2012</u> |    | <u>December 31,</u><br><u>2011</u> |
|--|---------------------------------|----|------------------------------------|
| <b>ASSETS</b>  |                                 |    |                                    |
| Current assets:  |                                 |    |                                    |
| Cash and cash equivalents  | \$ 432,998                      | \$ | 573,698                            |
| Premium and related receivables  | 278,233                         |    | 157,450                            |
| Short-term investments   | 126,221                         |    | 130,499                            |
| Other current assets   | <u>82,925</u>                   |    | <u>78,363</u>                      |
| Total current assets   | 920,377                         |    | 940,010                            |
| Long-term investments  | 605,866                         |    | 506,140                            |
| Restricted deposits  | 37,361                          |    | 26,818                             |
| Property, software and equipment, net  | 352,710                         |    | 349,622                            |
| Goodwill   | 281,981                         |    | 281,981                            |
| Intangible assets, net   | 26,122                          |    | 27,430                             |
| Other long-term assets   | <u>58,730</u>                   |    | <u>58,335</u>                      |
| Total assets   | <u>\$ 2,283,147</u>             | \$ | <u>2,190,336</u>                   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                 |    |                                    |
| Current liabilities:   |                                 |    |                                    |
| Medical claims liability   | \$ 708,754                      | \$ | 607,985                            |
| Accounts payable and accrued expenses  | 158,356                         |    | 216,504                            |
| Unearned revenue   | 17,977                          |    | 9,890                              |
| Current portion of long-term debt  | <u>3,235</u>                    |    | <u>3,234</u>                       |
| Total current liabilities  | 888,322                         |    | 837,613                            |
| Long-term debt   | 347,162                         |    | 348,344                            |
| Other long-term liabilities  | <u>68,544</u>                   |    | <u>67,960</u>                      |
| Total liabilities  | 1,304,028                       |    | 1,253,917                          |
| Commitments and contingencies  |                                 |    |                                    |
| Stockholders' equity:  |                                 |    |                                    |
| Common stock, \$.001 par value; authorized 100,000,000 shares; 54,214,037 issued and 51,458,501 outstanding at March 31, 2012, and 53,586,726 issued and 50,864,618 outstanding at December 31, 2011 | 54                              |    | 54                                 |
| Additional paid-in capital   | 443,111                         |    | 421,981                            |
| Accumulated other comprehensive income:  |                                 |    |                                    |
| Unrealized gain on investments, net of tax   | 6,237                           |    | 5,761                              |
| Retained earnings  | 588,939                         |    | 564,961                            |
| Treasury stock, at cost (2,755,536 and 2,722,108 shares, respectively)   | <u>(58,632)</u>                 |    | <u>(57,123)</u>                    |
| Total Centene stockholders' equity   | 979,709                         |    | 935,634                            |
| Noncontrolling interest  | <u>(590)</u>                    |    | <u>785</u>                         |
| Total stockholders' equity   | 979,119                         |    | 936,419                            |
| Total liabilities and stockholders' equity   | <u>\$ 2,283,147</u>             | \$ | <u>2,190,336</u>                   |

**CENTENE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except share data)

(Unaudited)

|   | <b>Three Months Ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2012</b>                         | <b>2011</b>      |
| <b>Revenues:</b>  |                                     |                  |
| Premium   | \$ 1,634,850                        | \$ 1,152,777     |
| Service   | 28,618                              | 26,384           |
| Premium and service revenues  | 1,663,468                           | 1,179,161        |
| Premium tax   | 48,680                              | 37,196           |
| Total revenues  | <u>1,712,148</u>                    | <u>1,216,357</u> |
| <b>Expenses:</b>  |                                     |                  |
| Medical costs   | 1,442,676                           | 978,567          |
| Cost of services  | 23,337                              | 20,176           |
| General and administrative expenses                                       | 163,187                             | 141,088          |
| Premium tax expense   | 48,750                              | 37,429           |
| Total operating expenses  | <u>1,677,950</u>                    | <u>1,177,260</u> |
| Earnings from operations  | 34,198                              | 39,097           |
| <b>Other income (expense):</b>  |                                     |                  |
| Investment and other income   | 5,291                               | 3,749            |
| Interest expense  | <u>(4,799)</u>                      | <u>(5,695)</u>   |
| Earnings from operations, before income tax expense                       | 34,690                              | 37,151           |
| Income tax expense  | <u>12,087</u>                       | <u>14,328</u>    |
| Net earnings  | 22,603                              | 22,823           |
| <b>Noncontrolling interest</b>  | <u>(1,375)</u>                      | <u>(922)</u>     |
| <b>Net earnings attributable to Centene Corporation</b>                   | <u>\$ 23,978</u>                    | <u>\$ 23,745</u> |
| <b>Net earnings per common share attributable to Centene Corporation:</b> |                                     |                  |
| Basic earnings per common share   | \$ 0.47                             | \$ 0.48          |
| Diluted earnings per common share   | \$ 0.45                             | \$ 0.46          |
| <b>Weighted average number of common shares outstanding:</b>              |                                     |                  |
| Basic   | 51,125,674                          | 49,750,430       |
| Diluted   | 53,509,243                          | 51,811,721       |

**CENTENE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

|  | <b>Three Months Ended March 31,</b> |             |
|--|-------------------------------------|-------------|
|  | <b>2012</b>                         | <b>2011</b> |
| <b>Cash flows from operating activities:</b>                                       |                                     |             |
| Net earnings   | \$ 22,603                           | \$ 22,823   |
| Adjustments to reconcile net earnings to net cash provided by operating activities |                                     |             |
| Depreciation and amortization  | 16,613                              | 14,325      |
| Stock compensation expense   | 6,375                               | 4,394       |
| Deferred income taxes  | 5,855                               | (700)       |
| Changes in assets and liabilities  |                                     |             |
| Premium and related receivables  | (120,784)                           | 4,216       |
| Other current assets   | (10,723)                            | (1,636)     |
| Other assets   | 524                                 | 151         |
| Medical claims liabilities   | 100,769                             | 13,430      |
| Unearned revenue   | 8,576                               | 10,106      |
| Accounts payable and accrued expenses  | (60,826)                            | 26,268      |
| Other operating activities   | (1,078)                             | 614         |
| Net cash (used in) provided by operating activities                                | (32,096)                            | 93,991      |
| <b>Cash flows from investing activities:</b>                                       |                                     |             |
| Capital expenditures   | (14,980)                            | (16,882)    |
| Purchases of investments   | (255,212)                           | (40,423)    |
| Sales and maturities of investments  | 149,341                             | 45,327      |
| Net cash used in investing activities  | (120,851)                           | (11,978)    |
| <b>Cash flows from financing activities:</b>                                       |                                     |             |
| Proceeds from exercise of stock options  | 9,079                               | 6,518       |
| Proceeds from borrowings   | —                                   | 127,300     |
| Payment of long-term debt  | (795)                               | (152,577)   |
| Excess tax benefits from stock compensation  | 5,472                               | 1,132       |
| Common stock repurchases   | (1,509)                             | (402)       |
| Debt issue costs   | —                                   | (6,105)     |
| Net cash provided by (used in) financing activities                                | 12,247                              | (24,134)    |
| Net (decrease) increase in cash and cash equivalents                               | (140,700)                           | 57,879      |
| <b>Cash and cash equivalents</b> , beginning of period                             | 573,698                             | 434,166     |
| <b>Cash and cash equivalents</b> , end of period                                   | \$ 432,998                          | \$ 492,045  |
| <br>Supplemental disclosures of cash flow information:                             |                                     |             |
| Interest paid  | \$ 1,589                            | \$ 1,714    |
| Income taxes paid  | \$ 20,514                           | \$ 9,567    |
| <br>Supplemental disclosure of non-cash investing and financing activities:        |                                     |             |
| Capital expenditures   | \$ 381                              | \$ 1,477    |

**CENTENE CORPORATION  
SUPPLEMENTAL FINANCIAL DATA**

|                          | <u>Q1<br/>2012</u>      | <u>Q4<br/>2011</u>      | <u>Q3<br/>2011</u>      | <u>Q2<br/>2011</u>      | <u>Q1<br/>2011</u>      |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>MEMBERSHIP</b>        |                         |                         |                         |                         |                         |
| Managed Care:            |                         |                         |                         |                         |                         |
| Arizona                  | 23,100                  | 23,700                  | 22,800                  | 22,800                  | 22,600                  |
| Florida                  | 199,500                 | 198,300                 | 188,600                 | 190,600                 | 188,800                 |
| Georgia                  | 306,000                 | 298,200                 | 298,000                 | 303,100                 | 303,300                 |
| Illinois                 | 17,400                  | 16,300                  | 13,600                  | 700                     | —                       |
| Indiana                  | 206,300                 | 206,900                 | 205,300                 | 206,700                 | 209,400                 |
| Kentucky                 | 145,700                 | 180,700                 | —                       | —                       | —                       |
| Louisiana                | 51,300                  | —                       | —                       | —                       | —                       |
| Massachusetts            | 36,000                  | 35,700                  | 34,700                  | 32,900                  | 34,100                  |
| Mississippi              | 29,500                  | 31,600                  | 30,600                  | 30,800                  | —                       |
| Ohio                     | 161,000                 | 159,900                 | 162,200                 | 159,900                 | 160,900                 |
| South Carolina           | 86,700                  | 82,900                  | 86,500                  | 82,800                  | 84,900                  |
| Texas                    | 811,000                 | 503,800                 | 494,500                 | 470,400                 | 456,700                 |
| Wisconsin                | 76,000                  | 78,000                  | 78,900                  | 79,800                  | 81,800                  |
| Total at-risk membership | <u>2,149,500</u>        | <u>1,816,000</u>        | <u>1,615,700</u>        | <u>1,580,500</u>        | <u>1,542,500</u>        |
| Non-risk membership      | —                       | 4,900                   | 10,600                  | 10,400                  | 10,400                  |
| <b>TOTAL</b>             | <b><u>2,149,500</u></b> | <b><u>1,820,900</u></b> | <b><u>1,626,300</u></b> | <b><u>1,590,900</u></b> | <b><u>1,552,900</u></b> |

|                          |                         |                         |                         |                         |                         |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Medicaid                 | 1,634,800               | 1,336,800               | 1,189,900               | 1,172,400               | 1,169,700               |
| CHIP & Foster Care       | 218,800                 | 213,900                 | 210,600                 | 211,400                 | 208,900                 |
| ABD & Medicare           | 247,400                 | 218,000                 | 171,700                 | 156,300                 | 123,800                 |
| Hybrid Programs          | 41,500                  | 40,500                  | 38,400                  | 35,500                  | 35,200                  |
| Long-term Care           | 7,000                   | 6,800                   | 5,100                   | 4,900                   | 4,900                   |
| Total at-risk membership | <u>2,149,500</u>        | <u>1,816,000</u>        | <u>1,615,700</u>        | <u>1,580,500</u>        | <u>1,542,500</u>        |
| Non-risk membership      | —                       | 4,900                   | 10,600                  | 10,400                  | 10,400                  |
| <b>TOTAL</b>             | <b><u>2,149,500</u></b> | <b><u>1,820,900</u></b> | <b><u>1,626,300</u></b> | <b><u>1,590,900</u></b> | <b><u>1,552,900</u></b> |

|                            |                       |                       |                       |                       |                       |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Specialty Services(a):     |                       |                       |                       |                       |                       |
| Cenpatco Behavioral Health |                       |                       |                       |                       |                       |
| Arizona                    | 162,100               | 168,900               | 175,500               | 173,200               | 172,700               |
| Kansas                     | 46,000                | 46,200                | 45,600                | 45,000                | 44,000                |
| <b>TOTAL</b>               | <b><u>208,100</u></b> | <b><u>215,100</u></b> | <b><u>221,100</u></b> | <b><u>218,200</u></b> | <b><u>216,700</u></b> |

(a) Includes external membership only

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>REVENUE PER MEMBER PER MONTH(b)</b> | \$ 269.42 | \$ 261.95 | \$ 245.27 | \$ 240.57 | \$ 238.31 |
|--|-----------|-----------|-----------|-----------|-----------|

|                                 |         |         |         |         |         |
|---------------------------------|---------|---------|---------|---------|---------|
| <b>CLAIMS(b)</b>                |         |         |         |         |         |
| Period-end inventory            | 735,000 | 495,500 | 482,900 | 415,700 | 527,100 |
| Average inventory               | 457,400 | 367,590 | 312,400 | 332,300 | 347,900 |
| Period-end inventory per member | 0.34    | 0.27    | 0.30    | 0.26    | 0.34    |

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

|                            |       |       |       |       |       |
|----------------------------|-------|-------|-------|-------|-------|
| <b>NUMBER OF EMPLOYEES</b> | 5,700 | 5,300 | 5,000 | 4,800 | 4,500 |
|----------------------------|-------|-------|-------|-------|-------|

|  | <u>Q1<br/>2012</u> | <u>Q4<br/>2011</u> | <u>Q3<br/>2011</u> | <u>Q2<br/>2011</u> | <u>Q1<br/>2011</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|--|--------------------|--------------------|--------------------|--------------------|--------------------|

**DAYS IN CLAIMS**

|                    |      |      |      |      |      |
|--------------------|------|------|------|------|------|
| <b>PAYABLE (c)</b> | 44.7 | 45.3 | 43.6 | 43.4 | 43.4 |
|--------------------|------|------|------|------|------|

(c) 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 AND INVESTMENTS (in millions)**

|              |                          |                          |                          |                          |                          |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Regulated    | \$ 1,166.9               | \$ 1,198.9               | \$ 1,079.3               | \$ 1,061.9               | \$ 1,096.3               |
| Unregulated  | 35.5                     | 38.2                     | 35.9                     | 36.5                     | 31.7                     |
| <b>TOTAL</b> | <b><u>\$ 1,202.4</u></b> | <b><u>\$ 1,237.1</u></b> | <b><u>\$ 1,115.2</u></b> | <b><u>\$ 1,098.4</u></b> | <b><u>\$ 1,128.0</u></b> |

|                               |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|
| <b>DEBT TO CAPITALIZATION</b> | 26.4% | 27.3% | 28.0% | 28.1% | 26.9% |
|-------------------------------|-------|-------|-------|-------|-------|

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| <b>DEBT TO CAPITALIZATION EXCLUDING NON-RECOURSE DEBT(d)</b> | 21.8% | 22.6% | 23.2% | 23.0% | 21.4% |
|--|-------|-------|-------|-------|-------|

Debt to Capitalization is calculated as follows: total debt divided by (total debt + total equity).

(d) The non-recourse debt represents our mortgage note payable (\$77.2 million at March 31, 2012).



**Operating Ratios:**

|  | <b>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>March 31,</b>          |             |
|  | <b>2012</b>               | <b>2011</b> |
| Health Benefits Ratios:                      |                           |             |
| Medicaid and CHIP                            | 87.4%                     | 84.0%       |
| ABD and Medicare                             | 89.0                      | 87.4        |
| Specialty Services                           | 90.7                      | 85.4        |
| Total  | 88.2                      | 84.9        |
| Total General & Administrative Expense Ratio | 9.8%                      | 12.0%       |

**MEDICAL CLAIMS LIABILITY (In thousands)**

The changes in medical claims liability are summarized as follows:

|                                |    |                  |
|--------------------------------|----|------------------|
| <b>Balance, March 31, 2011</b> | \$ | 471,659          |
| Incurred related to:           |    |                  |
| Current period                 |    | 4,848,511        |
| Prior period                   |    | (59,656)         |
| Total incurred                 |    | <u>4,788,855</u> |
| Paid related to:               |    |                  |
| Current period                 |    | 4,147,785        |
| Prior period                   |    | 403,975          |
| Total paid                     |    | <u>4,551,760</u> |
| <b>Balance, March 31, 2012</b> | \$ | <u>708,754</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.

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, 2011.

SOURCE Centene Corporation