

CENTENE CORP  
Form 10-Q  
April 26, 2011

---

---

UNITED STATES  
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, 2011

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: 001-31826  
\_\_\_\_\_

CENTENE CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

42-1406317  
(I.R.S. Employer  
Identification Number)

7700 Forsyth Boulevard  
St. Louis, Missouri

63105

Edgar Filing: CENTENE CORP - Form 10-Q

(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: T Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). T Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of April 15, 2011, the registrant had 49,973,957 shares of common stock outstanding.

---

---

CENTENE CORPORATION  
QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

	PAGE	
Part I		
Financial Information		
Item 1.	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010 (unaudited)</u>	1
	<u>Consolidated Statements of Operations for the Three Months Ended March 31, 2011 and 2010 (unaudited)</u>	2
	<u>Consolidated Statement of Stockholders' Equity as of March 31, 2011 (unaudited)</u>	3
	<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2011 and 2010 (unaudited)</u>	4
	<u>Notes to the Consolidated Financial Statements (unaudited)</u>	5
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	13
Item 4.	<u>Controls and Procedures</u>	13
Part II		
Other Information		
Item 1A.	<u>Risk Factors</u>	14
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
Item 6.	<u>Exhibits</u>	21
	<u>Signatures</u>	22

---

Table of Contents

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of current or historical fact, contained in this filing are forward-looking statements. We have attempted to identify these statements by terminology including “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “seek,” “target,” “goal,” “may,” “will,” “should,” “can,” “continue” and other similar words or expressions in connection with, among other things, any discussion of future operating or financial performance. In particular, 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 various sections of this filing, including those entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Part II, Item 1A. “Risk Factors.” 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.

All forward-looking statements included in this filing are based on information available to us on the date of this filing and we undertake no obligation to update or revise the forward-looking statements included in this filing, whether as a result of new information, future events or otherwise, after the date of this filing. Actual results may differ from projections or estimates due to a variety of important factors, including:

- our ability to accurately predict and effectively manage health benefits and other operating expenses;
    - competition;
    - changes in healthcare practices;
  - changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder;
    - inflation;
    - provider contract changes;
      - new technologies;
    - reduction in provider payments by governmental payors;
      - major epidemics;
    - disasters and numerous other factors affecting the delivery and cost of healthcare;
  - the expiration, cancellation or suspension of our Medicaid managed care contracts by state governments;
    - availability of debt and equity financing, on terms that are favorable to us; and
      - general economic and market conditions.
-

Table of Contents

## PART I

## FINANCIAL INFORMATION

## ITEM 1. Financial Statements.

## CENTENE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

	March 31, 2011	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents of continuing operations	\$ 492,045	\$ 433,914
Cash and cash equivalents of discontinued operations	—	252
Total cash and cash equivalents	492,045	434,166
Premium and related receivables, net of allowance for uncollectible accounts of \$17 and \$17, respectively	132,023	136,243
Short-term investments, at fair value (amortized cost \$51,950 and \$21,141, respectively)	52,699	21,346
Other current assets	67,062	64,154
Current assets of discontinued operations other than cash	—	912
Total current assets	743,829	656,821
Long-term investments, at fair value (amortized cost \$548,013 and \$585,862, respectively)	556,806	595,879
Restricted deposits, at fair value (amortized cost \$26,502 and \$22,755, respectively)	26,482	22,758
Property, software and equipment, net of accumulated depreciation of \$148,051 and \$138,629, respectively	334,180	326,341
Goodwill	278,105	278,051
Intangible assets, net	27,813	29,109
Other long-term assets	36,470	30,057
Long-term assets of discontinued operations	—	4,866
Total assets	\$ 2,003,685	\$ 1,943,882
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Medical claims liability	\$ 471,659	\$ 456,765
Accounts payable and accrued expenses	214,900	185,218
Unearned revenue	127,451	117,344
Current portion of long-term debt	3,037	2,817
Current liabilities of discontinued operations	—	3,102
Total current liabilities	817,047	765,246
Long-term debt	302,326	327,824
Other long-term liabilities	53,116	53,378
Long-term liabilities of discontinued operations	—	379

Edgar Filing: CENTENE CORP - Form 10-Q

Total liabilities	1,172,489	1,146,827
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.001 par value; authorized 100,000,000 shares; 52,533,873 issued and 49,965,357 outstanding at March 31, 2011, and 52,172,037 issued and 49,616,824 outstanding at December 31, 2010	53	52
Additional paid-in capital	396,380	384,206
Accumulated other comprehensive income:		
Unrealized gain on investments, net of tax	5,969	6,424
Retained earnings	477,488	453,743
Treasury stock, at cost (2,568,516 and 2,555,213 shares, respectively)	(50,888 )	(50,486 )
Total Centene stockholders' equity	829,002	793,939
Noncontrolling interest	2,194	3,116
Total stockholders' equity	831,196	797,055
Total liabilities and stockholders' equity	\$ 2,003,685	\$ 1,943,882

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Table of Contents

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

	Three Months Ended March 31,	
	2011	2010
Revenues:		
Premium	\$ 1,152,777	\$ 999,315
Service	26,384	22,907
Premium and service revenues	1,179,161	