

April 23, 2013



# Centene Corporation Reports 2013 First Quarter Results

ST. LOUIS, April 23, 2013 /PRNewswire/ -- Centene Corporation (NYSE: CNC) today announced its financial results for the quarter ended March 31, 2013.

|  |    |         |   |
|--|----|---------|---|
| Premium and Service Revenues (in millions) | \$ | 2,542.2 |   |
| Consolidated Health Benefits Ratio         |    | 90.4    | % |
| General & Administrative expense ratio     |    | 8.3     | % |
| Diluted earnings per share (EPS)           | \$ | 0.42    |   |
| Cash flow from operations (in millions)    | \$ | 43.0    |   |

Michael F. Neidorff, Centene's Chairman and Chief Executive Officer, stated, "This quarter is a positive step in our drive to deliver strong earnings while we continue to grow and diversify our sources of revenues. Further, we believe we are well positioned for profitable growth in 2014 and beyond."

## First Quarter Highlights

- Quarter-end at-risk managed care membership of 2,686,100, an increase of 536,600 members, or 25% year over year.
- Premium and service revenues of \$2.5 billion, representing 53% growth year over year.
- Health Benefits Ratio of 90.4%, compared to 88.2% in 2012.
- General and Administrative expense ratio of 8.3%, compared to 9.8% in 2012.
- Operating cash flow of \$43.0 million for the first quarter of 2013.
- Diluted EPS of \$0.42, compared to \$0.45 in 2012.

## Other Events

- In April 2013, we completed the acquisition of AcariaHealth, a specialty pharmacy company, for approximately \$146.2 million. The transaction consideration was financed through a combination of approximately 2.1 million shares of Centene common stock and approximately \$55.4 million of cash on hand.
- In March 2013, our California subsidiary, California Health and Wellness Plan, was notified by the California Department of Health Care Services of its intent to award a contract, contingent upon successful completion of contract negotiations, to serve Medicaid beneficiaries in 18 rural counties. Under the contract, California Health and Wellness Plan will serve members under the state's Medi-Cal Managed Care Rural Expansion program. Upon execution of a contract and regulatory approval, enrollment is expected to begin in the second half of 2013.
- In March 2013, our joint venture subsidiary, Centurion, was notified by the Department of Corrections in Massachusetts that it had been awarded a contract to provide comprehensive healthcare services to individuals incarcerated in Massachusetts state correctional facilities. Centurion is a joint venture between Centene and MHM Services Inc., a national leader in providing healthcare services to correctional systems. Operations are expected to begin in the third quarter of 2013.

- In March 2013, we were notified by the Arizona Health Care Cost Containment System that our Arizona subsidiary, Bridgeway Health Solutions of Arizona, LLC (Bridgeway), was not awarded a contract to serve acute care members in Arizona for the five years beginning October 1, 2013. The current contract termination is effective September 30, 2013. Bridgeway currently serves 16,200 Medicaid acute care members in Yavapai County.
- In March 2013, Standard & Poor's reaffirmed our senior unsecured debt rating of BB and revised its outlook to stable from negative.

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

|                | March 31,        |                  |
|----------------|------------------|------------------|
|                | 2013             | 2012             |
| Arizona        | 23,300           | 23,100           |
| Florida        | 214,600          | 199,500          |
| Georgia        | 314,000          | 306,000          |
| Illinois       | 18,000           | 17,400           |
| Indiana        | 202,400          | 206,300          |
| Kansas         | 133,700          | —                |
| Kentucky       | 132,700          | 145,700          |
| Louisiana      | 162,900          | 51,300           |
| Massachusetts  | 17,300           | 36,000           |
| Mississippi    | 77,000           | 29,500           |
| Missouri       | 57,900           | —                |
| Ohio           | 157,700          | 161,000          |
| South Carolina | 90,100           | 86,700           |
| Texas          | 948,400          | 811,000          |
| Washington     | 63,500           | —                |
| Wisconsin      | 72,600           | 76,000           |
| Total          | <u>2,686,100</u> | <u>2,149,500</u> |

#### Membership by line of business:

|                    | March 31,        |                  |
|--------------------|------------------|------------------|
|                    | 2013             | 2012             |
| Medicaid           | 2,049,200        | 1,634,800        |
| CHIP & Foster Care | 267,900          | 218,800          |
| ABD & Medicare     | 320,700          | 247,400          |
| Hybrid Programs    | 24,600           | 41,500           |
| Long-term Care     | 23,700           | 7,000            |
| Total              | <u>2,686,100</u> | <u>2,149,500</u> |

#### Dual eligible membership (included in tables above):

|                | March 31,      |               |
|----------------|----------------|---------------|
|                | 2013           | 2012          |
| ABD            | 80,300         | 60,600        |
| Long-term Care | 16,100         | 6,400         |
| Medicare       | 5,300          | 3,100         |
| Total          | <u>101,700</u> | <u>70,100</u> |

#### Statement of Operations: Three Months Ended March 31, 2013

- For the first quarter of 2013, Premium and Service Revenues increased 53% to \$2.5 billion from \$1.7 billion in the first quarter of 2012. The increase was primarily driven by the Texas, Mississippi, and Louisiana expansions, pharmacy carve-in in Texas and Louisiana, and the additions of the Kansas, Missouri and Washington contracts.

- Consolidated HBR of 90.4% for the first quarter of 2013 represents an increase from 88.2% in the comparable period in 2012 and a decrease from 91.3% in the fourth quarter of 2012. The increase compared to last year primarily reflects a higher level of flu costs of approximately \$0.20 per diluted share during the first quarter of 2013 as well as a higher level of medical costs in new business.
- The following table compares the results for new business and existing business for the quarter ended March 31:

|                             | 2013 |   | 2012 |   |
|-----------------------------|------|---|------|---|
| Premium and Service Revenue |      |   |      |   |
| New business                | 35   | % | 20   | % |
| Existing business           | 65   | % | 80   | % |
| HBR                         |      |   |      |   |
| New business                | 94.1 | % | 90.7 | % |
| Existing business           | 88.4 | % | 87.6 | % |
| Total                       | 90.4 | % | 88.2 | % |

- Consolidated G&A expense ratio for the first quarter of 2013 was 8.3%, compared to 9.8% in the prior year. The year over year decrease reflects the leveraging of expenses over higher revenues, partially offset by increased performance based compensation.
- Earnings from operations were \$40.1 million in the first quarter of 2013 compared to \$34.2 million in the first quarter of 2012. Net earnings attributable to Centene Corporation were \$23.0 million in the first quarter of 2013, compared to \$24.0 million in the first quarter of 2012.
- Diluted EPS was \$0.42 in the first quarter of 2013, including medical costs associated with flu of \$0.20 higher than experienced in 2012.

## Balance Sheet and Cash Flow

At March 31, 2013, the Company had cash, investments and restricted deposits of \$1,664.5 million, including \$45.5 million held by its unregulated entities. Medical claims liabilities totaled \$1,067.0 million, representing 42.4 days in claims payable. Total debt was \$536.2 million which reflects no borrowings on the \$350 million revolving credit facility at quarter end. Debt to capitalization was 31.9% at March 31, 2013, excluding the \$74.7 million non-recourse mortgage note. Cash flow from operations for the three months ended March 31, 2013, was \$43.0 million.

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, 2012 | 41.1        |
| Timing of claim payments                  | 1.3         |
| Days in claims payable, March 31, 2013    | <u>42.4</u> |

## Outlook

The table below depicts the Company's annual guidance for 2013.

|  | Full Year 2013 |        |      |        |
|--|----------------|--------|------|--------|
|  | Low            |        | High |        |
| Premium and Service Revenues (in millions) | \$             | 10,100 | \$   | 10,400 |
| Diluted EPS                                | \$             | 2.60   | \$   | 2.90   |
| Consolidated Health Benefits Ratio         |                | 88.0 % |      | 89.0 % |
| General & Administrative expense ratio     |                | 8.8 %  |      | 9.3 %  |

Diluted Shares Outstanding (in thousands)

56,000

56,500

Included in our updated guidance above are the additions of the AcariaHealth acquisition, including the absorption of the associated transaction costs, the long-term care award in Florida, the new Medicaid contract in California, and the Massachusetts contract through our Centurion joint venture subsidiary.

## Conference Call

As previously announced, the Company will host a conference call Tuesday, April 23, 2013, at 8:30 A.M. (Eastern Time) to review the financial results for the first quarter ended March 31, 2013, 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 1-877-270-2148 in the U.S. and Canada; +1-412-902-6510 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 22, 2014, at the aforementioned URL. In addition, a digital audio playback will be available until 9:00 a.m. (Eastern Time) on Wednesday, May 1, 2013, by dialing 1-877-344-7529 in the U.S. and Canada, or +1-412-317-0088 from abroad, and entering access code 10026527.

## Other Information

The discussion in the third bullet under the heading "Statement of Operations: Three Months Ended March 31, 2013" contains financial information for new and existing businesses. Existing businesses are primarily state markets, significant geographic expansion in an existing state or product that we have managed for four complete quarters. New businesses are primarily new state markets, 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 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 (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, care management software, correctional systems healthcare, life and health management, managed vision, pharmacy benefits management 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, changes in expected contract start dates, inflation, provider and state 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, as well as those factors disclosed in the Company's publicly filed documents. 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)

|  | <b>March 31,<br/>2013</b> | <b>December 31,<br/>2012</b> |
|--|---------------------------|------------------------------|
| <b>ASSETS</b>  |                           |                              |
| Current assets:  |                           |                              |
| Cash and cash equivalents  | \$ 730,791                | \$ 843,952                   |
| Premium and related receivables  | 320,371                   | 263,452                      |
| Short-term investments   | 146,107                   | 139,118                      |
| Other current assets   | 178,002                   | 127,080                      |
| Total current assets   | 1,375,271                 | 1,373,602                    |
| Long-term investments  | 748,307                   | 614,723                      |
| Restricted deposits  | 39,344                    | 34,793                       |
| Property, software and equipment, net  | 382,853                   | 377,726                      |
| Goodwill   | 256,288                   | 256,288                      |
| Intangible assets, net   | 19,287                    | 20,268                       |
| Other long-term assets   | 65,807                    | 64,282                       |
| Total assets   | \$ 2,887,157              | \$ 2,741,682                 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                           |                              |
| Current liabilities:   |                           |                              |
| Medical claims liability   | \$ 1,067,032              | \$ 926,302                   |
| Premium deficiency reserve   | 18,130                    | 41,475                       |
| Accounts payable and accrued expenses  | 180,338                   | 191,343                      |
| Unearned revenue   | 38,175                    | 34,597                       |
| Current portion of long-term debt  | 3,419                     | 3,373                        |
| Total current liabilities  | 1,307,094                 | 1,197,090                    |
| Long-term debt   | 532,734                   | 535,481                      |
| Other long-term liabilities  | 60,799                    | 55,344                       |
| Total liabilities  | 1,900,627                 | 1,787,915                    |
| Commitments and contingencies  |                           |                              |
| Stockholders' equity:  |                           |                              |
| Common stock, \$.001 par value; authorized 100,000,000 shares; 55,432,271 issued and 52,410,000 outstanding at March 31, 2013, and 55,339,160 issued and 52,329,248 outstanding at December 31, 2012 | 55                        | 55                           |
| Additional paid-in capital   | 461,360                   | 450,856                      |
| Accumulated other comprehensive income:  |                           |                              |
| Unrealized gain on investments, net of tax   | 4,900                     | 5,189                        |
| Retained earnings  | 589,822                   | 566,820                      |
| Treasury stock, at cost (3,022,271 and 3,009,912 shares, respectively)   | (70,429)                  | (69,864)                     |
| Total Centene stockholders' equity   | 985,708                   | 953,056                      |
| Noncontrolling interest  | 822                       | 711                          |
| Total stockholders' equity   | 986,530                   | 953,767                      |
| Total liabilities and stockholders' equity   | \$ 2,887,157              | \$ 2,741,682                 |

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

|                  | <b>Three Months Ended March 31,<br/>2013</b> | <b>2012</b> |
|------------------|--|-------------|
| <b>Revenues:</b> |  |             |

|   |                  |                  |
|---|------------------|------------------|
| Premium   | \$ 2,509,049     | \$ 1,634,850     |
| Service   | 33,194           | 28,618           |
| Premium and service revenues  | <u>2,542,243</u> | <u>1,663,468</u> |
| Premium tax   | <u>103,649</u>   | <u>48,680</u>    |
| Total revenues  | <u>2,645,892</u> | <u>1,712,148</u> |
| <b>Expenses:</b>  |                  |                  |
| Medical costs   | 2,267,400        | 1,442,676        |
| Cost of services  | 25,065           | 23,337           |
| General and administrative expenses                                       | 210,348          | 163,187          |
| Premium tax expense   | <u>102,975</u>   | <u>48,750</u>    |
| Total operating expenses  | <u>2,605,788</u> | <u>1,677,950</u> |
| Earnings from operations  | 40,104           | 34,198           |
| <b>Other income (expense):</b>  |                  |                  |
| Investment and other income   | 4,471            | 5,291            |
| Interest expense  | <u>(6,625)</u>   | <u>(4,799)</u>   |
| Earnings before income tax expense  | <u>37,950</u>    | <u>34,690</u>    |
| Income tax expense  | <u>15,039</u>    | <u>12,087</u>    |
| Net earnings  | <u>22,911</u>    | <u>22,603</u>    |
| <b>Noncontrolling interest</b>  | <u>(91)</u>      | <u>(1,375)</u>   |
| <b>Net earnings attributable to Centene Corporation</b>                   | <u>\$ 23,002</u> | <u>\$ 23,978</u> |
| <b>Net earnings per common share attributable to Centene Corporation:</b> |                  |                  |
| Basic earnings per common share   | \$ 0.44          | \$ 0.47          |
| Diluted earnings per common share   | \$ 0.42          | \$ 0.45          |
| <b>Weighted average number of common shares outstanding:</b>              |                  |                  |
| Basic   | 52,357,119       | 51,125,674       |
| Diluted   | 54,266,928       | 53,509,243       |

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

|  | <b>Three Months Ended March 31,</b> |                   |
|--|-------------------------------------|-------------------|
|  | <b>2013</b>                         | <b>2012</b>       |
| <b>Cash flows from operating activities:</b>                                       |                                     |                   |
| Net earnings   | \$ 22,911                           | \$ 22,603         |
| Adjustments to reconcile net earnings to net cash provided by operating activities |                                     |                   |
| Depreciation and amortization  | 15,691                              | 16,613            |
| Stock compensation expense   | 8,375                               | 6,375             |
| Deferred income taxes  | 986                                 | 5,855             |
| Changes in assets and liabilities  |                                     |                   |
| Premium and related receivables  | (56,734)                            | (120,784)         |
| Other current assets   | (50,537)                            | (10,723)          |
| Other assets   | 5                                   | 524               |
| Medical claims liabilities   | 117,385                             | 100,769           |
| Unearned revenue   | 3,578                               | 8,576             |
| Accounts payable and accrued expenses  | (22,745)                            | (60,826)          |
| Other operating activities   | 4,078                               | (1,078)           |
| Net cash provided by (used in) operating activities                                | <u>42,993</u>                       | <u>(32,096)</u>   |
| <b>Cash flows from investing activities:</b>                                       |                                     |                   |
| Capital expenditures   | (10,654)                            | (14,980)          |
| Purchases of investments   | (358,131)                           | (255,212)         |
| Sales and maturities of investments  | 212,508                             | 149,341           |
| Net cash used in investing activities  | <u>(156,277)</u>                    | <u>(120,851)</u>  |
| <b>Cash flows from financing activities:</b>                                       |                                     |                   |
| Proceeds from exercise of stock options  | 1,408                               | 9,079             |
| Payment of long-term debt  | (776)                               | (795)             |
| Excess tax benefits from stock compensation  | 515                                 | 5,472             |
| Common stock repurchases   | (565)                               | (1,509)           |
| Contribution from noncontrolling interest  | 202                                 | —                 |
| Debt issue costs   | (661)                               | —                 |
| Net cash provided by financing activities  | <u>123</u>                          | <u>12,247</u>     |
| Net decrease in cash and cash equivalents  | <u>(113,161)</u>                    | <u>(140,700)</u>  |
| <b>Cash and cash equivalents, beginning of period</b>                              | <u>843,952</u>                      | <u>573,698</u>    |
| <b>Cash and cash equivalents, end of period</b>                                    | <u>\$ 730,791</u>                   | <u>\$ 432,998</u> |
| <b>Supplemental disclosures of cash flow information:</b>                          |                                     |                   |
| Interest paid  | \$ 1,410                            | \$ 1,589          |
| Income taxes paid  | \$ 2,205                            | \$ 20,514         |

**CENTENE CORPORATION  
SUPPLEMENTAL FINANCIAL DATA**

|                                     | <u>Q1<br/>2013</u> | <u>Q4<br/>2012</u> | <u>Q3<br/>2012</u> | <u>Q2<br/>2012</u> | <u>Q1<br/>2012</u> |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>AT-RISK MEMBERSHIP</b>           |                    |                    |                    |                    |                    |
| Managed Care:                       |                    |                    |                    |                    |                    |
| Arizona                             | 23,300             | 23,500             | 23,800             | 24,000             | 23,100             |
| Florida                             | 214,600            | 214,000            | 209,600            | 204,100            | 199,500            |
| Georgia                             | 314,000            | 313,700            | 312,400            | 313,300            | 306,000            |
| Illinois                            | 18,000             | 18,000             | 17,900             | 17,800             | 17,400             |
| Indiana                             | 202,400            | 204,000            | 205,400            | 205,000            | 206,300            |
| Kansas                              | 133,700            | —                  | —                  | —                  | —                  |
| Kentucky                            | 132,700            | 135,800            | 145,400            | 143,500            | 145,700            |
| Louisiana                           | 162,900            | 165,600            | 167,200            | 168,700            | 51,300             |
| Massachusetts                       | 17,300             | 21,500             | 28,000             | 41,400             | 36,000             |
| Mississippi                         | 77,000             | 77,200             | 30,600             | 30,100             | 29,500             |
| Missouri                            | 57,900             | 59,600             | 53,900             | —                  | —                  |
| Ohio                                | 157,700            | 157,800            | 173,800            | 166,800            | 161,000            |
| South Carolina                      | 90,100             | 90,100             | 89,400             | 87,800             | 86,700             |
| Texas                               | 948,400            | 949,900            | 930,700            | 919,200            | 811,000            |
| Washington                          | 63,500             | 57,200             | 42,000             | —                  | —                  |
| Wisconsin                           | 72,600             | 72,400             | 72,900             | 75,800             | 76,000             |
| <b>TOTAL</b>                        | <u>2,686,100</u>   | <u>2,560,300</u>   | <u>2,503,000</u>   | <u>2,397,500</u>   | <u>2,149,500</u>   |
| Medicaid                            | 2,049,200          | 1,977,200          | 1,939,400          | 1,848,500          | 1,634,800          |
| CHIP & Foster Care                  | 267,900            | 237,700            | 229,600            | 222,600            | 218,800            |
| ABD & Medicare                      | 320,700            | 307,800            | 289,800            | 269,900            | 247,400            |
| Hybrid Programs                     | 24,600             | 29,100             | 35,700             | 48,100             | 41,500             |
| Long-term Care                      | 23,700             | 8,500              | 8,500              | 8,400              | 7,000              |
| <b>TOTAL</b>                        | <u>2,686,100</u>   | <u>2,560,300</u>   | <u>2,503,000</u>   | <u>2,397,500</u>   | <u>2,149,500</u>   |
| Specialty Services <sup>(a)</sup> : |                    |                    |                    |                    |                    |
| Cenpatico Behavioral Health         |                    |                    |                    |                    |                    |
| Arizona                             | 156,200            | 157,900            | 162,000            | 159,900            | 162,100            |
| Kansas                              | —                  | 49,800             | 48,500             | 44,300             | 46,000             |
| <b>TOTAL</b>                        | <u>156,200</u>     | <u>207,700</u>     | <u>210,500</u>     | <u>204,200</u>     | <u>208,100</u>     |

(a) Includes external membership only.

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| <b>REVENUE PER MEMBER PER MONTH<sup>(b)</sup></b> | \$ 304 | \$ 292 | \$ 283 | \$ 279 | \$ 269 |
|---|--------|--------|--------|--------|--------|

|                                 |           |         |         |           |         |
|---------------------------------|-----------|---------|---------|-----------|---------|
| <b>CLAIMS<sup>(b)</sup></b>     |           |         |         |           |         |
| Period-end inventory            | 1,020,100 | 641,000 | 826,800 | 1,195,000 | 735,000 |
| Average inventory               | 587,800   | 555,200 | 547,400 | 640,600   | 457,400 |
| Period-end inventory per member | 0.38      | 0.25    | 0.33    | 0.50      | 0.34    |

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

|                            |       |       |       |       |       |
|----------------------------|-------|-------|-------|-------|-------|
| <b>NUMBER OF EMPLOYEES</b> | 7,100 | 6,800 | 6,400 | 6,200 | 5,700 |
|----------------------------|-------|-------|-------|-------|-------|

|   | <u>Q1<br/>2013</u> | <u>Q4<br/>2012</u> | <u>Q3<br/>2012</u> | <u>Q2<br/>2012</u> | <u>Q1<br/>2012</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>DAYS IN CLAIMS PAYABLE<sup>(c)</sup></b>   |                    |                    |                    |                    |                    |
|   | 42.4               | 41.1               | 42.8               | 41.4               | 44.7               |
| (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, excluding the Kentucky premium deficiency reserve liability. |                    |                    |                    |                    |                    |
| <b>CASH AND INVESTMENTS (in millions)</b>   |                    |                    |                    |                    |                    |
| Regulated   | \$ 1,619.0         | \$ 1,595.3         | \$ 1,493.8         | \$ 1,198.2         | \$ 1,166.9         |
| Unregulated   | 45.5               | 37.3               | 36.0               | 40.6               | 35.5               |
| <b>TOTAL</b>  | <u>\$ 1,664.5</u>  | <u>\$ 1,632.6</u>  | <u>\$ 1,529.8</u>  | <u>\$ 1,238.8</u>  | <u>\$ 1,202.4</u>  |
| <b>DEBT TO CAPITALIZATION</b>   | 35.2 %             | 36.1 %             | 29.2 %             | 30.1 %             | 26.4 %             |
| <b>DEBT TO CAPITALIZATION EXCLUDING NON-RECOURSE DEBT<sup>(d)</sup></b>   | 31.9 %             | 32.7 %             | 25.0 %             | 25.9 %             | 21.8 %             |

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

(d) The non-recourse debt represents the Company's mortgage note payable (\$74.7 million at March 31, 2013).

**Operating Ratios:**

|  | <b>Three Months Ended March 31,</b> |   |             |   |
|--|-------------------------------------|---|-------------|---|
|  | <b>2013</b>                         |   | <b>2012</b> |   |
| Health Benefits Ratios:                      |                                     |   |             |   |
| Medicaid and CHIP                            | 92.4                                | % | 87.5        | % |
| ABD and Medicare                             | 88.0                                |   | 89.3        |   |
| Specialty Services                           | 82.9                                |   | 89.7        |   |
| Total  | 90.4                                |   | 88.2        |   |
| Total General & Administrative Expense Ratio | 8.3                                 | % | 9.8         | % |

**MEDICAL CLAIMS LIABILITY (In thousands)**

The changes in medical claims liability are summarized as follows:

|                                  |    |                  |
|----------------------------------|----|------------------|
| <b>Balance, March 31, 2012</b>   | \$ | 708,754          |
| Incurred related to:             |    |                  |
| Current period                   |    | 8,273,161        |
| Prior period                     |    | (2,400)          |
| Total incurred                   |    | <u>8,270,761</u> |
| Paid related to:                 |    |                  |
| Current period                   |    | 7,200,834        |
| Prior period                     |    | 693,519          |
| Total paid                       |    | <u>7,894,353</u> |
| Less: Premium Deficiency Reserve |    | <u>18,130</u>    |
| <b>Balance, March 31, 2013</b>   | \$ | <u>1,067,032</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, 2012. Excluding the impact of medical costs related to retroactive assignment of members in our Kentucky health plan, the amount of "Incurred related to: Prior period" shown in the table above would have been favorable development of \$14.5 million.

SOURCE Centene Corporation