SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 000-33395

Centene Corporation

(Exact name of registrant as specified in its charter)

Delaware	**42-1406317**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification Number)***
7711 Carondelet Avenue, Suite 800 **St. Louis, Missouri**	**63105**
(Address of principal executive offices)	***(Zip Code)***

Registrant's telephone number, including area code:
(314) 725-4477

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:
☒ Yes ☐ No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
☒ Yes ☐ No

As of April 18, 2005, the registrant had 41,822,804 shares of common stock outstanding.

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CENTENE CORPORATION

QUARTERLY REPORT ON FORM 10-Q

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PART I

FINANCIAL INFORMATION

ITEM 1. *Financial Statements*

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2005	December 31, 2004
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,276	$ 84,105
Premium and related receivables, net of allowances of $145 and $462, respectively	36,987	31,475
Short-term investments, at fair value (amortized cost $89,466 and $94,442, respectively)	89,288	94,283
Other current assets	19,689	14,429
Total current assets	249,240	224,292
Long-term investments, at fair value (amortized cost $124,630 and $117,177, respectively)	122,536	116,787
Restricted deposits, at fair value (amortized cost $22,299 and $22,295, respectively)	21,994	22,187
Property, software and equipment	45,264	43,248
Goodwill	101,830	101,631
Other intangible assets	13,889	14,439
Other assets	6,031	5,350
Total assets	$ 560,784	$ 527,934
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liabilities	$ 177,582	$ 165,980
Accounts payable and accrued expenses	39,995	31,737
Unearned revenue	3,935	3,956
Current portion of long-term debt and notes payable	486	486
Total current liabilities	221,998	202,159
Long-term debt	42,852	46,973
Other liabilities	5,935	7,490
Total liabilities	270,785	256,622
Stockholders' equity:		
Common stock, $.001 par value; authorized 100,000,000 shares; issued and outstanding 41,787,406 and 41,316,122 shares, respectively	42	41
Additional paid-in capital	170,857	165,391
Accumulated other comprehensive income:		
Unrealized loss on investments, net of tax	(1,598)	(407)
Retained earnings	120,698	106,287
Total stockholders' equity	289,999	271,312
Total liabilities and stockholders' equity	$ 560,784	$ 527,934

See notes to consolidated financial statements.

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except share data)

	Three Months Ended March 31,	
	2005	2004
	(Unaudited)	
Revenues:		
Premiums	$ 330,944	$ 222,690
Services	1,432	2,835
Total revenues	332,376	225,525
Expenses:		
Medical costs	267,756	180,448
Cost of services	843	2,016
General and administrative expenses	42,459	28,377
Total operating expenses	311,058	210,841
Earnings from operations	21,318	14,684
Other income (expense):		
Investment and other income	2,120	1,510
Interest expense	(562)	(90)
Earnings before income taxes	22,876	16,104
Income tax expense	8,465	5,966
Net earnings	$ 14,411	$ 10,138
Earnings per share:		
Basic earnings per common share	$ 0.35	$ 0.25
Diluted earnings per common share	$ 0.32	$ 0.24
Weighted average number of shares outstanding:		
Basic	41,560,587	40,384,018
Diluted	44,861,989	43,067,740

See notes to consolidated financial statements.

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31,	
	2005	2004
	(Unaudited)	
Cash flows from operating activities:		
Net earnings	$ 14,411	$ 10,138
Adjustments to reconcile net earnings to net cash provided by operating activities —		
Depreciation and amortization	2,782	2,271
Deferred income taxes	(983)	(755)
Tax benefits related to stock options	2,871	786
Stock compensation expense	1,091	19
Loss (gain) on sale of investments	10	(253)
Changes in assets and liabilities —		
Premium and related receivables	(5,512)	(1,326)
Other current assets	(4,268)	(1,476)
Other assets	(491)	13
Medical claims liabilities	11,602	3,272
Unearned revenue	(21)	63
Accounts payable and accrued expenses	(2,446)	1,211
Other operating activities	831	(1,598)
Net cash provided by operating activities	19,877	12,365
Cash flows from investing activities:		
Purchase of property, software and equipment	(3,665)	(2,126)
Purchase of investments	(21,767)	(93,742)
Sales and maturities of investments	27,542	69,814
Acquisitions, net of cash acquired	—	(6,983)
Net cash provided by (used in) investing activities	2,110	(33,037)
Cash flows from financing activities:		
Reduction of long-term debt and notes payable	(4,121)	(363)
Proceeds from stock options and employee stock purchase plan	1,390	1,052
Other financing	(85)	—
Net cash (used in) provided by financing activities	(2,816)	689
Net increase (decrease) in cash and cash equivalents	19,171	(19,983)
Cash and cash equivalents, beginning of period	84,105	64,346
Cash and cash equivalents, end of period	$103,276	$ 44,363
Interest paid	$ 692	$ 91
Income taxes paid	$ 1,133	$ 3,390

See notes to consolidated financial statements.

CENTENE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share data)

1. Organization

Centene Corporation (Centene or the Company) provides multi-line managed care programs and related services to individuals receiving benefits under government subsidized programs including Medicaid, Supplemental Security Income (SSI), and the State Children's Health Insurance Program (SCHIP). Centene's Medicaid Managed Care segment operates health plans under its own state licenses in seven states and contracts with other managed care organizations to provide risk and nonrisk management services. Centene's Specialty Services segment contracts with Centene owned companies, as well as other healthcare organizations and state programs, to provide specialty services including behavioral health, nurse triage and treatment compliance.

2. Basis of Presentation

The unaudited interim financial statements herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The accompanying interim financial statements have been prepared under the presumption that users of the interim financial information have either read or have access to the audited financial statements for the latest fiscal year ended December 31, 2004. Accordingly, footnote disclosures, which would substantially duplicate the disclosures contained in the December 31, 2004 audited financial statements, have been omitted from these interim financial statements where appropriate. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of the interim periods presented.

Certain 2004 amounts in the consolidated financial statements have been reclassified to conform to the 2005 presentation. These reclassifications have no effect on net earnings or stockholders' equity as previously reported.

The Company accounts for stock-based compensation under APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." The following table illustrates the effect on net earnings and earnings per share if the fair value based method had been applied to all awards.

	Three Months Ended March 31,	
	2005	2004
Net earnings	$14,411	$10,138
Pro forma stock-based employee compensation expense determined under fair value based method, net of related tax effects	1,303	695
Pro forma net earnings	$13,108	$ 9,443
Basic earnings per common share:		
As reported	$ 0.35	$ 0.25
Pro forma	0.32	0.23
Diluted earnings per common share:		
As reported	$ 0.32	$ 0.24
Pro forma	0.29	0.22

3. Recent Accounting Pronouncements

In December 2004 SFAS 123 (revised 2004), "Share Based Payment," (SFAS 123R) was issued. In March 2005 the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB 107). SAB 107 expresses views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires public entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The grant date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. In April 2005 the SEC delayed the implementation of SFAS 123R for public companies until the first annual period beginning after June 15, 2005. SFAS 123R is required to be adopted by the Company by January 1, 2006.

The Company currently utilizes a closed form option pricing model to measure the fair value of stock-based compensation for employees. SFAS 123R permits the use of this model or other models such as a lattice model. The Company has not yet determined which model we will use to measure the fair value of share-based grants to employees upon the adoption of SFAS 123R. The effect of expensing stock options in accordance with the original SFAS 123 is presented above under Note 2., Basis of Presentation. SFAS 123R also requires that the benefits associated with the tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This presentation may reduce net operating cash flows and increase net financing cash flows in periods after the effective date. The amount of this excess tax deduction benefit was $2,871 and $786 in the three months ended March 31, 2005 and 2004, respectively.

4. Acquisitions

SummaCare

In January 2005, the Company announced a definitive agreement to acquire the Medicaid-related assets in Ohio of SummaCare, Inc. The purchase price of approximately $31,000 plus transaction costs will be allocated to the assets acquired and liabilities assumed according to estimated fair values. This transaction is anticipated to close in the second quarter of 2005, subject to regulatory approvals.

FirstGuard

The Company purchased FirstGuard Inc. and FirstGuard Health Plan, Inc. (collectively, FirstGuard) from Swope Community Enterprises (Swope) effective December 1, 2004. Prior to the acquisition of FirstGuard, FirstGuard, Inc. acquired the 20% interest in FirstGuard Health Plan Kansas, Inc. held by a third-party. Swope has indemnified Centene with respect to any claims arising out of the purchase of the 20% interest. Centene paid approximately $96,000 in cash and transaction costs. In accordance with terms in the agreement, the purchase price may be adjusted on certain conditions up to sixteen months after the acquisition date. The results of operations for FirstGuard are included in the consolidated financial statements since December 1, 2004.

The purchase price and costs associated with the acquisition exceeded the preliminary estimated fair value of the net tangible assets acquired by approximately $92,000. We have preliminarily allocated the excess purchase price over the fair value of the net tangible assets acquired to identifiable intangible assets of $8,000 and associated deferred tax liabilities of $3,000 and goodwill of approximately $87,000. The identifiable intangible assets have an estimated useful life of ten years. The acquired goodwill is not deductible for income tax purposes.

5. Earnings Per Share

The following table sets forth the calculation of basic and diluted net earnings per common share:

	Three Months Ended March 31,	
	2005	2004
Net earnings	$ 14,411	$ 10,138
Shares used in computing per share amounts:		
Weighted average number of common shares outstanding	41,560,587	40,384,018
Common stock equivalents (as determined by applying the treasury stock method)	3,301,402	2,683,722
Weighted average number of common shares and potential dilutive common shares outstanding	44,861,989	43,067,740
Basic earnings per common share	$ 0.35	$ 0.25
Diluted earnings per common share	$ 0.32	$ 0.24

6. Contingencies

Aurora Health Care, Inc. (Aurora) provides medical professional services under a contract with the Company's Wisconsin health plan subsidiary. In May 2003, Aurora filed a lawsuit in the Milwaukee County Circuit Court claiming the Company had failed to adequately reimburse Aurora for services rendered during the period from 1998 to the present. In 2004 the Court dismissed the claims as filed, but allowed Aurora to replead and seek a declaratory ruling clarifying the contract with respect to reimbursement for ambulatory surgery services. In March 2005, the Court granted Aurora summary judgment related to that claim. The Company intends to appeal the Court's ruling. Although the exact amount of the dispute has not been determined, Aurora claims it exceeds $8,000. The Company continues to dispute the claim and plans to continue vigorously defending this matter.

The Company is routinely subject to legal proceedings in the normal course of business. While the ultimate resolution of such matters are uncertain, the Company does not expect the result of these matters to have a material effect on its financial position or results of operations.

7. Segment Information

Factors used in determining the reportable business segments include the nature of operating activities, existence of separate senior management teams, and the type of information presented to the Company's chief operating decision makers to evaluate all results of operations.

Centene operates in two segments: Medicaid Managed Care and Specialty Services. The Medicaid Managed Care segment consists of Centene's health plans including all of the functions needed to operate them. The Specialty Services segment consists of Centene's specialty companies including behavioral health, nurse triage and treatment compliance functions.

Segment information for the three months ended March 31, 2005, follows:

	Medicaid Managed Care	Specialty Services	Eliminations	Consolidated Total
Revenue from external customers	$ 330,543	$ 1,833	$ —	$ 332,376
Revenue from internal customers	17,048	8,084	(25,132)	—
Total revenue	$ 347,591	$ 9,917	$ (25,132)	$ 332,376
Earnings before income taxes	$ 22,878	$ (2)	$ —	$ 22,876

Segment information for the three months ended March 31, 2004, follows:

	Medicaid Managed Care	Specialty Services	Eliminations	Consolidated Total
Revenue from external customers	$ 223,115	$ 2,410	$ —	$ 225,525
Revenue from internal customers	14,530	4,705	(19,235)	—
Total revenue	$ 237,645	$ 7,115	$ (19,235)	$ 225,525
Earnings before income taxes	$ 16,338	$ (234)	$ —	$ 16,104

8. Comprehensive Earnings

Differences between net earnings and total comprehensive earnings resulted from changes in unrealized gains and losses on investments available for sale, as follows:

	Three Months Ended March 31,	
	2005	2004
Net earnings	$14,411	$10,138
Reclassification adjustment, net of tax	9	(51)
Change in unrealized (loss) gain on investments, net of tax	(1,200)	569
Total comprehensive earnings	$13,220	$10,656

ITEM 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this filing, and in our annual report on Form 10-K for the year ended December 31, 2004. The discussion contains forward-looking statements that involve known and unknown risks and uncertainties, including those set forth below under "Factors that May Affect Future Results and the Trading Price of Our Common Stock."

OVERVIEW

We are a multi-line managed care organization that provides Medicaid and Medicaid-related programs and related services to organizations and individuals through government subsidized programs, including Medicaid, Supplemental Security Income (SSI) and the State Children's Health Insurance Program (SCHIP). We operate health plans in seven states. We also provide specialty services through contracts with our health plans, as well as other healthcare organizations and state programs. These specialty services include behavioral health, nurse triage and treatment compliance.

RECENT ACQUISITIONS

Effective December 1, 2004, we acquired FirstGuard, Inc. and FirstGuard Health Plan, Inc., or FirstGuard, for a purchase price of approximately $96.0 million. FirstGuard serves approximately 136,000 members in Kansas and Missouri. The results of operations of this entity are included in our consolidated financial statements beginning December 1, 2004. The preliminary purchase price allocation resulted in estimated identifiable intangible assets of $8.0 million and goodwill of $87.0 million. The estimated identifiable intangible assets are being amortized over an estimated life of ten years.

Effective January 1, 2004, we commenced operations in Ohio through the acquisition of the Medicaid-related assets of Family Health Plan, Inc. (FHP) for a purchase price of $6.9 million. We are now serving 23,900 members in Toledo, Ohio, a new market for us. The results of operations of this entity are included in our consolidated financial statements beginning January 1, 2004. The purchase price allocation resulted in identified intangible assets of $1.8 million, representing purchased contract rights, provider network and a non-compete agreement, and goodwill of $5.1 million. The contract rights, provider network and non-compete agreement are being amortized over periods ranging from five to ten years.

REVENUE AND EXPENSE DISCUSSION AND KEY METRICS

Revenues and Revenue Recognition

We generate revenues in our Medicaid Managed Care segment primarily from premiums we receive from the states in which we operate to provide health benefits to our members. We receive a fixed premium per member per month pursuant to our state contracts. We generally receive premium payments during the month we provide services and recognize premium revenue during the period in which we are obligated to provide services to our members. Revenues are recorded based on membership and eligibility data provided by the states, which may be adjusted by the states for updates to this data. These adjustments are immaterial in relation to total revenue recorded and are reflected in the period known, typically within two months.

Our Specialty Services companies generate revenues from a variety of sources. Our behavioral health company generates revenue via capitation payments from our health plans, state contracts and others. It also receives fees for the direct provision of care and from certain school programs in Arizona. Our treatment compliance program receives fee income from the manufacturers of pharmaceuticals. Our nurse triage line receives fees from health plans, physicians and other organizations for providing continuous access to nurse advisors.

Premiums collected in advance are recorded as unearned revenue. Premiums due to us are recorded as premium and related receivables and are recorded net of an allowance based on historical trends and our management's judgment on the collectibility of these accounts. As we generally receive premiums during the month in which services are provided, the allowance is typically not significant in comparison to total premium revenue and does not have a material impact on the presentation of our financial condition or results of operations.

The primary drivers of our increasing revenue have been membership growth in our Medicaid Managed Care segment. We have increased our membership through internal growth as well as acquisitions. From March 31, 2004 to March 31, 2005, we increased our membership by 48.8%. The following table sets forth our membership by state:

	March 31,	
	2005	2004
Indiana	149,900	125,400
Kansas	94,900	—
Missouri	41,300	—
New Jersey	52,700	54,000
Ohio	23,900	23,800
Texas	243,700	154,000
Wisconsin	170,900	165,200
Total	777,300	522,400

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

	March 31,	
	2005	2004
Medicaid	588,100	446,900
SCHIP	178,500	65,900
SSI	10,700	9,600
Total	777,300	522,400

During the last 12 months, we entered the Kansas and Missouri markets through our acquisition of FirstGuard. We increased our Texas membership by approximately 84,000 from the SCHIP Exclusive Provider Organization (EPO) contract effective September 1, 2004. Our membership increased in Indiana and Wisconsin from additions to our provider networks, increases in counties served and growth in the overall number of Medicaid beneficiaries.

Operating Expenses

Our operating expenses include medical costs, cost of services, and general and administrative expenses.

Our medical costs include payments to physicians, hospitals, and other providers for healthcare and specialty product claims. Medical costs also include estimates of medical expenses incurred but not yet reported, or IBNR, and estimates of the cost to process unpaid claims. Monthly, we estimate our IBNR based on a number of factors, including inpatient hospital utilization data and prior claims experience. As part of this review, we also consider the costs to process medical claims and estimates of amounts to cover uncertainties related to fluctuations in provider billing patterns, membership, products and inpatient hospital trends. These estimates are adjusted as more information becomes available. We utilize the services of independent actuaries who are contracted to review our estimates quarterly. While we believe that our process for estimating IBNR is actuarially sound, we cannot assure you that healthcare claim costs will not materially differ from our estimates.

Our results of operations depend on our ability to manage expenses related to health benefits and to accurately predict costs incurred. Our health benefits ratio represents medical costs as a percentage of premium revenues and reflects the direct relationship between the premium received and the medical services provided. The table below depicts our health benefits ratios by member category and in total:

	Three Months Ended March 31,	
	2005	2004
Medicaid and SCHIP	80.7%	80.6%
SSI	94.6	99.3
Total	80.9	81.0

Our total health benefits ratio was relatively flat between years. The SSI health benefits ratio is affected by a low membership base and is subject to greater volatility as a percentage of premiums (although relatively immaterial in total dollars compared to total medical costs).

Our cost of services expenses include all direct costs to support the local functions responsible for generation of our services revenues. These expenses primarily consist of the salaries and wages of the physicians, clinicians, therapists and teachers who provide the services and expenses related to the clinics and supporting facilities and equipment used to provide services.

Our general and administrative expenses primarily reflect wages and benefits and other administrative costs related to health plans, specialty companies and the centralized functions that support all of our business units. The major centralized functions are claims processing, information systems and finance. Premium taxes are classified as general and administrative expenses. Our general and administrative expense ratio represents general and administrative expenses as a percentage of total revenues and reflects the relationship between revenues earned and the costs necessary to drive those revenues. The following table sets forth the general and administrative expense ratios by business segment and in total:

	Three Months Ended March 31,	
	2005	2004
Medicaid Managed Care	10.8%	10.4%
Specialty Services	50.2	52.9
Total	12.8	12.6

The increase in the Medicaid Managed Care general and administrative expenses ratio reflects the costs of our claims processing facility in Montana, the impact of premium taxes enacted in July 2004 in New Jersey and expenses related to the pending acquisition of assets of SummaCare.

The Specialty Services ratio may vary depending on the various contracts and nature of the service provided and will have a higher general and administrative expense ratio than the Medicaid Managed Care segment.

Other Income (Expense)

Other income (expense) consists of investment and other income and interest expense.

- Investment income is derived from our cash, cash equivalents and investments. Information about our investments is included below under “Liquidity and Capital Resources.”
- Interest expense reflects interest on the borrowings under our credit facility, fees in conjunction with our credit facility and mortgage interest.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

Summarized comparative financial data are as follows ($ in millions except per share data):

	Three Months Ended March 31,		
	2005	2004	% Change 2004-2005
Premium revenue	$ 331.0	$ 222.7	48.6%
Services revenue	1.4	2.8	(49.5)%
Total revenues	332.4	225.5	47.4%
Medical costs	267.8	180.4	48.4%
Cost of services	0.8	2.0	(58.2)%
General and administrative expenses	42.5	28.4	49.6%
Earnings from operations	21.3	14.7	45.2%
Investment and other income, net	1.6	1.4	9.7%
Earnings before income taxes	22.9	16.1	42.1%
Income tax expense	8.5	6.0	41.9%
Net earnings	$ 14.4	$ 10.1	42.1%
Diluted earnings per common share	$ 0.32	$ 0.24	33.3%

Revenues

Total revenues for the three months ended March 31, 2005 increased 47.4% from the comparable period in 2004. This increase was due to the acquisition of FirstGuard, effective December 1, 2004; organic growth in our existing markets; the addition of EPO members in Texas, effective September 1, 2004; and premium rate increases during the last 12 months.

Services revenue decreased between years as a result of fully transitioning to a third-party service model for behavioral health services and closing our clinic facilities in Texas and California during late 2004.

Operating Expenses

Medical costs increased 48.4% due to the growth in our membership as discussed above. Our health benefits ratio decreased to 80.9% from 81.0% from the comparable period in 2004.

General and administrative expenses increased 49.6% primarily due to expenses for additional facilities and staff to support our membership growth.

Other Income

Investment and other income increased 9.7% for the three months ended March 31, 2005 from the comparable period in 2004. The increase was due to higher average investment balances and an increase in market interest rates partially offset by higher interest expense from increased borrowings under our credit facility and mortgages.

Income Tax Expense

Our effective tax rate in 2005 was 37.0%, consistent with 37.0% in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Our operating activities provided cash of $19.9 million in the three months ended March 31, 2005 compared to $12.4 million in the comparable period in 2004. The increase was primarily due to increased net income in addition to the timing of medical claim liabilities payments.

Our investing activities provided cash of $2.1 million in the three months ended March 31, 2005 and used cash of $33.0 million in the comparable period in 2004. The largest component of investing activities related to changes in our investment portfolio. Our investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets within our investment guidelines. Net cash provided by and used in investing activities will fluctuate from year to year due to the timing of investment purchases, sales and maturities. As of March 31, 2005, our investment portfolio consisted primarily of fixed-income securities with an average duration of 1.7 years. Cash is invested in investment vehicles such as municipal bonds, corporate bonds, insurance contracts, commercial paper and instruments of the U.S. Treasury. The states in which we operate prescribe the types of instruments in which our regulated subsidiaries may invest their cash.

Our financing activities used cash of $2.8 million in the three months ended March 31, 2005 and provided cash of $689,000 in the comparable period in 2004. The use of cash was primarily related to payments of $4.1 million to reduce long-term debt in the three months ended March 31, 2005.

We spent $3.7 million and $2.1 million in the three months ended March 31, 2005 and 2004, respectively, on capital assets. We anticipate spending an additional $15 million on capital expenditures in 2005 related to office and market expansions and system upgrades.

At March 31, 2005, we had working capital, defined as current assets less current liabilities, of $27.2 million as compared to $22.1 million at December 31, 2004. Our investment policies are designed to provide liquidity and preserve capital. We manage our short-term and long-term investments to ensure that a sufficient portion is held in investments that are highly liquid and can be sold to fund short-term capital requirements as needed.

Cash, cash equivalents and short-term investments were $192.6 million at March 31, 2005 and $178.4 million at December 31, 2004. Long-term investments were $144.5 million at March 31, 2005 and $139.0 million at December 31, 2004, including restricted deposits of $22.0 million and $22.2 million, respectively. At March 31, 2005, cash and investments held by our unregulated entities totaled $42.1 million while cash and investments held by our regulated entities totaled $295.0 million.

We have a five-year $100 million Revolving Credit Agreement with various financial institutions and LaSalle Bank National Association as administrative agent and arranger. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. Under our current capital structure, borrowings under the agreement bear interest at LIBOR plus 1%. This rate may change under differing capital structures over the life of the agreement. The agreement is secured by the common stock and membership interests of our subsidiaries. The agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, minimum debt-to-EBITDA ratios and minimum tangible net worth. The agreement will expire in September 2009 or on an earlier date in the instance of a default as defined in the agreement. As of March 31, 2005, we had $30.0 million outstanding under the agreement and were in compliance with all covenants.

In January 2005, we executed a definitive agreement, subject to regulatory approvals, to acquire the Medicaid-related assets of SummaCare, Inc. for approximately $31 million plus transaction costs. The purchase price is contingent based on the Medicaid membership of SummaCare at closing and will consist of approximately $22 million in cash and $9 million in price-protected common stock. The acquisition is expected to close in the second quarter of 2005.

There were no other material changes outside the ordinary course of our business in lease obligations or other contractual obligations in the three months ended March 31, 2005. Based on our operating plan, we expect that our available funding will be sufficient to finance our operations, planned acquisition of SummaCare and capital expenditures for at least 12 months from the date of this filing.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our Medicaid Managed Care operations are conducted through our subsidiaries. As managed care organizations, these subsidiaries are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state, and restrict the timing, payment and amount of dividends and other distributions that may be paid to us. Generally, the

amount of dividend distributions that may be paid by a regulated subsidiary without prior approval by state regulatory authorities is limited based on the entity's level of statutory net income and statutory capital and surplus.

Our subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. As of March 31, 2005, our subsidiaries had aggregate statutory capital and surplus of $136.1 million, compared with the required minimum aggregate statutory capital and surplus requirements of $68.4 million.

The National Association of Insurance Commissioners has adopted rules which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of March 31, 2005, our Indiana, Ohio, Texas and Wisconsin health plans were in compliance with risk-based capital requirements. If adopted by Kansas, Missouri or New Jersey, risk-based capital may increase the minimum capital required for these subsidiaries. We continue to monitor the requirements in Kansas, Missouri and New Jersey and do not expect that they will have a material impact on our results of operations, financial position or cash flows.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004 SFAS 123 (revised 2004), "Share Based Payment," (SFAS 123R) was issued. In March 2005 the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB 107). SAB 107 expresses views of the SEC staff regarding the interaction between this statement and certain SEC rules. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires public entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The grant date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. In April 2005 the SEC delayed the implementation of SFAS 123R for public companies until the first annual period beginning after June 15, 2005. We are required to adopt SFAS 123R by January 1, 2006.

We currently utilize a closed form option pricing model to measure the fair value of stock-based compensation for employees. SFAS 123R permits the use of this model or other models such as a lattice model. We have not yet determined which model we will use to measure the fair value of share-based grants to employees upon the adoption of SFAS 123R. The effect of expensing stock options in accordance with the original SFAS 123 is presented in Note 2 of our Notes to Consolidated Financial Statements included elsewhere in this Form 10-Q. SFAS 123R also requires that the benefits associated with the tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This presentation may reduce net operating cash flows and increase net financing cash flows in periods after the effective date. The amount of this excess tax deduction benefit was $2.9 million and $0.8 million in the three months ended March 31, 2005 and 2004, respectively.

FORWARD-LOOKING STATEMENTS

This filing contains forward-looking statements that relate to future events or our future financial performance. We have attempted to identify these statements by terminology including "believe," "anticipate," "plan," "expect," "estimate," "intend," "seek," "goal," "may," "will," "should," "can," "continue" or the negative of these terms or other comparable terminology. These statements include statements about our market opportunity, our growth strategy, competition, expected activities and future acquisitions, investments and the adequacy of our available cash resources. These statements may be found in the section of this filing entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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 our or our 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. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions.

Actual results may differ from projections or estimates due to a variety of important factors. Our results of operations and projections of future earnings depend in large part on accurately predicting and effectively managing health benefits and other operating expenses. A variety of factors, including competition, changes in healthcare practices, changes in federal or state laws and regulations or their interpretations, inflation, provider contract changes, new technologies, government-imposed surcharges, taxes or assessments, reduction in provider payments by governmental payers, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, such as major healthcare providers' inability to maintain their operations, may in the future affect our ability to control our medical costs and other operating expenses. Governmental action or business conditions could result in

premium revenues not increasing to offset any increase in medical costs and other operating expenses. Once set, premiums are generally fixed for one-year periods and, accordingly, unanticipated costs during such periods cannot be recovered through higher premiums. The expiration, cancellation or suspension of our Medicaid managed care contracts by the state governments would also negatively affect us. Due to these factors and risks, we cannot give assurances with respect to our future premium levels or our ability to control our future medical costs.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND THE TRADING PRICE OF OUR COMMON STOCK

Risks Related to Being a Regulated Entity

Reduction in Medicaid, SCHIP and SSI Funding Could Substantially Reduce Our Profitability.

Most of our revenues come from Medicaid, SCHIP and SSI premiums. The base premium rate paid by each state differs, depending on a combination of factors such as defined upper payment limits, a member's health status, age, gender, county or region, benefit mix and member eligibility categories. Future levels of Medicaid, SCHIP and SSI funding and premium rates may be affected by continued government efforts to contain medical costs and may further be affected by state and federal budgetary constraints. For example, in August 2004, the Centers for Medicare & Medicaid Services, or CMS, proposed a rule requiring states to estimate improper payments made under their Medicaid and SCHIP programs, report such overpayments to Congress, and, if necessary, take actions to reduce erroneous payments. In February 2005, the Bush administration called for changes in Medicaid that would cut payments for prescription drugs and give states new power to reduce or reconfigure benefits. Changes to Medicaid, SCHIP and SSI programs could reduce the number of persons enrolled or eligible, reduce the amount of reimbursement or payment levels, or increase our administrative or healthcare costs under those programs. States periodically consider reducing or reallocating the amount of money they spend for Medicaid, SCHIP and SSI. Over the past two years, the majority of states have implemented measures to restrict Medicaid, SCHIP and SSI costs and eligibility. We believe that reductions in Medicaid, SCHIP and SSI payments could substantially reduce our profitability. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds.

If Our Medicaid and SCHIP Contracts are Terminated or are Not Renewed, Our Business Will Suffer.

We provide managed care programs and selected services to individuals receiving benefits under federal assistance programs, including Medicaid, SSI and SCHIP. We provide those healthcare services under contracts with regulatory entities in the areas in which we operate. The contracts expire on various dates between June 30, 2005 and August 31, 2007. Our contracts may be terminated if we fail to perform up to the standards set by state regulatory agencies. In addition, the Indiana contract under which we operate can be terminated by the state without cause. Our contracts are generally intended to run for two years and may be extended for one or two additional years if the state or its contractor elects to do so. When our contracts expire, they may be opened for bidding by competing healthcare providers. There is no guarantee that our contracts will be renewed or extended. If any of our contracts are terminated, not renewed, or renewed on less favorable terms, our business will suffer, and our operating results may be materially affected.

Changes in Government Regulations Designed to Protect Providers and Members Rather Than Our Stockholders Could Force Us to Change How We Operate and Could Harm Our Business.

Our business is extensively regulated by the states in which we operate and by the federal government. The applicable laws and regulations are subject to frequent change and generally are intended to benefit and protect health plan providers and members rather than stockholders. Changes in existing laws and rules, the enactment of new laws and rules or changing interpretations of these laws and rules could, among other things:

- force us to restructure our relationships with providers within our network;
- require us to implement additional or different programs and systems;
- mandate minimum medical expense levels as a percentage of premiums revenues;
- restrict revenue and enrollment growth;
- require us to develop plans to guard against the financial insolvency of our providers;

- increase our healthcare and administrative costs;
- impose additional capital and reserve requirements; and
- increase or change our liability to members in the event of malpractice by our providers.

For example, Congress has considered various forms of patient protection legislation commonly known as the Patients' Bill of Rights and the legislation is frequently proposed in Congress. We cannot predict the impact of this legislation, if adopted, on our business.

Regulations May Decrease the Profitability of Our Health Plans.

Our Texas plan is required to pay a rebate to the state in the event profits exceed established levels. Similarly, our New Jersey plan is required to pay a rebate to the state in the event its health benefits ratio is less than 80%. These regulatory requirements, changes in these requirements or the adoption of similar requirements by our other regulators may limit our ability to increase our overall profits as a percentage of revenues. The states of Indiana, New Jersey and Texas have implemented prompt-payment laws and are enforcing penalty provisions for failure to pay claims in a timely manner. Failure to meet these requirements can result in financial fines and penalties. In addition, states may attempt to reduce their contract premium rates if regulators perceive our health benefits ratio as too low. Any of these regulatory actions could harm our operating results.

Also, on January 18, 2002, CMS published a final rule that removed a provision contained in the federal Medicaid reimbursement regulations permitting states to reimburse non-state government-owned or operated hospitals for inpatient and outpatient hospital services at amounts up to 150% of a reasonable estimate of the amount that would be paid for the services furnished by these hospitals under Medicaid payment principles. The upper payment limit was reduced to 100% of Medicare payments for comparable services. This development in federal regulation decreased the profitability of our health plans.

Failure to Comply With Government Regulations Could Subject Us to Civil and Criminal Penalties.

Federal and state governments have enacted fraud and abuse laws and other laws to protect patients' privacy and access to healthcare. Violation of these and other laws or regulations governing our operations or the operations of our providers could result in the imposition of civil or criminal penalties, the cancellation of our contracts to provide services, the suspension or revocation of our licenses or our exclusion from participating in the Medicaid, SSI and SCHIP programs. If we were to become subject to these penalties or exclusions as the result of our actions or omissions or our inability to monitor the compliance of our providers, it would negatively affect our ability to operate our business. For example, failure to pay our providers promptly could result in the imposition of fines and other penalties. In some states, we may be subject to regulation by more than one governmental authority, which may impose overlapping or inconsistent regulations.

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, broadened the scope of fraud and abuse laws applicable to healthcare companies. HIPAA created civil penalties for, among other things, billing for medically unnecessary goods or services. HIPAA established new enforcement mechanisms to combat fraud and abuse. Further, HIPAA imposes civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of most individually identifiable health information. It is possible that Congress may enact additional legislation in the future to increase penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules.

We Will Incur Significant Increased Costs As a Result of Compliance With New Government Regulations And Our Management Will Be Required to Devote Substantial Time To Compliance.

On February 20, 2003 HHS published the final HIPAA health data security regulations. These regulations require covered entities to implement administrative, physical and technical safeguards to protect electronic health information maintained or transmitted by the organization.

The issuance of future judicial or regulatory guidance regarding the interpretation of regulations, the states' ability to promulgate stricter rules, and continuing uncertainty regarding many aspects of the regulations' implementation may make compliance with the relatively new regulatory landscape difficult. For example, our existing programs and systems may not enable us to comply in all

respects with the new security regulations. In order to comply with the regulatory requirements, we will be required to employ additional or different programs and systems. Further, compliance with these regulations could require changes to many of the procedures we currently use to conduct our business, which may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we will be able to recover from the states our costs of complying with these new regulations. The new regulations and the related compliance costs could have a material adverse effect on our business.

In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, have imposed various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these new compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting. In particular, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over our financial reporting as required by Section 404 of the Sarbanes-Oxley Act. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the NYSE, SEC or other regulatory authorities, which would require additional financial and management resources.

Changes in Healthcare Law May Reduce Our Profitability.

Numerous proposals relating to changes in healthcare law have been introduced, some of which have been passed by Congress and the states in which we operate or may operate in the future. Changes in applicable laws and regulations are continually being considered, and interpretations of existing laws and rules may also change from time to time. We are unable to predict what regulatory changes may occur or what effect any particular change may have on our business. For example, these changes could reduce the number of persons enrolled or eligible for Medicaid and reduce the reimbursement or payment levels for medical services. More generally, we are unable to predict whether new laws or proposals will favor or hinder the growth of managed healthcare. Legislation or regulations that require us to change our current manner of operation, provide additional benefits or change our contract arrangements may seriously harm our operations and financial results.

If a State Fails to Renew its Federal Waiver Application for Mandated Medicaid Enrollment into Managed Care or Such Application is Denied, Our Membership in That State Will Likely Decrease.

States may only mandate Medicaid enrollment into managed care under federal waivers or demonstrations. Waivers and programs under demonstrations are approved for two-year periods and can be renewed on an ongoing basis if the state applies. We have no control over this renewal process. If a state does not renew its mandated program or the federal government denies the state's application for renewal, our business would suffer as a result of a likely decrease in membership.

Changes in Federal Funding Mechanisms May Reduce Our Profitability.

The Bush Administration has proposed a major long-term change in the way Medicaid and SCHIP are funded. The proposal, if adopted, would allow states to elect to receive, instead of federal matching funds, combined Medicaid-SCHIP "allotments" for acute and long-term healthcare for low-income, uninsured persons. Participating states would be given flexibility in designing their own health insurance programs, subject to federally-mandated minimum coverage requirements. It is uncertain whether this proposal will be enacted, or if so, how it may change from a similar proposal initiated by the Bush Administration in February 2003. Accordingly, it is unknown whether or how many states might elect to participate or how their participation may affect the net amount of funding available for Medicaid and SCHIP programs. If such a proposal is adopted and decreases the number of persons enrolled in Medicaid or SCHIP in the states in which we operate or reduces the volume of healthcare services provided, our growth, operations and financial performance could be adversely affected.

In April 2004, the Bush Administration adopted a new policy that seeks to reduce states' use of accounting devices such as intergovernmental transfers for the states' share of Medicaid program funding. By restricting the use of intergovernmental transfers as

part of states' Medicaid contributions, this policy, if continued, may restrict some states' funding for Medicaid, which could adversely affect our growth, operations and financial performance.

In February 2005, the Bush Administration called for changes in Medicaid that would cut payments for prescription drugs and give states new power to reduce or reconfigure benefits. Any reduction or reconfiguration of state funding could adversely affect our growth, operations and financial performance.

Recent legislative changes in the Medicare program may also affect our business. For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003, enacted in December 2003, will, upon taking effect in 2006, revise cost-sharing requirements for some beneficiaries and require states to reimburse the federal Medicare program for costs of prescription drug coverage provided to beneficiaries who are enrolled simultaneously in both the Medicaid and Medicare programs. These changes may reduce the availability of funding for some states' Medicaid programs, which could adversely affect our growth, operations and financial performance.

If State Regulatory Agencies Require a Statutory Capital Level Higher than the State Regulations, We May Be Required to Make Additional Capital Contributions.

Our operations are conducted through our wholly owned subsidiaries, which include HMOs and managed care organizations, or MCOs. HMOs and MCOs are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state. Additionally, state regulatory agencies may require, at their discretion, individual HMO's to maintain statutory capital levels higher than the state regulations. If this were to occur to one of our subsidiaries, we may be required to make additional capital contributions to the affected subsidiary. Any additional capital contribution made to one of the affected subsidiaries could have a material adverse effect on our liquidity and our ability to grow.

If We Are Unable to Participate in SCHIP Programs, Our Growth Rate May be Limited.

SCHIP is a federal initiative designed to provide coverage for low-income children not otherwise covered by Medicaid or other insurance programs. The programs vary significantly from state to state. Participation in SCHIP programs is an important part of our growth strategy. If states do not allow us to participate or if we fail to win bids to participate, our growth strategy may be materially and adversely affected.

If State Regulators Do Not Approve Payments of Dividends and Distributions by Our Subsidiaries to Us, We May Not Have Sufficient Funds to Implement Our Business Strategy.

We principally operate through our health plan subsidiaries. If funds normally available to us become limited in the future, we may need to rely on dividends and distributions from our subsidiaries to fund our operations. These subsidiaries are subject to regulations that limit the amount of dividends and distributions that can be paid to us without prior approval of, or notification to, state regulators. If these regulators were to deny our subsidiaries' request to pay dividends to us, the funds available to our company as a whole would be limited, which could harm our ability to implement our business strategy.

Risks Related to Our Business

Receipt of Inadequate Premiums Would Negatively Affect Our Revenues and Profitability.

Nearly all of our revenues are generated by premiums consisting of fixed monthly payments per member. These premiums are fixed by contract, and we are obligated during the contract periods to provide healthcare services as established by the state governments. We use a large portion of our revenues to pay the costs of healthcare services delivered to our members. If premiums do not increase when expenses related to medical services rise, our earnings will be affected negatively. In addition, our actual medical services costs may exceed our estimates, which would cause our health benefits ratio, or our expenses related to medical services as a percentage of premium revenues, to increase and our profits to decline. In addition, it is possible for a state to increase the rates payable to the hospitals without granting a corresponding increase in premiums to us. If this were to occur in one or more of the states in which we operate, our profitability would be harmed.

Failure to Effectively Manage Our Medical Costs or Related Administrative Costs Would Reduce Our Profitability.

Our profitability depends, to a significant degree, on our ability to predict and effectively manage expenses related to health benefits. We have less control over the costs related to medical services than we do over our general and administrative expenses. Historically, our health benefits ratio has fluctuated. For example, over the last six years, our health benefits ratio has ranged from 80.7% to 88.9%. Because of the narrow margins of our health plan business, relatively small changes in our health benefits ratio can create significant changes in our financial results. Changes in healthcare regulations and practices, the level of use of healthcare services, hospital costs, pharmaceutical costs, major epidemics, new medical technologies and other external factors, including general economic conditions such as inflation levels, are beyond our control and could reduce our ability to predict and effectively control the costs of providing health benefits. We may not be able to manage costs effectively in the future. If our costs related to health benefits increase, our profits could be reduced or we may not remain profitable.

Failure to Accurately Predict Our Medical Expenses Could Negatively Affect Our Reported Results.

Our medical expenses include estimates of IBNR medical expenses. We estimate our IBNR medical expenses monthly based on a number of factors. Adjustments, if necessary, are made to medical expenses in the period during which the actual claim costs are ultimately determined or when criteria used to estimate IBNR change. We cannot be sure that our IBNR estimates are adequate or that adjustments to those estimates will not harm our results of operations. From time to time in the past, our actual results have varied from our estimates, particularly in times of significant changes in the number of our members. Our failure to estimate IBNR accurately may also affect our ability to take timely corrective actions, further harming our results.

Difficulties in Executing Our Acquisition Strategy Could Adversely Affect Our Business.

Historically, the acquisition of Medicaid businesses, contract rights and related assets of other health plans both in our existing service areas and in new markets has accounted for a significant amount of our growth. Many of the other potential purchasers of Medicaid assets have greater financial resources than we have. In addition, many of the sellers are interested either in (a) selling, along with their Medicaid assets, other assets in which we do not have an interest or (b) selling their companies, including their liabilities, as opposed to the assets of their ongoing businesses.

We generally are required to obtain regulatory approval from one or more state agencies when making acquisitions. In the case of an acquisition of a business located in a state in which we do not currently operate, we would be required to obtain the necessary licenses to operate in that state. In addition, even if we already operate in a state in which we acquire a new business, we would be required to obtain additional regulatory approval if the acquisition would result in our operating in an area of the state in which we did not operate previously, and we could be required to renegotiate provider contracts of the acquired business. We cannot assure you that we would be able to comply with these regulatory requirements for an acquisition in a timely manner, or at all. In deciding whether to approve a proposed acquisition, state regulators may consider a number of factors outside our control, including giving preference to competing offers made by locally owned entities or by not-for-profit entities. Furthermore, our credit facility may prohibit some acquisitions without the consent of our bank lender.

In addition to the difficulties we may face in identifying and consummating acquisitions, we will also be required to integrate and consolidate any acquired business or assets with our existing operations. This may include the integration of:

- additional personnel who are not familiar with our operations and corporate culture;
- existing provider networks that may operate on different terms than our existing networks;
- existing members, who may decide to switch to another healthcare plan; and
- disparate administrative, accounting and finance, and information systems.

Accordingly, we may be unable to identify, consummate and integrate future acquisitions successfully or operate acquired businesses profitably. We also may be unable to obtain sufficient additional capital resources for future acquisitions. If we are unable to effectively execute our acquisition strategy, our future growth will suffer and our results of operations could be harmed.

If Competing Managed Care Programs are Unwilling to Purchase Specialty Services From Us, We May Not be Able to Successfully Implement Our Strategy of Diversifying Our Business Lines.

We are seeking to diversify our business lines into areas that complement our Medicaid business in order to grow our revenue stream and balance our dependence on Medicaid risk reimbursement. In 2003, for example, we acquired Cenpatico Behavioral Health, a behavioral health services company, and purchased contract and name rights of ScriptAssist, a treatment compliance company. In order to diversify our business, we must succeed in selling the services of our specialty subsidiaries not only to our managed care plans, but to programs operated by third-parties. Some of these third-party programs may compete with us in some markets, and they therefore may be unwilling to purchase specialty services from us. In any event, the offering of these services will require marketing activities that differ significantly from the manner in which we seek to increase revenues from our Medicaid programs. Our inability to market specialty services to other programs may impair our ability to execute our business strategy.

Failure to Achieve Timely Profitability in Any Business Would Negatively Affect Our Results of Operations.

Start-up costs associated with a new business can be substantial. For example, in order to obtain a certificate of authority in most jurisdictions, we must first establish a provider network, have systems in place and demonstrate our ability to obtain a state contract and process claims. If we were unsuccessful in obtaining the necessary license, winning the bid to provide service or attracting members in numbers sufficient to cover our costs, any new business of ours would fail. We also could be obligated by the state to continue to provide services for some period of time without sufficient revenue to cover our ongoing costs or recover start-up costs. The expenses associated with starting up a new business could have a significant impact on our results of operations if we are unable to achieve profitable operations in a timely fashion.

We Derive a Majority of Our Premium Revenues From Operations in a Small Number of States, and Our Operating Results Would be Materially Affected by a Decrease in Premium Revenues or Profitability in Any One of Those States.

Operations in Indiana, Kansas, Missouri, New Jersey, Ohio, Texas and Wisconsin have accounted for most of our premium revenues to date. If we were unable to continue to operate in each of those states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenue and profitability to change suddenly and unexpectedly depending on legislative actions, economic conditions and similar factors in those states. Our inability to continue to operate in any of the states in which we operate would harm our business.

Competition May Limit Our Ability to Increase Penetration of the Markets That We Serve.

We compete for members principally on the basis of size and quality of provider network, benefits provided and quality of service. We compete with numerous types of competitors, including other health plans and traditional state Medicaid programs that reimburse providers as care is provided. Subject to limited exceptions by federally approved state applications, the federal government requires that there be choices for Medicaid recipients among managed care programs. Voluntary programs and mandated competition may limit our ability to increase our market share.

Some of the health plans with which we compete have greater financial and other resources and offer a broader scope of products than we do. In addition, significant merger and acquisition activity has occurred in the managed care industry, as well as in industries that act as suppliers to us, such as the hospital, physician, pharmaceutical, medical device and health information systems businesses. To the extent that competition intensifies in any market that we serve, our ability to retain or increase members and providers, or maintain or increase our revenue growth, pricing flexibility and control over medical cost trends may be adversely affected.

In addition, in order to increase our membership in the markets we currently serve, we believe that we must continue to develop and implement community-specific products, alliances with key providers and localized outreach and educational programs. If we are unable to develop and implement these initiatives, or if our competitors are more successful than we are in doing so, we may not be able to further penetrate our existing markets.

If We are Unable to Maintain Satisfactory Relationships With Our Provider Networks, Our Profitability Will be Harmed.

Our profitability depends, in large part, upon our ability to contract favorably with hospitals, physicians and other healthcare providers. Our provider arrangements with our primary care physicians, specialists and hospitals generally may be cancelled by either party without cause upon 90 to 120 days prior written notice. We cannot assure you that we will be able to continue to renew our existing contracts or enter into new contracts enabling us to service our members profitably.

From time to time providers assert or threaten to assert claims seeking to terminate noncancelable agreements due to alleged actions or inactions by us. Even if these allegations represent attempts to avoid or renegotiate contractual terms that have become economically disadvantageous to the providers, it is possible that in the future a provider may pursue such a claim successfully. In addition, we are aware that other managed care organizations have been subject to class action suits by physicians with respect to claim payment procedures, and we may be subject to similar claims. Regardless of whether any claims brought against us are successful or have merit, they will still be time-consuming and costly and could distract our management's attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

We will be required to establish acceptable provider networks prior to entering new markets. We may be unable to enter into agreements with providers in new markets on a timely basis or under favorable terms.

If we are unable to retain our current provider contracts or enter into new provider contracts timely or on favorable terms, our profitability will be harmed.

Changes in Stock Option Accounting Rules May Have a Significant Adverse Affect on Our Operating Results.

We have a history of using broad based employee stock option programs to hire, incentivize and retain our workforce in a competitive marketplace. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," allows companies the choice of either using a fair value method of accounting for options that would result in expense recognition for all

options granted, or using an intrinsic value method, as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," or APB 25, with a pro forma disclosure of the impact on net income (loss) of using the fair value option expense recognition method. We have previously elected to apply APB 25, and, accordingly, we generally have not recognized any expense with respect to employee stock options as long as such options are granted at exercise prices equal to the fair value of our common stock on the date of grant.

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised 2004), "Share Based Payment," which would require all companies to measure compensation cost for all share-based payments, including employee stock options, at fair value. In April 2005 the SEC delayed the implementation until the first annual period beginning after June 15, 2005. We are currently evaluating the effect that the adoption of this Statement will have on our financial position and results of operations. We believe, however, that our adoption of this standard will adversely affect our operating results in future periods.

We May be Unable to Attract and Retain Key Personnel.

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team, including our chief executive officer, Michael F. Neidorff, who has been instrumental in developing our business strategy and forging our business relationships, our business and operating results could be harmed. Our ability to replace any departed members of our senior management or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in the Medicaid managed care and specialty services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these personnel.

Negative Publicity Regarding the Managed Care Industry May Harm Our Business and Operating Results.

The managed care industry has received negative publicity. This publicity has led to increased legislation, regulation, review of industry practices and private litigation in the commercial sector. These factors may adversely affect our ability to market our services, require us to change our services, and increase the regulatory burdens under which we operate. Any of these factors may increase the costs of doing business and adversely affect our operating results.

Claims Relating to Medical Malpractice Could Cause Us to Incur Significant Expenses.

Our providers and employees involved in medical care decisions may be subject to medical malpractice claims. In addition, some states, including Texas, have adopted legislation that permits managed care organizations to be held liable for negligent treatment decisions or benefits coverage determinations. Claims of this nature, if successful, could result in substantial damage awards against us and our providers that could exceed the limits of any applicable insurance coverage. Therefore, successful malpractice or tort claims asserted against us, our providers or our employees could adversely affect our financial condition and profitability. Even if any claims brought against us are unsuccessful or without merit, they would still be time-consuming and costly and could distract our management's attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

Loss of Providers Due to Increased Insurance Costs Could Adversely Affect Our Business.

Our providers routinely purchase insurance to help protect themselves against medical malpractice claims. In recent years, the costs of maintaining commercially reasonable levels of such insurance have increased dramatically, and these costs are expected to increase to even greater levels in the future. As a result of the level of these costs, providers may decide to leave the practice of medicine or to limit their practice to certain areas, which may not address the needs of Medicaid participants. We rely on retaining a sufficient number of providers in order to maintain a certain level of service. If a significant number of our providers exit our provider networks or the practice of medicine generally, we may be unable to replace them in a timely manner, if at all, and our business could be adversely affected.

Growth in the Number of Medicaid-Eligible Persons During Economic Downturns Could Cause Our Operating Results and Stock Prices to Suffer if State and Federal Budgets Decrease or Do Not Increase.

Less favorable economic conditions may cause our membership to increase as more people become eligible to receive Medicaid benefits. During such economic downturns, however, state and federal budgets could decrease, causing states to attempt to cut healthcare programs, benefits and rates. We cannot predict the impact of changes in the United States economic environment or other economic or political events, including acts of terrorism or related military action, on federal or state funding of healthcare programs

or on the size of the population eligible for the programs we operate. If federal funding decreases or remains unchanged while our membership increases, our results of operations will suffer.

Growth in the Number of Medicaid-Eligible Persons May be Countercyclical, Which Could Cause Our Operating Results to Suffer When General Economic Conditions are Improving.

Historically, the number of persons eligible to receive Medicaid benefits has increased more rapidly during periods of rising unemployment, corresponding to less favorable general economic conditions. Conversely, this number may grow more slowly or even decline if economic conditions improve. Therefore, improvements in general economic conditions may cause our membership levels to decrease, thereby causing our operating results to suffer, which could lead to decreases in our stock price during periods in which stock prices in general are increasing.

We Intend to Expand Our Medicaid Managed Care Business Primarily into Markets Where Medicaid Recipients are Required to Enroll in Managed Care Plans.

We expect to continue to focus our business in states in which Medicaid enrollment in managed care is mandatory. Currently, approximately two-thirds of the states require health plan enrollment for Medicaid eligible participants in all or a portion of their counties. The programs are voluntary in other states. Because we concentrate on markets with mandatory enrollment, we expect the geographic expansion of our Medicaid Managed Care segment to be limited to those states.

If We are Unable to Integrate and Manage Our Information Systems Effectively, Our Operations Could be Disrupted.

Our operations depend significantly on effective information systems. The information gathered and processed by our information systems assists us in, among other things, monitoring utilization and other cost factors, processing provider claims, and providing data to our regulators. Our providers also depend upon our information systems for membership verifications, claims status and other information.

Our information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs. Moreover, our acquisition activity requires frequent transitions to or from, and the integration of, various information systems. We regularly upgrade and expand our information systems' capabilities. If we experience difficulties with the transition to or from information systems or are unable to properly maintain or expand our information systems, we could suffer, among other things, from operational disruptions, loss of existing members and difficulty in attracting new members, regulatory problems and increases in administrative expenses. In addition, our ability to integrate and manage our information systems may be impaired as the result of events outside our control, including acts of nature, such as earthquakes or fires, or acts of terrorists.

We Rely on the Accuracy of Eligibility Lists Provided by State Governments. Inaccuracies in Those Lists Would Negatively Affect Our Results of Operations.

Premium payments to us are based upon eligibility lists produced by state governments. From time-to-time, states require us to reimburse them for premiums paid to us based on an eligibility list that a state later discovers contains individuals who are not in fact eligible for a government sponsored program or are eligible for a different premium category or a different program. Alternatively, a state could fail to pay us for members for whom we are entitled to payment. Our results of operations would be adversely affected as a result of such reimbursement to the state if we had made related payments to providers and were unable to recoup such payments from the providers.

We May Not be Able to Obtain or Maintain Adequate Insurance.

We maintain liability insurance, subject to limits and deductibles, for claims that could result from providing or failing to provide managed care and related services. These claims could be substantial. We believe that our present insurance coverage and reserves are adequate to cover currently estimated exposures. We cannot assure you that we will be able to obtain adequate insurance coverage in the future at acceptable costs or that we will not incur significant liabilities in excess of policy limits.

ITEM 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

INVESTMENTS

As of March 31, 2005, we had short-term investments of $89.3 million and long-term investments of $144.5 million, including restricted deposits of $22.0 million. The short-term investments consist of highly liquid securities with maturities between three and twelve months. The long-term investments consist of municipal, corporate and U.S. agency bonds, life insurance contracts and U.S. Treasury investments and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states' requirements, these investments are classified as long-term regardless of the contractual maturity date. Our investments are subject to interest rate risk and will decrease in value if market rates increase. Assuming a hypothetical and immediate 1% increase in market interest rates at March 31, 2005, the fair value of our fixed income investments would decrease by approximately $3.9 million. Declines in interest rates over time will reduce our investment income.

INFLATION

Although the general rate of inflation has remained relatively stable and healthcare cost inflation has stabilized in recent years, the national healthcare cost inflation rate still exceeds the general inflation rate. We use various strategies to mitigate the negative effects of healthcare cost inflation. Specifically, our health plans try to control medical and hospital costs through contracts with independent providers of healthcare services. Through these contracted care providers, our health plans emphasize preventive healthcare and appropriate use of specialty and hospital services.

While we currently believe our strategies to mitigate healthcare cost inflation will continue to be successful, competitive pressures, new healthcare and pharmaceutical product introductions, demands from healthcare providers and customers, applicable regulations or other factors may affect our ability to control the impact of healthcare cost increases.

COMPLIANCE COSTS

Federal and state regulations governing standards for electronic transactions, data security and confidentiality of patient information have been issued recently. Due to the uncertainty surrounding the regulatory requirements, we cannot be sure that the systems and programs that we have implemented will comply adequately with the security regulations that are ultimately adopted. Implementation of additional systems and programs may be required. Further, compliance with these regulations would require changes to many of the procedures we currently use to conduct our business, which may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we will be able to recover our costs of complying with these new regulations from the states.

ITEM 4. ***Controls and Procedures.***

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2005. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2005, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. ***Legal Proceedings.***

Aurora Health Care, Inc. (Aurora) provides medical professional services under a contract with our Wisconsin health plan subsidiary. In May 2003, Aurora filed a lawsuit in the Milwaukee County Circuit Court claiming we had failed to adequately reimburse Aurora for services rendered during the period from 1998 to the present. In 2004 the Court dismissed the claims as filed, but allowed Aurora to replead and seek a declaratory ruling clarifying the contract with respect to reimbursement for ambulatory surgery services. In March 2005, the Court granted Aurora summary judgment related to that claim. We intend to appeal the Court's ruling. Although the exact amount of the dispute has not been determined, Aurora claims it exceeds $8,000. We continue to dispute the claim and plan to continue vigorously defending this matter.

We are routinely subject to legal proceedings in the normal course of business. While the ultimate resolution of such matters are uncertain, we do not expect the result of these matters to have a material effect on our financial position or results of operations.

ITEM 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

None.

ITEM 3. ***Defaults Upon Senior Securities.***

None.

ITEM 4. ***Submission of Matters to a Vote of Security Holders.***

None.

ITEM 5. ***Other Information.***

None.

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ITEM 6. ***Exhibits***

Exhibits.

EXHIBIT NUMBER	DESCRIPTION
4.1	Registration Agreement, by and between Centene Corporation and Summa Health System, dated December 21, 2004.
10.1	Asset Sale and Purchase Agreement, by and among Centene Corporation, Buckeye Community Health Plan, Inc., Summa Health System and SummaCare, Inc., dated January 10, 2005.
12.1	Computation of ratio of earnings to fixed charges.
31.1	Certification of Chairman and Chief Executive Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Senior Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chairman and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Senior Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of April 25, 2005.

CENTENE CORPORATION

By: /s/ MICHAEL F. NEIDORFF
Michael F. Neidorff
Chairman and Chief Executive Officer
(principal executive officer)

By: /s/ KAREY L. WITTY
Karey L. Witty
Senior Vice President, Chief Financial Officer,
Secretary and Treasurer
(principal financial and accounting officer)

EXHIBIT 4.1

CENTENE CORPORATION

REGISTRATION AGREEMENT

THIS AGREEMENT is made as of December 21, 2004, between Centene Corporation, a Delaware corporation (the "Company"), and Summa Health System, an Ohio corporation ("SHS").

The parties to this Agreement are parties to a Asset Sale and Purchase Agreement of even date herewith (the "Purchase Agreement"). In order to induce SHS to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the Closing under the Purchase Agreement. Unless otherwise provided in this Agreement, capitalized terms used herein shall have the meanings set forth in Section 6 hereof.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

1. Shelf Registration.

(a) Shelf Registration. Subject to the terms and conditions of this Section 1, the Company shall use commercially reasonable efforts to file with the SEC a registration statement under Securities Act on Form S-3 pursuant to Rule 415 under the Securities Act (the "Shelf Registration") for all of the Registrable Securities contemporaneously with the Closing under the Purchase Agreement, subject to any legal impediments to doing so. The Company shall use commercially reasonable efforts to cause the Shelf Registration to be declared effective under the Securities Act as soon as practical after filing, and once effective, the Company shall cause such Shelf Registration to remain effective for a period ending on the earlier of (i) the first anniversary of the Closing under the Purchase Agreement, (ii) the date on which all Registrable Securities have been sold, transferred or assigned by SHS and (iii) the date as of which there are no longer any Registrable Securities in existence (the "Effective Period").

(b) Deferral Period. Upon the occurrence or existence of any pending corporate development or any other material event that, in the reasonable judgment of the Company, makes it appropriate to suspend the filing or availability of the Shelf Registration Statement, the Company shall provide notice (without notice of the nature or details of such events) to SHS that the availability of the Shelf Registration is suspended, and SHS shall keep confidential and not disclose the fact it has received such notice, and upon receipt of any such notice, SHS agrees not to sell any Registrable Securities pursuant to the Shelf Registration until SHS is advised in writing by the Company that the prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such prospectus. The period during which the availability of the Shelf Registration and any Prospectus is suspended (the "Deferral Period") shall not exceed 90 days in any twelve-month period.

(c) Selection of Underwriters. SHS shall consult and cooperate with the Company on the selection of a nationally-recognized investment banker(s), manager(s) or broker(s) to administer any underwritten offering or other sale of shares under the Shelf Registration. Whether or not sold pursuant to an underwritten offering, SHS shall use its commercially reasonable efforts not to dispose of the Registrable Securities in such a manner as to disrupt the public market for the Company's common stock, and shall consult with the Company and its financial advisors in a general fashion regarding its plans to avoid doing so.

2. Holdback Agreements.

(a) SHS shall not effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and the 180-day period beginning on the effective date of any underwritten registration statement filed by the Company unless the underwriters managing the registered public offering otherwise agree.

3. Registration Procedures. The Company shall as expeditiously as possible:

(a) prepare and file with the Securities and Exchange Commission a Shelf Registration Statement, and all amendments and supplements thereto and related prospectuses as may be necessary to comply with applicable securities laws, with respect to such Registrable Securities and use its commercially reasonable efforts to cause such Shelf Registration Statement to become effective (provided that before filing a Shelf Registration Statement or prospectus or any amendments or supplements thereto, the Company shall furnish to the counsel selected by SHS copies of all such documents proposed to be filed);

(b) notify SHS of the effectiveness of the Shelf Registration Statement filed hereunder and prepare and file with the Securities and Exchange Commission such amendments and supplements to such Shelf Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Shelf Registration Statement effective during the Effective Period and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Shelf Registration Statement during such period in accordance with the intended methods of disposition by SHS set forth in such Shelf Registration Statement;

(c) furnish to SHS such number of copies of such Shelf Registration Statement, each amendment and supplement thereto, the prospectus included in such Shelf Registration Statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities;

(d) use its commercially reasonable efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as SHS reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable SHS to consummate the disposition in such jurisdictions of the Registrable Securities (provided that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph,

(ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any such jurisdiction);

(e) notify SHS, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such Shelf Registration Statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of SHS, the Company shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(f) make available for inspection by SHS, any underwriter participating in any disposition pursuant to such Shelf Registration Statement and any attorney, accountant or other agent retained by SHS or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by SHS or any such underwriter, attorney, accountant or agent in connection with such Shelf Registration Statement; and

(g) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission ("SEC" or the "Commission"), and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months as contemplated by Rule 158 under the Securities Act.

4. Registration Expenses.

(a) All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Section 1 shall be paid by the Company. All Selling Expenses incurred in connection with any such registration, qualification or compliance shall be borne by SHS. "Registration Expenses" means all expenses incurred by the Company in compliance with Section 1, including, without limitation, all registration and filing fees, printing expenses, transfer taxes, accounting fees and expenses, fees and disbursements of counsel for the Company and blue sky fees and expenses, and excluding underwriting discounts and commissions. "Selling Expenses" means all underwriting discounts and selling commissions applicable to the sale of Registrable Securities and all fees and expenses of counsel or financial advisors for SHS .

5. Indemnification.

(a) The Company agrees to indemnify, to the extent permitted by law, SHS, its officers and directors and each Person who controls SHS (within the meaning of the Securities Act) against all losses, claims, actions, damages, liabilities and expenses caused by (i) any untrue or alleged untrue statement of material fact contained in the Shelf Registration Statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make

the statements therein not misleading, or (ii) any violation or alleged violation by the Company of the Securities Act or any other similar federal or state securities laws or any rule or regulation promulgated thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and to pay to SHS, its officers and directors and each Person who controls SHS (within the meaning of the Securities Act), as incurred, any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, except insofar as the same are caused by or contained in any information furnished in writing to the Company by such holder expressly for use therein or by such holder's failure to deliver a copy of the Shelf Registration Statement or prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same. In connection with an underwritten offering, the Company shall indemnify such underwriters, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

(b) In connection with the Shelf Registration Statement SHS shall furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any the Shelf Registration Statement or prospectus and, to the extent permitted by law, shall indemnify the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the Shelf Registration Statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by SHS.

(c) Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any Person's right to indemnification hereunder to the extent such failure has not prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

(d) The indemnification and contribution provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the

indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of securities.

6. Definitions.

(a) "Registrable Securities" means any of the following which is held and owned by SHS: (i) any Common Stock issued pursuant to the Purchase Agreement, and (ii) any Common Stock issued or issuable with respect to the securities referred to in clause (i) above by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when they have been distributed to the public pursuant to a offering registered under the Securities Act or sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force).

(b) "Shelf Registration Statement" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 1 hereof which covers the Registrable Securities on an appropriate form under Rule 415 under the Act, or any similar rule that may be adopted by the Commission, amendments and supplements to such registration statement, including post-effective amendments, in each case including the prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

(c) Unless otherwise stated, other capitalized terms contained herein have the meanings set forth in the Purchase Agreement.

7. Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the SEC which may permit the sale of restricted securities (as that term is used in Rule 144 under the Securities Act) to the public without registration, the Company agrees to:

(a) make and keep public information available as those terms are understood and defined in Rule 144 under the Securities Act;

(b) use its commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) so long as SHS owns any Registrable Securities, furnish to SHS forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of Rule 144 and of the Securities Act and Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as SHS may reasonably request in availing itself of any rule or regulation of the SEC allowing a holder of Registrable Securities to sell any such securities without registration.

8. Miscellaneous.

(a) No Inconsistent Agreements. The Company shall not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the holders of Registrable Securities in this Agreement.

(b) Remedies. Any Person having rights under any provision of this Agreement shall be entitled to enforce such rights specifically, to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. The parties hereto agree and acknowledge that money damages would not be an adequate remedy for any breach of the provisions of this Agreement and that, in addition to any other rights and remedies existing in its favor, any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or other security) for specific performance and/or other injunctive relief in order to enforce or prevent violation of the provisions of this Agreement.

(c) Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may be amended or waived only upon the prior written consent of the Company and SHS. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(d) Neither party may assign its rights or obligations under this Agreement, by operation of law or otherwise, without the other party's prior written consent. If such consent is granted, all covenants and agreements in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective permitted successors and assigns of the parties hereto. For the avoidance of doubt, the parties hereto acknowledge and agree that, unless the Company consents to assignment of this Agreement, the Shelf Registration and this Agreement shall be for the benefit of SHS only and shall not benefit any future holder of any Registrable Security.

(e) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(f) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same Agreement.

(g) Descriptive Headings; Interpretation; No Strict Construction. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns, pronouns, and verbs shall include the plural and vice versa. Reference to any

agreement, document, or instrument means such agreement, document, or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. The use of the words "include" or "including" in this Agreement shall be by way of example rather than by limitation. The use of the words "or," "either" or "any" shall not be exclusive. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. The parties agree that prior drafts of this Agreement shall be deemed not to provide any evidence as to the meaning of any provision hereof or the intent of the parties hereto with respect hereto.

(h) GOVERNING LAW. ALL ISSUES AND QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT AND THE EXHIBITS AND SCHEDULES HERETO SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW RULES OR PROVISIONS (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE.

(i) Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, sent to the recipient by reputable overnight courier service (charges prepaid) or mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to each holder of Registrable Securities at the address indicated by such holder from time to time and to the Company at the address indicated below:

Company:

Centene Corporation
7711 Carondelet, Suite 800
St. Louis, MO 63105
Attention: Michael F. Neidorff
Fax: (314) 725-5180

Copy to (which shall not constitute notice):

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Attention: Gerald T. Nowak, Esq.
Fax: (312) 861-2200

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

(j) Mutual Waiver of Jury Trial. As a specifically bargained inducement for each of the parties to enter into this Agreement (with each party having had opportunity to consult counsel), each party hereto expressly and irrevocably waives the right to trial by jury in any lawsuit or legal proceeding relating to or arising in any way from this Agreement or the transactions contemplated herein, and any lawsuit or legal proceeding relating to or arising in any

way to this Agreement or the transactions contemplated herein shall be tried in a court of competent jurisdiction by a judge sitting without a jury.

(k) Entire Agreement. Except as otherwise expressly set forth herein, this agreement and the other agreements referred to herein embody the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(l) Delivery by Facsimile. This Agreement and any amendments hereto, to the extent signed and delivered by means of a facsimile machine, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto, each other party hereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto shall raise the use of a facsimile machine to deliver a signature or the fact that any signature was transmitted or communicated through the use of a facsimile machine as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CENTENE CORPORATION

By: /s/ MICHAEL F. NEIDORFF

Its: Chairman and CEO

SUMMA HEALTH SYSTEM

By: /s/ THOMAS P. STRAUSS

Its: President and CEO

Exhibit 10.1

Execution Copy

ASSET SALE AND PURCHASE AGREEMENT

BY AND AMONG

CENTENE CORPORATION,

BUCKEYE COMMUNITY HEALTH PLAN, INC.

SUMMA HEALTH SYSTEM

AND

SUMMACARE, INC.

JANUARY 10, 2005

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ASSET SALE AND PURCHASE AGREEMENT

THIS ASSET SALE AND PURCHASE AGREEMENT ("Agreement") is made and entered into as of this 10th day of January, 2005 ("Execution Date"), by and among Centene Corporation ("Centene"), Buckeye Community Health Plan, Inc., an Ohio health insurance corporation, a wholly-owned subsidiary of Centene ("Buyer"), Summa Health System, an Ohio corporation ("Parent"), and SummaCare, Inc., an Ohio corporation and a second-tier subsidiary of Parent ("Seller").

RECITALS:

A. Buyer is licensed as a Heath Insuring Corporation ("HIC") under Chapter 1751 of the Ohio Revised Code by the Ohio Department of Insurance ("ODI").

B. Seller is licensed as a HIC by ODI.

C. The Medicaid Business is accredited by the National Committee for Quality Assurance ("NCQA") with a rating of "excellent."

D. Seller's HIC operations are comprised of several business segments, including a commercial HIC business and a managed-care business operated pursuant to a Medicaid Contract with the Ohio Department for Job and Family Services ("ODJFS").

E. Seller desires to sell, assign, and deliver to Buyer, and Buyer desires to purchase, accept assignment, and accept delivery from Seller, the Medicaid Business with the Medicaid Members being re-enrolled with Buyer, as well as other related assets described herein.

F. Buyer and Seller executed a Confidentiality Agreement dated September 24, 2003, relating to the transactions set forth in this Agreement (the "Confidentiality Agreement").

G. Buyer and Seller wish to set forth the terms and conditions under which Buyer will buy and Seller will sell, or cause to be sold, the assets of the Medicaid Business.

NOW, THEREFORE, for and in consideration of the above recitals and the representations, warranties, mutual covenants, and agreements herein expressed, and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

In addition to certain terms defined elsewhere in this Agreement, the following terms shall be defined as set forth below.

"AAA" has the meaning ascribed to it in Section 14.2.

"Affiliates" means (i) any Person directly or indirectly controlling, controlled by or under common control with another Person where "control" means possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise; (ii) any Person owning or controlling 10% or more of the outstanding voting securities of such other Person; (iii) any officer, director or partner of such Person; and (iv) if such person is an officer, director or partner, any such company for which such Person acts in such capacity.

"Affiliated Group" means any affiliated group as defined in Code §1504 that has filed a consolidated return for federal income tax purposes (or any similar group under state, local or foreign law) for a period during which the Seller or its Subsidiaries was a member.

"Agreement" has the meaning ascribed to it in the preamble.

"Applicable Rate" means the prime rate as published in the Wall Street Journal from time to time.

"Assets" means the assets of Seller or Seller's Affiliates that are being acquired by Buyer as set forth in Section 2.1 of this Agreement.

"Assumed Liabilities" has the meaning ascribed it in Section 2.4.

"Average Stock Price" means the average closing price per share of the Centene Common Stock on the New York Stock Exchange for the five (5) consecutive trading days immediately preceding date of the public announcement of the transaction.

"Benefit Plan" means any (i) nonqualified deferred compensation or retirement plan or arrangement, whether or not funded and whether or not terminated, (ii) qualified defined contribution retirement plan or arrangement that is an employee pension benefit plan under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether or not funded and whether or not terminated, (iii) qualified defined benefit retirement plan or arrangement which is an employee pension benefit plan under ERISA, whether or not funded and whether or not terminated, or (iv) employee welfare benefit plan under ERISA or fringe benefit or other retirement, bonus, severance, retention, vacation, sick pay or incentive plan or program, whether or not funded and whether or not terminated.

"Board of Arbitration" has the meaning ascribed to it in Section 14.2.

"Books and Records" has the meaning ascribed to in Section 2.1(d).

"Buyer" has the meaning ascribed to it in the preamble.

"Buyer's Medicaid Contract" means the contract effective on or immediately following the Closing Date by and between ODJFS and Buyer for the Service Area.

"Centene Common Stock" means the Common Stock, par value $.01, of Centene.

"Centene Change in Control" means the acquisition by a single entity or identifiable group, whether by merger, the purchase of stock or assets or otherwise, of all or substantially all of the stock or assets of Centene and the then-current management of Centene is no longer in control of the management and direction of the Medicaid Business in Summit County.

"Closing" means the closing of the purchase and sale of the Assets occurring on the Closing Date.

"Closing Date" means the date of Closing as determined pursuant to Section 2.6.

"Code" means the Internal Revenue Code of 1986, as amended.

"Competing Business" means any health insurance or health benefit program, including, without limitation, any health maintenance organization, any health insurance corporation health care preferred provider organization, or traditional indemnity program offered by Seller or any of Seller's Affiliates (or a similar or related business or expansion into related lines of business because of an expansion of the State of Ohio managed care program, including, without limitation to the extent the Ohio Enhanced Care Management program becomes a participant in the Medicaid business) to Medicaid beneficiaries through the State of Ohio Medicaid managed care program or any successor program thereto.

"Confidentiality Agreement" has the meaning ascribed to it in the recitals.

"ERISA" has the meaning set forth in the definition of Benefit Plan.

"Excluded Assets" means those assets of Seller that are excluded from the transaction that is the subject of this Agreement pursuant to Section 2.2.

"Excluded Contract" has the meaning ascribed to it in Section 2.2(d).

"Excluded Liabilities" means those liabilities of Seller that are excluded from the transaction that is the subject of this Agreement pursuant to Section 2.4(b).

"Execution Date" has the meaning ascribed to it in the preamble.

"Financial Statements" has the meaning set forth in Section 3.1(e) of this Agreement.

"First Capitation Date" means the date one (1) day after the date upon which Buyer receives the First Capitation Payment.

"First Capitation Payment" means the first capitation payment following the Closing Date which is received by Buyer directly from ODJFS as a payment for Buyer's own account.

"GAAP" means United States generally accepted accounting principles as in effect from time to time, consistently applied throughout the specified period and in the immediately prior comparable period.

"Governmental Entity" means the United States of America or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"HIC" has the meaning ascribed to it in the recitals.

"Hired Employee" has the meaning set forth in Section 9.4(b) of this Agreement.

"IBNR Expenses" means the actuarial estimate of medical expenses that have been incurred by Medicaid Members but not reported.

"In-Scope Employee" has the meaning set forth in Section 9.4(b) of this Agreement.

"Intellectual Property" means any of the following in any jurisdiction throughout the world including, without limitation, all income, royalties, damages and payments due or payable at the Closing or thereafter, including, without limitation, damages and payments for past, present or future infringements or misappropriations thereof, the right to sue and recover for past infringements or misappropriations thereof: patents and patent applications and patent disclosures, trademarks, trade names, service marks, brand names, Internet domain names, inventions, copyrights and copyrightable works (including software), processes, formulae, trade dress, business and product names, logos, slogans, trade secrets and confidential information, industrial models, designs, methodologies, computer programs (including all source code) and related documentation, technical information, manufacturing, engineering and technical drawings, know-how and all pending applications for and registrations of patents, trademarks, service marks and copyrights.

"Interim Financial Statements" has the meaning set forth in Section 3.1(e) of this Agreement.

"Lien" means any interest in property securing an obligation owed to, or a claim by, a person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including but not limited to the lien or security interest arising from a mortgage, charge, pledge, assignment, hypothecation, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or other encumbrance of any nature whatsoever on or with respect to any cash, property, right to receive income or other assets of any nature whatsoever.

"Medicaid" means medical assistance provided under a state plan approved under both Title XIX and Title XXI of the Social Security Act, as amended from time to time.

"Medicaid Business" means the business of providing managed care services to Medicaid Members in the Service Area and of receiving from the State the corresponding premium and other revenue as payment for such services pursuant to the terms of the Seller's Medicaid Contract.

"Medicaid Business Employee" has the meaning assigned in Section 3.1(r).

"Medicaid Members" means the persons enrolled under Seller's Medicaid Contract.

"Medicaid Providers" means the physicians, hospitals and other health care providers that have contracted with Seller and/or Seller's Affiliates to provide covered health care services to Medicaid Members.

"Medical Claim" has the meaning ascribed to it in the Section 11.4(c).

"Non-Prevailing Party" means the party in an arbitration pursuant to Section 14.2 whose position is the furthest from the decision reached.

"ODI" has the meaning ascribed to it in the recitals.

"ODJFS" has the meaning ascribed to it in the recitals.

"Parent" has the meaning ascribed to it in the preamble.

"Person" means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity.

"Provider Agreements" means the written agreements for the provision of health care services to Medicaid Members that have been executed by and between providers, including, without limitation, those with physicians, hospitals, ancillary and other institutional providers, laboratories, vision providers, behaviorial health providers, durable medical equipment service providers, and provider HICs, and Seller and/or Seller's Affiliates.

"Purchase Price" has the meaning ascribed to it in Section 2.5(a).

"Purchased Provider Agreements" has the meaning ascribed to it in Section 2.1(b).

"Regulations" means the income tax regulations, including temporary regulations, promulgated under the Code, as such regulations are amended from time to time.

"Securities Act" means the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder.

"Securities Exchange Act of 1934" means the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder.

"Seller" has the meaning ascribed to it in the preamble.

"Seller's Medicaid Contract" means the contract(s) executed by and between ODJFS and Seller in effect as of the date of this Agreement for the Service Area.

"Seller's Permits" has the meaning ascribed to it in Section 3.1(g).

"Service Area" means the Summit County, Ohio, service area, designated by ODJFS, for purposes of the Medicaid program.

"State" means the State of Ohio.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity's gains or losses or shall be or control any managing director or general partner of such business entity (other than a corporation). The term "Subsidiary" shall include all Subsidiaries of such Subsidiary.

"Taxes" means all federal, state, local and foreign income, employment, franchise, capital stock, excise, gross receipts, sales, use, property, real estate and stamp taxes, license, occupation, premium, windfall profits, environmental (including under Code §59A), withholding, social security (or similar), unemployment, disability, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis or in any other manner; payments in lieu of taxes, levies, duties, assessments and fees of any nature or other taxes of any kind whatsoever, together with all related penalties, fines or additions to tax or interest thereon, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

"Tax Returns" means any returns, reports, forms, declarations, claims for refund, information reports, amended returns or other documents (including any related or supporting schedules, supporting statements or information) filed or required to be filed in connection with the determination, assessment or collection of any Person or the administration of any laws or regulations or, administrative requirements relating to any Taxes.

"Violation" has the meaning ascribed to it in Section 3.1(c).

ARTICLE II
SALE OF ASSETS

2.1 Sale and Purchase of Assets. Seller hereby agrees to sell, transfer, convey, assign and deliver to Buyer, or cause to be sold, transferred, conveyed, assigned and delivered to Buyer, free and clear of all Liens and encumbrances of any kind, and Buyer hereby agrees to purchase and accept assignment from Seller or Seller's Affiliates, for payment of the Purchase Price specified in Section 2.5, all of the legal and beneficial right, title and interest in, to and under Assets of every kind and description that are owned and used by Seller, or owned or used by Seller's Affiliates (as listed on Schedule 2.1), in the operation of or related to, necessary and/or material to the Medicaid Business in the Service Area, including, without limitation, the following:

(a) All of Seller's rights to continue to operate the Medicaid Business, including but not limited to the right to enter into a replacement for the Seller's Medicaid Contract, all rights to provide ODJFS prescribed health services to Medicaid Members and the corresponding right to receive capitation payments, premium payments, delivery supplemental payments, and any other revenues payable by ODJFS under Buyer's Medicaid Contract with respect to such members from and after the Closing;

(b) Seller's rights, title and interests in the Provider Agreements that are listed on Schedule 2.l(b) (the "Purchased Provider Agreements"), as may be amended prior to the Closing through terminations, expirations, and additions made in the ordinary course of business, except that to the extent any Purchased Provider Agreements are not assignable to Buyer, Buyer will enter into replacement provider agreements on terms that are no less favorable to the Medicaid Business than the original Provider Agreements;

(c) All of Seller's rights, title and interests in all other contracts of Seller which relate to the Medicaid Business and are listed on Schedule 2. l(c), as may be amended prior to the Closing through terminations, expirations, and additions made in the ordinary course of business (the "Other Contracts", and collectively with the Purchased Provider Agreements and the Seller's Medicaid Contract, the "Business Contracts");

(d) True and correct copies of financial and other books, records, information and title documents necessary for Buyer to operate the Medicaid Business after the Closing Date (the "Books and Records");

(e) Books, records and information pertaining to the transferred Medicaid Members, including lists of all names, addresses, identification numbers, provider data, and copies (electronic and/or hard copy) of all books and records maintained for such members, including medical and claim histories;

(f) Any capitation payment made by ODJFS to Seller after the Closing Date for any period after the Closing Date unless such payment is made and properly due pursuant to Seller's Medicaid Contract for periods prior to the Closing Date;

(g) Books, records and information pertaining to Medicaid Providers, including without limitation lists of all of Seller's Medicaid Providers for the Medicaid Members and the Purchased Provider Agreements, containing names, addresses, and other data maintained for each provider; provided that the provision of such information does not violate any contractual confidentiality provisions or the confidentiality restrictions of applicable law; and provider further that Schedule 2.1(g) describes the type of information that will be withheld on such basis and the reason for such information being withheld;

(h) True and correct copies of all of the credentialing files and supporting or related documentation for any Medicaid Provider that has entered into a provider agreement with Buyer;

(i) Medical management materials, including copies of policies and procedures used in connection with the Medicaid Business (unless identified in Section 2.2 as Excluded Assets);

(j) Rights and interests of every kind relating to the Assets and/or the ownership of the Medicaid Business that arise or accrue after the Closing, including payments of any kind by or on behalf of Medicaid Members, refunds, causes of action, and rights of recovery, except to the extent such claims and rights relate exclusively to an Excluded Liability or are Excluded Assets;

(k) All Intellectual Property (including goodwill and other intangibles) used in connection with the Medicaid Business other than those set forth in Schedule 2.2(h);

(l) All rights to Medicaid Member outreach programs, including but not limited to the procedures, methods, and materials for member outreach utilized by Seller in the Service Area prior to the Closing Date; and

(m) Seller's existing stock of pre-printed advertising brochures, marketing materials, literature, form contracts, form certificates of coverage, membership handbooks and other pre-printed materials related to the Medicaid Business, to be utilized by Buyer consistent with Section 11.4(b) of this Agreement; provided however that Buyer acknowledges that it shall not use any such items bearing the Seller's tradename(s), trademark(s), service mark(s), whether registered or unregistered, or logos.

2.2 Excluded Assets. The following assets of Seller are not included in the defined term "Assets," and they are not being transferred or assigned to Buyer under this Agreement. They are considered "Excluded Assets."

(a) Seller's rights, title and interests in the real property owned or leased by Seller or Seller's Affiliates;

(b) Seller's rights, title and interests in its contracts of employment;

(c) Right, title and interests in Seller's Medicaid Contract (including retroactive additions (net of deductions)), including without limitation accounts receivable and for the twelve months immediately following the Closing Date, any right to receive payments from ODJFS for delivery and birth arising from admissions prior to the Closing Date;

(d) Except as otherwise set forth in this Agreement, Seller's rights, title and interests in contracts ("Excluded Contracts") and other assets in each case set forth on Schedule 2.2(d);

(e) Seller's rights, title and interests in the insurance policies or programs covering Seller, its officers, directors, employees and agents, and any claims for refunds or recoveries under any insurance policies or programs, including without limitation, directors and officers liabilities insurance, error and omissions insurance, and stop loss insurance;

(f) Seller's rights, title and interests in claims against third parties arising with respect to acts and omissions occurring on dates prior to the Closing, if any;

(g) All cash, cash equivalents, and statutory deposits of Seller relating to the Medicaid Business (excluding capitation payments described in Section 2.1(f));

(h) All Intellectual Property identified in Schedule 2.2(h); and

(i) All assets owned or used by Seller or Seller's Affiliates that are not necessary for, related to in any way, have ever been used in or were developed for use in, the operation of the Medicaid Business.

2.3 Exclusion of Certain Contracts. Notwithstanding anything to the contrary contained in this Agreement, Buyer shall have the right, in its sole discretion, from the date hereof until seven (7) days prior to the Closing Date, to specifically exclude any Business Contract, as Buyer shall specify in a written notice to Seller, whereupon such contract or contracts shall, to the extent excluded, cease to be "Assets" hereunder and shall become "Excluded Assets" and thereby be excluded from the Assets; provided that such exclusions shall not result in an adjustment to the Purchase Price.

2.4 Liabilities.

(a) Assumed Liabilities. As of the Closing, in addition to any and all Losses against which Buyer agrees to indemnify Seller pursuant to Article XII of this Agreement, Buyer shall assume the direct obligation to pay, discharge, and perform, as appropriate, only those liabilities specifically identified in this Section 2.4(a) (collectively, the "Assumed Liabilities") which are as follows: any and all liabilities and obligations arising with respect to periods after the Closing Date under the Buyer's Medicaid Contract, including, without limitation, all obligations to pay and administer payment under the Purchased Provider Agreements or replacement provider agreements for covered services rendered to Medicaid Members after the Closing, but excluding, however any obligation for claims for payment for services rendered to Medicaid Members who are hospitalized, or, subject to Section 2.4(d) hereof, whose admission has been authorized, on or prior to the Closing and continuing through such Medicaid Members' discharge.

(b) Liabilities Not to be Assumed. Buyer shall not assume and shall not be obligated to pay, discharge or perform any obligations and liabilities of Seller or Seller's Affiliates relating to the Medicaid Business or any other business not listed in Section 2.4(a) of this Agreement, regardless of whether such obligation arises before or after the Closing Date, including, without limitation, the following (collectively, "Excluded Liabilities"):

(i) Any and all liabilities or obligations of Seller or Seller's Affiliates in connection with the Medicaid Business, whether reported or unreported, arising or accruing prior

to the Closing, including without limitation, any liability for contractual obligations under the Seller's Medicaid Contract arising prior to the Closing, which shall include but not be limited to, Medical Claims (whether incurred under a Purchased Provider Agreement or otherwise) for services rendered to Medicaid Members on or prior to the Closing and claims of Medicaid Members who are hospitalized prior to the Closing through the date of discharge for such members;

(ii) Any and all liabilities, of Seller, Seller's Affiliates or any third party, whether currently known or unknown, with respect to claims or potential claims for medical malpractice or professional liability with respect to the Medicaid Business relating to periods prior to the Closing in each case regardless of when the claim is asserted;

(iii) Any and all liabilities of Seller, Seller's Affiliates or any third party, whether currently known or unknown, relating to litigation or claims of any kind or nature with respect to the Medicaid Business arising out of or accruing from or relating to the Medicaid Business prior to the Closing, in each case regardless of when the claim is asserted;

(iv) Liabilities arising from relating to or in connection with the Excluded Assets;

(v) Liabilities that do not relate to the Medicaid Business;

(vi) Liabilities which are not otherwise directly related to the Assets;

(vii) Liabilities arising from, related to or in connection with any of Seller's expenses related to the transactions contemplated by this Agreement (unless otherwise provided in this Agreement);

(viii) Liabilities arising from, related to or in connection with any cure or other amount payable with respect to the assignment or termination of any contractual obligation to Buyer hereunder;

(ix) Any liability of any kind to, or with respect to, Seller's current or former employees, independent contractors, directors or officers (or any dependants or beneficiaries thereof), including without limitation, salaries or compensation of any kind, continued employment, vacation or severance pay, or with respect to the Benefit Plans of Seller (including all obligations pursuant to the continuation coverage rules of ERISA Sections 601-608 and Code Section 4980B) or any benefit plans of any other entity that together with Seller constitutes a controlled group of entities under Code Section 414(b), (c), (m) or (o);

(x) Any and all Taxes or assessments arising from or related to ownership of the Assets or the conduct of the Medicaid Business on or prior to the Closing Date, including, without limitation (A) any personal property or sales or use taxes, (B) any liability of Seller for unpaid Taxes of any Person under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise; (C) any liability of Seller for income, transfer, sales, use, and other Taxes arising in connection with the consummation of the transactions contemplated hereby (including any income Taxes arising

because Seller is transferring the assets); or (D) any other Taxes or assessments payable by Seller;

(xi) Any and all retroactive subtractions to capitation payments earned by Seller for periods prior to Closing and related to the Medicaid Business; and

(xii) Any and all Losses against which Seller agrees to indemnify Buyer pursuant to Article XII of this Agreement.

(c) Transfer Taxes; Recording Fees. Notwithstanding, Section 2.4(b)(x), Seller and Buyer share the burden equally of any and all sales, use, transfer or other similar taxes imposed as a result of the consummation of the transactions between Buyer and Seller contemplated by this Agreement.

(d) Authorized Admissions and Services. Seller shall be responsible for all claims for payment for services rendered to Medicaid Members whose in-patient hospital admission occurred prior to the Closing Date, regardless of date of discharge. Buyer shall be responsible for the payment for services rendered to Medicaid Members for admissions or services authorized by Seller prior to Closing Date in the ordinary course of business that occur after the Closing Date (which list of authorized admissions and authorized treatment and services will be identified on Schedule 2.4(d) to this Agreement to be provided to Buyer five (5) Business Days prior to Closing, and updated one (1) Business Day prior to Closing); provided, however, Buyer shall have the right to review such authorizations to determine whether the admissions and requested treatment or services are medically necessary or appropriate and to retract and deny any such authorization that is not medically necessary or appropriate (by notifying affected Medicaid Members or Medicaid Providers, as appropriate), prior to the admission or rendering of requested treatment or services. Any obligations or liabilities arising from Buyer's decision to retract and deny such admissions or services, if such admissions and services were initially authorized in a manner consistent with Buyer's policies and procedures, shall be considered Assumed Liabilities.

2.5 Purchase Price.

(a) Determination of Purchase Price. Subject to the terms and conditions of this Agreement, in consideration of the sale, transfer, assignment, conveyance and delivery of the Assets (including the provider agreement entered into between Parent and Buyer and the Purchased Provider Agreements) and the Seller's or Parent's agreements set forth herein (including the non-competition provisions of Section 9.3), the aggregate purchase price (the "Purchase Price") shall consist of the following (i) an amount (the "Consideration Amount") equal to the product of (A) the number of Medicaid Members enrolled with Seller on the Closing Date multiplied by (B) $800; comprised of (X) 70% in cash (the "Cash Consideration") and (Y) 30% in shares of Centene's Common Stock (the 'Stock Consideration Amount"), with the number of shares determined by dividing the Stock Consideration Amount by the Average Stock Price and (ii) Buyer's assumption of the Assumed Liabilities. The Cash Consideration and the Stock Consideration shall each be payable or deliverable, as the case may be, to Seller, Parent or Seller's Affiliates, as directed by Seller in a written notice to Buyer, within five (5) Business days after the First Capitation Date by wire transfer of immediately available funds, or delivery

of the appropriate shares of Common Stock to an account specified to Buyer by Seller in writing at least two (2) Business Days before the Closing Date. In the event the price per share at the time as of the effective date of the registration statement filed pursuant to the registration rights agreement attached hereto as Exhibit C is lower than the Average Stock Price, Buyer shall deliver an additional amount of cash equal to the aggregate difference between the price per share on such date and the Average Stock Price. In the event the price per share at the effective date of such registration statement is higher than the Average Stock Price, Seller or Parent shall retain such profit, which shall not be considered a part of the Purchase Price.

The Centene Common Stock constituting the Stock Consideration Amount will not be subject to any restrictions on transfer other than under the registration agreement described in Section 8.2 or under the Securities Act. Subject to such restrictions, the Sellers may transfer such Centene Common Stock at any time after Closing; provided however, that if such shares are to be transferred other than pursuant to the registration statement, (i) Centene's obligation to deliver additional cash in the event of a price decline shall be null and void with respect to such shares and (ii) such transfer will be subject to Centene's prior written approval.

(b) Allocation Buyer shall prepare an allocation of the Purchase Price (and all other capitalized costs) among the Assets and non-compete agreement described in Section 9.3 for all purposes (including financial accounting and tax purposes). Buyer shall deliver a preliminary allocation to Seller and Parent on or prior to the Closing Date. Seller shall timely and properly prepare and deliver all such documents and other information as Buyer may reasonably request to prepare such allocation.

2.6 Closing and Closing Date. The actions contemplated to consummate the transactions under this Agreement shall take place on the Closing Date, which, unless otherwise agreed by Buyer and Seller, shall be effective the last day of the month during the calendar month after all conditions precedent of Buyer and Seller which are set forth in this Agreement have been fully satisfied or have been waived in writing; provided, however, that notwithstanding the actual time of the day on the Closing Date at which the actions contemplated to consummate this Agreement shall occur, and unless otherwise agreed to by the parties, the Closing shall be deemed to be effective as of and to occur, and subject to the terms hereof the risk of loss for the Medicaid Business shall pass from Seller to Buyer, at 12:01 a.m. (Central Time, adjusted for daylight savings time, if applicable) on the day after the Closing Date. The Closing shall commence on the Closing Date at the offices of Kirkland & Ellis LLP, located at 200 East Randolph Drive, Chicago, Illinois 60601, or at such other location as may be agreed upon by the parties.

2.7 Actions to be Taken at Closing Subject to the terms and conditions set forth in this Agreement, at the Closing:

(a) Buyer's Deliveries. Buyer shall deliver to Seller or Parent:

(i) One or more Bill of Sale Assignment and Assumption Agreements, substantially in the form ofExhibit A conveying all right, title and interest in, to and under the Assets to be conveyed to Buyer hereunder, free and clear of all Liens and such other instruments

and agreements, duly executed by Buyer, as may be reasonably necessary to effect Buyer's assumption of the Assumed Liabilities;

(ii) All necessary consents, estoppels, approvals, authorizations or other documents from third parties in a form reasonably satisfactory to Seller required to be obtained by Buyer under the terms of this Agreement;

(iii) Copies of the resolutions duly adopted by the Board of Directors of Buyer authorizing Buyer's execution, delivery and performance of this Agreement and of all documents related hereto or contemplated herein;

(iv) Such other documents as reasonably required by Seller to complete the transactions contemplated hereunder; and

(v) Each of the items required under Article VII.

(b) Seller's Deliveries. Seller, and Seller's Affiliates, as applicable, shall deliver to Buyer, or to the extent any Assets are owned by Seller's Affiliates, shall cause Seller's Affiliates to deliver to Buyer:

(i) All right, title and interest in, to and under the Assets to be conveyed, free and clear of all Liens and encumbrances, to Buyer hereunder;

(ii) One or more Bill of Sale, Assignment and Assumption Agreements, substantially in the form of Exhibit A, conveying all right, title and interest in, to and under the Assets to be conveyed to Buyer hereunder, free and clear of all Liens, and such other instruments and agreements, duly executed by Seller, as may be reasonably necessary to effect Seller's assignment of the Assumed Liabilities;

(iii) All necessary consents, estoppels, approvals, authorizations or other documents from third parties in a form reasonably satisfactory to Buyer required to be obtained by Seller or Seller's Affiliates hereunder;

(iv) All necessary consents, estoppels, approvals, authorizations or other documents executed by Seller's Affiliates in a form reasonably satisfactory to Buyer which are necessary to convey to Buyer the Assets owned by Seller's Affiliates;

(v) A true and correct list of all Medicaid Members who have been authorized by Seller to be admitted for hospitalization on a date following Closing, plus documentation utilized by Seller to make such authorization;

(vi) Copies of the resolutions duly adopted by the Boards of Directors of Seller or Parent authorizing Seller's or Parent's execution, delivery and performance of this Agreement and of all documents related hereto or contemplated herein;

(vii) Such other documents reasonably required by Buyer to transfer fully the Assets and Assumed Liabilities to Buyer or to complete the transactions contemplated hereunder; and

(viii) Each of the items required under Article VI.

(c) Third Party Consents. To the extent that Seller's rights under any contracts relating to the Medicaid Business (which are part of the Assets) may not be assigned without the consent of a third party, which consent has not been obtained prior to Closing, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful. Both Seller and Buyer acknowledge and agree that in addition to the Purchased Provider Agreements (which are not assignable to Buyer and will be dealt with pursuant to Section 11.1(b)), each of the agreements set forth on Schedule 2.7(c) are not assignable and Seller has agreed to either secure the consents of its contracting parties or to take all actions necessary in order to provide the benefits of any such agreement to Buyer. Seller, at its expense, shall use its commercially reasonable efforts to obtain any such required consent as promptly as possible after Closing. If any such consents are not obtained or if any attempted assignment would be ineffective or would impair Buyer's rights so that Buyer would not in effect acquire the benefit of all such rights, Seller, to the maximum extent permitted by law and by the terms of the applicable contract(s), at Seller's expense, shall use its commercially reasonable efforts in acting as Buyer's agent in order to obtain for Buyer the benefits thereunder, and shall cooperate, to the maximum extent permitted by law and by the terms of the applicable contract(s), with Buyer in any other reasonable arrangement designed to provide the benefits of such contracts to Buyer. Seller shall, without further consideration therefor, pay and remit to the Buyer promptly all monies, rights, and other considerations received in respect of the Buyer's performance of any obligations, and, at the Buyer's request, shall direct that such payments be made directly to the Buyer. Without limiting the foregoing, Seller shall not terminate any such contract without the prior written consent of Buyer. Buyer may, from time to time, upon five (5) Business Days' written notice to Seller, terminate any arrangements which are the subject of this Section 2.7(c) with respect to periods after such notice, without liability or further obligation to Seller or any third party.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF PARENT AND SELLER

3.1 Representations and Warranties of Parent and Seller. Parent and Seller jointly and severally represent and warrant to Buyer that each of the following representations and warranties are true and correct as of the Execution Date and will be true and correct as of the Closing Date. When information is included in schedules referenced in this Article III or Article IV or elsewhere in this Agreement such information shall be deemed disclosed only as to such schedule unless the disclosure is reasonably apparent from its face to be applicable to other sections of this Agreement. Information included in any schedule shall apply to all matters in the representation containing such schedule. The inclusion of information on any schedule shall not be deemed as admission or acknowledgment by virtue of its inclusion that such information is required to be set forth therein or that such information is material. Capitalized terms used in the schedules and not otherwise defined therein shall have the respective meanings ascribed to them in this Agreement.

(a) Organization and Good Standing. Seller is a for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Ohio and has all requisite corporate power and corporate authority to own, lease and operate the Assets Seller

purports to own and to carry on the Medicaid Business as it is now being conducted by Seller. Except as set forth on Schedule 3.1(a), Seller has no Subsidiary and does not own any shares of capital stock or other equity of any other Person.

(b) Authority. Each of Parent and Seller has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Seller and Parent, respectively, and, as necessary, their respective Affiliates. This Agreement constitutes a valid and binding obligation of both Parent and Seller, enforceable against Parent and Seller in accordance with its terms, except insofar as enforcement may be limited by insolvency or similar laws affected the enforcement of creditors' rights in general, and except as enforceability may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) No Violations. Except as disclosed on Schedule 3.1(c), the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (i) conflict with, or result in, any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or the loss of any benefit under, or the creation of a Lien, security interest or other encumbrance with respect to, any portion of the Assets or Assumed Liabilities (any such conflict, violation, default, right of termination, cancellation or acceleration, loss or creation, a "Violation"), pursuant to any provision of the Articles of Incorporation or Bylaws or regulations of Seller or Parent, (ii) result in any Violation of any contract which constitutes part of the Assets or Assumed Liabilities, (iii) result in any Violation of any judgment, order or decree entered with respect to Seller or Parent or to which the Assets or the Assumed Liabilities are subject, (iv) result in any Violation of any statute, law, ordinance, rule or regulation applicable to the Assets or the Assumed Liabilities or (v) provide any Governmental Entity or Person the right to withdraw, revoke, suspend, cancel, terminate or modify any consent, license, permit, waiver or other authorization issued or originated previously.

(d) No Consents. Except as described on Schedule 3.1(d), no other consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to Seller in connection with the execution and delivery of this Agreement by Seller, or the consummation by Seller of the transactions contemplated hereby.

(e) Seller's Financial Statements. Seller has delivered to Buyer, complete and correct copies of (i) the audited balance sheets of Seller as of December 31, 2002 and 2003 and those related audited statements of income and cash flows, for the fiscal years ended on those dates, together with all footnotes (the "Financial Statements") and (ii) the unaudited balance sheet and statement of income of Seller for the period ended on August 31, 2004 (the "Interim Financial Statements"). All of such financial statements fairly present, in all material respects, as of and for the periods then ended, as the case may be (subject, in the case of the unaudited balance sheet and income statement, to normal, recurring adjustments and the absence of footnotes), the financial position, results of operations and cash flows of Seller in conformity with GAAP or where inconsistent with GAAP in conformity with statutory or other accounting practices

prescribed or permitted by the insurance regulatory authorities in the State of Ohio, in each case applied on a basis consistent throughout the reported periods. Such Financial Statements (iii) do not contain, as the case may be, any item of extraordinary or non-recurring income or expense (except as specified therein); and (iv) reflect all write-offs or necessary revaluation of assets (except as specified therein). Except as set forth on Schedule 3.1(e), the reserves recorded in the accounting records of Seller for HIC contract benefits, losses, claims and expenses and any other reserves (i) were prepared in accordance with the statutory or other actuarial and accounting practices prescribed or permitted by the insurance regulatory authorities of the State of Ohio, (ii) make sufficient provisions for all insurance obligations of Seller; (iii) meet the requirements of any law, rule or regulation applicable to such reserves and the requirements of Seller's Permits (as defined below); and (iv) are computed on the basis of assumptions consistent with those used in computing the corresponding reserves in the prior fiscal year. All payments to and/or settlements with Medicaid Providers have been accounted for in the appropriate medical expense reserve account (by category of medical expense) and have been reflected as a medical expense of Seller or Summa Health Network, as applicable.

(f) Litigation. Except as set forth on Schedule 3.1(f), there are (i) no actions, suits, proceedings, of any kind pending, or governmental investigations of any kind now pending or to Seller's or Parent's knowledge, threatened in writing and involving the Assets, the Medicaid Business, or the Assumed Liabilities, (ii) no action, suit, demand, investigation or proceeding which is pending or threatened which questions the validity or propriety of this Agreement or any action taken or to be taken by Seller or Parent in connection with this Agreement or (iii) to Seller's or Parent's knowledge, no event has occurred or circumstances exist that is reasonably likely to give rise to or serve as a basis for the commencement of either (i) or (ii). Seller is not subject to any judicial injunction or mandate or any administrative order or administrative restriction directed to or against it as a result of its ownership of the Assets or its conduct of the Medicaid Business as now or heretofore conducted by it, and no Governmental Entity has at any time challenged or questioned in writing, or commenced or given notice of intention to commence any investigation relating to, the legal right of Seller to conduct the Medicaid Business or any part thereof as now or heretofore conducted by it.

(g) Compliance With Applicable Laws. Except as set forth on Schedule 3.1(g), the Medicaid Business is being conducted in compliance with all applicable laws, rules, ordinances, regulations, licenses, or judgments, or orders, rules, regulations, licenses, judgments, or decrees of Governmental Entities, and no condition exists which with or without notice or passage of time or both shall cause Seller not to remain in such compliance, nor has Seller received notification from any Governmental Entity asserting that, with respect to the Medicaid Business, it is not in compliance with any of the statutes, regulations or ordinances which such governmental authority enforces, or that the governmental agency or department is threatening to revoke, suspend or modify any governmental authorization applicable to the Medicaid Business. Seller has not utilized and does not utilize brokers or agents in the conduct of the Medicaid Business. Seller holds all certificates of authority, permits, licenses, consents, certificates, orders and approvals from all Governmental Entities which are necessary to own or lease the Assets and operate the Medicaid Business in the manner heretofore conducted (collectively, "Seller's Permits"), and Seller's Permits are in full force and effect. Schedule 3.1(g) sets forth a complete and accurate listing of the Seller's Permits. Seller has filed all statements and reports with insurance regulatory authorities required by the law, regulations, licensing requirements and

orders administered or issued by such regulatory authorities. No event has occurred with respect to any of such Seller's Permits which would cause revocation, termination or suspension of any of such Seller's Permits or give rise to any obligation on the part of Seller (pre-Closing) or Buyer (post-Closing) to undertake, or to bear all or any portion of the cost of, any remedial action of any nature. Seller has not, and none of its executive officers, directors or employees (in their respective capacities as such) has, engaged in any activity constituting fraud or abuse under the laws relating to health care or insurance. Schedule 3.1(g) lists all examinations of Seller subsequent to January 1, 2002, related to the Medicaid Business conducted by a Governmental Entity and identifies by date any correspondence between such a Governmental Entity and Seller regarding sanctions, conclusions made and/or corrective action required or suggested based on such examination.

(h) Owned Real Property. Seller does not own any real property that is used in the Medicaid Business.

(i) Real Property Leases. Schedule 3.1(i), sets forth all of the Real Property Leases. Neither Seller nor Parent is a party to any Real Property Lease that is necessary to the operation of the Medicaid Business.

(j) Absence of Undisclosed Liabilities. Except (i) as set forth onSchedule 3.1(j) hereto, (ii) as reflected or reserved against on the face of the Interim Financial Statements, or (iii) for obligations or liabilities incurred in the ordinary course of business after the date of the Interim Financial Statements (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of law), Seller has no obligations or liabilities of any nature whatsoever relating to the Medicaid Business (whether absolute, accrued, contingent, disputed or otherwise and including, without limitation, deferred Tax liabilities, vacation time or pay, severance pay, and any other liabilities relating to or arising out of any act, omission, transaction, circumstance, sale of services, or other condition which occurred or existed on or before such date); nor does there exist a set of circumstances relating to the Medicaid Business resulting from transactions effected or events occurring on or prior to the Closing Date or from any action omitted to be taken during such period that could reasonably be expected to result in any such obligation or liability relating to the Medicaid Business.

(k) Absence of Certain Changes. Since December 31, 2003, except (i) as set forth onSchedule 3.1(k), (ii) for the execution and delivery of this Agreement and changes in Seller's properties or Medicaid Business attributable to the transactions contemplated or necessitated by this Agreement, and (iii) as disclosed in Seller's Interim Financial Statements as previously delivered or to be delivered to Buyer:

(i) Seller has not made any material change in its accounting methods or practices or its present fiscal year with respect to its condition, operations, the Medicaid Business, the Assets, or the Assumed Liabilities, except as may be required by statutory accounting principles, in which case Seller has promptly notified Buyer in writing of the nature of and reason for the change;

(ii) Seller has not executed, amended, or terminated any contract which would adversely affect (either in the aggregate or individually) the Medicaid Business to which it is or was a party or by which any of the Assets are bound or affected; amended, terminated or waived any of its rights thereunder; or received notice of termination, amendment, or waiver of any contract or any material rights thereunder;

(iii) Seller has not permitted any Lien on the Assets;

(iv) Seller has (A) conducted its Medicaid Business in a commercially prudent manner, as a going concern and in the ordinary course and consistent with such operation, complied in all material respects with applicable legal and contractual obligations, consistent with past practice; (B) used commercially reasonable efforts, consistent with past practice, to preserve the goodwill of its Medicaid Members and its employees; and (C) not taken any action outside of the ordinary course of business which would reasonably be expected to cause Medicaid Members to disenroll from Seller's Medicaid Business.

(v) Seller has not made or granted any increase in the terms or conditions of compensation payable or to become payable by Seller (or for which Seller or Buyer may have any liability) to any Medicaid Provider with respect to the Medicaid Business other than changes in the Ohio Medicaid Fee Schedules and changes in the transfer pricing agreement between Seller and Summa Health System Hospitals;

(vi) Seller has not failed to pay any medical claim liability or indebtedness relating to the Medicaid Business when due and all such claim liabilities have been properly recorded on the books of Seller;

(vii) Seller has not suffered (involuntarily or voluntarily), with respect to the Medicaid Business, any adverse changes in condition (financial or otherwise), results of operations, earnings, properties, prospects, or business (including, without limitation, any change in its premium or other revenues, claims or other costs (including IBNR Expenses), or relations with governmental authorities, Medicaid Members, Medicaid Providers, or any of its employees, agents, underwriters, or others);

(viii) Seller has not incurred or paid any indebtedness, obligation or other liability (contingent or otherwise) relating to the Medicaid Business, except in the ordinary course of its business, consistent with its past practice and in any event not in excess of $75,000 in the aggregate, and there does not exist a set of circumstances that could reasonably be expected to result in any such indebtedness, obligation or liability;

(ix) Seller had not suffered any strike, dispute, grievance, controversy or other similar labor trouble with respect to employees serving the Medicaid Business;

(x) Seller has not instituted, settled, or agreed to settle, any litigation, action or proceeding before any Governmental Entity relating to the Medicaid Business;

(xi) Seller has not made any changes in servicing, billing or collection operations or policies of the Medicaid Business;

(xii) Seller has not merged or consolidated with any other corporation or other entity or permitted any other entity to merge into it (unless the surviving entity is bound by the terms of this Agreement and prepared to perform its obligations hereunder);

(xiii) Seller has not taken or omitted to take any action, or permitted the occurrence of any change or event, which would render any of its representations and warranties contained herein untrue at and as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date; and

(xiv) Seller has not entered into any agreement or made any commitment to take any of the types of action described in Section 3. l(k)(i) through Section 3.1(k)(xiii) above.

(l) Contracts. Schedule 3.1(l) contains a complete and accurate listing of all of the Business Contracts (including without limitation the Purchased Provider Agreements and Seller's Medicaid Contract). Each of the Business Contracts is in full force and effect and is valid and enforceable by Seller in accordance with its terms, except insofar as enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights in general, and except as enforceability may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Seller is not in default in the observance or the performance of any term or obligation to be performed by it under any such contract. To Seller's or Parent's knowledge, no other person is in material default in the observance or the performance of any term or obligation to be performed by it under any such contract. Seller has provided originals or true and correct copies of all such contracts constituting part of the Assets or Assumed Liabilities.

(m) Title to and Condition of Assets. Seller has good and valid title to the Assets free and clear of all Liens, and, except as set forth on Schedule 3.1 (d) or 3.1(s)(iv), without any restrictions on transfer. Except as set forth on Schedule 3.1 (m), all of the Assets are useable in the ordinary course of business. The Assets are suited for and include all assets necessary for the conduct of the Medicaid Business in a manner consistent with the past custom and practices of the Seller.

(n) No Broker or Finders. No broker or finder is involved on behalf of Seller or an Affiliate of Seller in connection with the sale of the Assets, nor may any broker or finder involved on behalf of Seller claim any commission on account of the sale of the Assets.

(o) Operating Data. On or prior to the date hereof, Seller has delivered to Buyer certain of its operating data and certain performance data for the Medicaid Business, including, without limitation, information with respect to the details comprising the Medical expense components of the Medicaid Business; to Seller's and Parent's knowledge, such data accurately and fairly presents the operations of the Medicaid Business, and is consistent with the information contained in the Books and Records.

(p) Tax Returns and Tax Liabilities.

(i) Seller has timely filed all Tax Returns that it was required to file (including, without limitation, all real and personal property, informational, franchise and withholding Taxes and other Returns) or has submitted an extension within which to file such

Tax Returns; all such Tax Returns were correct and complete in all respects and based on the applicable measure of Seller's operations or Assets during the period in question; and true and correct copies of all such Tax Returns are included in Seller's files.

(ii) All Taxes owed by Seller (whether or not shown or required to be shown on any Tax Return) have been paid on or before the date for which payment is required to avoid interest and penalties thereon. Except as identified in Schedule 3.1(p), Seller is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where Seller does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are not liens on any of the assets of Seller that arose in connection with any failure (or alleged failure) to pay any Tax.

(iii) Seller has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party, and all Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed.

(iv) Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(v) None of the Assumed Liabilities is an obligation to make a payment that is not deductible under Code Section 280G. Except as described in Schedule 3.1(v), Seller is not a party to any Tax allocation or sharing agreement. Except as described in Schedule 3.1(v), Seller (i) has not been a member of an Affiliated Group filing a consolidated federal income Tax Return (other than a group the common parent of which was Seller) and (ii) has no liability for the Taxes of any Person under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract or otherwise.

(q) No Untrue Representation or Warranty. No representation or warranty by Seller set forth in this Agreement, nor any written statement or certificate furnished or to be furnished to Buyer pursuant hereto contains or will contain any untrue statement of a material fact.

(r) Employees and Employee Benefits.

(i) Schedule 3.l(r)(i) sets forth, with respect to each employee of Seller who is primarily assigned and/or necessary to the Medicaid Business (a "Medicaid Business Employee"), such employee's name and position as of January 1, 2004. Seller is not a party to any written or oral employment contract or agreement with any of such employees which precludes their termination at will. There has been no change of, or agreement to change, any terms of employment for such employees, including without limitation, salary, wage rates, commission formulae, or other compensation, except for normal "merit" raises given in the ordinary course of business. No such employee has indicated any intention to terminate his or her employment. There is no union contract or other collective bargaining agreement in existence affecting Seller or the Medicaid Business, and Seller has not received notice from the National Labor Relations Board that a petition for recognition for a collective bargaining unit has been filed by or on behalf of any of the Medicaid Business Employees, nor is Seller or Parent

aware of any attempts by any union to obtain recognition as a bargaining agent in respect thereof and there have been no grievance disputes or slowdowns.

(ii) Except as set forth on Schedule 3.1(r)(ii), none of such employees is now, or will by the passage of time hereafter become, entitled to receive any vacation time, vacation pay or severance pay attributable to services rendered prior to the Closing Date.

(iii) Except as listed in Schedule 3.1(r)(iii), Seller does not maintain or contribute to or have any liability with respect to any Benefit Plans on behalf of Medicaid Business Employees. None of the Assets are subject to any lien under ERISA or the Code, and the Seller has not incurred any liability under Title IV of ERISA or to the Pension Benefit Guaranty Corporation. None of the Benefit Plans has any liability that will become a liability of Buyer.

(s) Providers and Purchased Provider Agreements.

(i) Schedule 3.1(s)(i) lists each physician, group, IPA, hospital, PHO, ancillary service provider or other health care service provider that participates in the Medicaid Business as a Medicaid Provider and states their respective effective dates. Each such Medicaid Provider has been credentialed in accordance with Seller's policies and procedures and applicable State regulatory requirements and has entered into a written Purchased Provider Agreement with Seller and/or Seller's Affiliates.

(ii) Except for payment reconciliation disputes in the ordinary course of business, Seller has paid and pays each applicable Medicaid Provider (or such Medicaid Provider's contracting entity) in accordance with the compensation terms that have been, or are, in effect, as applicable, with respect to Seller's contracts or agreements with such Medicaid Providers or their contracting entity, in accordance with Purchased Provider Agreements and applicable state law.

(iii) Schedule 3.1(s)(iii) lists each Medicaid Provider to whom administrative functions have been delegated and describes all function(s) so delegated. Each agreement for the delegation of administrative functions complies with the requirements of applicable law. Seller has complied and continues to comply with all applicable requirements of law, including those set forth in the Seller's Medicaid Contract, relating to oversight and monitoring of the entities to which Seller has delegated administrative functions.

(iv) Schedule 3.1(s)(iv) lists each of the Purchased Provider Agreements that is, or will be at Closing, freely assignable to Buyer. No such Purchased Provider Agreement is terminable on less than 91 days notice.

(v) Except as described on Schedule 3.1(s)(v), none of the Purchased Provider Agreements (A) requires either Seller or Seller's Affiliates to pay the provider on a most-favored provider basis, (B) obligates either Seller or Seller's Affiliates to pay access or administrative fees, (C) requires (or may require) either Seller or Seller's Affiliates to pay bonuses from an incentive compensation pool or fund, (D) has a profit-sharing component, or (E) requires any payment or termination fee upon a change of control of the Medicaid Business.

(vi) Except as described on Schedule 3.1(s)(vi), none of the Purchased Provider Agreements limit the rights of either Seller or Seller's Affiliates to engage in, or to compete with any person in, the Medicaid Business, contains an exclusivity provision restricting either Seller or Seller's Affiliates ability to do business in certain geographical areas, or obligates or binds either Seller or Seller's Affiliates to use, or offer to use, the services of a Medicaid Provider in preference to any other provider.

(vii) If any of the "physicians" or "physician groups" contracted under the Purchased Provider Agreements are placed at "substantial financial risk," as each such term is defined by 42 C.F.R. §422.208 *et seq*. (the "PIP Regulation") in connection with services provided to Medicaid Members, Seller and/or Seller's Affiliates have complied in all material respects with the reporting and enrollee survey requirements of the PIP Regulation.

(viii) Schedule 3.1(s)(viii) describes each written complaint received from and after January 31, 2004 by Seller or Seller's Affiliates from a Medicaid Provider and generally describes the nature and disposition of such complaint.

(ix) Schedule 3.1(s)(ix) lists each monetary settlement or pending settlement with a health care provider in respect of the Medicaid Business that is not reflected in Seller's IBNR Expense, as provided to Buyer from and after January 31, 2004.

(t) Status of Medicaid Contracts and Purchased Provider Agreements. With respect to each of the Seller' Medicaid Contract and the Purchased Provider Agreements: (a) the agreement is legal, valid, binding, enforceable and in full force and effect; (b) upon obtaining any required third party consents disclosed on Schedule 2.7(c), the agreement will continue to be legal, valid, binding, enforceable by Buyer, and in full force and effect following the consummation of the Transaction, (c) no party is in breach or default beyond any applicable grace period, and no event has occurred which with notice or lapse of time would constitute a breach or default, or permit termination, modification or suspension under the agreement (without limiting the foregoing, Seller is not in breach or default of any provision of the Seller's Medicaid Contract beyond any applicable grace period, and the Purchased Provider Agreements comply with the terms of the Seller's Medicaid Contract and ODJFS regulations in all material respects), and (d) to Seller's or Parents' knowledge, no party has repudiated any provision of the agreements. With respect to the Purchased Provider Agreements, Seller is in full compliance with the applicable provisions of the prompt payment of claims laws.

(u) Medicaid Members. Schedule 3.1(u) describes each written complaint received from and after January 31, 2004 by Seller from a Medicaid Member and generally describes the nature and disposition of such complaint.

(v) Intellectual Property.

(i) Schedule 3.1(v) sets forth a complete and correct list of all of the following owned or used (whether pursuant to a written license or otherwise) by Seller in connection with the Medicaid Business: (A) all patented or registered Intellectual Property and all pending patent applications or other applications for registration of Intellectual Property; (B) all trade names and material unregistered trademarks or service marks; (C) all material

unregistered copyrights, mask works and computer software; and (D) all licenses or similar agreements or arrangements with respect to Intellectual Property, whether Seller is licensee or licensor of such rights, in each case identifying the subject Intellectual Property and nature of the licensing relationship. Except as set forth on Schedule 3.1(v), all Intellectual Property owned or used by Parent or Seller with respect to the Assets immediately prior to the Closing hereunder will be owned or available for use by Buyer on identical terms and conditions immediately subsequent to the Closing hereunder.

(ii) Except as set forth in Schedule 3.1(v), (A) Seller owns and possesses all right, title and interest in and to, or has a valid and enforceable right to use via a written license identified on Schedule 3.1(v), all of the Intellectual Property listed on Schedule 3.1(V) and all other Intellectual Property owned or used in connection with the Medicaid Business, free and clear of all Liens, and no claim by any third party contesting the validity, enforceability, use or ownership of any such Intellectual Property has been made, is currently outstanding or, to the knowledge of Seller, is threatened, and there are no grounds for same, (B) the Intellectual Property transferred to Buyer in the Assets comprise all Intellectual Property necessary or desirable for the full exploitation of the Assets, including without limitation the operation of the Medicaid Business currently conducted and as currently proposed to be conducted, (C) the loss or expiration of any Intellectual Property owned by, issued to or licensed to Seller with respect to the Medicaid Business has not and would not have an adverse effect, and no such loss or expiration is pending, threatened or reasonably foreseeable, (D) Seller has not received any notices of, nor is Seller aware of any facts which indicate a likelihood of, any infringement or misappropriation by, or conflict with, any third party with respect to any Intellectual Property owned or used by Seller in connection with the Assets (including, without limitation, any demand or request that Seller license rights from a third party), (E) neither the Seller nor its operation of the Medicaid Business infringes, misappropriates or otherwise conflicts with any rights of any third parties, and Seller is not aware of any infringement, misappropriation or conflict which may occur as a result of the continued operation of such business as currently proposed to be conducted, and (F) the Intellectual Property owned or licensed to Seller with respect to the Medicaid Business has not been infringed, misappropriated or otherwise misused by any third party.

(w) Investment Representations.

(i) Each of Seller and Parent, as applicable, are acquiring the Centene Common Stock to be received by it hereunder for its own account with the present intention of holding such securities for purposes of investment, and have no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities laws.

(ii) Each of Seller and Parent is an "accredited investor" as defined in Rule 501 (a) under the Securities Act.

(iii) Seller understands that the Centene Common Stock to be received by Seller or Parent hereunder have not been registered under the Securities Act on the basis that the sale provided for in this Agreement is exempt from the registration provisions thereof and that

the Buyer's reliance on such exemption is predicated in part upon the representations of the Seller set forth in this Section 3.1(w) herein.

3.2 Representations and Warranties True and Correct at Closing; Breaches. Seller and Parent shall execute and deliver to Buyer a certificate signed by an authorized representative of Seller, dated as of the Closing Date, stating that each of the representations and warranties of Seller or Parent, as applicable, made herein are true and correct in all material respects as of the Closing Date (provided that representations and warranties that are as of a specific date shall speak only as of such date; and provided further that any representation or warranty that is already modified by "materiality" or "material" or similar words of that nature shall be true and correct in all respects), or describing the manner in which such representations and warranties are not true and correct. If any of the representations and warranties of Seller or Parent are not true and correct in all material respects as of the Closing Date, then Buyer shall be entitled to indemnification for any and all Losses as provided in Article XII. If any of the representations and warranties of Seller or Parent contained herein are not true and correct in all material respects as of the Closing Date (provided that representations and warranties that are as of a specific date shall speak only as of such date; and provided further that any representation or warranty that is already modified by "materiality" or "material" or similar words of that nature shall be true and correct in all respects), then Buyer may terminate this Agreement without further obligation pursuant to Article XIII. The consummation of the transactions under this Agreement by Buyer shall not constitute a waiver of Buyer's rights to indemnification for a breach of a representation or warranty provided for in this Section.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

4.1 Representations and Warranties of Buyer. Centene and Buyer jointly and severally represent and warrant to Seller and Parent that each of the following representations and warranties are true and correct as of the Execution Date and will be true and correct as of the Closing Date. When information is included in schedules referenced in this Article III or Article IV or elsewhere in this Agreement such information shall be deemed disclosed only as to such schedule unless the disclosure is reasonably apparent from its face to be applicable to other sections of this Agreement. Information included in any schedule shall apply to all matters in the representation containing such schedule. The inclusion of information on any schedule shall not be deemed as admission or acknowledgment by virtue of its inclusion that such information is required to be set forth therein or that such information is material. Capitalized terms used in the schedules and not otherwise defined therein shall have the respective meanings ascribed to them in this Agreement.

(a) Organization and Good Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

(b) Buyer's Authority. Centene and Buyer have all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions

contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer and, as necessary, Buyer's Affiliates. This Agreement constitutes a valid and binding obligation of Buyer and Centene, enforceable against Buyer and Centene in accordance with its terms, except insofar as enforcement may be limited by insolvency or similar laws affected the enforcement of creditors' rights in general, and except as enforceability may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) No Brokers or Finders. Except as set forth on Schedule 4.1(c), no broker or finder is involved on behalf of Buyer or Centene in connection with the sale of the Assets, nor may any broker or finder involved on behalf of Buyer or Centene claim any commission on account of the sale of the Assets.

(d) Buyer's Consents. Except as disclosed on Schedule 4.1(d), no other consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required by or with respect to Buyer or Centene in connection with the execution and delivery of this Agreement by Buyer or Centene, or the consummation by Buyer or Centene of the transactions contemplated hereby.

(e) Regulatory Status. Except as set forth on Schedule 4.1(e), Buyer or Centene has not received notice that it is the subject of any investigations or disputes with any Governmental Entity.

(f) No Untrue Representation or Warranty. No representation or warranty by Buyer or Centene in this Agreement, nor any statement or certificate furnished or to be furnished to Seller pursuant hereto or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact.

(g) No Legal Bar. Except as set forth on Schedule 4.1(g) (and subject to the receipt of the Closing governmental authorizations described in Section 6.14 below), the execution and delivery by Buyer or Centene of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (i) conflict with or violate the Certificate of Incorporation or Bylaws of Buyer, or (ii) result in a breach of, result in or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the cancellation or unilateral modification or amendment of, or accelerate the performance required by, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, agreement, lease or other instrument, obligation or arrangement to which Buyer or Centene is a party or to which Buyer, Centene or any of their assets or properties may be subject, or (iii) conflict with or violate any order, writ, judgment, injunction, decree, award, ruling, statute, rule or regulation applicable to Buyer or Centene, or any of its material assets, except where any such violation, conflict or default would not have a material adverse effect on the business of Buyer or Centene, taken as a whole.

(h) Litigation. Except as set forth on Schedule 4.1(h), there is no action, suit, demand, investigation or proceeding which is pending or, to Buyer's or Centene's knowledge, threatened which questions the validity or propriety of this Agreement or any action taken or to be taken by Centene or Buyer or in connection with this Agreement; and (ii) to Buyer's or

Centene's knowledge, no event has occurred or circumstances exist is reasonably likely to give rise to or serve as a basis for the commencement of (i).

(i) Centene Common Stock. All shares of Centene Common Stock issued pursuant to this Agreement will, on the Closing Date, be duly authorized and issued and fully paid and nonassessable and on the Closing Date. Seller, Parent or any of Seller's Affiliates will be the sole owner(s) and interest holder(s) of such shares.

4.2 Representations and Warranties True and Correct at Closing; Breaches. Buyer shall execute and deliver to Seller a certificate signed by an authorized representative of Buyer, dated as of the Closing Date, stating that each of the representations and warranties of Buyer made herein are true and correct in all material respects as of the Closing Date (provided that representations and warranties that are as of a specific date shall speak only as of such date; and provided further that any representation or warranty that is already modified by "materiality" or "material" or similar words of that nature shall be true and correct in all respects), or describing the manner in which such representations and warranties are not true and correct in all material respects. If any of the representations and warranties of Buyer contained herein are not true and correct in all material respects as of the Closing Date (provided that representations and warranties that are as of a specific date shall speak only as of such date; and provided further that any representation or warranty that is already modified by "materiality" or "material" or similar words of that nature shall be true and correct in all respects), then Seller shall be entitled to indemnification for any and all Losses as provided in Article XII. The consummation of the transactions under this Agreement by Seller shall not constitute a waiver of Seller's rights to indemnification for a breach of a representation or warranty provided for in this Section.

ARTICLE V
SURVIVAL OF REPRESENTATIONS AND WARRANTIES

Unless otherwise expressly limited or provided by this Agreement, all of the convenants and agreements made by the parties to this Agreement shall survive the Closing Date and continue in full force and effect for a period of two (2) years after the Closing Date.

Subject to the limitations expressly set forth in this Agreement, the representations and warranties of Buyer and Seller contained in this Agreement shall survive the Closing until the shorter of two (2) years or until 30 days after the expiration of any applicable statute of limitations.

ARTICLE VI
BUYER'S CONDITIONS PRECEDENT TO CLOSING

Buyer's agreement to purchase and to pay for the Assets and to assume the Assumed Liabilities hereunder is subject to compliance with and the occurrence of each of the following conditions on or before Closing, except as any thereof may be waived in writing by Buyer:

6.1 Instruments of Transfer. Seller shall have delivered to Buyer on the Closing Date such bills of sale, endorsements, assignments, deeds and other good and sufficient instruments of conveyance and transfer as are provided for herein, and any other instruments in form and

substance reasonably satisfactory to Buyer and their counsel as shall be effective to vest in Buyer all of the right, title and interest of Seller in, to and under the Assets, free and clear of all Liens.

6.2 Assignment of Purchased Provider Agreements. Seller shall have caused the assignment to Buyer of the Purchased Provider Agreements to the extent such assignment is permitted (or for any agreements set forth on Schedule 2.7(c) execution of replacement agreements where applicable).

6.3 Corporate Resolutions. Seller and Parent shall provide Buyer with appropriate resolutions from their respective Boards of Directors, authorizing Seller and/or Parent, as the case may be, to effectuate the actions required by Seller and/or Parent, as the case may be, to consummate the transactions contemplated by this Agreement.

6.4 Performance of Conditions Precedent. All covenants, agreements and conditions contained in this Agreement to be performed or complied with by Seller on or prior to the Closing Date shall have been performed or complied with in all material respects.

6.5 Good Standing Certificate. Seller and Parent shall have delivered to Buyer a certificate, executed by the proper state official, as to the good standing of Seller and Parent in their respective jurisdictions of incorporation.

6.6 Secretary's Certificates. Seller and Parent shall have delivered to Buyer certificates from their respective secretary or assistant secretary attaching copies of resolutions authorizing the execution, delivery and performance of this Agreement and all other documents and the taking of all action required thereunder or in connection therewith on behalf of Seller and Parent.

6.7 Incumbency Certificate. Seller and Parent shall have delivered to Buyer certificates of their respective secretary or assistant secretary certifying the incumbency of each of Seller's and Parent's officers and their genuine signatures.

6.8 Buyer's Medicaid Contract. Buyer shall have entered into the Buyer's Medicaid Contract.

6.9 Opinion of Seller's Counsel. Seller shall have furnished the Purchaser with a favorable opinion of Seller's counsel in the form attached as Exhibit B.

6.10 Termination/Release of Seller's Medicaid Contract. Seller shall have obtained evidence from ODJFS, ODI or any other applicable regulatory authority as to the termination or release from obligations under the Seller's Medicaid Contract as of the effective date of Buyer's Medicaid Contract.

6.11 Provider Network. Providers providing care to ninety percent (90%) of the Medicaid membership of Parent's provider network in the Service Area must be contracted in Buyer's provider network on terms and conditions no less favorable than the current Provider Contracts.

6.12 Third Party Approvals and Consents. Seller shall have delivered to Buyer all such written approvals, consents and waivers of third parties which are required to be obtained in connection with the transactions contemplated by this Agreement and which are necessary for the operation of the Medicaid Business and/or the ownership by Buyer of any of the Assets, free and clear of all Liens, including, without limitation, consents (or executed replacement agreement, where applicable) for Purchased Provider Agreements which are listed on Schedule 3.1(s)(iv) as non-assignable or which have not been amended as required hereunder.

6.13 Seller's Representations and Warranties True and Correct. Each and all of representations and warranties (when considered individually and/or collectively) of Seller set forth in Article III of this Agreement shall be true and correct in all material respects as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (provided that representations and warranties that are as of a specific date shall speak only as of such date; and provided further that any representation or warranty that is already modified by "materiality" or "material" or similar words of that nature shall be true and correct in all respects). Buyer shall have received a certificate signed on behalf of Seller by an authorized officer of Seller to such effect.

6.14 Governmental Consents and Approvals. Buyer and Seller shall have obtained from any and all Governmental Entities all appropriate and necessary approvals or consents required, or exemptions thereof to effect the transactions set forth in this Agreement and to enable Buyer to operate the Medicaid Business. Each of the parties shall use its best efforts to obtain such approvals, consents or exemptions without any term or condition (including, without limitation, a limited effective period for any of the Medicaid Contract) that would materially impair the value of the Medicaid Business or Assets to Buyer. All conditions required to be satisfied prior to the Closing Date by the terms of such Closing shall have been satisfied, and all statutory waiting periods in respect of approvals or consents from Governmental Entities shall have expired or been terminated. The Closing governmental authorizations shall include, without limitation, the following:

(a) Buyer shall have been approved by ODI and ODJFS (and any other necessary approval from any other required Government Entity shall have been received), in the Service Areas, and such approval shall authorize Buyer to acquire the Assets and to provide health care services to the Medicaid Members in the Service Area and ODJFS shall provide written confirmation that the membership of Medicaid Members in the Service Area shall not be subject to either (i) reassignment to a competing managed care plan or (ii) a new procurement process; and

(b) ODI and ODJFS and any other required Government Entity shall have consented to ODJFS's execution and delivery to Buyer of replacement Buyer Medicaid Contract so as to permit Buyer to have all of the benefits of and to provide the services required under the Buyer's Medicaid Contract to the Medicaid Members on substantially similar terms as provided under the Seller's Medicaid Contract prior to the Closing.

6.15 IBNR Expense Certification. A detailed schedule of IBNR Expenses for the year to date as of the last day of the second month ending prior to the Closing (e.g., November 30, 2004 for a February 1, 2005 closing date) certified by Seller and in form and substance

satisfactory to Buyer, shall be delivered no later than 10 days after the first day of the month immediately preceding the month of Closing (e.g, by January 10, 2005 for a February 1, 2005 Closing) (an initial schedule shall have delivered prior to the execution hereof and updated for each month thereafter through the Closing Date).

6.16 Litigation. There shall not have been instituted and be pending any action, proceeding or investigation before any Governmental Entity, which seeks to restrain, prevent or change the transactions contemplated hereby or questions the validity of such transactions.

6.17 Certain Covenants. Seller shall have complied with its obligations in Sections 9.1 and 9.2 in all material respects.

6.18 Deliveries. Seller shall have delivered to Buyer all items set forth in Section 2.7(b). On the Closing Date, Seller shall deliver to Buyer a certificate executed by a duly authorized officer of Seller to the effect that the conditions set forth in Article VI and Article VIII have been satisfied or waived.

ARTICLE VII
SELLER'S CONDITIONS PRECEDENT TO CLOSING

Seller's agreement to sell and to deliver the Assets to be sold hereunder is subject to compliance with and the occurrence of each of the following conditions on or before Closing, except as any thereof may be waived in writing by Seller.

7.1 Agreements. Buyer shall have executed and delivered to Seller all agreements, instruments, certificates and other documents to be delivered by Buyer in form and substance reasonably satisfactory to Seller.

7.2 Performance of Conditions Precedent. All covenants, agreements and conditions contained in this Agreement to be performed or complied with by Buyer on or prior to the Closing Date shall have been performed or complied with in all material respects.

7.3 Good Standing Certificates. Good standing certificates for Buyer, dated no earlier than 30 days before the Closing Date, from its state of incorporation;

7.4 Secretary's Certificates. Buyer shall have delivered to Seller a certificate from the secretary or assistant secretary of Buyer attaching copies of resolutions authorizing the execution, delivery and performance of this Agreement and all other documents and the taking of all action required thereunder or in connection therewith on behalf of Buyer.

7.5 Secretary's Certificates. Buyer shall have delivered to Seller a certificate from the secretary or assistant secretary of Buyer attaching copies of resolutions.

7.6 Membership. Membership in the Service Area must be equal to or exceed 20,000 Medicaid Members (as determined by ODJFS) as of the Closing Date.

7.7 Incumbency Certificate. Buyer shall have delivered to Seller a certificate of the secretary or assistant secretary of Buyer certifying the incumbency of officers of Buyer and their genuine signatures.

7.8 Buyer's Representations and Warranties True and Correct. Each and all of the representations and warranties (when considered individually and/or collectively) of Buyer set forth in Article IV of this Agreement shall be true and correct in all material respects as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (provided that representations and warranties that are as of a specific date shall speak only as of such date; and provided further that any representation or warranty that is already modified by "materiality" or "material" or similar words of that nature shall be true and correct in all respects). Seller shall have received a certificate signed on behalf of Buyer by an authorized officer of Buyer to such effect.

7.9 Litigation. There shall not have been instituted and be pending any action, proceeding or investigation before any Governmental Entity, which seeks to restrain, prevent or change the transactions contemplated hereby or questions the validity of such transactions.

7.10 Miscellaneous. Buyer shall provide details of the structure and compensation of the local management, local operating boards and committees to Seller prior to or on the Closing.

7.11 Deliveries. Buyer shall have delivered to Seller all items set forth inSection 2.7(a). On the Closing Date, Buyer shall deliver to Seller a certificate executed by a duly authorized officer of Seller to the effect that the conditions set forth in Article VII and Article VIII have been satisfied or waived.

ARTICLE VIII
JOINT CONDITIONS PRECEDENT TO CLOSING

In addition to the matters set forth inArticles VI and VII, the Closing hereunder is subject to the occurrence of the following conditions:

8.1 Closing of Transactions Under Related Agreements. Buyer and Seller shall have executed the Bill of Sale, Assignment and Assumption Agreement, in the form of such agreements attached hereto as Exhibit A and such agreement shall be in full force and effect as of the Closing.

8.2 Registration Agreement.

The Company and Seller shall have entered into the Registration Agreement in the form ofExhibit C (the "Registration Agreement" and such agreement shall be in full force and effect as of the Closing.

ARTICLE IX
ADDITIONAL AGREEMENTS OF SELLER

9.1 Conduct of Business Pending Closing. From the Execution Date until the Closing, Seller agrees that, with respect to the operation and maintenance of the Medicaid

Business, except as otherwise provided under this Agreement or consented to by Buyer in writing, Seller will:

(a) Conduct the Medicaid Business in a commercially prudent manner, as a going concern and in the ordinary course and consistent with such operation, comply in all respects with applicable legal and contractual obligations, consistent with past practice;

(b) Maintain the books, accounts, and records of the Medicaid Business in accordance with past accounting practices and GAAP, and where inconsistent with GAAP, in conformity with statutory or other accounting practices prescribed or permitted by the insurance regulatory authorities in the State of Ohio and consistent with the custom and practice as used in the preparation of the Financial Statements;

(c) Use commercially reasonable efforts, consistent with past practice, to preserve the goodwill of its relationships with Medicaid Members, Medicaid Providers, ODJFS and other regulatory bodies, suppliers, employees and others having business relations with it related to the Medicaid Business;

(d) Administer, pay and discharge all of its medical claim liabilities related to the dates of service prior to the Closing Date, as well as any Excluded Liabilities, and perform all reporting obligations under the Seller's Medicaid Contract;

(e) Maintain all contracts including those within the Purchased Provider Agreements;

(f) Seller shall use its commercially reasonable efforts to cause the assignment to Buyer of those Purchased Provider Agreements identified on Schedule 2.1(b) or to have replacement agreements to such Purchased Provider Agreements put into place;

(g) Comply in all respects with all regulations and laws applicable to it in the conduct of the Medicaid Business;

(h) Maintain, in accordance with past practice, its network of Medicaid Providers, and credential and recredential such providers in accordance with Seller's policies and procedures and NCQA requirements;

(i) Maintain in full force and effect all Seller's Permits;

(j) Maintain in full force and effect all Intellectual Property used in, related to or necessary to the Medicaid Business;

(k) Not permit any Lien on the Assets;

(l) Not take any action (or omit to take any action), which action or omission would cause any representation or warranty contained herein to be untrue in any respect

at any time through the Closing Date, as if such representation or warranty were made at and as of such time;

(m) Not enter into or materially amend any contract, including without limitation the Seller's Medicaid Contract;

(n) Not intentionally take any action outside of the ordinary course of business which would tend to cause Medicaid Members to cease their affiliation with Seller; or

(o) Not take any action which would result in a disclosure under Section 3.1(k)(vii).

Seller shall promptly advise Buyer in writing of any material change in (i) the financial conditions, business or affairs of the Medicaid Business or Seller, or (ii) the accuracy of the representations and warranties made by Seller herein.

9.2 Access to Documents and Premises.

(a) Prior to the Closing Date. From the Execution Date through the Closing Date, Buyer, its counsel, accountants, and other representatives shall, subject to confidentiality covenants made by Seller to third parties and state and federal antitrust laws, have the right to inspect the books and records of Seller relating to the Medicaid Business and the Assets, including inspection (without photocopying) by Buyer's representatives to the extent possible without waiving any privileges with respect to information regarding all actions, suits, proceedings or investigations of any kind, now pending or threatened in writing, involving Seller or Seller's Affiliates with respect to the Medicaid Business. Any such inspection shall occur during normal business hours and shall be scheduled by Buyer and Seller following request for inspection made to Seller. All inspections shall be conducted by Buyer and Seller in such a manner as to maximize all applicable privileges. Buyer and its representatives shall use their best efforts to conduct their inspection in such a manner as not to be disruptive to Seller's employees or business operations.

(b) After the Closing Date. For a period of two (2) years from and after the Closing Date, Seller shall provide to the authorized representatives of Buyer at all reasonable times access to the books, records, information and contracts included within the Assets, as well as books and records of Seller with respect to the operations of the Medicaid Business prior to the Closing Date if such access is reasonably related to the operation of the Medicaid Business or is for legal or regulatory purposes. Seller agrees to deliver to Buyer, not later than thirty (30) days following the Closing Date, any copies of the books, records, information and contracts related to the Assets and the Medicaid Business which are not delivered at Closing. From and after the Closing Date, Buyer shall provide to the authorized representatives of Seller at all reasonable times access to the books, records and information transferred to Buyer as part of the Assets which Seller requires for legal or regulatory purposes.

9.3 Noncompetition and Nonsolicitation.

(a) For a period of five (5) years from and after the termination date of the Summa Health System contract (and any extensions, modifications or renewals thereof), neither Parent nor Seller nor their affiliates will engage directly or indirectly in a Competing Business or the

Medicaid Business as it is conducted as of the Closing Date in the Service Area;provided, however, that no owner of less than 5% of the outstanding stock of any publicly-traded corporation shall be deemed to engage solely by reason thereof in any such businesses; provided further, that the provisions of this Section 9.3 shall terminate 90 days after Seller provides Buyer written notice of its election to so terminate in connection with (i) Buyer's provision of irrevocable written notice to the ODJFS of the termination of its participation in the Medicaid Business in the Service Area, (ii) a Centene Change of Control or (iii) a sale or disposition of the Medicaid Business (in whatever transaction form). If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed. Notwithstanding anything contained herein to the contrary, the non-compete restriction shall not prohibit Parent, Seller or any of their Affiliates from engaging in third party administrator business or businesses that do not constitute a Competing Business so long as such administrator is not participating in any third party administration of Medicaid managed care benefits or any other programs covered by Title XIX or Title XXI in the Service Area.

(b) On and after the date hereof and prior to Closing, neither Parent nor Seller nor their Affiliates shall, directly or indirectly, solicit, encourage, facilitate, entertain, or accept (nor permit any of their respective officers, directors, employees, or agents directly or indirectly to solicit, encourage, facilitate, entertain, or accept), including by way of furnishing information, any inquiries or proposals concerning the management or sale of all or any material part of the Medicaid Business or Seller or Parent (but in the case of Parent, only to the extent such a transaction would include the Medicaid Business). Each Party acknowledges and agrees that any remedy at law for breach of the foregoing covenant shall be inadequate, and in addition to any other relief which may be available, the non-breaching party shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damages, posting bond or providing surety, and without regard to the adequacy of any remedy at law. Parent and Seller jointly and severally represent and warrant that as of the date hereof there is no stand-by agreement or back-up contract with respect to the sale of the Medicaid Business and it has terminated any discussions with third parties with respect to such proposed sale. Seller will notify Buyer immediately if any Person makes any proposal, offer, inquiry, or contact with respect to any of the foregoing and the details of any such proposal, offer, inquiry or contact.

(c) For a two (2) year period following the Closing Date, neither Buyer or Centene, on the one hand, nor Seller or Parent on the other hand, shall solicit for employment, encourage or assist others in soliciting, or hire any Person who was employed by either Seller or Parent, on the one hand or Buyer or Centene on the other hand (or any such respective parties' Affiliates). This paragraph shall not prevent either party from employing persons with whom such Party had no contact during the due diligence or negotiation process who (a) respond to general solicitations of employment, or (b) contact such party on such person's own initiative and without any direct or indirect solicitation by such party or any of its affiliates or agents.

(d) If, at the time of enforcement of this Agreement, a court holds that the restrictions stated in this Section are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area. The parties expressly agree and understand that the remedy at law for any breach by it of this Section will be inadequate and that the damages flowing from such breach are not readily susceptible of being measured in monetary terms. Accordingly, it is acknowledged that upon any violation of any legally enforceable provision of this Section, the non-breaching party shall be entitled to seek immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach. Nothing in this Section shall be deemed to limit any remedies at law or in equity for any breach by any party of any of the provisions of this Section.

(e) In the event that a party shall violate any legally enforceable provision of this Section as to which there is a specific time period during which it or he, as the case may be, is prohibited from taking certain actions or from engaging in certain activities, as set forth in such provision, then such violation shall toll the running of that time period from the date of its commencement until the date of its cessation.

(f) Seller acknowledges that the rights and compensation provided in this Agreement are adequate consideration for the agreements made by Seller in this Section 9.3 and in the non-competition provisions of this Agreements and that such covenants, and the territorial, time and other limitations with respect thereto, are reasonable and properly required for the adequate protection of Buyer's acquisition of the Assets and the Medicaid Business, and Seller and Parent agrees that such limitations are reasonable with respect to their business activities and do not impose undue hardship on them.

9.4 Seller's Employment Issues.

(a) To the extent required of Seller by applicable law, Seller shall provide all notices relating to the termination of any of its employees, including, without limitation, the notice obligations arising under the Workers Adjustment and Retraining Notification Act ("WARN") and any comparable Ohio laws, the Consolidated Omnibus Budget and Reconciliation Act of 1985 ("COBRA") and the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). WARN-related liabilities with respect to terminated employees which result from any delay in providing WARN notices to such terminated employees shall be the responsibility of Seller.

(b) Seller agrees that, prior to the Closing Date, Buyer and Centene shall have the right, but not the obligation, to interview for employment with Buyer any of the Medicaid Business Employees as set forth in Schedule 9.4(b). As of the Closing Date, Buyer shall be permitted to offer employment (and Seller hereby consents to such offer) to such employees as Buyer may, in its sole discretion, choose to hire (and each such Medicaid Business Employee to whom Buyer has made an offer of employment shall be referred to herein as an "In-Scope Employee"). Seller shall terminate all In-Scope Employees as of the Closing Date and shall pay all vacation and severance obligations accrued and vested as of the Closing Date, if any, to all In-Scope Employees in accordance with Seller's policies and past employment practices. In addition, Seller shall fully vest all In-Scope Employees in their benefits under and in accordance

with any applicable Benefit Plans as of the Closing Date. Each such In-Scope Employee who accepts Buyer's offer of employment shall be referred to herein as a "Hired Employee". Nothing herein shall (i) be deemed to create or to grant to the Hired Employees any third party beneficiary rights or claims or causes of action of any kind or nature or (ii) shall limit the ability of Buyer to terminate the employment of any Hired Employee at any time following the Closing Date for any reason, including without cause. The Hired Employees shall be deemed "new hires, at will" of the Buyer. Buyer shall have no obligation or liability of any kind to any current or former employee, independent contractor, director or officers (or any dependants or beneficiaries thereof) of Seller (including any Hired Employee) for employment compensation or benefits of any kind arising or accruing prior to the Closing Date, including, without limitation, any liability or obligation with respect to vacation or severance pay, COBRA, any Benefit Plans (including any benefit plans of any other entity that together with Seller constitutes a controlled group of entities under Code Section 414(b), (c), (m) or (o)), any EEOC claim or any sexual harassment claim by or against said employee, and Seller shall hold Buyer harmless with respect to any such liability or obligation.

9.5 Additional Financial Information. Seller shall furnish to Buyer within twenty days of the end of each month prior to Closing, unaudited statements of operations and run rate reports for each such month as well as such management, cost, and utilization reports (including claims logs and experience reports) that Seller generates and uses in the normal course of business.

9.6 Supplements to Schedules. Between the date of execution of this Agreement and the Closing Date, each party shall provide the other party with supplementary information on any matters previously disclosed on the schedules hereto or otherwise reported to the other party (including, without limitation, providing Buyer with information concerning any Medicaid Provider that has terminated, or indicated an intent to terminate, a Purchased Provider Agreement), and each party hereby represents and warrants that such supplements shall be true, correct and complete in all material respects as of the date or dates thereof. Such supplements shall constitute additional representations and warranties and shall be in no way deemed or construed to modify any representations or warranties previously made, unless accepted by Buyer, all of which shall continue in full force and effect, nor, unless accepted by Buyer, shall the provision of such supplements be deemed or construed to cure or otherwise excuse any breach of a representation or warranty by Seller under Article III of this Agreement or by Buyer under Article IV of this Agreement. Nothing in any schedule attached hereto shall be adequate to disclose an exception to a representation or warranty made in this Agreement unless such schedule identifies the exception with particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be adequate to disclose an exception to a representation or warranty made in this Agreement, unless the representation or warranty has to do with the existence of such document or such other item itself.

9.7 Payment of Excluded Liabilities. After the Closing Date, Seller shall pay, perform and discharge in due course all of its obligations with respect to the Seller's Medicaid Contract for periods prior to the Closing Date and any of the Excluded Liabilities including, without limitation, all liabilities under the Benefit Plans, which, if unpaid, could subject Buyer to transferee liability or create a Lien on the Assets. Without limiting the generality of the

preceding sentence, Seller shall specifically administer, pay and run out all of its medical claim liabilities described in Section 2.4(b)(i) hereof and perform all reporting obligations (including obligations imposed as part of report corrections, responses to State audits and governmental inquiries) under the Seller's Medicaid Contract (or imposed as part of the Closing governmental authorizations) in connection with the performance by Seller of its obligations with respect to the Medicaid Business for periods prior to the Closing Date. In connection with the discharge of such claims, to the extent any of the claims payment information for such claims is received by Buyer after the Closing Date, Buyer shall promptly forward such information to Seller.

9.8 Credentialing. At Closing, Seller shall deliver to Buyer a schedule which lists on a month-by-month basis for the twenty-four months following the Closing Date the Medicaid Providers who are scheduled for recredentialing in such months. From and after the Closing Date and for twenty-four months thereafter, Seller shall use its reasonable best efforts to promptly notify Buyer of any Medicaid Provider whose participation in Seller's provider network has been terminated prior to their scheduled recredentialing date (provided Buyer has not previously re-contracted with such provider).

9.9 Joinder in Litigation. For a period of five (5) years from and after the Closing Date, if Buyer institutes any action or proceeding (whether in a court of law, equity, or administrative or arbitrative forum) to enforce its rights under a Purchased Provider Agreement and Seller is deemed a necessary party, Seller agrees to join with Buyer, at Buyer's sole cost and expense, in such action or proceeding so that Buyer may be subrogated to Seller's rights with respect to the Medicaid services procured under such contract.

9.10 Termination of Incentive Pools/Funds. Seller shall use its reasonable best efforts to ensure that none of its Purchased Provider Agreements requires any periodic incentive payments from a shared risk or referral services pool/fund and, to the extent, any such contract contains such a pool/fund as of the Closing Date, Seller shall be responsible to reconcile and settle such pools through Closing and shall pay any required bonuses.

9.11 Right of First Offer. At least 30 days prior to any sale (whether through a sale of assets or stock, merger, consolidation or a lease) of solely the Medicaid Business operated in the Service Area by Buyer, in a stand alone transaction and not as part of any larger portion of either the Buyer's or Centene's businesses (in whatever form), Buyer shall deliver a written notice to the Seller and Parent disclosing in reasonable detail the proposed terms and conditions of such proposed sale (the "Offered Transaction") and the identity, background and ownership (if applicable) of the prospective transferee(s) (if the transferee(s) are known), and such notice shall constitute a binding offer to sell the Seller on such terms and conditions. Seller or Parent may elect to enter into such Offered Transaction at the price and on the terms specified therein by delivering written notice of such election to the Buyer as soon as practical but in any event within ten (10) days after the delivery of the notice. If the Seller or Parent has not elected to enter into the Offered Transaction, Buyer may, within 150 days after the expiration of the election period, transfer the Medicaid Business to one or more third parties at a price no less than 95% of the price specified in the notice and on other terms no more favorable to the transferees thereof than offered to the Seller in the notice.

ARTICLE X
ADDITIONAL AGREEMENTS OF BUYER

10.1 Maintenance of Records. Buyer shall retain all business and other records and documents relating to the Medicaid Business and the Assets which are transferred to Buyer pursuant to this Agreement in accordance with Buyer's own record retention policies for the longer of five (5) years or the time required by applicable law. Buyer shall make such records available for Seller's review and copying upon request of Seller or its agents, at a reasonable time and place; provided, however, that Seller shall keep all such records confidential to the extent required by law.

ARTICLE XI
ADDITIONAL AGREEMENTS OF BUYER AND SELLER

11.1 Regulatory Milestones Prior to Closing.

(a) Seller and Buyer shall diligently and timely prepare and file the applications and submissions as may be required with respect to the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, the filings set forth below. Buyer and Seller agree to take all reasonable actions required or requested by such authorities for the expeditious consideration and rendering of all such approvals, consents and authorizations. Seller and Buyer shall diligently and timely cooperate with each other and with all other parties in the submission of applications and of any and all such additional information or documentation requested by any such regulatory authorities.

(b) Seller acknowledges that the approval by ODI and ODJFS of Buyer's Service Area expansion application to include the Service Area (and ODJFS's entry into the Buyer's Medicaid Contract) will be primarily based, among other things, on the adequacy of Buyer's provider network in the Service Area. Such efforts shall include commercially reasonable efforts to either (i) effectively assign the Purchased Provider Agreements to Buyer or (ii) participate actively in Buyer's efforts to negotiate replacement contracts with Medicaid Providers, using Buyer's form provider agreements approved by ODI or ODJFS, on terms no less favorable to the Medicaid Business than the original Provider Agreements. The parties agree to work collaboratively on the form of any such consent. Seller further acknowledges and agrees to be responsible for, and to promptly supply to Buyer when requested, all information and materials (including, without limitation, specific answers or responses) reasonably required in connection with Buyer's service area expansion application and the other Closing governmental authorizations (in a form satisfactory for filing with the applicable regulatory authorities) which relate to the provider network, its adequacy, accessibility or otherwise and the Purchased Provider Agreements.

(c) After the Execution Date, Seller and Parent agree to use commercially reasonable efforts to aid or assist Buyer in obtaining acceptable (as determined in Buyer's sole discretion) Purchased Provider Agreements necessary to form a viable Provider network in Ohio, such Seller efforts to be based on the good faith discretion of Seller's senior management.

11.2 Ohio Department of Insurance. Buyer shall use its commercially reasonable efforts to file all submissions required by the Ohio Department of Insurance to approve the transactions contemplated hereby, including, without limitation, this Agreement as soon as practicable after the Execution Date. To the extent required by the Ohio Department of Insurance, Seller will use its commercially reasonable efforts to submit all filings required to be submitted by Seller with respect to the transactions contemplated hereby. Both Buyer and Seller shall use their commercially reasonable efforts to cooperate with and assist each other in such filings, including providing draft filings to the other party for review and comment before submitting same to the Ohio Department of Insurance.

11.3 Ohio Department for Job and Family Services. Buyer and Seller acknowledge and agree that Seller's Medicaid Contract with ODJFS is not assignable and that Buyer is required to submit a filing to ODJFS for purposes of entering into a Medicaid Contract with ODJFS upon its approval of the transactions contemplated hereby. Seller shall take any actions reasonably required by Buyer (subject to ODJFS' approval) or ODJFS to transfer Medicaid Members to Buyer under the Buyer's Medicaid Contract.

11.4 Transition Issues.

(a) Coordination/Continuity of Care. Both Seller and Buyer shall establish, prior to the Closing Date, processes to transfer information relative to Medicaid Members whose care is being coordinated through Seller's case management programs and who will be transitioning their membership to Buyer's plan. Continuity of care processes will be defined to integrate Buyer's continuity of care policy in such a way as to replace Seller's existing referral and authorization procedures to take effect after the Closing. Prior to Closing, both Seller and Buyer shall use commercially reasonable efforts to coordinate care required of Medicaid Members prior to and after the Closing to begin to implement changes in medical management practices designed to ensure continuity of care and avoid confusion to Medicaid Members.

(b) Use of Materials. Except as set forth on Schedule 11.4(b), Buyer shall have the right to use, subject to ODJFS' approval, all existing stock of any and all pre-printed, advertising brochures, marketing materials, literature, form contracts, form certificates of coverage, membership handbooks and other pre-printed material relating to the Medicaid Business, as authorized by law, until six (6) months after the Closing Date or for some other shorter time limitation as may be required by law. Buyer shall make a commercially reasonable effort to "sticker" such materials with Buyer's name and to remove or cover up Seller's name to avoid confusion. Notwithstanding anything to the contrary herein, Buyer acknowledges that it shall not use any such items bearing the Seller's tradename(s), trademark(s), service mark(s), whether registered or unregistered, and logo(s).

(c) Claims Administration. Subject to State regulatory guidelines, except as otherwise provided in this Agreement, Seller shall be responsible for the administration and payment of all claims, liabilities or other obligations (including without limitation IBNR Expenses) (collectively referred to herein as "Medical Claims") pertaining to the Medicaid Business that are incurred prior to the Closing, and Buyer shall be responsible for the administration and payment of all Medical Claims pertaining to the Medicaid Business that are incurred after the Closing. The parties agree to jointly create and implement explanation of

payment ("EOP") message(s) that will be sent to providers in the event a claim is sent to Buyer for Medical Claims incurred prior to the Closing or Seller for Medical Claims incurred after the Closing. The message will inform the provider that the Medical Claim was submitted in error and provide the information necessary to submit the Medical Claim to the appropriate party for payment. The parties further agree that they will make available provider services staff to address questions that arise as a result of the claims administration transition.

11.5 Public Information Releases.

(a) Seller and Buyer shall use reasonable efforts to consult with the other party on any initial press release, public announcement or publicly disseminated communication concerning this transaction, and prior to any press release, public announcement or publicly disseminated communication concerning this transaction, to discuss the content of any such announcement. Thereafter, between the Execution Date and the Closing, Buyer shall use reasonable efforts to consult with Seller prior to any press release, public announcement or publicly disseminated communication concerning this transaction, to discuss the content of any such announcement and to refrain from making any such press releases or public announcements. The provisions of this Section shall survive the termination of this Agreement.

(b) When, as and if required by ODJFS, Seller and Buyer shall, at Seller's or Buyer's expense, as applicable, take such action as may be reasonably necessary to disseminate all provider and/or member notices and mailings that are a condition to the Closing governmental authorizations or are required for the enrollment of the Medicaid Members with Buyer. Seller or Buyer, as applicable, shall promptly provide ODJFS with such affidavit(s) concerning the discharge of such obligation as may reasonably be requested.

(c) Between the Execution Date and the Closing, both parties agree to consult with each other prior to any oral or written communication to any Medicaid Member or Medicaid Provider concerning this transaction, to discuss the content of any such communication and to refrain from making any such communication without first receiving the other party's prior written consent.

(d) Seller and Parent acknowledge that Centene is a publicly traded corporation, with obligations under the federal securities laws, New York Stock Exchange rules and the Sarbanes-Oxley Act of 2002. In order to allow Centene to abide by these obligations, with regard to the foregoing communications and any other public communications regarding the transactions contemplated hereby, any such communications shall be subject to Buyer's final written approval.

11.6 Cooperation. Buyer and Seller agree to cooperate reasonably with each other, from the Execution Date up through and following the Closing Date, and use their respective reasonable best efforts in good faith, to satisfy all conditions, undertakings and agreements contained in this Agreement.

11.7 On-Site Presence. Seller and Buyer acknowledge and agree that upon execution of this Agreement, Buyer shall be allowed to have Buyer employees on-site of Seller to assist and coordinate the transition and integration of the Medicaid Business and the Assets to Buyer.

Seller covenants that Seller shall provide all reasonably necessary cooperation and consultation reasonably necessary to allow for such on-site presence, including, but not limited to, providing access to support functions, including office space, computer, phone and printer and Seller's employees and management. Buyer agrees that any such on-site presence by its employees shall be reasonable and shall not be disruptive of the business operation of Seller.

11.8 ODJFS and Other Required Reporting. Seller shall be responsible for all required reports to ODJFS, ODI and other Government Entity required reporting for periods prior to Closing, and Buyer shall be responsible for all required reports to ODJFS, ODI and other Government Entity required reporting for periods following the Closing. For such period as is required by the applicable government agency, Buyer and Seller shall cooperate with each other in providing reasonable access to books and records to facilitate the reporting obligations of each party.

11.9 Securities Law Compliance. Seller is (i) aware that the United States securities laws prohibit certain persons who have material nonpublic information about a company from purchasing or selling securities of such company or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities and (ii) agrees that it will neither use, nor cause any third party to use, any material nonpublic information regarding the Buyer in contravention of the Securities Exchange Act, including, without limitation, Rules 10b-5 and 14e-3.

ARTICLE XII
INDEMNIFICATION

12.1 Indemnification by Seller. Subject to the limitations of Section 12.3, Seller and Parent shall jointly and severally indemnify and hold harmless Buyer and its respective officers, directors, employees, agents and Affiliates and successors and assigns of any of the foregoing against any and all actual damages resulting from claims, obligations, losses, costs, expenses, fees, liabilities and damages, whenever arising or incurred, including interest, penalties and reasonable attorneys' fees and disbursements (including amounts paid in settlement and costs of investigation) (each individually a "Loss," and collectively, "Losses"), arising out of, in connection with or otherwise relating to:

(a) The Excluded Assets;

(b) The Excluded Liabilities;

(c) The breach by Seller or inaccuracy of any representation or warranty made by Seller in this Agreement;

(d) The breach or non-performance by Seller of any covenant or agreement made by Seller in this Agreement;

(e) Any Employee Benefit Plan, program, policy or other arrangement currently or any previously maintained or contributed to by members of the controlled group of companies (as defined in Code Section 414) which includes Seller;

(f) Any Medical Claim or Medical Claims that exceed either individually or in the aggregate $25,000 and are not reflected in the IBNR Expense as determined in Section 6.15; and

(g) Any claim, obligation or other liability arising from the Medicaid Business with respect to any period prior to the Closing Date other than to the extent such claims, obligations or liabilities constitute part of the Assumed Liabilities.

12.2 Indemnification by Buyer. After the Closing Date and subject to the limitations of Section 12.3, Buyer shall indemnify and hold harmless Seller and its respective officers, directors, employees, agents and Affiliates, and successors and assigns of any of the foregoing against any and all Losses, arising out of, in connection with or otherwise relating to:

(a) The Assets;

(b) The Assumed Liabilities;

(c) The breach by Buyer or inaccuracy of any representation or warranty, made by Buyer in this Agreement;

(d) The breach or non-performance of any covenants or agreements made by Buyer in this Agreement; and

(e) Any claim, obligation or other liability arising from Buyer's operation of the Medicaid Business, Assets or the Assumed Liabilities with respect to any period after the Closing Date.

12.3 Limitations.

(a) The indemnification rights and obligations set forth in (a) Section 12.1(c) shall survive the Closing for a period of one (1) year, (b) Sections 3.1(a), 3.1(b), 3.1(c), 3.1(d) and 3.1(n) shall survive on the Closing Date and continue in full force and effect after the Closing Date without any time limitations, and (c) Sections 3.1(p) and 3.1(r) as of which claims must be made prior to the date that is sixty (60) days after the expiration of the applicable statute of limitation with respect thereto, or, (d) Section 12.2(c) shall survive the Closing for a period of one (1) year except for claims arising from breaches of representations and warranties set forth in Sections 4.1(a), 4.1(b), 4.1(c) or 4.1(d), which shall survive on the Closing Date and continue in full force and effect after the Closing Date without any time limitation. Except with respect to any breach of the representations and warranties contained in Sections 3.1(a) through 3.1(g) and 4.1(a), 4.l(b), 4.1(c) or 4.1(d), no party to this Agreement shall have any liability pursuant to this Article XII for any Losses unless such Losses exceed $300,000 on a cumulative basis. If such Losses exceed $300,000 on a cumulative basis, then such party shall be liable for Losses in excess of $50,000 in the aggregate.

(b) The maximum aggregate liability of in the case of Seller and Parent for any Losses pursuant to Section 12.1(c) and in the case of Centene and Buyer pursuant to Section 12.2(c) shall not exceed, in the aggregate, an amount equal to the Purchase Price.

(c) Notwithstanding anything in Section 12.3 to the contrary, in the event of any breach of a representation or warranty by a party that is constitutes common law fraud, the representation or warranty shall survive consummation of the transactions contemplated in this Agreement and continue in full force and effect forever thereafter without time limitations.

12.4 Remedies. Notwithstanding anything to the contrary herein, nothing shall preclude any Party from seeking any remedy based upon fraud or willful or criminal misconduct or intentional breach of any of the provisions of this Agreement.

12.5 Notice and Right to Defend.

(a) Should any claim or action by a third party arise after the Closing Date for which Buyer or Seller may be liable to the other under the indemnity provisions of this Agreement, the indemnitee shall notify the indemnitor in writing and in reasonable detail as soon as practicable after the indemnitee receives notice of such claim or action in the manner provided for the giving of notices under this Agreement, provided, that failure to notify in such manner shall relieve the indemnitor from liability under this Agreement with respect to such claim only if, and only to the extent that, such failure to notify the indemnitor results in the forfeiture by the indemnitor of material rights and defenses otherwise available to the indemnitor with respect to such claim. The expenses of all proceedings, contests, lawsuits, or investigations of claims with respect to such claims or actions, shall be borne by the indemnitor. If an indemnitor wishes to assume the defense of such claim or action, it shall give written notice to the indemnitee within ten (10) days after notice from the indemnitee of such claim or action of its intention to assume the defense, and the indemnitor shall thereafter assume the defense of any such claim or liability through counsel reasonably satisfactory to the indemnitee, provided that the indemnitee may also participate in such defense at its own expense;

(b) If the indemnitor shall not assume the defense of, or if after so assuming it shall fail to defend, any such claim or action, or such action involves a claim with (a) the indemnitee reasonably believes could be materially detrimental to or materially injure the indemnitee's reputation, customer relations or future business prospects, (b) seeks non-monetary relief (except where non-monetary relief is merely incidental to a primary claim or claims for monetary damages), (c) involves criminal allegations, (d) is one in which the indemnitor is also a party and joint representation would be inappropriate or there may be legal defenses available to the indemnitee which are different from or additional to those available to the indemnitor, or (e) involves a claim which, upon petition by the indemnitee, the appropriate court rules that the indemnitor failed or is failing to vigorously prosecute or defend. In any action or proceeding with respect to which indemnification is being sought hereunder, the indemnitee or the indemnitor, whichever is not assuming the defense of such action, shall have the right to participate in such litigation and to retain its own counsel at such party's own expense. The indemnitee may defend against any such claim or action in such manner as it may reasonably deem appropriate and the indemnitee may settle such claim or litigation on such terms as it may reasonably deem appropriate, and the indemnitor shall promptly reimburse the indemnitee for the amount of all reasonable expenses, legal and otherwise, incurred by the indemnitee in connection with the defense and/or settlement of such claim or action. If no settlement of such claim or action is made, the indemnitor shall satisfy any judgment rendered with respect to such claim or

in such action before indemnitee is required to do so, and pay all expenses, legal or otherwise, incurred by the indemnitee in the defense against such claim or litigation.

(c) An indemnitor may not, without the prior written consent of the indemnitee, settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless (i) simultaneously with the effectiveness of such settlement, compromise or consent, the indemnitor pays in full any obligation imposed on the indemnitee by such settlement, compromise or consent and obtain releases of the indemnitee in full from such third party claim and (ii) such settlement, compromise or consent does not contain any equitable order, judgment or term that in any manner affects, restrains or interferes with the business of the indemnitee or any of the indemnitee's Affiliates.

(d) In the event an indemnitee shall claim a right to payment pursuant to this Agreement not involving a third party claim covered by Section 12.5(a), such indemnitee shall send written notice of such claim to the appropriate indemnitor. Such notice shall specify the basis for such claim. As promptly as possible after the indemnitee has given such notice, such indemnitee and the appropriate indemnitor shall establish the merits and amount of such claim (by mutual agreement or pursuant to the arbitration provisions herein).

(e) Except as otherwise provided herein, any indemnification of Buyer or Seller pursuant to this Article XII shall be effected by wire transfer of immediately available funds from Seller or Buyer, as the case may be, to an account(s) designated by the applicable Buyer or Seller, as the case may be, within ten (10) days after the determination thereof. Any such indemnification payments shall include interest at the Applicable Rate calculated on the basis of the actual number of days elapsed over 360, from the date any such Loss is suffered or sustained to the date of payment. All indemnification payments under this Section 12.5 shall be deemed adjustments to the Purchase Price set forth in Section 2.4(b)(i) above.

12.6 Right of Set-Off. In addition to any other remedies available to Buyer or Centene hereunder, to the extent that Seller or Parent does not pay for any Loss within 30 days after it becomes due and payable in accordance with the provisions hereunder, Buyer or Centene shall, at their election, have the right to apply the amount of all or any portion of any Losses for which it is indemnified pursuant to this Article VII above to offset and reduce the payments due under the hospital contract between Buyer and Parent or Parent's affiliate.

ARTICLE XIII
TERMINATION

13.1 Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by mutual written consent of Buyer and Seller;

(b) by Buyer or Seller at either's option, if the Closing Date shall not have occurred on or before March 1, 2005; provided that such date shall be extended until May 1, 2005 if required regulatory approval has not been received, provided, however, that the right to terminate this Agreement under this paragraph, shall not be available to any party whose failure to fulfill any obligation under this Agreement

has substantially contributed to, or resulted in, the failure of the Closing to have occurred on or before such date;

(c) if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action (which order, decree or ruling the parties hereto shall use all reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such order, decree, ruling or other action shall have become final and nonappealable;

(d) by Seller in the event of a breach by Buyer of a representation, warranty or covenant contained in this Agreement,provided that Buyer has received ten (10) business days' written notice of the breach indicated therein and has failed to effect a cure thereof to the reasonable satisfaction of Seller prior to the expiration of such period;

(e) by Buyer in the event of a breach by Seller of a representation, warranty, or covenant contained in this Agreement,provided that Seller has received ten (10) business days' written notice of the breach indicated therein and has failed to effect a cure thereof to the reasonable satisfaction of Buyer prior to the expiration of such period;

(f) by Buyer if any of the conditions set forth inArticle VI shall have become (in the good faith determination of Buyer) incapable of fulfillment prior to the Termination Date and shall not have been waived by Buyer;

(g) by Seller if any of the conditions set forth inArticle VII shall have become (in the good faith determination of Seller) incapable of fulfillment prior to the Termination Date and shall not have been waived by Seller; or

(h) by Buyer if, subsequent to the date hereof and prior to the Closing Date, there is any material adverse change in the condition (financial or otherwise), business, operations, prospects or obligations of the Medicaid Business, the Assets or the Assumed Liabilities (a "Material Adverse Change").

13.2 Effect of Termination. Except as otherwise specified in this Agreement, including but not limited to inArticle XII, upon the termination of this Agreement pursuant to Section 13.1, this Agreement shall forthwith become null and void, except that nothing herein shall relieve any party from liability for any breach of this Agreement prior to such termination.

13.3 Waiver. At any time prior to the Closing Date, any term, provision or condition of this Agreement may be waived in writing (or the time for performance of any of the obligations or other acts of the parties hereto may be extended) by the party that is entitled to the benefits thereof. Such an election shall not be deemed a waiver of any rights or remedies of the waiving party with respect to the matter which gave rise to such right to terminate.

ARTICLE XIV
ARBITRATION

14.1 Conciliation and Mediation. If a dispute between Buyer and Seller relating to this Agreement, or under any other agreement executed and delivered in connection herewith, is not resolved within fifteen (15) days from the date that either party has notified the other that such dispute exists, then such dispute shall be submitted jointly for conciliation to the president or his designee of each party. If such senior executive officers or their designees are unable to resolve the dispute within thirty (30) days from the date that it is first presented to them, then such dispute shall be referred to binding arbitration.

14.2 Arbitration. Any dispute submitted to arbitration pursuant to this Section shall be determined by the decision of a board of arbitration ("Board of Arbitration") consisting of three members who are members of and certified by the American Arbitration Association ("AAA") and each of whom is experienced in managed care or health care arbitrations selected as hereinafter provided. Buyer shall select an arbitrator and Seller shall select an arbitrator, each of whom shall be a member of the Board of Arbitration who is independent of the parties. A third Board of Arbitration member, independent of the parties, shall be selected by mutual agreement of the other two Board of Arbitration members. If the other two Board of Arbitration members fail to reach agreement on such third member within twenty (20) days after their selection, such third member shall thereafter be selected by the AAA upon application made to it for such purpose by any party to the arbitration. The Board of Arbitration shall meet in Chicago, Illinois, or such other place as a majority of the members of the Board of Arbitration determines more appropriate, and shall reach and render a decision in writing (which shall state the reasons for its decisions in writing and shall make such decisions entirely on the basis of the substantive law governing the Agreement and which shall be concurred in by a majority of the members of the Board of Arbitration) with respect to the items in dispute. In connection with rendering its decisions, the Board of Arbitration shall adopt and follow the Commercial Rules of Arbitration of the AAA in effect as of the date of the arbitration. To the extent practical, decisions of the Board of Arbitration shall be rendered no more than thirty (30) calendar days following commencement of proceedings with respect thereto. The Board of Arbitration shall cause its written decision to be delivered to Buyer and Seller. Any decision made by the Board of Arbitration (either prior to or after the expiration of such thirty (30) calendar day period) shall be final, binding and conclusive on Buyer and Seller and each party to the arbitration shall be entitled to enforce such decision to the fullest extent permitted by law and entered in any court of competent jurisdiction. The Non-Prevailing Party shall pay all costs and fees of the Board of Arbitration and the fees and expenses (including without limitations, attorneys and consultants) of the prevailing party in connection with such disposition.

14.3 Equitable Relief. Notwithstanding any other provision of this Agreement, any Party shall have the right to seek equitable relief (including specific preference and/or other injunctive relief), in a court of competent jurisdiction, to the extent that equitable relief is available to a Party hereto. If a Party chooses to pursue equitable relief, such conduct shall not constitute a waiver of or be deemed inconsistent with the provisions set forth in this Article XIV or in Article XII.

ARTICLE XV
MISCELLANEOUS

15.1 Notices. All notices and other communications hereunder shall be in writing and shall be either (i) deposited in first class United States mail, certified, with postage prepaid, (ii) delivered by messenger, (iii) sent by overnight courier, or (iv) sent by fully completed and confirmed facsimile transmission (with a written confirmation simultaneously sent in first class United States mail), as follows:

If to Seller:

SummaCare, Inc.
10 N. Main Street
Akron, Ohio 44309

Attention: Martin P. Hauser

Copy to:

Summa Health System
525 E. Market Street
Akron, Ohio 44308

Attention: William A. Powel, III, Esq.

If to Buyer:

Centene Corporation
7711 Carondelet, Suite 800
St. Louis, MO 63105
Attention: Michael F. Neidorff
Fax: (314) 725-5180

Copy to:

Kirkland & Ellis LLP
200 East Randolph Drive
Chicago, IL 60601
Attention: Gerald T. Nowak, Esq.
Fax: (312) 861-2200

or such other address or fax number as any party may request by notice given as aforesaid. Notices sent as provided herein shall be deemed given on the date received by the recipient. If a recipient rejects or refuses to accept a notice given pursuant to this Section, or if a notice is not deliverable because of a changed address or fax number of which no notice was given in accordance with the provisions hereof, such notice shall be deemed to be received two (2) days after such notice was mailed (whether as the actual notice or as the confirmation of a faxed notice) in accordance with the terms hereof. The foregoing shall not preclude the effectiveness of actual written notice given to a party at any address or by any means.

15.2 Waiver. No waiver by either Buyer or Seller hereto of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provision at any other time or a waiver of such party's rights under any other provision of this Agreement.

15.3 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

15.4 Delivery by Facsimile. This Agreement and any signed contract entered into in connection herewith or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine, shall be treated in all manner and respects as an original contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any Party

hereto or to any such contract, each other Party hereto or thereto shall re-execute original forms thereof and deliver them to all other Parties. No Party hereto or to any such contract shall raise the use of a facsimile machine to deliver a signature or the fact that any signature or contract was transmitted or communicated through the use of facsimile machine as a defense to the formation of a contract and each such Party forever waives any such defense.

15.5 Headings. The headings contained in this Agreement have been inserted for convenience of reference only and shall in no way restrict or modify any of the terms or provisions hereof.

15.6 Severability. If any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable provision shall be severed from the remainder of this Agreement, and the remainder of this Agreement shall be enforced. In addition, the invalid, illegal or unenforceable provision shall be deemed to be automatically modified, and, as so modified, to be included in this Agreement, such modification being made to the minimum extent necessary to render the provision valid, legal and enforceable. Notwithstanding the foregoing, if the severed or modified provision concerns all or a portion of the essential consideration to be delivered under this Agreement by one party to the other, the remaining provisions of this Agreement shall also be modified to the extent necessary to adjust equitably the parties' respective rights and obligations hereunder.

15.7 Entire Agreement. This Agreement and the other agreements, certificates and documents of the Parties contemplated herein constitute the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements or understandings between the parties, except the Confidentiality Agreement, which will continue in effect until terminated pursuant to the terms set forth therein. The exhibits, schedules and attachments attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions in this Agreement shall control. Each party is responsible for the accuracy of its respective schedules regardless of any assistance provided by the other party in connection with the preparation of the schedules.

15.8 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto. Notwithstanding the foregoing, this Agreement shall not be assignable by any party without the prior written consent of the other, and any attempt at an assignment in violation of this Section shall be void ab initio. Notwithstanding the foregoing statement, Buyer may assign its rights and obligations hereunder to anyone or more of its Affiliates. This Agreement shall not constitute an agreement or be considered as evidence of an agreement between the Parties until executed and delivered by the Parties.

15.9 HIPAA Compliance. Each party represents and warrants to the other party that it will comply with the provisions of HIPAA including the effective dates of regulations adopted to implement HIPAA. Each of the parties represents and warrants to the other party in particular, with respect to all protected health information (as that term is defined under the Standards for

Privacy of Individually Identifiable Health Information (December 28, 2000; 65 F. Reg. 82462), that it is a covered entity (and not a business associate of the other party) under the HIPAA Privacy Regulations and that it shall protect the privacy, integrity, security, confidentiality and availability of the protected health information disclosed to, used by, or exchanged by the parties by implementing appropriate privacy and security policies, procedures, and practices and physical and technological safeguards and security mechanisms, all as required by, and set forth more specifically in, the HIPAA Privacy Regulations and the HIPAA Security Regulations. The parties agree that, upon the request of the other party, it shall provide written verification of compliance with all applicable federal and State laws and confirm its full licensure and certification to the extent appropriate to its then current operations. Notwithstanding any other provisions of this Agreement to the contrary, either party may notify the other of any modifications it believes necessary to bring this Agreement into compliance with the final HIPAA regulations and/or HIPAA. Such modifications shall be incorporated as an addendum to this Agreement.

15.10 Governing Law. This Agreement is to be governed by and interpreted under the laws of the State of Delaware, without resort to choice of law or conflict of law principles which direct the application of the laws of a different state.

15.11 Cost of Transaction. Whether or not the transactions contemplated hereby are consummated:

(a) Buyer shall pay the fees, expenses, and disbursements of Buyer and its agents, representatives, accountants, and counsel.

(b) Seller shall pay the fees, expenses and disbursements of Seller and its agents, representatives, accountants and counsel.

(c) Seller shall absorb or pay, as applicable, all costs and expenses (including wages, overhead and professional fees) relating to all notices or other communications to the Medicaid Providers and Medicaid Members required to be sent by Seller prior to the closing in connection with this transaction, except that Buyer shall reimburse Seller for the costs of printing and mailing such notices.

15.12 Further Assurances. Each party hereto agrees for the benefit of the other parties hereto to execute and deliver any necessary documents, instruments or agreements, and to take any and all necessary actions, in order to (i) fully vest in Buyer all right, title and interest to the Assets, and (ii) carry out the terms of this Agreement and the transactions contemplated by this Agreement.

15.13 Construction. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural. All references to section numbers in this Agreement shall be references to sections in this Agreement, unless otherwise specifically indicated. All Parties to this Agreement have been represented by counsel and, accordingly, this Agreement shall not be construed strictly for or against any Party hereto. This Agreement shall not be construed more strictly against one Party than the other by virtue of the fact that it may have

been prepared by counsel for one of the Parties, it being recognized that each Party has contributed substantially and materially to the preparation of this Agreement.

15.14 Third Parties. None of the provisions of this Agreement shall confer rights or benefits as third party beneficiaries or otherwise upon any third party that is not expressly a party to this Agreement including, without limitation, the Medicaid Members, and the provisions of this Agreement shall not be enforceable by any such third party.

15.15 Time is of the Essence. Time is of the essence with regard to all of the provisions of this Agreement. The parties acknowledge and agree that strict compliance with all of the deadlines set forth in this Agreement, including, without limitation, the deadlines for filings pursuant to Article XI.

15.16 Confidentiality. The parties acknowledge and agree that this Agreement is within the scope of the Confidentiality Agreement. Notwithstanding the Confidentiality Agreement, which shall survive the execution of this Agreement, the parties may disclose any terms or conditions of this Agreement to any third parties to comply with securities laws or HIC or insurance laws, and as needed to meet prudent business requirements of shareholders, investors, bondholders, members and other creditors.

15.17 Rights Cumulative. Except as set forth herein, all rights, powers and remedies herein given to each party are cumulative and not alternative, and are in addition to all statutes or rules of law. Any forbearance or delay by such Party in exercising the same shall not be deemed to be a waiver thereof, and the exercise of any right or partial exercise thereof shall not preclude the further exercise thereof, and the same shall continue in full force and effect until specifically waived by an instrument in writing executed by such Party.

15.18 Amendments. No amendment, modification, termination or waiver of any provision of this Agreement shall be effective unless the same shall be set forth in a writing signed by each party, and then only to the extent specifically set forth therein.

* * *

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Execution Date.

BUYER:

CENTENE CORPORATION

By: /s/ MICHAEL F. NEIDORFF
Michael F. Neidorff
Chairman & CEO

BUCKEYE COMMUNITY HEALTH PLAN, INC.

By: /s/ KAREY L. WITTY
Karey L. Witty
Secretary & Treasurer

PARENT:

SUMMA HEALTH SYSTEMS

By: /s/ THOMAS P. STRAUSS

SELLER:

SUMMACARE, INC.

By: /S/ MARTY HAUSER

Exhibit 12.1

Centene Corporation
Computation of ratio of earnings to fixed charges
($ in thousands)

	Three Months Ended March 31,	Year Ended December 31,				
	2005	2004	2003	2002	2001	2000
Earnings:						
Pre-tax earnings (loss) from continuing operations	$ 22,876	$ 70,287	$ 51,893	$ 41,136	$ 22,026	$ 7,185
Addback:						
Fixed charges	1,111	2,489	1,232	915	1,058	1,067
Total earnings	$ 23,987	$ 72,776	$ 53,125	$ 42,051	$ 23,084	$ 8,252
Fixed Charges:						
Interest expense	$ 562	$ 680	$ 194	$ 45	$ 362	$ 611
Interest component of rental payments (1)	549	1,809	1,038	870	696	456
Total fixed charges	$ 1,111	$ 2,489	$ 1,232	$ 915	$ 1,058	$ 1,067
Ratio of earnings to fixed charges	21.59	29.24	43.12	45.96	21.82	7.73

(1) Estimated at 33% of rental expense as a reasonable approximation of the interest factor.

EXHIBIT 31.1

CERTIFICATION

I, Michael F. Neidorff certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 25, 2005

/s/ MICHAEL F. NEIDORFF

Michael F. Neidorff
Chairman and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Karey L. Witty certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 25, 2005

/s/ KAREY L. WITTY

Karey L. Witty
Senior Vice President, Chief Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Centene Corporation (the "Company") for the period ended March 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Michael F. Neidorff, Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL F. NEIDORFF
Michael F. Neidorff
Chairman and Chief Executive Officer
(principal executive officer)

Dated: April 25, 2005

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Centene Corporation (the "Company") for the period ended March 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Karey L. Witty, Senior Vice President, Chief Executive Officer, Secretary and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KAREY L. WITTY
Karey L. Witty
Senior Vice President, Chief Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)

Dated: April 25, 2005