

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 June 30, 2024

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)

7700 Forsyth Boulevard

St. Louis, Missouri

(Address of principal executive offices)

42-1406317

(I.R.S. Employer
Identification Number)

63105

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock \$0.001 Par Value	CNC	New York Stock Exchange

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 has submitted electronically every Interactive Data File required to be submitted 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 such files) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 24, 2024, the registrant had 526,030 thousand shares of common stock outstanding.

CENTENE CORPORATION
QUARTERLY REPORT ON FORM 10-Q
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CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of current or historical fact, contained in this filing are forward-looking statements. Without limiting the foregoing, forward-looking statements often use words such as "believe," "anticipate," "plan," "expect," "estimate," "intend," "seek," "target," "goal," "may," "will," "would," "could," "should," "can," "continue," and other similar words or expressions (and the negative thereof). Centene Corporation and its subsidiaries (Centene, the Company, our or we) intends such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with these safe-harbor provisions. In particular, these statements include, without limitation, statements about our future operating or financial performance, market opportunity, competition, expected contract start dates and terms, expected activities in connection with completed and future acquisitions and dispositions, our investments, and the adequacy of our available cash resources. These statements may be found in the various sections of this filing, such as Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations," Part II, Item 1. "Legal Proceedings," and Part II, Item 1A. "Risk Factors."

These forward-looking statements reflect our current views with respect to future events and are based on numerous assumptions and assessments made by us in light of our experience and perception of historical trends, current conditions, business strategies, operating environments, future developments, and other factors we believe appropriate. By their nature, forward-looking statements involve known and unknown risks and uncertainties and are subject to change because they relate to events and depend on circumstances that will occur in the future, 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. Except as may be otherwise required by law, 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. You should not place undue reliance on any forward-looking statements, as actual results may differ materially from projections, estimates, or other forward-looking statements due to a variety of important factors, variables, and events including, but not limited to:

- our ability to design and price products that are competitive and/or actuarially sound including but not limited to any impacts resulting from Medicaid redeterminations;
- our ability to maintain or achieve improvement in the Centers for Medicare and Medicaid Services (CMS) Star ratings and maintain or achieve improvement in other quality scores in each case that can impact revenue and future growth;
- our ability to accurately predict and effectively manage health benefits and other operating expenses and reserves, including fluctuations in medical utilization rates;
- competition, including for providers, broker distribution networks, contract procurements and organic growth;
- our ability to adequately anticipate demand and provide for operational resources to maintain service level requirements;
- our ability to manage our information systems effectively;
- disruption, unexpected costs, or similar risks from business transactions, including acquisitions, divestitures, and changes in our relationships with third parties;
- impairments to real estate, investments, goodwill and intangible assets;
- changes in senior management, loss of one or more key personnel or an inability to attract, hire, integrate and retain skilled personnel;
- membership and revenue declines or unexpected trends;
- rate cuts or other payment reductions or delays by governmental payors and other risks and uncertainties affecting our government businesses;
- changes in healthcare practices, new technologies, and advances in medicine;
- our ability to effectively and ethically use artificial intelligence and machine learning in compliance with applicable laws;
- increased healthcare costs;
- inflation and interest rates;
- the effect of social, economic, and political conditions and geopolitical events, including as a result of changes in U.S. presidential administrations or Congress;
- changes in market conditions;

- changes in federal or state laws or regulations, including changes with respect to income tax reform or government healthcare programs as well as changes with respect to the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act (collectively referred to as the ACA) and any regulations enacted thereunder;
- uncertainty concerning government shutdowns, debt ceilings or funding;
- tax matters;
- disasters, climate-related incidents, acts of war or aggression or major epidemics;
- changes in expected contract start dates and terms;
- changes in provider, broker, vendor, state, federal and other contracts and delays in the timing of regulatory approval of contracts, including due to protests;
- the expiration, suspension, or termination of our contracts with federal or state governments (including, but not limited to, Medicaid, Medicare or other customers);
- the difficulty of predicting the timing or outcome of legal or regulatory audits, investigations, proceedings or matters including, but not limited to, our ability to resolve claims and/or allegations made by states with regard to past practices on acceptable terms, or at all, or whether additional claims, reviews or investigations will be brought by states, the federal government or shareholder litigants, or government investigations;
- challenges to our contract awards;
- cyber-attacks or other data security incidents or our failure to comply with applicable privacy, data or security laws and regulations;
- the exertion of management's time and our resources, and other expenses incurred and business changes required in connection with complying with the terms of our contracts and the undertakings in connection with any regulatory, governmental, or third party consents or approvals for acquisitions or dispositions;
- any changes in expected closing dates, estimated purchase price, or accretion for acquisitions or dispositions;
- losses in our investment portfolio;
- restrictions and limitations in connection with our indebtedness;
- a downgrade of our corporate family rating, issuer rating or credit rating of our indebtedness; and
- the availability of debt and equity financing on terms that are favorable to us.

This list of important factors is not intended to be exhaustive. We discuss certain of these matters more fully, as well as certain other factors that may affect our business operations, financial condition, and results of operations, in our filings with the Securities and Exchange Commission (SEC), including our annual report on Form 10-K, other quarterly reports on Form 10-Q and current reports on Form 8-K. Due to these important factors and risks, we cannot give assurances with respect to our future performance, including without limitation our ability to maintain adequate premium levels or our ability to control our future medical and selling, general and administrative costs.

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures in this report as the Company believes that these figures are helpful in allowing investors to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently across periods. The Company uses the presented non-GAAP financial measures internally in evaluating the Company's performance and for planning purposes, by allowing management to focus on period-to-period changes in the Company's core business operations, and in determining employee incentive compensation. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The Company strongly encourages investors to review its consolidated financial statements and publicly filed reports in their entirety and cautions investors that the non-GAAP financial measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures. The presentation of non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Specifically, the Company believes the presentation of non-GAAP financial measures that excludes amortization of acquired intangible assets, acquisition and divestiture related expenses, as well as other items, allows investors to develop a more meaningful understanding of the Company's core performance over time.

The tables below provide reconciliations of non-GAAP items (\$ in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
GAAP net earnings attributable to Centene	\$ 1,146	\$ 1,058	\$ 2,309	\$ 2,188
Amortization of acquired intangible assets	173	179	346	362
Acquisition and divestiture related expenses	6	13	67	36
Other adjustments ⁽¹⁾	2	(74)	(97)	(127)
Income tax effects of adjustments ⁽²⁾	(44)	(21)	(126)	(135)
Adjusted net earnings	\$ 1,283	\$ 1,155	\$ 2,499	\$ 2,324
GAAP diluted earnings per share (EPS) attributable to Centene	\$ 2.16	\$ 1.92	\$ 4.32	\$ 3.96
Amortization of acquired intangible assets	0.33	0.33	0.65	0.66
Acquisition and divestiture related expenses	0.01	0.02	0.13	0.07
Other adjustments ⁽¹⁾	—	(0.13)	(0.18)	(0.23)
Income tax effects of adjustments ⁽²⁾	(0.08)	(0.04)	(0.24)	(0.25)
Adjusted diluted EPS	\$ 2.42	\$ 2.10	\$ 4.68	\$ 4.21

⁽¹⁾ Other adjustments include the following pre-tax items:

2024:

- (a) for the three months ended June 30, 2024: gain on the previously reported divestiture of Circle Health Group (Circle Health) of \$10 million, or \$0.02 per share (\$0.02 after-tax), an additional loss on the divestiture of our Spanish and Central European businesses of \$7 million, or \$0.01 per share (\$0.01 after-tax), severance costs due to a restructuring of \$4 million, or \$0.01 per share (\$0.01 after-tax), reduction to the net gain on the sale of property due to closing costs of \$3 million, or \$0.00 per share (\$0.00 after-tax) and net gain on the finalization of working capital adjustments for the previously reported divestiture of Magellan Specialty Health of \$2 million, or \$0.00 per share (\$0.00 after-tax);

(b) for the six months ended June 30, 2024: net gain on the previously reported divestiture of Magellan Specialty Health due to the achievement of contingent consideration and finalization of working capital adjustments of \$83 million, or \$0.15 per share (\$0.11 after-tax), net gain on the sale of property of \$21 million, or \$0.04 per share (\$0.03 after-tax), gain on the previously reported divestiture of Circle Health of \$20 million, or \$0.04 per share (\$0.12 after-tax), Health Net Federal Services asset impairment due to the 2024 final ruling on the TRICARE Managed Care Support Contract of \$14 million, or \$0.03 per share (\$0.02 after-tax), severance costs due to a restructuring of \$13 million, or \$0.02 per share (\$0.02 after-tax), an additional loss on the divestiture of our Spanish and Central European businesses of \$7 million, or \$0.01 per share (\$0.01 after-tax) and gain on the previously reported divestiture of HealthSmart due to the finalization of working capital adjustments of \$7 million, or \$0.01 per share (\$0.01 after-tax).

2023:

(a) for the three months ended June 30, 2023: gain on the sale of Apixio of \$91 million, or \$0.16 per share (\$0.11 after-tax), gain on the previously reported divestiture of Centurion of \$15 million, or \$0.02 per share (\$0.01 after-tax), an additional loss on the divestiture of our Spanish and Central European businesses of \$13 million, or \$0.02 per share (\$0.01 after-tax) and real estate impairments of \$19 million, or \$0.03 per share (\$0.02 after-tax);

(b) for the six months ended June 30, 2023: gain on the sale of Apixio of \$91 million, or \$0.16 per share (\$0.11 after-tax), gain on the sale of Magellan Specialty Health of \$79 million, or \$0.14 per share (\$0.12 after-tax), gain on the previously reported divestiture of Centurion of \$15 million, or \$0.03 per share (\$0.02 after-tax), an additional loss on the divestiture of our Spanish and Central European businesses of \$13 million, or \$0.02 per share (\$0.01 after-tax) and real estate impairments of \$45 million, or \$0.08 per share (\$0.06 after-tax).

⁽²⁾ The income tax effects of adjustments are based on the effective income tax rates applicable to each adjustment. The six months ended June 30, 2023, include a one-time income tax benefit of \$69 million, or \$0.12 per share, resulting from the distribution of long-term stock awards to the estate of the Company's former CEO.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
GAAP selling, general and administrative expenses	\$ 2,894	\$ 3,016	\$ 6,112	\$ 6,027
Less:				
Acquisition and divestiture related expenses	6	13	67	36
Restructuring costs	4	—	13	—
Real estate optimization	—	1	—	7
Adjusted selling, general and administrative expenses	\$ 2,884	\$ 3,002	\$ 6,032	\$ 5,984

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except shares in thousands and per share data in dollars)

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,605	\$ 17,193
Premium and trade receivables	16,587	15,532
Short-term investments	2,609	2,459
Other current assets	1,605	5,572
Total current assets	38,406	40,756
Long-term investments	16,870	16,286
Restricted deposits	1,415	1,386
Property, software and equipment, net	2,041	2,019
Goodwill	17,558	17,558
Intangible assets, net	5,755	6,101
Other long-term assets	1,092	535
Total assets	<u>\$ 83,137</u>	<u>\$ 84,641</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liability	\$ 18,173	\$ 18,000
Accounts payable and accrued expenses	12,232	16,420
Return of premium payable	1,615	1,462
Unearned revenue	597	715
Current portion of long-term debt	112	119
Total current liabilities	32,729	36,716
Long-term debt	17,516	17,710
Deferred tax liability	665	641
Other long-term liabilities	4,770	3,618
Total liabilities	55,680	58,685
Commitments and contingencies		
Redeemable noncontrolling interests	16	19
Stockholders' equity:		
Preferred stock, \$0.001 par value; authorized 10,000 shares; no shares issued or outstanding at June 30, 2024 and December 31, 2023	—	—
Common stock, \$0.001 par value; authorized 800,000 shares; 619,495 issued and 526,001 outstanding at June 30, 2024, and 615,291 issued and 534,484 outstanding at December 31, 2023	1	1
Additional paid-in capital	20,461	20,304
Accumulated other comprehensive (loss)	(646)	(652)
Retained earnings	14,352	12,043
Treasury stock, at cost (93,494 and 80,807 shares, respectively)	(6,817)	(5,856)
Total Centene stockholders' equity	27,351	25,840
Nonredeemable noncontrolling interest	90	97
Total stockholders' equity	27,441	25,937
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 83,137</u>	<u>\$ 84,641</u>

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

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except shares in thousands and per share data in dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Premium	\$ 35,140	\$ 33,713	\$ 70,669	\$ 67,538
Service	833	1,125	1,641	2,252
Premium and service revenues	35,973	34,838	72,310	69,790
Premium tax	3,863	2,770	7,933	6,707
Total revenues	39,836	37,608	80,243	76,497
Expenses:				
Medical costs	30,765	29,347	61,697	58,781
Cost of services	680	877	1,349	1,747
Selling, general and administrative expenses	2,894	3,016	6,112	6,027
Depreciation expense	133	146	268	288
Amortization of acquired intangible assets	173	179	346	362
Premium tax expense	3,962	2,854	8,123	6,865
Impairment	—	18	13	38
Total operating expenses	38,607	36,437	77,908	74,108
Earnings from operations	1,229	1,171	2,335	2,389
Other income (expense):				
Investment and other income	463	425	1,008	778
Interest expense	(176)	(181)	(354)	(361)
Earnings before income tax	1,516	1,415	2,989	2,806
Income tax expense	370	360	685	621
Net earnings	1,146	1,055	2,304	2,185
Loss attributable to noncontrolling interests	—	3	5	3
Net earnings attributable to Centene Corporation	\$ 1,146	\$ 1,058	\$ 2,309	\$ 2,188
Net earnings per common share attributable to Centene Corporation:				
Basic earnings per common share	\$ 2.16	\$ 1.93	\$ 4.34	\$ 3.98
Diluted earnings per common share	\$ 2.16	\$ 1.92	\$ 4.32	\$ 3.96
Weighted average number of common shares outstanding:				
Basic	529,602	548,932	532,385	549,850
Diluted	530,755	550,308	534,517	551,996

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

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(In millions, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net earnings	\$ 1,146	\$ 1,055	\$ 2,304	\$ 2,185
Change in unrealized gain (loss) on investments	(26)	(142)	(107)	111
Change in unrealized gain (loss) on investments, tax effect	6	34	21	(27)
Change in unrealized gain (loss) on investments, net of tax	(20)	(108)	(86)	84
Reclassification adjustment, net of tax	4	2	92	4
Foreign currency translation adjustments, net of tax	—	23	—	46
Other comprehensive earnings (loss)	(16)	(83)	6	134
Comprehensive earnings	1,130	972	2,310	2,319
Comprehensive loss attributable to noncontrolling interests	—	3	5	3
Comprehensive earnings attributable to Centene Corporation	<u>\$ 1,130</u>	<u>\$ 975</u>	<u>\$ 2,315</u>	<u>\$ 2,322</u>

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

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except shares in thousands and per share data in dollars)
(Unaudited)

Three and Six Months Ended June 30, 2024

	Centene Stockholders' Equity									
	Common Stock			Accumulated Other Comprehensive Earnings (Loss)			Treasury Stock		Noncontrolling Interest	Total
	\$0.001 Par Value Shares	Amt	Additional Paid-in Capital				\$0.001 Par Value Shares	Amt		
Balance, December 31, 2023	615,291	\$ 1	\$ 20,304	\$ (652)	\$ 12,043	80,807	\$(5,856)	\$ 97	\$ 25,937	
Comprehensive Earnings:										
Net earnings (loss)	—	—	—	—	1,163	—	—	(4)	1,159	
Other comprehensive earnings, net of \$(12) tax	—	—	—	22	—	—	—	—	22	
Common stock issued for employee benefit plans	3,882	—	14	—	—	—	—	—	14	
Common stock repurchases	—	—	—	—	—	1,983	(151)	—	(151)	
Stock compensation expense	—	—	70	—	—	—	—	—	70	
Divestiture of non-controlling interest	—	—	—	—	—	—	—	(3)	(3)	
Balance, March 31, 2024	619,173	\$ 1	\$ 20,388	\$ (630)	\$ 13,206	82,790	\$(6,007)	\$ 90	\$ 27,048	
Comprehensive Earnings:										
Net earnings	—	—	—	—	1,146	—	—	—	1,146	
Other comprehensive loss, net of \$(5) tax	—	—	—	(16)	—	—	—	—	(16)	
Common stock issued for employee benefit plans	322	—	11	—	—	—	—	—	11	
Common stock repurchases	—	—	—	—	—	10,704	(810)	—	(810)	
Stock compensation expense	—	—	62	—	—	—	—	—	62	
Balance, June 30, 2024	619,495	\$ 1	\$ 20,461	\$ (646)	\$ 14,352	93,494	\$(6,817)	\$ 90	\$ 27,441	

Three and Six Months Ended June 30, 2023

	Centene Stockholders' Equity								
	Common Stock			Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Treasury Stock		Noncontrolling Interest	Total
	\$0.001 Par Value Shares	Amt	Additional Paid-in Capital			\$0.001 Par Value Shares	Amt		
Balance, December 31, 2022	607,847	\$ 1	\$ 20,060	\$ (1,132)	\$ 9,341	57,093	\$ (4,213)	\$ 124	\$ 24,181
Comprehensive Earnings:									
Net earnings	—	—	—	—	1,130	—	—	—	1,130
Other comprehensive earnings, net of \$61 tax	—	—	—	217	—	—	—	—	217
Common stock issued for employee benefit plans	6,508	—	12	—	—	—	—	—	12
Common stock repurchases	—	—	—	—	—	5,548	(423)	—	(423)
Stock compensation expense	—	—	61	—	—	—	—	—	61
Purchase of redeemable noncontrolling interest	—	—	(12)	—	—	—	—	—	(12)
Balance, March 31, 2023	614,355	\$ 1	\$ 20,121	\$ (915)	\$ 10,471	62,641	\$ (4,636)	\$ 124	\$ 25,166
Comprehensive Earnings:									
Net earnings (loss)	—	—	—	—	1,058	—	—	(3)	1,055
Other comprehensive loss, net of \$(34) tax	—	—	—	(83)	—	—	—	—	(83)
Common stock issued for employee benefit plans	388	—	9	—	—	—	—	—	9
Common stock repurchases	—	—	—	—	—	6,099	(408)	—	(408)
Stock compensation expense	—	—	56	—	—	—	—	—	56
Purchase of non-redeemable noncontrolling interests	—	—	(3)	—	—	—	—	(24)	(27)
Balance, June 30, 2023	614,743	\$ 1	\$ 20,183	\$ (998)	\$ 11,529	68,740	\$ (5,044)	\$ 97	\$ 25,768

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

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

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net earnings	\$ 2,304	\$ 2,185
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	614	650
Stock compensation expense	132	117
Impairment	13	38
Deferred income taxes	40	(160)
(Gain) loss on divestitures, net	(103)	(172)
Other adjustments, net	(11)	68
Changes in assets and liabilities		
Premium and trade receivables	(1,059)	(319)
Other assets	(404)	(325)
Medical claims liabilities	173	139
Unearned revenue	(118)	1,895
Accounts payable and accrued expenses	(1,704)	618
Other long-term liabilities	1,838	2,081
Other operating activities, net	4	—
Net cash provided by operating activities	<u>1,719</u>	<u>6,815</u>
Cash flows from investing activities:		
Capital expenditures	(337)	(440)
Purchases of investments	(3,434)	(3,199)
Sales and maturities of investments	2,497	2,293
Divestiture proceeds, net of divested cash	959	669
Net cash used in investing activities	<u>(315)</u>	<u>(677)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	350	1,281
Payments and repurchases of long-term debt	(565)	(1,322)
Common stock repurchases	(954)	(828)
Proceeds from common stock issuances	25	21
Purchase of noncontrolling interest	—	(85)
Other financing activities, net	(4)	—
Net cash used in financing activities	<u>(1,148)</u>	<u>(933)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	7	(7)
Net increase in cash, cash equivalents and restricted cash and cash equivalents	<u>263</u>	<u>5,198</u>
Cash, cash equivalents and restricted cash and cash equivalents, beginning of period	<u>17,452</u>	<u>12,330</u>
Cash, cash equivalents and restricted cash and cash equivalents, end of period	<u>\$ 17,715</u>	<u>\$ 17,528</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 352	\$ 348
Income taxes paid	\$ 610	\$ 592
The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported within the Consolidated Balance Sheets to the totals above:		
	June 30,	
	2024	2023
Cash and cash equivalents	\$ 17,605	\$ 17,170
Restricted cash and cash equivalents, included in restricted deposits	110	358
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 17,715</u>	<u>\$ 17,528</u>

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

CENTENE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Operations

Basis of Presentation

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 included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023. The unaudited interim financial statements herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, footnote disclosures that would substantially duplicate the disclosures contained in the December 31, 2023 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 2023 amounts in the consolidated financial statements and notes to the consolidated financial statements have been reclassified to conform to the 2024 presentation. These reclassifications have no effect on net earnings or stockholders' equity as previously reported.

Accounting Guidance Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The amendments will require public entities to disclose significant segment expenses that are regularly provided to the chief operating decision-maker and included within segment profit and loss. The new standard is effective for annual periods beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the effect of the new disclosure requirements.

In December 2023, the FASB issued an ASU which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The new standard is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the effect of the new disclosure requirements.

In March 2024, the SEC adopted the final rule under SEC Release No. 33-11275, The Enhancement and Standardization of Climate-Related Disclosures for Investors. This rule will require disclosure of material climate-related risks and material direct greenhouse gas emissions from operations owned or controlled (Scope 1) and/or material indirect greenhouse gas emissions from purchased energy consumed in owned or controlled operations (Scope 2). Additionally, the rules require disclosure in the notes to the financial statements of the effects of severe weather events and other natural conditions, subject to certain materiality thresholds. The disclosure requirements will begin phasing in for reports and registration statements including financial information with respect to annual periods beginning in 2025. In April 2024, the SEC voluntarily stayed the final rule pending the completion of judicial review by the Court of Appeals for the Eighth Circuit. The Company is monitoring the development of litigation related to the SEC's rule, and is currently evaluating the effect of the new disclosure requirements.

2. Acquisitions and Divestitures

Magellan Specialty Health Divestiture

For the six months ended June 30, 2024, the Company recorded an additional gain on the previously reported divestiture of Magellan Specialty Health of \$83 million for achievement of contingent consideration related to the sale and finalization of working capital adjustments, which is included in investment and other income in the Consolidated Statements of Operations.

Circle Health Group Divestiture

On August 28, 2023, the Company signed a definitive agreement to sell Circle Health Group (Circle Health), one of the U.K.'s largest independent hospital operators, which is included in the Other segment.

In accordance with the signed definitive agreement in the third quarter of 2023, and subsequently updated in the fourth quarter of 2023, the Company recorded impairment charges related to goodwill associated with the pending divestiture totaling \$292 million, or \$258 million after-tax.

In order to manage the foreign exchange risk on the sale price associated with the pending divestiture of Circle Health, in August 2023 the Company entered into a foreign currency swap agreement for a notional amount of \$931 million, to sell £740 million. The swap agreement was formally designated and qualified as a cash flow hedge. The swap expired on the earlier of the divestiture closing date or March 28, 2024. The gain or loss due to changes in the fair value of the foreign currency swap was recorded in other comprehensive income until the Circle Health divestiture closed, at which time the gain or loss was recorded in earnings to the same line in the Consolidated Statement of Operations as the gain or loss on sale.

On January 12, 2024, the Company completed the divestiture for \$931 million. Upon closing the divestiture, the Company settled the foreign currency swap and recorded a corresponding gain of \$20 million, which includes the cumulative translation adjustment previously recorded in accumulated other comprehensive income in the Consolidated Balance Sheet. The gain is included in investment and other income in the Consolidated Statements of Operations. During the six months ended June 30, 2024, the Company realized a net tax benefit of approximately \$40 million on the loss recognized on the divestiture.

3. Short-term and Long-term Investments, Restricted Deposits

Short-term and long-term investments and restricted deposits by investment type consist of the following (\$ in millions):

	June 30, 2024				December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:								
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 591	\$ —	\$ (7)	\$ 584	\$ 403	\$ —	\$ (8)	\$ 395
Corporate securities	10,554	32	(468)	10,118	9,984	78	(461)	9,601
Restricted certificates of deposit	4	—	—	4	4	—	—	4
Restricted cash equivalents	110	—	—	110	259	—	—	259
Short-term time deposits	586	—	—	586	746	—	—	746
Municipal securities	4,229	7	(184)	4,052	4,135	21	(171)	3,985
Asset-backed securities	1,741	8	(29)	1,720	1,665	8	(35)	1,638
Residential mortgage-backed securities	1,606	2	(129)	1,479	1,503	7	(103)	1,407
Commercial mortgage-backed securities	1,222	2	(79)	1,145	1,149	5	(82)	1,072
Equity securities	17	—	—	17	17	—	—	17
Private equity investments	890	—	—	890	833	—	—	833
Life insurance contracts	189	—	—	189	174	—	—	174
Total	\$ 21,739	\$ 51	\$ (896)	\$ 20,894	\$ 20,872	\$ 119	\$ (860)	\$ 20,131

The Company's investments are debt securities classified as available-for-sale with the exception of equity securities, certain private equity investments and life insurance contracts. Private equity investments include direct investments in private equity securities as well as private equity funds. The Company's investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets with a focus on high credit quality securities. The Company limits the size of investment in any single issuer other than U.S. treasury securities and obligations of U.S. government corporations and agencies. As of June 30, 2024, 99% of the Company's investments in rated securities carry an investment grade rating by nationally recognized statistical rating organizations. At June 30, 2024, the Company held certificates of deposit, equity securities, private equity investments and life insurance contracts, which did not carry a credit rating. Accrued interest income on available-for-sale debt securities was \$168 million and \$153 million at June 30, 2024 and December 31, 2023, respectively, and is included in other current assets in the Consolidated Balance Sheets.

The Company's residential mortgage-backed securities are primarily issued by the Federal National Mortgage Association, Government National Mortgage Association or Federal Home Loan Mortgage Corporation, which carry implicit or explicit guarantees of the U.S. government. The Company's commercial mortgage-backed securities are primarily senior tranches with a weighted average rating of AA+ and a weighted average duration of 3 years at June 30, 2024.

The fair value of available-for-sale debt securities with gross unrealized losses by investment type and length of time that individual securities have been in a continuous unrealized loss position were as follows (\$ in millions):

	June 30, 2024				December 31, 2023			
	Less Than 12 Months		12 Months or More		Less Than 12 Months		12 Months or More	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ —	\$ 205	\$ (7)	\$ 224	\$ —	\$ 79	\$ (8)	\$ 232
Corporate securities	(20)	1,895	(448)	6,017	(6)	658	(455)	6,260
Municipal securities	(11)	959	(173)	2,365	(4)	553	(167)	2,237
Asset-backed securities	(1)	266	(28)	519	(2)	197	(33)	855
Residential mortgage-backed securities	(7)	397	(122)	857	(2)	153	(101)	814
Commercial mortgage-backed securities	(1)	147	(78)	802	(2)	114	(80)	754
Short-term time deposits	—	—	—	—	—	31	—	—
Total	\$ (40)	\$ 3,869	\$ (856)	\$ 10,784	\$ (16)	\$ 1,785	\$ (844)	\$ 11,152

As of June 30, 2024, the gross unrealized losses were generated from 4,626 positions out of a total of 6,830 positions. The change in fair value of available-for-sale debt securities is primarily a result of movement in interest rates subsequent to the purchase of the security.

For each security in an unrealized loss position, the Company assesses whether it intends to sell the security or if it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If the security meets this criterion, the decline in fair value is recorded in earnings. The Company does not intend to sell these securities prior to maturity and it is not likely that the Company will be required to sell these securities prior to maturity; therefore, the Company did not record an impairment for these securities.

In addition, the Company monitors available-for-sale debt securities for credit losses. Certain investments have experienced a decline in fair value due to changes in credit quality, market interest rates and/or general economic conditions. The Company recognizes an allowance when evidence demonstrates that the decline in fair value is credit related. Evidence of a credit-related loss may include rating agency actions, adverse conditions specifically related to the security or failure of the issuer of the security to make scheduled payments.

The contractual maturities of short-term and long-term debt securities and restricted deposits are as follows (\$ in millions):

	June 30, 2024				December 31, 2023			
	Investments		Restricted Deposits		Investments		Restricted Deposits	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	\$ 2,428	\$ 2,403	\$ 395	\$ 392	\$ 2,308	\$ 2,284	\$ 566	\$ 564
One year through five years	7,877	7,546	733	709	7,738	7,431	527	504
Five years through ten years	4,166	3,947	291	278	3,905	3,735	298	283
Greater than ten years	147	143	37	36	155	154	34	35
Asset-backed securities	4,569	4,344	—	—	4,317	4,117	—	—
Total	\$ 19,187	\$ 18,383	\$ 1,456	\$ 1,415	\$ 18,423	\$ 17,721	\$ 1,425	\$ 1,386

Actual maturities may differ from contractual maturities due to call or prepayment options. Equity securities, private equity investments and life insurance contracts are excluded from the table above because they do not have a contractual maturity. The Company has an option to redeem substantially all of the securities included in the greater than ten years category listed above at amortized cost.

4. Fair Value Measurements

Assets and liabilities recorded at fair value in the Consolidated Balance Sheets are categorized based upon observable or unobservable inputs used to estimate fair value. Level inputs are as follows:

Level Input:	Input Definition:
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following table summarizes fair value measurements by level at June 30, 2024, for assets and liabilities measured at fair value on a recurring basis (\$ in millions):

	Level I	Level II	Level III	Total
Assets				
Cash and cash equivalents	\$ 17,605	\$ —	\$ —	\$ 17,605
Investments:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 58	\$ —	\$ —	\$ 58
Corporate securities	—	10,080	—	10,080
Municipal securities	—	3,315	—	3,315
Short-term time deposits	—	586	—	586
Asset-backed securities	—	1,720	—	1,720
Residential mortgage-backed securities	—	1,479	—	1,479
Commercial mortgage-backed securities	—	1,145	—	1,145
Equity securities	14	3	—	17
Total investments	\$ 72	\$ 18,328	\$ —	\$ 18,400
Restricted deposits:				
Cash and cash equivalents	\$ 110	\$ —	\$ —	\$ 110
U.S. Treasury securities and obligations of U.S. government corporations and agencies	526	—	—	526
Corporate securities	—	38	—	38
Certificates of deposit	—	4	—	4
Municipal securities	—	737	—	737
Total restricted deposits	\$ 636	\$ 779	\$ —	\$ 1,415
Total assets at fair value	\$ 18,313	\$ 19,107	\$ —	\$ 37,420

The following table summarizes fair value measurements by level at December 31, 2023, for assets and liabilities measured at fair value on a recurring basis (\$ in millions):

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 17,193	\$ —	\$ —	\$ 17,193
Investments:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 62	\$ —	\$ —	\$ 62
Corporate securities	—	9,564	—	9,564
Municipal securities	—	3,232	—	3,232
Short-term time deposits	—	746	—	746
Asset backed securities	—	1,638	—	1,638
Residential mortgage-backed securities	—	1,407	—	1,407
Commercial mortgage-backed securities	—	1,072	—	1,072
Equity securities	15	2	—	17
Total investments	\$ 77	\$ 17,661	\$ —	\$ 17,738
Restricted deposits:				
Cash and cash equivalents	\$ 259	\$ —	\$ —	\$ 259
U.S. Treasury securities and obligations of U.S. government corporations and agencies	333	—	—	333
Corporate securities	—	37	—	37
Certificates of deposit	—	4	—	4
Municipal securities	—	753	—	753
Total restricted deposits	\$ 592	\$ 794	\$ —	\$ 1,386
Total assets at fair value	\$ 17,862	\$ 18,455	\$ —	\$ 36,317
Liabilities				
Accounts payable and accrued expenses:				
Foreign currency swap agreement	\$ —	\$ 13	\$ —	\$ 13
Total liabilities at fair value	\$ —	\$ 13	\$ —	\$ 13

The Company utilizes matrix-pricing services to estimate fair value for securities which are not actively traded on the measurement date. The Company designates these securities as Level II fair value measurements. In addition, the aggregate carrying amount of the Company's private equity investments and life insurance contracts, which approximates fair value, was \$1,079 million and \$1,007 million as of June 30, 2024 and December 31, 2023, respectively.

5. Medical Claims Liability

The following table summarizes the change in medical claims liability for the six months ended June 30, 2024 (\$ in millions):

	Medicaid	Medicare	Commercial	Other	Consolidated Total
Balance, January 1, 2024	\$ 10,814	\$ 3,612	\$ 3,460	\$ 114	\$ 18,000
Less: Reinsurance recoverable	5	—	44	—	49
Balance, January 1, 2024, net	10,809	3,612	3,416	114	17,951
Incurred related to:					
Current year	39,398	10,953	12,274	758	63,383
Prior years	(1,136)	(316)	(326)	7	(1,771)
Total incurred	38,262	10,637	11,948	765	61,612
Paid related to:					
Current year	30,696	8,093	9,143	633	48,565
Prior years	7,918	2,562	2,367	121	12,968
Total paid	38,614	10,655	11,510	754	61,533
Plus: Premium deficiency reserve	—	85	—	—	85
Balance, June 30, 2024, net	10,457	3,679	3,854	125	18,115
Plus: Reinsurance recoverable	15	—	43	—	58
Balance, June 30, 2024	<u>\$ 10,472</u>	<u>\$ 3,679</u>	<u>\$ 3,897</u>	<u>\$ 125</u>	<u>\$ 18,173</u>

The following table summarizes the change in medical claims liability for the six months ended June 30, 2023 (\$ in millions):

	Medicaid	Medicare	Commercial	Other	Consolidated Total
Balance, January 1, 2023	\$ 11,253	\$ 3,431	\$ 1,921	\$ 140	\$ 16,745
Less: Reinsurance recoverable	7	—	19	—	26
Balance, January 1, 2023, net	11,246	3,431	1,902	140	16,719
Incurred related to:					
Current year	40,622	10,083	8,857	773	60,335
Prior years	(1,153)	(191)	(208)	(2)	(1,554)
Total incurred	39,469	9,892	8,649	771	58,781
Paid related to:					
Current year	31,837	7,726	6,751	656	46,970
Prior years	7,890	2,357	1,282	137	11,666
Total paid	39,727	10,083	8,033	793	58,636
Balance, June 30, 2023, net	10,988	3,240	2,518	118	16,864
Plus: Reinsurance recoverable	5	—	15	—	20
Balance, June 30, 2023	<u>\$ 10,993</u>	<u>\$ 3,240</u>	<u>\$ 2,533</u>	<u>\$ 118</u>	<u>\$ 16,884</u>

Reinsurance recoverables related to medical claims are included in premium and trade receivables. Changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions. Additionally, as a result of development within "Incurred related to: Prior years," the Company recorded \$88 million and \$319 million as a reduction to premium revenue in the six months ended June 30, 2024 and 2023, respectively, for minimum health benefits ratio (HBR) and other return of premium programs.

Incurred but not reported (IBNR) plus expected development on reported claims as of June 30, 2024 was \$12,337 million. Total IBNR plus expected development on reported claims represents estimates for claims incurred but not reported, development on reported claims and estimates for the costs necessary to process unpaid claims at the end of each period. The Company estimates its liability using actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. These actuarial methods consider factors such as historical data for payment patterns, cost trends, product mix, seasonality, utilization of healthcare services and other relevant factors.

The Company reviews actual and anticipated experience compared to the assumptions used to establish medical costs. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with the method of acquiring, servicing and measuring the profitability of such contracts and expected investment income is excluded. In December 2023, the Company recorded a premium deficiency reserve of \$250 million related to the 2024 Medicare Advantage contract year, which was increased to \$300 million in the first quarter of 2024 and to \$335 million in the second quarter of 2024 consistent with the intra-year flow of seasonality.

6. Affordable Care Act

The Affordable Care Act established risk spreading premium stabilization programs as well as a minimum annual medical loss ratio (MLR) and cost sharing reductions.

The Company's net receivables (payables) for each of the programs are as follows (\$ in millions):

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Risk adjustment receivable	\$ 2,047	\$ 893
Risk adjustment payable	(3,475)	(2,553)
Minimum medical loss ratio	(675)	(164)
Cost sharing reduction receivable	12	—
Cost sharing reduction payable	(111)	(114)

In July 2024, the Centers for Medicare and Medicaid Services (CMS) announced the final risk adjustment transfers for the 2023 benefit year. Based on the Company's estimate of the final settlement, the risk adjustment net payable was decreased by \$1,344 million in the first half of 2024. After consideration of minimum MLR and other related impacts, the net pre-tax benefit recognized was \$945 million in the six months ended June 30, 2024 (\$78 million in the first quarter of 2024 and \$867 million in the second quarter of 2024).

7. Debt

Debt consists of the following (\$ in millions):

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
\$2,500 million 4.25% Senior Notes due December 15, 2027	\$ 2,397	\$ 2,395
\$2,300 million 2.45% Senior Notes due July 15, 2028	2,303	2,303
\$3,500 million 4.625% Senior Notes due December 15, 2029	3,277	3,277
\$2,000 million 3.375% Senior Notes due February 15, 2030	2,000	2,000
\$2,200 million 3.00% Senior Notes due October 15, 2030	2,200	2,200
\$2,200 million 2.50% Senior Notes due March 1, 2031	2,200	2,200
\$1,300 million 2.625% Senior Notes due August 1, 2031	1,300	1,300
Total senior notes	<u>15,677</u>	<u>15,675</u>
Term Loan Facility	2,060	2,115
Revolving Credit Agreement	—	150
Finance leases and other	2	11
Debt issuance costs	(111)	(122)
Total debt	<u>17,628</u>	<u>17,829</u>
Less: current portion	<u>(112)</u>	<u>(119)</u>
Long-term debt	<u>\$ 17,516</u>	<u>\$ 17,710</u>

8. Stockholders' Equity

The Company's Board of Directors has authorized a stock repurchase program of the Company's common stock from time to time on the open market or through privately negotiated transactions. The Company is authorized to repurchase up to \$10,000 million, inclusive of past authorizations. As of June 30, 2024, the Company had a remaining amount of \$4,378 million available under the stock repurchase program.

The following represents the Company's share repurchase activity (\$ in millions, shares in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
	Shares	Cost	Shares	Cost	Shares	Cost	Shares	Cost
Share buybacks	10,660	\$ 800	6,028	\$ 400	11,341	\$ 851	10,880	\$ 777
Income tax withholding	44	3	71	5	1,346	103	767	51
Total share repurchases ⁽¹⁾	10,704	\$ 803	6,099	\$ 405	12,687	\$ 954	11,647	\$ 828

⁽¹⁾ Excludes share repurchase excise tax of approximately \$7 million and \$3 million accrued as of June 30, 2024 and 2023, respectively.

Shares repurchased for income tax withholding are shares withheld in connection with employee stock plans to meet applicable tax withholding requirements. These shares are typically included in the Company's treasury stock.

9. Earnings Per Share

The following table sets forth the calculation of basic and diluted net earnings per common share (\$ in millions, except per share data in dollars and shares in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Earnings attributable to Centene Corporation	\$ 1,146	\$ 1,058	\$ 2,309	\$ 2,188
Shares used in computing per share amounts:				
Weighted average number of common shares outstanding	529,602	548,932	532,385	549,850
Common stock equivalents (as determined by applying the treasury stock method)	1,153	1,376	2,132	2,146
Weighted average number of common shares and potential dilutive common shares outstanding	530,755	550,308	534,517	551,996
Net earnings per common share attributable to Centene Corporation:				
Basic earnings per common share	\$ 2.16	\$ 1.93	\$ 4.34	\$ 3.98
Diluted earnings per common share	\$ 2.16	\$ 1.92	\$ 4.32	\$ 3.96

The calculation of diluted earnings per common share for the three months ended June 30, 2024 and 2023 excludes 271 thousand shares and 1,519 thousand shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units.

The calculation of diluted earnings per common share for the six months ended June 30, 2024 and 2023 excludes 267 thousand shares and 1,611 thousand shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units.

10. Segment Information

The Company operates in four segments: (1) a Medicaid segment, (2) a Medicare segment, (3) a Commercial segment and (4) an Other segment.

The Medicaid, Medicare and Commercial segments represent the government-sponsored or subsidized programs under which the Company offers managed healthcare services. The Other segment includes the Company's pharmacy operations, vision and dental services, clinical healthcare, behavioral health, international operations, and corporate management companies, among others. The Company's international businesses, Operose Health Group (Operose Health) and Circle Health, were divested in December 2023 and January 2024, respectively.

Factors used in determining the reportable business segments include the nature of operating activities, the existence of separate senior management teams and the type of information presented to the Company's chief operating decision-maker to evaluate all results of operations. The Company does not report total assets by segment since this is not a metric used to allocate resources or evaluate segment performance.

Segment information for the three months ended June 30, 2024, is as follows (\$ in millions):

	Medicaid	Medicare	Commercial	Other/Eliminations	Consolidated Total
Premium	\$ 20,229	\$ 5,978	\$ 8,534	\$ 399	\$ 35,140
Service	21	—	1	811	833
Premium and service revenues	20,250	5,978	8,535	1,210	35,973
Premium tax	3,863	—	—	—	3,863
Total external revenues	24,113	5,978	8,535	1,210	39,836
Internal revenues	—	—	—	4,081	4,081
Eliminations	—	—	—	(4,081)	(4,081)
Total revenues	<u>\$ 24,113</u>	<u>\$ 5,978</u>	<u>\$ 8,535</u>	<u>\$ 1,210</u>	<u>\$ 39,836</u>
Medical costs	\$ 18,767	\$ 5,333	\$ 6,268	\$ 397	\$ 30,765
Cost of services	\$ 22	\$ —	\$ —	\$ 658	\$ 680
Gross margin ⁽¹⁾	\$ 1,461	\$ 645	\$ 2,267	\$ 155	\$ 4,528

⁽¹⁾ Gross margin represents premium and service revenues less medical costs and cost of services.

Segment information for the three months ended June 30, 2023, is as follows (\$ in millions):

	Medicaid	Medicare	Commercial	Other/Eliminations	Consolidated Total
Premium	\$ 21,895	\$ 5,665	\$ 5,734	\$ 419	\$ 33,713
Service	—	—	—	1,125	1,125
Premium and service revenues	21,895	5,665	5,734	1,544	34,838
Premium tax	2,770	—	—	—	2,770
Total external revenues	24,665	5,665	5,734	1,544	37,608
Internal revenues	—	—	—	3,789	3,789
Eliminations	—	—	—	(3,789)	(3,789)
Total revenues	<u>\$ 24,665</u>	<u>\$ 5,665</u>	<u>\$ 5,734</u>	<u>\$ 1,544</u>	<u>\$ 37,608</u>
Medical costs	\$ 19,459	\$ 4,884	\$ 4,644	\$ 360	\$ 29,347
Cost of services	\$ 2	\$ —	\$ —	\$ 875	\$ 877
Gross margin ⁽¹⁾	\$ 2,434	\$ 781	\$ 1,090	\$ 309	\$ 4,614

⁽¹⁾ Gross margin represents premium and service revenues less medical costs and cost of services.

Segment information for the six months ended June 30, 2024, is as follows (\$ in millions):

	Medicaid	Medicare	Commercial	Other/Eliminations	Consolidated Total
Premium	\$ 41,667	\$ 11,913	\$ 16,284	\$ 805	\$ 70,669
Service	43	—	2	1,596	1,641
Premium and service revenues	41,710	11,913	16,286	2,401	72,310
Premium tax	7,933	—	—	—	7,933
Total external revenues	49,643	11,913	16,286	2,401	80,243
Internal revenues	—	—	—	8,161	8,161
Eliminations	—	—	—	(8,161)	(8,161)
Total revenues	<u>\$ 49,643</u>	<u>\$ 11,913</u>	<u>\$ 16,286</u>	<u>\$ 2,401</u>	<u>\$ 80,243</u>
Medical costs	\$ 38,262	\$ 10,722	\$ 11,948	\$ 765	\$ 61,697
Cost of services	\$ 43	\$ —	\$ —	\$ 1,306	\$ 1,349
Gross margin ⁽¹⁾	\$ 3,405	\$ 1,191	\$ 4,338	\$ 330	\$ 9,264

⁽¹⁾ Gross margin represents premium and service revenues less medical costs and cost of services.

Segment information for the six months ended June 30, 2023, is as follows (\$ in millions):

	Medicaid	Medicare	Commercial	Other/Eliminations	Consolidated Total
Premium	\$ 44,122	\$ 11,541	\$ 10,986	\$ 889	\$ 67,538
Service	—	—	—	2,252	2,252
Premium and service revenues	44,122	11,541	10,986	3,141	69,790
Premium tax	6,707	—	—	—	6,707
Total external revenues	50,829	11,541	10,986	3,141	76,497
Internal revenues	—	—	—	7,656	7,656
Eliminations	—	—	—	(7,656)	(7,656)
Total revenues	<u>\$ 50,829</u>	<u>\$ 11,541</u>	<u>\$ 10,986</u>	<u>\$ 3,141</u>	<u>\$ 76,497</u>
Medical costs	\$ 39,469	\$ 9,892	\$ 8,649	\$ 771	\$ 58,781
Cost of services	\$ 2	\$ —	\$ —	\$ 1,745	\$ 1,747
Gross margin ⁽¹⁾	\$ 4,651	\$ 1,649	\$ 2,337	\$ 625	\$ 9,262

⁽¹⁾ Gross margin represents premium and service revenues less medical costs and cost of services.

11. Contingencies

The Company is routinely subjected to legal and regulatory proceedings in the normal course of business. These matters can include, without limitation:

- periodic compliance and other reviews and investigations by various federal and state regulatory agencies with respect to requirements applicable to the Company's business, including, without limitation, those related to payment of out-of-network claims, compliance with CMS Medicare and Marketplace regulations, including risk adjustment and broker compensation, compliance with the False Claims Act, the calculation of minimum MLR and rebates related thereto, submissions to state agencies related to payments or state false claims acts, pre-authorization penalties, timely review of grievances and appeals, timely and accurate payment of claims, cybersecurity issues, including those related to the Company's or the Company's third-party vendors' information systems, and the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and other federal and state fraud, waste and abuse laws;
- litigation arising out of general business activities, such as tax matters, disputes related to healthcare benefits coverage or reimbursement, putative securities class actions, and medical malpractice, privacy, real estate, intellectual property, vendor disputes and employment-related claims; and
- disputes regarding reinsurance arrangements, claims arising out of the acquisition or divestiture of various assets, class actions and claims relating to the performance of contractual and non-contractual obligations to providers, members, employer groups, vendors and others, including, but not limited to, the alleged failure to properly pay claims and challenges to the manner in which the Company processes claims, claims related to network adequacy and claims alleging that the Company has engaged in unfair business practices.

Among other things, these matters may result in awards of damages, fines or penalties, which could be substantial, and/or could require changes to the Company's business. The Company intends to vigorously defend itself against legal and regulatory proceedings to which it is currently a party; however, these proceedings are subject to many uncertainties. In some of the cases pending against the Company, substantial non-economic or punitive damages are being sought.

The Company records reserves and accrues costs for certain legal proceedings and regulatory matters to the extent that it determines an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. While such reserves and accrued costs reflect the Company's best estimate of the probable loss for such matters, the recorded amounts may differ materially from the actual amount of any such losses. In some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal and regulatory proceedings, which may be exacerbated by various factors, including but not limited to, they may involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or legal uncertainties; involve disputed facts; represent a shift in regulatory policy; involve a large number of parties, claimants or regulatory bodies; are in the early stages of the proceedings; involve a number of separate proceedings and/or a wide range of potential outcomes; or result in a change of business practices.

As of the date of this report, amounts accrued for legal proceedings and regulatory matters were not material, except for the reserve estimate as previously disclosed in the Company's 2023 Annual Report on Form 10-K with respect to claims or potential claims involving services provided by Envolve Pharmacy Solutions, Inc. (Envolve), as the Company's pharmacy benefits management (PBM) subsidiary. The Company has reached no-fault settlement agreements related to services previously provided by Envolve with the vast majority of states impacted. Such agreements have provided for payment amounts consistent with the initial reserve estimate established in the second quarter of 2021 related to this issue.

It is possible that in a particular quarter or annual period the Company's financial condition, results of operations, cash flow and/or liquidity could be materially adversely affected by an ultimate unfavorable resolution of or development in legal and/or regulatory proceedings. The Company believes that the ultimate outcome of any of the regulatory and legal proceedings that are currently pending against it should not have a material adverse effect on financial condition, results of operations, cash flow or liquidity.

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. The discussion contains forward-looking statements that involve known and unknown risks and uncertainties.

EXECUTIVE OVERVIEW

General

We are a leading provider of government-sponsored healthcare. We provide access to quality healthcare for more than 1 in 15 individuals nationwide through government-sponsored programs, including Medicaid, Medicare and the Health Insurance Marketplace. Our focus is on improving health and health care for low-income, complex populations.

Our results of operations depend on our ability to manage expenses associated with health benefits (including estimated costs incurred) and selling, general and administrative (SG&A) costs. We measure operating performance based upon two key ratios. The health benefits ratio (HBR) represents medical costs as a percentage of premium revenues, excluding premium tax revenues that are separately billed, and reflects the direct relationship between the premiums received and the medical services provided. The SG&A expense ratio represents SG&A costs as a percentage of premium and service revenues, excluding premium taxes separately billed.

Regulatory Trends and Uncertainties

The United States government, policymakers and healthcare experts continue to discuss and debate various elements of the United States healthcare model. We remain focused on the promise of delivering access to high-quality, affordable healthcare to all of our members and believe we are well positioned to meet the needs of the changing healthcare landscape.

In contrast to previous executive and legislative efforts to restrict or limit certain provisions of the Affordable Care Act (ACA), legislation and regulations at the federal level over the last few years have contained provisions aimed at leveraging Medicaid and the Health Insurance Marketplace to expand health insurance coverage and affordability to consumers. The American Rescue Plan Act (ARPA), enacted in March 2021, initially enhanced eligibility for the premium tax credit for enrollees in the Health Insurance Marketplace, which was extended through 2025 by the Inflation Reduction Act, enacted in August 2022.

In addition, newly finalized Centers for Medicare & Medicaid Services (CMS) regulations will require beneficiaries dually enrolled in Medicare and Medicaid who receive integrated care through Medicare Advantage Dual Eligible Special Needs Plans (D-SNPs) to have aligned enrollment with their Medicaid Managed Care Organization beginning in 2027, which may restrict our product offerings in some geographic service areas. We believe we are positioned well given our overlapping Medicaid and Medicare Advantage footprints and are committed to navigating evolving regulations.

The COVID-19 pandemic impacted and continues to affect our business as it relates to Medicaid eligibility changes. The Families First Coronavirus Response Act, enacted in March 2020, increased federal matching rates for state Medicaid programs with a requirement that states suspend Medicaid redeterminations throughout the public health emergency (PHE). As a result, since the onset of the PHE through March 2023, our Medicaid membership increased by 3.6 million members (excluding new states North Carolina and Delaware and various state product expansions or managed care organization changes). The Consolidated Appropriations Act, 2023, signed into law on December 29, 2022, delinked the Medicaid continuous coverage requirements from the PHE and, as a result, some states began Medicaid disenrollments on April 1, 2023. Per the Act and clarifying CMS guidance, redeterminations related to the PHE were largely intended to conclude during the second quarter of 2024. However, redeterminations in certain states moved at a slower pace due to CMS compliance action to pause and/or complete corrective action prior to disenrolling beneficiaries and some states have seen redeterminations extend past the second quarter of 2024. Since redeterminations began in April 2023, our Medicaid membership decreased by 2.4 million members. We anticipate that any remaining reductions will be limited as the majority of states have substantially completed their unwinding processes as of July 2024.

We are actively engaged to help ensure individuals take the state agency requested action to confirm eligibility in their Medicaid coverage or find other appropriate coverage that is best for themselves and their families. Our Ambetter Health product covers the majority of our Medicaid states, and we believe we are among the best positioned in the healthcare market to enroll those transitioning coverage through redeterminations.

We also closely monitor state legislation across our markets and are advocating for and seeing adoption of coverage expansions for Medicaid adult populations (e.g., North Carolina), postpartum, foster care children, among others, as well as mitigating adverse legislation addressing pharmacy, prior authorization and other issues. The Consolidated Appropriations Act, 2023 outlined key coverage expansion provisions, which went into effect in January 2024, requiring states to provide 12 months of continuous coverage for children under Medicaid and the Children's Health Insurance Program (CHIP). The year-end spending bill also made the state option to extend coverage for postpartum women for up to 12 months permanent.

We have more than three decades of experience, spanning seven presidents from both sides of the aisle, in delivering high-quality healthcare services on behalf of states and the federal government to under-insured and uninsured families, commercial organizations and military families. This expertise has allowed us to deliver cost-effective services to our government partners and our members. With trends in the personalization of healthcare technology, we continue the use of data and analytics to optimize our business. We continue to believe we have both the capacity and capability to successfully navigate industry changes to the benefit of our members, customers, providers and shareholders.

Second Quarter 2024 Highlights

Our financial performance for the second quarter of 2024 is summarized as follows:

- Managed care membership of 28.5 million, an increase of 66 thousand members, or 0.2% year-over-year.
- Total revenues of \$39.8 billion, representing 6% growth year-over-year.
- Premium and service revenues of \$36.0 billion, representing 3% growth year-over-year.
- HBR of 87.6%, compared to 87.0% for the second quarter of 2023.
- SG&A expense ratio of 8.0%, compared to 8.7% for the second quarter of 2023.
- Adjusted SG&A expense ratio of 8.0%, compared to 8.6% for the second quarter of 2023.
- Operating cash flows provided cash of \$2.2 billion in the second quarter of 2024.
- Diluted earnings per share (EPS) of \$2.16, compared to \$1.92 for the second quarter of 2023.
- Adjusted diluted EPS of \$2.42, compared to \$2.10 for the second quarter of 2023.

A reconciliation from GAAP diluted EPS to adjusted diluted EPS is highlighted below, and additional detail is provided above under the heading "*Non-GAAP Financial Presentation*":

	Three Months Ended June 30,	
	2024	2023
GAAP diluted EPS attributable to Centene	\$ 2.16	\$ 1.92
Amortization of acquired intangible assets	0.33	0.33
Acquisition and divestiture related expenses	0.01	0.02
Other adjustments ⁽¹⁾	—	(0.13)
Income tax effects of adjustments ⁽²⁾	(0.08)	(0.04)
Adjusted diluted EPS	\$ 2.42	\$ 2.10

⁽¹⁾ Other adjustments include the following pre-tax items:

2024:

- (a) gain on the previously reported divestiture of Circle Health Group (Circle Health) of \$10 million, or \$0.02 per share (\$0.02 after-tax), an additional loss on the divestiture of our Spanish and Central European businesses of \$7 million, or \$0.01 per share (\$0.01 after-tax), severance costs due to a restructuring of \$4 million, or \$0.01 per share (\$0.01 after-tax), reduction to the net gain on the sale of property due to closing costs of \$3 million, or \$0.00 per share (\$0.00 after-tax) and net gain on the finalization of working capital adjustments for the previously reported divestiture of Magellan Specialty Health of \$2 million, or \$0.00 per share (\$0.00 after-tax);

2023:

- (a) gain on the sale of Apixio of \$91 million, or \$0.16 per share (\$0.11 after-tax), gain on the previously reported divestiture of Centurion of \$15 million, or \$0.02 per share (\$0.01 after-tax), an additional loss on the divestiture of our Spanish and Central European businesses of \$13 million, or \$0.02 per share (\$0.01 after-tax) and real estate impairments of \$19 million, or \$0.03 per share (\$0.02 after-tax).

⁽²⁾ The income tax effects of adjustments are based on the effective income tax rates applicable to each adjustment. The six months ended June 30, 2023, include a one-time income tax benefit of \$69 million, or \$0.12 per share, resulting from the distribution of long-term stock awards to the estate of the Company's former CEO.

We reference an adjusted SG&A expense ratio, defined as adjusted SG&A expenses, which excludes acquisition and divestiture related expenses and other items, divided by premium and service revenues. A reconciliation from GAAP SG&A to adjusted SG&A and additional detail is provided above under the heading "*Non-GAAP Financial Presentation*." We also reference effective tax rate on adjusted earnings, defined as GAAP income tax expense (benefit) excluding the income tax effects of adjustments to net earnings divided by adjusted earnings (loss) before income tax expense.

Current and Future Operating Drivers

The following items contributed to our results of operations as compared to the previous year:

Medicaid

- In April 2024, our subsidiary, Oklahoma Complete Health, commenced the statewide contracts to provide managed care for the SoonerSelect and SoonerSelect Children's Specialty Plan programs. The new contracts have a one-year term with five, one-year renewal options.
- In January 2024, our subsidiary, Nebraska Total Care, commenced the statewide Medicaid managed care contract to continue serving the state's Medicaid Managed Care Program, known as Heritage Health. The initial contract term is five years and includes the option for two subsequent, one-year renewals, for a potential total of seven years.
- In January 2024, our California health plan commenced direct Medicaid contracts in 10 counties (Los Angeles, Sacramento, Amador, Calaveras, Inyo, Mono, San Joaquin, Stanislaus, Tulare and Tuolumne). In Los Angeles, a portion of the membership is subcontracted. Prior to January 2024, our California health plan previously served the state's Medicaid Managed Care population with contracts in 13 counties, including San Diego.
- In December 2023, our subsidiaries, Carolina Complete Health and WellCare of North Carolina, began providing coverage under North Carolina's new Medicaid Expansion program.
- In September 2023, our subsidiary, Superior HealthPlan (Superior), commenced a new six-year contract awarded by the Texas Health and Human Services Commission to continue providing youth in foster care with healthcare coverage through the STAR Health Medicaid program. Superior has been the sole provider of STAR Health coverage since the program launched in 2008.
- In April 2023, eligibility redeterminations related to the PHE began. We anticipate that any remaining reductions will be limited as the majority of states have substantially completed their unwinding processes as of July 2024. We continue to work with our state partners to match rates to acuity post-redeterminations.
- In April 2023, the state of New York removed pharmacy services for certain of our managed care contracts in connection with the state's transition of pharmacy services to Medicaid fee-for-service.
- In February 2023, our subsidiary, Buckeye Health Plan, commenced the Medicaid contract awarded by the Ohio Department of Medicaid to continue providing members with quality healthcare, coordinated services and benefits.

Medicare

- Given our strong bid positioning, Medicare Prescription Drug Plan (PDP) membership increased 47% year-over-year.
- Consistent with our strategic positioning and bid strategy, Medicare Advantage membership declined year-over-year.
- The decrease in our Star quality ratings in the 2023 rating year, which CMS published in October 2022, adversely impacts our 2024 Medicare revenue. The decrease in Star quality ratings is driven by the expiration of certain disaster relief provisions as well as deterioration in select metrics. As a result of this expectation, we recorded a premium deficiency reserve of \$250 million in the fourth quarter of 2023, which increased to \$300 million in the first quarter of 2024 and to \$335 million in the second quarter of 2024 to reflect the seasonality of earnings, in connection with the 2024 Medicare Advantage business.

Commercial

- In 2024, our Health Insurance Marketplace product, Ambetter Health expanded into Delaware. In total, the Marketplace plan is available across 29 states. Additionally, Marketplace membership increased 34% year-over-year due to the expanded footprint, strong product positioning and open enrollment results, as well as overall market growth.

Other

- In December 2023 and January 2024, we completed the divestitures of Operose Health Group (Operose Health) and Circle Health, respectively.
- In June 2023, we completed the divestiture of Apixio. We maintain a close relationship with, and a minority interest in, the business.
- In January 2023, we completed the divestitures of Magellan Specialty Health, Centurion and HealthSmart.

The benefits of successful execution of our value creation initiatives have impacted our current results of operations and will continue to impact future results of operations, including the implementation of our new third-party pharmacy benefits management (PBM) contract, which commenced in January 2024.

We expect the following items to impact our future results of operations, subject to the resolution of various third-party protests within the Medicaid segment:

Medicaid

- In July 2024, our subsidiaries, Carolina Complete Health and WellCare of North Carolina, began coordinating physical and/or other health services with Local Management Entities/Managed Care Organizations under the state's new Tailored Plan program. The Tailored Plans are integrated health plans designed for individuals with significant behavioral health needs or intellectual/developmental disabilities.
- In June 2024, our subsidiary, Western Sky Community Care, concluded serving members upon the expiration of its New Mexico Medicaid managed care contract.
- In May 2024, our subsidiary, Sunflower Health Plan, was selected to continue providing managed health care services through KanCare, the State of Kansas' Medicaid and Children's Health Insurance Program. The new, three-year contract is expected to take effect on January 1, 2025, with the option to renew for up to two, 12-month extensions.
- In April 2024, the state of Florida announced its intent to award contracts to five health plans, including Centene's Florida subsidiary, Sunshine Health, as a result of the reprocurement of the Statewide Medicaid Managed Care program.
- In April 2024, our subsidiary, Meridian in Michigan, was selected by the Michigan Department of Health and Human Services to continue to serve as a Medicaid health plan for the Comprehensive Health Care Program. The proposed Medicaid contracts are expected to begin on October 1, 2024, and run through September 30, 2029, with three, one-year optional extensions.
- In January 2024, our subsidiary, NH Healthy Families, was selected by the New Hampshire Department of Health and Human Services to continue providing physical health, behavioral health and pharmacy services for New Hampshire's Medicaid managed care program, known as Medicaid Care Management. The contract is expected to begin in September 2024 for a five-year term.
- In December 2023, our subsidiary, Arizona Complete Health, was selected by the Arizona Health Care Cost Containment System – Arizona's single state Medicaid agency – to provide managed care for the Arizona Long Term Care System (ALTCS). The program supports Arizonans who are elderly and/or have a physical disability (E/PD) with physical and behavioral healthcare, as well as provides pharmacy benefits. The new ALTCS-E/PD contract is anticipated to begin in October 2024 and is a three-year term, with four optional one-year extensions, for a total of seven possible contract years.
- In July 2023, our subsidiary, Superior, announced it entered into a contract to continue to provide healthcare coverage to the aged, blind or disabled (ABD) population in the state's STAR+PLUS program. The contract is anticipated to begin in September 2024 for a six-year term with a maximum of three additional two-year extensions.
- In August 2022, our subsidiary, Magnolia Health Plan (Magnolia), was awarded the Mississippi Division of Medicaid contract. Under the new contract, Magnolia will continue serving the state's Coordinated Care Organization Program, which will consist of the Mississippi Coordinated Access Network and the Mississippi CHIP. The contract is anticipated to begin in July 2025.

Medicare

- In October 2023, CMS issued 2024 Medicare Advantage Star Ratings on the Medicare Plan Finder, which was subsequently updated in July 2024. Based on the data, approximately 74% of membership is associated with contracts showing year-over-year unrounded score improvement, and approximately 91% of membership is associated with contracts rated 3.0 stars or better - compared to 53% in the prior year.

Other

- In July 2024, we entered into a definitive agreement to sell Collaborative Health Systems, a management services organization, to Astrana Health, Inc. The transaction is expected to close by the end of 2024.
- In July 2024, our subsidiary, Magellan Health, commenced the Idaho Behavioral Health Plan contract.
- In December 2022, the Department of Defense announced that the TRICARE Managed Care Support Contract commencing in 2025 were not awarded to Health Net Federal Services.

MEMBERSHIP

From June 30, 2023 to June 30, 2024, our managed care membership increased by 66 thousand, or 0.2%. The following table sets forth our membership by line of business:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Traditional Medicaid ⁽¹⁾	11,640,900	12,754,000	14,260,400
High Acuity Medicaid ⁽²⁾	1,499,000	1,718,000	1,799,200
Total Medicaid	13,139,900	14,472,000	16,059,600
Commercial Marketplace	4,401,300	3,900,100	3,295,200
Commercial Group	426,400	427,500	435,000
Total Commercial	4,827,700	4,327,600	3,730,200
Medicare ⁽³⁾	1,138,400	1,284,200	1,329,000
Medicare PDP	6,603,600	4,617,800	4,493,700
Total at-risk membership	25,709,600	24,701,600	25,612,500
TRICARE eligibles	2,768,000	2,773,200	2,799,300
Total	<u>28,477,600</u>	<u>27,474,800</u>	<u>28,411,800</u>

⁽¹⁾ Membership includes Temporary Assistance for Needy Families (TANF), Medicaid Expansion, Children's Health Insurance Program (CHIP), Foster Care, and Behavioral Health.

⁽²⁾ Membership includes Aged, Blind, or Disabled (ABD), Intellectual and Developmental Disabilities (IDD), Long-Term Services and Supports (LTSS) and Medicare-Medicaid Plans (MMP) Duals.

⁽³⁾ Membership includes Medicare Advantage and Medicare Supplement.

RESULTS OF OPERATIONS

The following discussion and analysis is based on our Consolidated Statements of Operations, which reflect our results of operations for the three and six months ended June 30, 2024 and 2023, prepared in accordance with generally accepted accounting principles in the United States (GAAP).

Summarized comparative financial data for the three and six months ended June 30, 2024 and 2023 is as follows (\$ in millions, except per share data in dollars):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Premium	\$ 35,140	\$ 33,713	4 %	\$ 70,669	\$ 67,538	5 %
Service	833	1,125	(26)%	1,641	2,252	(27)%
Premium and service revenues	35,973	34,838	3 %	72,310	69,790	4 %
Premium tax	3,863	2,770	39 %	7,933	6,707	18 %
Total revenues	39,836	37,608	6 %	80,243	76,497	5 %
Medical costs	30,765	29,347	5 %	61,697	58,781	5 %
Cost of services	680	877	(22)%	1,349	1,747	(23)%
Selling, general and administrative expenses	2,894	3,016	(4)%	6,112	6,027	1 %
Depreciation expense	133	146	(9)%	268	288	(7)%
Amortization of acquired intangible assets	173	179	(3)%	346	362	(4)%
Premium tax expense	3,962	2,854	39 %	8,123	6,865	18 %
Impairment	—	18	n.m.	13	38	(66)%
Earnings from operations	1,229	1,171	5 %	2,335	2,389	(2)%
Investment and other income	463	425	9 %	1,008	778	30 %
Interest expense	(176)	(181)	3 %	(354)	(361)	2 %
Earnings before income tax	1,516	1,415	7 %	2,989	2,806	7 %
Income tax expense	370	360	3 %	685	621	10 %
Net earnings	1,146	1,055	9 %	2,304	2,185	5 %
Loss attributable to noncontrolling interests	—	3	n.m.	5	3	67 %
Net earnings attributable to Centene Corporation	\$ 1,146	\$ 1,058	8 %	\$ 2,309	\$ 2,188	6 %
Diluted earnings per common share attributable to Centene Corporation	\$ 2.16	\$ 1.92	13 %	\$ 4.32	\$ 3.96	9 %

n.m.: not meaningful

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023**Total Revenues**

Total revenues increased 6% in the three months ended June 30, 2024, over the corresponding period in 2023, primarily driven by membership growth in the Marketplace business due to strong product positioning as well as overall market growth and outperformance in Marketplace risk adjustment for the 2023 benefit year, along with increased premium tax revenue, partially offset by recent divestitures in the Other segment and lower Medicaid membership primarily due to redeterminations.

Operating Expenses**Medical Costs/HBR**

The HBR for the three months ended June 30, 2024, was 87.6%, compared to 87.0% in the same period in 2023. The increase was driven by higher acuity in Medicaid as we progressed through the redetermination process and continue to work with states to match rates with acuity. The increase was also driven by Medicare Star rating impacts. The increase was partially offset by Marketplace membership growth and improved margin through strong 2024 product design and execution as well as outperformance in Marketplace risk adjustment for the 2023 benefit year.

Cost of Services

Cost of services decreased by \$197 million in the three months ended June 30, 2024, compared to the corresponding period in 2023. The decrease was driven by recent divestitures. The cost of service ratio for the three months ended June 30, 2024, was 81.6%, compared to 78.0% in the same period in 2023. The increase was primarily driven by the divestiture of Circle Health, which operated at a lower cost of service ratio.

Selling, General & Administrative Expenses

The SG&A expense ratio was 8.0% for the second quarter of 2024, compared to 8.7% in the second quarter of 2023. The adjusted SG&A expense ratio was 8.0% for the second quarter of 2024, compared to 8.6% in the second quarter of 2023. The decreases were driven by Marketplace risk adjustment revenue, the divestiture of Circle Health, which operated at a higher SG&A expense ratio, and ongoing SG&A reduction initiatives. The decreases were partially offset by growth in the Marketplace business, which operates at a meaningfully higher SG&A expense ratio as compared to Medicaid.

Impairment

During the second quarter of 2023, we recorded total impairment charges of \$18 million related to our ongoing real estate optimization initiative.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the three months ended June 30, (\$ in millions):

	2024	2023
Investment and other income	\$ 463	\$ 425
Interest expense	(176)	(181)
Other income (expense), net	<u>\$ 287</u>	<u>\$ 244</u>

Investment and other income. Investment and other income increased by \$38 million in the three months ended June 30, 2024, compared to the corresponding period in 2023. The three months ended June 30, 2024 included increased interest income on investments driven by higher interest rates and cash balances. The three months ended June 30, 2024 also included a \$10 million gain on the previously reported divestiture of Circle Health partially offset by a \$7 million additional loss on the divestiture of our Spanish and Central European businesses, a \$3 million reduction to the net gain on the sale of property due to closing costs and a net gain on the finalization of working capital adjustments for the previously reported divestiture of Magellan Specialty Health of \$2 million.

The three months ended June 30, 2023 included a \$91 million gain on the sale of Apixio and a \$15 million gain on the previously reported divestiture of Centurion, partially offset by an additional loss on the divestiture of our Spanish and Central European businesses of \$13 million.

Interest expense. Interest expense decreased by \$5 million in the three months ended June 30, 2024, compared to the corresponding period in 2023.

Income Tax Expense

For the three months ended June 30, 2024, we recorded income tax expense of \$370 million on pre-tax earnings of \$1.5 billion, or an effective tax rate of 24.4%. The effective tax rate for the second quarter of 2024 reflects tax effects of settlements with taxing authorities. For the second quarter of 2024, our effective tax rate on adjusted earnings was 24.4%.

For the three months ended June 30, 2023, we recorded an income tax expense of \$360 million on pre-tax earnings of \$1.4 billion, or an effective tax rate of 25.4%. For the second quarter of 2023, our effective tax rate on adjusted earnings was 24.9%.

Segment Results

The following table summarizes our consolidated operating results by segment for the three months ended June 30, (\$ in millions):

	2024	2023	% Change
Total Revenues			
Medicaid	\$ 24,113	\$ 24,665	(2)%
Medicare	5,978	5,665	6 %
Commercial	8,535	5,734	49 %
Other	1,210	1,544	(22)%
Consolidated total	<u>\$ 39,836</u>	<u>\$ 37,608</u>	<u>6 %</u>
Gross Margin ⁽¹⁾			
Medicaid	\$ 1,461	\$ 2,434	(40)%
Medicare	645	781	(17)%
Commercial	2,267	1,090	108 %
Other	155	309	(50)%
Consolidated total	<u>\$ 4,528</u>	<u>\$ 4,614</u>	<u>(2)%</u>

⁽¹⁾ Gross margin represents premium and service revenues less medical costs and cost of services.

Medicaid

Total revenues decreased 2% in the three months ended June 30, 2024, compared to the corresponding period in 2023. Gross margin decreased \$973 million in the three months ended June 30, 2024, compared to the corresponding period in 2023. The decrease in total revenues was driven by lower membership largely due to redeterminations. Gross margin decreased due to lower overall membership as a result of the redetermination process, coupled with higher acuity post-redeterminations as we continue to work with our state partners to match rates to the changes in acuity.

Medicare

Total revenues increased 6% in the three months ended June 30, 2024, compared to the corresponding period in 2023 primarily driven by increased PDP membership of 47%, partially offset by lower Medicare Advantage revenue resulting from the Star quality ratings impact discussed above. Gross margin decreased \$136 million in the three months ended June 30, 2024, compared to the corresponding period in 2023, primarily driven by lower Medicare Advantage revenue.

Commercial

Total revenues increased 49% in the three months ended June 30, 2024, compared to the corresponding period in 2023. Gross margin increased \$1.2 billion in the three months ended June 30, 2024, compared to the corresponding period in 2023. Increases were primarily driven by 34% membership growth in the Marketplace business along with improved margin through strong 2024 product design and execution as well as outperformance in Marketplace risk adjustment for the 2023 benefit year.

Other

Total revenues decreased 22% in the three months ended June 30, 2024, compared to the corresponding period in 2023. Gross margin decreased \$154 million in the three months ended June 30, 2024, compared to the corresponding period in 2023. Decreases were primarily due to recent divestitures.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Total Revenues

Total revenues increased 5% in the six months ended June 30, 2024, over the corresponding period in 2023 primarily driven by membership growth in the Marketplace business due to strong product positioning as well as overall market growth and outperformance in Marketplace risk adjustment for the 2023 benefit year, along with increased premium tax revenue, partially offset by recent divestitures in the Other segment and lower Medicaid membership primarily due to redeterminations.

Operating Expenses

Medical Costs/HBR

The HBR for the six months ended June 30, 2024 was 87.3%, compared to 87.0% in the same period in 2023. The increase was driven by higher acuity in Medicaid as we progressed through the redetermination process and continue to work with states to match rates with acuity. The increase was also driven by Medicare Star rating impacts. The increase was partially offset by Marketplace membership growth and improved margin through strong 2024 product design and execution as well as outperformance in Marketplace risk adjustment for the 2023 benefit year.

Cost of Services

Cost of services decreased by \$398 million in the six months ended June 30, 2024, compared to the corresponding period in 2023. The decrease was driven by recent divestitures. The cost of service ratio for the six months ended June 30, 2024 was 82.2%, compared to 77.6% in the same period in 2023. The increase was primarily driven by the divestiture of Circle Health, which operated at a lower cost of service ratio.

Selling, General & Administrative Expenses

The SG&A expense ratio for the six months ended June 30, 2024 was 8.5%, compared to 8.6% for the corresponding period in 2023. The adjusted SG&A expense ratio for the six months ended June 30, 2024 was 8.3%, compared to 8.6% for the six months ended June 30, 2023. The decrease in the adjusted SG&A expense ratio was driven by Marketplace risk adjustment revenue, the divestiture of Circle Health, which operated at a higher SG&A expense ratio, and ongoing SG&A reduction initiatives. The decrease was partially offset by growth in the Marketplace business, which operates at a meaningfully higher SG&A expense ratio as compared to Medicaid, and Medicare distribution costs.

Impairment

During the six months ended June 30, 2024 we recorded total impairment charges of \$13 million, driven by Health Net Federal Services property, software and equipment related to the TRICARE Managed Care Support Contract that was no longer recoverable following the 2024 final ruling.

During the six months ended June 30, 2023, we recorded total impairment charges of \$38 million related to our ongoing real estate optimization initiative.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the six months ended June 30, (\$ in millions):

	<u>2024</u>	<u>2023</u>
Investment and other income	\$ 1,008	\$ 778
Interest expense	(354)	(361)
Other income (expense), net	<u>\$ 654</u>	<u>\$ 417</u>

Investment and other income. Investment and other income increased by \$230 million in the six months ended June 30, 2024, compared to the corresponding period in 2023, driven by higher interest rates on larger investment balances. The six months ended June 30, 2024 also included an \$83 million Magellan Specialty Health divestiture gain, \$21 million net gain on the sale of property, \$20 million Circle Health divestiture gain and \$7 million HealthSmart divestiture gain partially offset by an additional loss on the divestiture of our Spanish and Central European businesses of \$7 million.

The six months ended June 30, 2023 included a \$91 million gain on the sale of Apixio, the \$79 million gain on the sale of Magellan Specialty Health, and the \$15 million gain on the previously reported divestiture of Centurion, partially offset by an additional loss on the divestiture of our Spanish and Central European businesses of \$13 million.

Interest expense. Interest expense decreased by \$7 million in the six months ended June 30, 2024, compared to the corresponding period in 2023.

Income Tax Expense

For the six months ended June 30, 2024, we recorded income tax expense of \$685 million on pre-tax earnings of \$3.0 billion, or an effective tax rate of 22.9%. The effective tax rate for 2024 reflects tax effects of the Circle Health divestiture. For the six months ended June 30, 2024, our effective tax rate on adjusted earnings was 24.5%.

For the six months ended June 30, 2023, we recorded income tax expense of \$621 million on pre-tax earnings of \$2.8 billion, or an effective tax rate of 22.1%. The effective tax rate for 2023 reflects the tax effects of the distribution of long-term stock awards to the estate of the Company's former CEO as well as divestiture gains. For the six months ended June 30, 2023, our effective tax rate on adjusted earnings was 24.6%.

Segment Results

The following table summarizes our consolidated operating results by segment for the six months ended June 30, (\$ in millions):

	2024	2023	% Change
Total Revenues			
Medicaid	\$ 49,643	\$ 50,829	(2)%
Medicare	11,913	11,541	3 %
Commercial	16,286	10,986	48 %
Other	2,401	3,141	(24)%
Consolidated total	<u>\$ 80,243</u>	<u>\$ 76,497</u>	<u>5 %</u>
Gross Margin ⁽¹⁾			
Medicaid	\$ 3,405	\$ 4,651	(27)%
Medicare	1,191	1,649	(28)%
Commercial	4,338	2,337	86 %
Other	330	625	(47)%
Consolidated total	<u>\$ 9,264</u>	<u>\$ 9,262</u>	<u>n.m.</u>

⁽¹⁾ Gross margin represents premium and service revenues less medical costs and cost of services.

n.m.: not meaningful

Medicaid

Total revenues decreased 2% in the six months ended June 30, 2024, compared to the corresponding period in 2023. Gross margin decreased \$1.2 billion in the six months ended June 30, 2024, compared to the corresponding period in 2023. The decrease in total revenues was driven by lower membership largely due to redeterminations. Gross margin decreased due to lower overall membership as a result of the redetermination process, coupled with higher acuity post-redeterminations as we continue to work with our state partners to match rates to the changes in acuity.

Medicare

Total revenues increased 3% in the six months ended June 30, 2024, compared to the corresponding period in 2023, primarily driven by increased PDP membership of 47%, partially offset by lower Medicare Advantage revenue resulting from the Star quality ratings impact discussed above. Gross margin decreased \$458 million in the six months ended June 30, 2024, compared to the corresponding period in 2023 driven primarily by lower Medicare Advantage revenue.

Commercial

Total revenues increased 48% in the six months ended June 30, 2024, compared to the corresponding period in 2023. Gross margin increased \$2.0 billion in the six months ended June 30, 2024, compared to the corresponding period in 2023. Increases were primarily driven by 34% membership growth in the Marketplace business along with improved margin through strong 2024 product design and execution as well as outperformance in Marketplace risk adjustment for the 2023 benefit year.

Other

Total revenues decreased 24% in the six months ended June 30, 2024, compared to the corresponding period in 2023. Gross margin decreased \$295 million in the six months ended June 30, 2024, compared to the corresponding period in 2023. Decreases were primarily due to recent divestitures.

LIQUIDITY AND CAPITAL RESOURCES

Shown below is a condensed schedule of cash flows used in the discussion of liquidity and capital resources (\$ in millions).

	Six Months Ended June 30,	
	2024	2023
Net cash provided by operating activities	\$ 1,719	\$ 6,815
Net cash used in investing activities	(315)	(677)
Net cash used in financing activities	(1,148)	(933)
Effect of exchange rate changes on cash and cash equivalents	7	(7)
Net increase in cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 263</u>	<u>\$ 5,198</u>

Cash Flows Provided by Operating Activities

Normal operations are funded primarily through operating cash flows and borrowings under our Revolving Credit Facility. Operating activities provided cash of \$1.7 billion in the six months ended June 30, 2024, compared to providing cash of \$6.8 billion in the comparable period in 2023.

Cash flows provided by operations in 2024 were primarily driven by net earnings partially offset by pharmacy rebate remittance timing as we transitioned to the new third-party PBM, which commenced in January 2024.

Cash flows provided by operations in 2023 were driven by net earnings and increases in unearned revenue and accounts payable driven by the early receipt of payments from CMS.

Cash Flows Used in Investing Activities

Investing activities used cash of \$315 million in the six months ended June 30, 2024, and used cash of \$677 million in the comparable period in 2023. Cash flows used in investing activities in 2024 and 2023 were driven primarily by net additions to the investment portfolio of our regulated subsidiaries (including transfers from cash and cash equivalents to long-term investments) and capital expenditures, partially offset by divestiture proceeds.

We spent \$337 million and \$440 million in the six months ended June 30, 2024 and 2023, respectively, on capital expenditures the majority of which was driven by system enhancements and computer hardware.

As of June 30, 2024, our investment portfolio consisted primarily of fixed-income securities with an average duration of 3.4 years. At June 30, 2024, we had unregulated cash and investments of \$1.1 billion, including \$217 million of cash and cash equivalents and \$860 million of investments. Unregulated cash and investments at December 31, 2023 was \$1.0 billion, including \$200 million of cash and cash equivalents and \$810 million of investments.

Cash Flows Used in Financing Activities

Financing activities used cash of \$1.1 billion in the six months ended June 30, 2024, compared to using cash of \$933 million in the comparable period in 2023. Financing activities in 2024 were driven by stock repurchases of \$954 million, which included \$851 million under the stock repurchase program and \$103 million of repurchases related to income tax withholding upon the vesting of previously awarded stock grants, and net decreases in debt of \$215 million.

Financing activities in 2023 were driven by stock repurchases of \$828 million.

Liquidity Metrics

We have a stock repurchase program authorizing us to repurchase common stock from time to time on the open market or through privately negotiated transactions. In 2023, the Company's Board of Directors authorized up to a cumulative total of \$10.0 billion of repurchases under the program.

During the second quarter of 2024, we repurchased 10.7 million shares of common stock for \$800 million under the stock repurchase program. We have approximately \$4.4 billion remaining under the program for repurchases as of June 30, 2024. No duration has been placed on the repurchase program. We reserve the right to discontinue the repurchase program at any time. Refer to Note 8. *Stockholders' Equity* for further information on stock repurchases.

As of June 30, 2024, we had an aggregate principal amount of \$15.7 billion of senior notes issued and outstanding. The indentures governing our various maturities of senior notes contain restrictive covenants. As of June 30, 2024, we were in compliance with all covenants.

As part of our capital allocation strategy, we may decide to repurchase debt or raise capital through the issuance of debt in the form of senior notes. In 2022, the Company's Board of Directors also authorized a \$1.0 billion senior note debt repurchase program. No repurchases were made during the quarter ended June 30, 2024. As of June 30, 2024, there was \$700 million available under the senior note debt repurchase program.

The credit agreement underlying our Revolving Credit Facility and Term Loan Facility contains customary covenants as well as financial covenants including a minimum fixed charge coverage ratio and a maximum debt-to-EBITDA ratio. Our maximum debt-to-EBITDA ratio under the credit agreement may not exceed 4.0 to 1.0. As of June 30, 2024, we had no borrowings outstanding under our Revolving Credit Facility, \$2.1 billion of borrowings under our Term Loan Facility, and we were in compliance with all covenants. As of June 30, 2024, there were no limitations on the availability of our Revolving Credit Facility as a result of the debt-to-EBITDA ratio.

We had outstanding letters of credit of \$146 million as of June 30, 2024, which were not part of our Revolving Credit Facility. The letters of credit bore weighted interest of 0.7% as of June 30, 2024. In addition, we had outstanding surety bonds of \$914 million as of June 30, 2024.

At June 30, 2024, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 39.1%, compared to 40.7% at December 31, 2023. The debt to capital ratio decrease was primarily driven by net earnings, partially offset by year-to-date stock repurchases. We utilize the debt to capital ratio as a measure, among others, of our leverage and financial flexibility.

At June 30, 2024, we had working capital, defined as current assets less current liabilities, of \$5.7 billion, compared to \$4.0 billion at December 31, 2023. We manage our short-term and long-term investments aiming to ensure a sufficient portion of the portfolio is highly liquid and can be sold to fund short-term requirements as needed.

2024 Expectations

During the remainder of 2024, we expect to receive net dividends from our insurance subsidiaries of approximately \$1.2 billion and spend approximately \$300 million in additional capital expenditures.

Based on our operating plan, we expect that our available cash, cash equivalents and investments, cash from our operations and cash available under our Revolving Credit Facility will be sufficient to finance our general operations and capital expenditures for at least 12 months from the date of this filing. While we are currently in a strong liquidity position and believe we have adequate access to capital, we may elect to increase borrowings on our Revolving Credit Facility, which matures in August 2026. Additionally, our senior notes mature between December 2027 and August 2031. From time to time, we may elect to raise additional funds for working capital and other purposes, either through issuance of debt or equity, the sale of investment securities or otherwise, as appropriate. In addition, we may strategically pursue refinancing or redemption opportunities to extend maturities and/or improve terms of our indebtedness if we believe such opportunities are favorable to us.

We intend to continue to target initiatives to improve productivity, efficiencies and reduced organizational costs, as well as capital deployment activities, including stock repurchases, portfolio optimization and the evaluation of refinancing opportunities. In addition to creating shareholder value, these actions encompass a larger organizational mission to enhance our member and provider experience, improve outcomes for our members and innovate to ensure that Centene is a great partner in all aspects of our operations.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our operations are conducted through our subsidiaries. As managed care organizations, most of our subsidiaries are subject to state regulations and other requirements 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 regulated subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. During the six months ended June 30, 2024, we received dividends of \$1.6 billion from and made \$282 million of capital contributions to our regulated subsidiaries. For our subsidiaries that file with the National Association of Insurance Commissioners (NAIC), the aggregate risk-based capital (RBC) level as of December 31, 2023, which was the most recent date for which reporting was required, was in excess of 350% of the Authorized Control Level. We intend to continue to maintain an aggregate RBC level in excess of 350% of the Authorized Control Level during 2024.

Under the California Knox-Keene Health Care Service Plan Act of 1975, as amended (Knox-Keene), certain of our California subsidiaries must comply with tangible net equity (TNE) requirements. Under these Knox-Keene TNE requirements, actual net worth less certain unsecured receivables and intangible assets must be more than the greater of (i) a fixed minimum amount, (ii) a minimum amount based on premiums or (iii) a minimum amount based on healthcare expenditures, excluding capitated amounts.

Under the New York State Department of Health Codes, Rules and Regulations Title 10, Part 98, our New York subsidiary must comply with contingent reserve requirements. Under these requirements, net worth based upon admitted assets must equal or exceed a minimum amount based on annual net premium income.

The NAIC has adopted rules which set minimum RBC requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of June 30, 2024, each of our health plans was in compliance with the RBC requirements enacted in those states.

As a result of the above requirements and other regulatory requirements, certain of our subsidiaries are subject to restrictions on their ability to make dividend payments, loans or other transfers of cash to their parent companies. Such restrictions, unless amended or waived or unless regulatory approval is granted, limit the use of any cash generated by these subsidiaries to pay our obligations. The maximum amount of dividends that can be paid by our insurance company subsidiaries without prior approval of the applicable state insurance departments is subject to restrictions relating to statutory surplus, statutory income and unassigned surplus.

CRITICAL ACCOUNTING ESTIMATES

Please see "*Critical Accounting Estimates in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations*" included in our 2023 Annual Report on Form 10-K for a description of our Critical Accounting Estimates.

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

INVESTMENTS AND DEBT

As of June 30, 2024, we had short-term investments of \$2.6 billion and long-term investments of \$18.3 billion, including restricted deposits of \$1.4 billion. The short-term investments generally consist of highly liquid securities with maturities between three and 12 months. The long-term investments consist of municipal, corporate and U.S. Treasury securities, government-sponsored obligations, life insurance contracts, asset-backed securities, and equity securities, 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. Substantially all of 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 June 30, 2024, the fair value of our fixed income investments would decrease by approximately \$645 million.

For a discussion of the interest rate risk that our investments are subject to, refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, Part 1, Item 1A, "Risk Factors – *Our investment portfolio may suffer losses which could materially and adversely affect our results of operations or liquidity.*"

Item 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures - We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the filing of this Form 10-Q, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2024.

Changes in Internal Control Over Financial Reporting - 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 quarter ended June 30, 2024 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.

A description of the legal proceedings to which the Company and its subsidiaries are a party is contained in Note 11. *Contingencies* to the consolidated financial statements included in Part I of this Quarterly Report on Form 10-Q, and is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in our 2023 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In November 2005, the Company's Board of Directors announced a stock repurchase program, which was most recently increased in December 2023. The Company is authorized to repurchase up to \$10.0 billion, inclusive of past authorizations, of which \$4.4 billion remains as of June 30, 2024.

The stock repurchase program is effected primarily through regular open-market purchases (which may include repurchase plans designed to comply with Rule 10b5-1 and accelerated share repurchases), the amounts and timing of which are subject to the Company's discretion as part of its capital allocation strategy, and may be based upon general market conditions and the prevailing price and trading volumes of its common stock. No duration has been placed on the repurchase program. The Company reserves the right to discontinue the repurchase program at any time.

Issuer Purchases of Equity Securities
Second Quarter 2024
(Shares in thousands)

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$ in millions) ⁽³⁾
April 1, 2024 - April 30, 2024	2,758	\$ 73.01	2,741	\$ 4,978
May 1, 2024 - May 31, 2024	7,928	75.78	7,919	4,378
June 1, 2024 - June 30, 2024	18	68.61	—	4,378
Total	10,704	\$ 75.05	10,660	\$ 4,378

⁽¹⁾ Includes 44 thousand shares relinquished to the Company by certain employees for payment of taxes.

⁽²⁾ Average price paid per share excludes accrued share repurchase excise tax of approximately \$7 million.

⁽³⁾ A remaining amount of approximately \$4.4 billion is available under the stock repurchase program as of June 30, 2024.

Item 5. Other Information

(a) Centene Corporation (the Company) announced today that, as of December 2, 2024, Dave Thomas, the Company's CEO of Markets & Medicaid, will no longer be employed by the Company. Until his departure, Mr. Thomas will assist with the transition of his role and will advise on other matters. During his more than 25 years with Fidelis Care in New York and Centene Corporation, Mr. Thomas was influential in the Company's success and dedication to its mission, building a team of exceptional market leaders and advancing our uniquely local approach. Subject to Mr. Thomas' compliance with the release of claims and other conditions set forth in the Executive Severance and Change in Control Plan filed with the Company's Form 10-K for the fiscal year ended December 31, 2023, Mr. Thomas is expected to receive severance and other benefits applicable to his separation and pursuant to the benefits for Tier I eligible employees set forth in Section V of the plan, including vesting of his outstanding performance-based restricted stock units prorated through his departure date based on actual performance during the performance period, consistent with his outstanding award agreements.

(b) None.

(c) During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

EXHIBIT NUMBER	DESCRIPTION
10.1	Form of Non-Employee Director Compensation Plan
10.2	Form of Non-Employee Director Restricted Stock Unit Agreement #1
31.1	Certification of Chief Executive Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.
32.1	* Certification of 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 Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Centene Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Earnings (Loss); (iv) the Consolidated Statements of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows and (vi) related notes.
104	Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101.

* This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

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 July 26, 2024.

CENTENE CORPORATION

By: /s/ SARAH M. LONDON
Chief Executive Officer
(principal executive officer)

By: /s/ ANDREW L. ASHER
Executive Vice President, Chief Financial Officer
(principal financial officer)

By: /s/ KATIE N. CASSO
Senior Vice President, Corporate Controller and Chief Accounting
Officer
(principal accounting officer)

CENTENE CORPORATION
NON-EMPLOYEE DIRECTORS
DEFERRED STOCK COMPENSATION PLAN
As amended and restated

ARTICLE I
INTRODUCTION

I.1 *Establishment.* Centene Corporation (the “Company”) hereby establishes the Centene Corporation Non-Employee Directors Deferred Stock Compensation Plan, as amended and restated (the “Plan”) for those directors of the Company who are not employees of the Company or any of its subsidiaries or affiliates. The Plan allows Non-Employee Directors to defer the receipt of cash compensation and to receive such deferred compensation in the form of Shares.

I.2 *Purpose.* The Plan is intended to advance the interests of the Company and its stockholders by providing a means to attract and retain qualified persons to serve as Non-Employee Directors and to promote ownership by Non-Employee Directors of a greater proprietary interest in the Company, thereby aligning such Directors' interests more closely with the interests of stockholders of the Company.

I.3 *Effective Date.* The Plan was effective as of September 15, 2004 (the “Effective Date”). This restatement shall be effective as of May 14, 2024.

ARTICLE II
DEFINITIONS

II.1 “Board” means the Board of Directors of the Company.

II.2 “Change in Control” means the occurrence of any of the following:

- (a) Any “Person” (having the meaning ascribed to such term in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (“1934 Act”) and used in Sections 13(d) and 14(d) thereof, other than (A) Persons, who, on the Effective Date of the Plan, are beneficial owners (within the meaning of Rule 13d-3 under the 1934 Act) directly or indirectly of twenty-five percent (25%) or more of the Company's then outstanding voting securities entitled to vote generally in the election of directors (“Voting Securities”) or (B) a group which includes one or more Plan participants, is or become beneficial owners directly or indirectly of fifty percent (50%) or more of the combined voting power of the Company's Voting Securities.
- (b) If individuals who, as the Effective Date hereof, constitute the Board of Directors of the Company (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors of the Company; provided, however, that an individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by at least a majority of the directors then comprising the Incumbent Board shall be included within the definition of Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual election contest (or such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

- (c) The shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, and such merger or consolidation occurs.
- (d) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company and such event commences, or there is consummated an agreement for the sale or disposition of all or substantially all of the assets of the Company, other than a sale or disposition by the Company of all or substantially all of the assets of the Company to an entity at least fifty percent (50%) of the combined voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such transaction.

An event shall be considered a Change in Control only if such event satisfies the above definition and such event is a change in the ownership or effective control of a corporation or a change in the ownership of a substantial portion of the assets of a corporation under Code Section 409A.

II.3 “Code” means the Internal Revenue Code of 1986, as amended, and the regulations and other guidance promulgated thereunder.

II.4 “Committee” means the Board or a committee appointed to administer the Plan under Article IV.

II.5 “Common Stock” means the Company's class of capital stock designated as Common Stock, par value one tenth of one cent (\$0.001) per share, or, in the event that the outstanding shares of Common Stock are after the Effective Date recapitalized, converted into or exchanged for different stock or securities of the Company, such other stock or securities.

II.6 “Company” means Centene Corporation, a Delaware corporation, or any successor thereto.

II.7 “Deferral Date” means the date Fees would otherwise have been paid to the Participant.

II.8 “Deferral Election” means a written election to defer Fees under the Plan.

II.9 “Director” means any individual who is a member of the Board.

II.10 “Fair Market Value” of a share of Common Stock on a given valuation date means (i) the closing sales price for such Common Stock reported on the New York Stock Exchange on the day prior to such valuation date, (ii) if the Common Stock is not listed on the New York Stock Exchange, the closing sales price for such Common Stock as reported on the day prior to such valuation date on the principal stock exchange or quotation system in the U.S. on which Common Stock is listed or quoted (as determined by the Committee), or (iii) if neither of the preceding clauses is applicable, the fair market value of a share of Common Stock as determined in good faith by the Board on such valuation date and stated in writing in a notice delivered to the holders of Common Stock involved.

II.11 “Fees” means all or part of any retainer or meeting fees payable in cash to a Non-Employee Director in his or her capacity as a Director Fees shall not include any expenses paid directly or through reimbursement.

II.12 “Non-Employee Director” means a Director who is not an employee of the Company or any of its subsidiaries or affiliates. For purposes of the Plan, an employee is an individual whose wages are subject to withholding of federal income tax under Section 3401 of the Internal Revenue Code of 1986, as amended.

II.13 “Participant” means a Non-Employee Director who defers Fees under Article VI of the Plan.

II.14 “Secretary” means the Secretary or any Assistant Secretary of the Company.

II.15 “Shares” means shares of the Common Stock.

II.16 “Stock Units” means the credits to a Participant's Stock Unit Account under Article VI of the Plan, each of which represents the right to receive one Share upon settlement of the Stock Unit Account.

II.17 “Stock Unit Account” means the bookkeeping account established by the Company pursuant to Section VI.5.

II.18 “Termination of Service” means termination of service as a Director for any reason.

ARTICLE III
SHARES AVAILABLE UNDER THE PLAN

Subject to adjustment as provided in Article X, the maximum number of Shares that may be distributed in settlement of Stock Unit Accounts under the Plan shall be five hundred thousand (500,000¹). Such Shares may include authorized but unissued Shares, treasury Shares or Shares that have been reacquired by the Company.

ARTICLE IV
ADMINISTRATION

The Plan shall be administered by the Board or such other committee as may be designated by the Board. The Committee shall have the authority to make all determinations it deems necessary or advisable for administering the Plan, subject to the express provisions of the Plan. Notwithstanding the foregoing, no Director who is a Participant under the Plan shall participate in any determination relating solely or primarily to his or her own Shares, Stock Units or Stock Unit Account.

ARTICLE V
ELIGIBILITY

Each person who is a Non-Employee Director on a Deferral Date shall be eligible to defer Fees payable on such date in accordance with Article VI of the Plan. If any Non-Employee Director subsequently becomes an employee of the Company or any of its subsidiaries, but does not incur a Termination of Service, such Director shall continue as a Participant with respect to Fees previously deferred and Fees subject to a current deferral election, but shall cease eligibility with respect to all future Fees, if any, earned while an employee.

ARTICLE VI
DEFERRAL ELECTIONS IN LIEU OF CASH PAYMENTS

VI.1 General Rule. Each Non-Employee Director may, in lieu of receipt of Fees, defer such Fees in accordance with this Article VI, provided that such Non-Employee director is eligible under Article V of the Plan to defer such Fees at the date any such Fees are otherwise payable. A Director may only elect to defer one hundred percent (100%) of his or her Fees.

VI.2 Timing of Election. A Non-Employee Director may make a Deferral Election within thirty (30) days after commencing to serve as a Non-Employee Director, effective for Fees for services rendered and payable after the date such election is made. A Non-Employee Director who does not make a Deferral Election when first eligible to do so may make a Deferral Election at such time before the first day of any subsequent calendar year for which such Deferral Election shall be effective, in accordance with administrative procedures established with respect to the Plan.

¹ 2,000,000 shares on a split-adjusted basis

VI.3 Effect and Duration of Election. A Deferral Election shall apply to Fees for services rendered and payable after the date such election is made and shall be deemed to be continuing and applicable to all Fees payable in subsequent calendar years, unless the participant revokes or modifies such election by filing a new election form at such time before the first day of any subsequent calendar year in accordance with administrative procedures established with respect to the Plan, effective for all Fees for services rendered and payable on and after the first day of such subsequent calendar year.

VI.4 Form of Election. A Deferral Election shall be made in a manner satisfactory to the Committee. Generally, a Deferral Election shall be made by completing and filing the specified election form with the Secretary or his or her designee within the period described in Section VI.2 or Section VI.3.

VI.5 Establishment of Stock Unit Account. The Company shall establish a Stock Unit Account for each Participant. All Fees deferred pursuant to this Article VI shall be credited to the Participant's Stock Unit Account as of the Deferral Date and converted to Stock Units. The number of Stock Units credited to a Participant's Stock Unit Account as of a Deferral Date shall equal the amount of the deferred Fees divided by the Fair Market Value of a Share on such Deferral Date, rounded to the nearest whole share. If there are fractional Stock Units in a Participant's Stock Unit Account at the time of a distribution under Article VII, the amount shall be rounded down to the nearest whole share on the date of distribution.

VI.6 Crediting of Dividend Equivalents. As of each dividend payment date with respect to Shares, each Participant shall have credited to his or her Stock Unit Account a dollar amount equal to the amount of cash dividends that would have been paid on the number of Shares equal to the number of Stock Units credited to the Participant's Stock Unit Account as of the close of business on the record date for such dividend. Such dollar amount shall then be converted into a number of Stock Units equal to the number of whole and fractional Shares that could have been purchased with such dollar amount at Fair Market Value on the dividend payment date.

ARTICLE VII SETTLEMENT OF STOCK UNITS

VII.1 Timing of Payment. A Participant shall receive or begin receiving a distribution of his or her Stock Unit Account in the manner described in Section VII.2 either (i) on or as soon as administratively feasible after the first day of the second full calendar month immediately following the month in which the Participant incurs a Termination of Service (but not less than six months after the Participant has made a Deferral Election), (ii) if the Participant has made an election to defer payment in accordance with this Section, on or as soon as administratively feasible after the date specified by the Participant in such election, or (iii) if elected by the Participant, upon a Change of Control. A Participant must deliver an election to defer the distribution or commencement of distribution beyond the date applicable in clause (i) to the Secretary or his or her designee at the time that the Participant makes the deferral election pursuant to Article VI. A Participant may make an election to make a subsequent deferral election at least one (1) year before the earlier of the date on which the Participant incurs a Termination of Service or the previously designated distribution date; provided that, the first payment with respect to which the election is made shall be deferred for at least five (5) years from the date the payment would otherwise have been made.

VII.2 Payment Options. A Deferral Election filed under Article VI shall specify whether the Participant's Stock Unit Account is to be settled by delivering to the Participant the number of Shares equal to the number of whole Stock Units then credited to the Participant's Stock Unit Account, in either (i) a lump sum, or (ii) substantially equal annual installments over a period not to exceed five (5) years. A Participant may change the manner in which his or her Stock Unit Account is distributed by delivering a new election form to the Secretary or to his or her designee at least one (1) year before the earlier of the date on which the Participant incurs a Termination of Service or the previously designated distribution date; provided that, the first payment with respect to which the election is made shall be deferred for at least five (5) years from the date the payment would otherwise have been made.

VII.3 Payment Upon Death of a Participant. If a Participant dies before the entire balance of his or her Stock Unit Account has been distributed, the balance of the Participant's Stock Unit Account shall be paid in Shares as soon as administratively feasible after the Participant's death, to the beneficiary designated by the Participant under Article IX.

VII.4 Continuation of Dividend Equivalents. If the distribution of Shares is deferred pursuant to Section VII.2, the Participant's Stock Unit Account shall continue to be credited with dividend equivalents as provided in Section VI.6 on the undistributed Stock Units until the entire balance of the Participant's Stock Unit Account has been distributed.

ARTICLE VIII UNFUNDED STATUS

VIII.1 General. The interest of each Participant in any Fees deferred under the Plan (and any Stock Units or Stock Unit Account relating thereto) shall be that of an unsecured general creditor of the Company. Stock Unit Accounts, and Stock Units credited thereto, shall at all times be maintained by the Company as bookkeeping entries evidencing unfunded and unsecured general obligations of the Company. Except as provided in Section VIII.2, any money or other assets set aside or earmarked for the purpose of satisfying the obligations of the Company hereunder shall at all times be the property of the Company and the Participant shall have no interest in such assets other than as an unsecured general creditor of the Company.

VIII.2 Trust. To the extent determined by the Board, the Company may transfer funds necessary to fund all or part of the payments under the Plan to a trust; provided, the assets held in such trust shall remain at all times subject to the claims of the general creditors of the Company. No participant or beneficiary shall have any interest in the assets held in such trust or in the general assets of the Company other than as an unsecured general creditor.

ARTICLE IX DESIGNATION OF BENEFICIARY

Each Participant may designate, on a form provided by the Committee, one or more beneficiaries to receive payment of the Participant's Stock Unit Account in the event of such Participant's death. The Company may rely upon the beneficiary designation list filed with the Committee, provided that such form was executed by the Participant or his or her legal representative and filed with the Committee prior to the Participant's death. If a Participant has not designated a beneficiary, or if the designated beneficiary is not surviving when a payment is to be made to such person under the Plan, the beneficiary with respect to such payment shall be the Participant's surviving spouse, or if there is no surviving spouse, the Participant's estate.

ARTICLE X ADJUSTMENT PROVISIONS

In the event of a reorganization, recapitalization, stock split, stock dividend, spin-off, combination, corporate exchange, merger, consolidation or other change in the Common Stock or any distribution to stockholders of Common Stock other than cash dividends or any transaction determined in good faith by the Board or Committee to be similar to the foregoing, the Board or Committee shall make appropriate equitable changes in the number and type of Shares authorized by this Plan, and the number and type of Shares to be delivered upon settlement of Stock Unit Accounts under Article VII.

ARTICLE XI GENERAL PROVISIONS

XI.1 No Stockholder Rights Conferred. Nothing contained in the Plan will confer upon any Participant or beneficiary any rights of a Stockholder of the Company, unless and until Shares are in fact issued or transferred to such Participant or beneficiary in accordance with Article VII.

XI.2 Changes to The Plan. The Board may amend, alter, suspend, discontinue, extend, or terminate the Plan without the consent of Participants; provided, no action taken without the consent of an affected Participant may materially impair the rights of such Participant with respect to any Stock Units credited to his or her Stock Unit Account at the time of such change or termination except that the Board may without the consent of any Participant terminate the Plan and distribute Shares with respect to Stock Units then credited to Participant's Stock Unit Account upon a Change in Control. A termination of the Plan must comply with the restrictions or requirements applicable under Code Section 409A and the regulations promulgated thereunder.

XI.3 Compliance With Laws and Obligations. The Company will not be obligated to issue or deliver Shares in connection with the Plan in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any other federal or state securities law, any requirement under any listing agreement between the Company and any national securities exchange or automated quotation system or any other laws, regulations, or contractual obligations of the Company, until the Company is satisfied that such laws, regulations and other obligations of the Company have been complied with in full. Certificates representing Shares delivered under the Plan will be subject to such restrictions as may be applicable under such laws, regulations and other obligations of the Company.

XI.4 Limitations on Transferability. Stock Units and other rights under the Plan may not be assigned, pledged, mortgaged, hypothecated or otherwise encumbered, and shall not be subject to the claims of creditors of any Participant.

XI.5 Governing Law. The validity, construction and effect of the Plan and any agreement hereunder will be determined in accordance with the Delaware General Corporation Law. Payments and benefits under the Plan are intended to comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Plan shall be interpreted and administered to be in compliance therewith.

XI.6 Plan Termination. Unless earlier terminated by action of the Board pursuant to Section XI.2, the Plan will remain in effect until such time as no Shares remain available for delivery under the Plan and the Company has no further rights or obligations under the Plan. A termination of the Plan must comply with the restrictions or requirements applicable under Code Section 409A and the regulations promulgated thereunder.

CENTENE CORPORATION

**Restricted Stock Unit Agreement Granted Under
2012 Stock Incentive Plan, As Amended**

THIS AGREEMENT is entered into by Centene Corporation, a Delaware corporation (hereinafter the “Company”), and **[Participant Name]** (hereinafter the “Participant”).

WHEREAS, the Company desires to align the long-term interests of its directors with those of the Company by providing the ownership interest granted herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements herein contained, the parties hereto hereby agree as follows:

1. Grant of RSUs.

This Agreement evidences the grant by the Company on **[Grant Date]** (or the “Grant Date”) to **[Participant Name]** of **[Number]** restricted stock units (each an “RSU,” and collectively the “RSUs”) pursuant to the Company’s 2012 Stock Incentive Plan, as Amended (the “Plan”), that will settle in shares of common stock, \$.001 par value per share, of the Company (“Common Stock”), as provided in this RSU Agreement (the “Agreement”). The shares of Common Stock that are issuable upon vesting of the RSUs are referred to in this Agreement as “Shares.” Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to such terms in the Plan.

2. Vesting.

Subject to Section 3 and 4 of this Agreement, 100% of the RSUs shall become vested on the earlier of the one year anniversary of the grant date and date of the first annual meeting of stockholders of the Company (or any special meeting held in lieu of such annual meeting) to occur after the date of this Agreement (such date, the “Vesting Date”), provided that the continuous service of the Participant continues through the Vesting Date.

3. Reorganization Event.

The foregoing vesting schedule notwithstanding, if a Change in Control (as defined below) occurs, all unvested RSUs shall automatically become 100% vested (“CIC Payment”). A “Change in Control” shall be deemed to have occurred if any of the events set forth in any one of the following clauses shall occur: (i) any Person (as defined in section 3(a)(9) of the Exchange Act, and as such term is modified in sections 13(d) and 14(d) of the Exchange Act), excluding a group of persons including the Participant, is or becomes the “beneficial owner” (as defined in Rule 13(d)(3) under the Exchange Act), directly or indirectly, of securities of the Company representing forty percent or more of the combined voting power of the Company’s then-outstanding securities; (ii) individuals who, as of the Grant Date, constitute the Board of Directors of the Company (the “Incumbent Board”), cease for any reason to constitute a majority thereof (*provided, however*; that an individual becoming a director subsequent to the Grant Date whose election, or nomination for election by the Company’s stockholders, was approved by at least a majority of the directors then comprising the Incumbent Board shall be included within the definition of Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual election contest (or such terms used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors of the Company); or (iii) the stockholders of the Company consummate a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation. To the extent required to avoid the adverse tax consequences under

Section 409A of the Code (“Section 409A”), a Change in Control shall be deemed to have occurred only if it meets the foregoing requirements and meets the requirements for a change in control event under Section 409A.

4. Distribution of Shares.

(a) Timing of Distribution. The Company will distribute to the Participant (or to the Participant’s beneficiary in the event of the death of the Participant occurring after the Vesting Date but before distribution of the corresponding Shares), as soon as administratively practicable after the Vesting Date, the Shares represented by RSUs that vested on such Vesting Date, except that, payment shall occur earlier and extinguish any further payment on any future Vesting Date in the event that a CIC Payment occurs or payment on death or disability occurs in accordance with Section 4(c) or, if applicable, in accordance with the terms of a valid deferral election made by the Participant with respect to the RSUs under the Company’s deferral election form.

(b) No Fractional Shares. No fractional Shares shall be issuable pursuant to any RSU. In lieu of any fractional shares to which the Participant would otherwise be entitled, the Company may, in its discretion, determine whether to pay, in lieu of such fractional Share, cash in an amount equal to such fractional Share multiplied by the Fair Market Value (as defined in the Plan) of a share of Common Stock, or whether any such fractional Share should be rounded down to the nearest whole Share, forfeited without consideration therefor, or otherwise eliminated.

(c) Termination of Service. In the event that the Participant’s service with the Company is terminated for any reason by the Company or by the Participant other than by reason of death or disability (within the meaning of Section 409A(a)(2)(c) of the Internal Revenue Code of 1986, as amended (the “Code”)), the unvested RSUs shall cease vesting and be forfeited as of the date of termination. In the event the Participant’s service with the Company is terminated by reason of death or disability (as defined previously in this Section 4(c)), 100% of the RSUs shall immediately vest and be distributed on the date of such death or disability (or within 30 days thereafter).

(d) Compliance Restrictions. The Company shall not be obligated to issue to the Participant the Shares upon the vesting of any RSU (or otherwise) unless the issuance and delivery of such Shares shall comply with all relevant provisions of law and other legal requirements including any applicable federal or state securities laws and the requirements of any stock exchange or quotation system upon which Common Stock may then be listed or quoted.

5. Restrictions on Transfer.

The RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except to the Participant's beneficiary as provided in Section 4(a) in the event of the Participant's death. The Participant's beneficiary can be designated and recorded with the Company’s stock plan administrator. In the absence of any such beneficiary designation, benefits remaining unpaid at the Participant’s death shall be paid to the Participant’s executor, administrator, or legal representative.

6. No Rights as a Stockholder.

Except as set forth in the Plan, neither the Participant nor any person claiming under or through the Participant shall be, or shall have any rights or privileges of, a stockholder of the Company in respect of any Share issuable pursuant to the RSUs granted hereunder until such Share has been delivered to the Participant.

7. Withholding Taxes.

The Participant acknowledges and agrees that the Company has the right to deduct from payments of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the RSUs. The Participant acknowledges that, regardless of any action taken by the Company, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other

tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant is and remains the Participant's responsibility.

8. Provisions of the Plan.

The RSUs are subject to the provisions of the Plan, a copy of which is being furnished to the Participant with this Agreement.

9. Miscellaneous.

(a) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law. If a court of competent jurisdiction should determine that any of the provisions of this Agreement are overbroad or otherwise unenforceable because of the scope of such provisions, to the extent allowed by law, such court shall modify such provisions in a manner to render them enforceable, and such provisions, as may be modified, shall be fully enforceable as though set forth herein. Any such modification shall not affect the other provisions or clauses of this Agreement in any respect.

(b) Waiver. Any provision for the benefit of the Company contained in this Agreement may be waived, either generally or in any particular instance, by the Board of Directors of the Company.

(c) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Participant and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the restrictions on transfer set forth in Section 5 of this Agreement.

(d) Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given upon personal delivery or five days after delivery to a United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party hereto at the address shown beneath his or its respective signature to this Agreement, or at such other address or addresses as either party shall designate to the other in accordance with this subparagraph (d).

(e) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties, and supersede all prior agreements and understandings, relating to the RSUs.

(f) Participant's Acknowledgments. The Participant acknowledges that he or she: (i) has read this Agreement; (ii) has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of the Participant's own choice or has voluntarily declined to seek such counsel; (iii) understands the terms and consequences of this Agreement; and (iv) is fully aware of the legal and binding effect of this Agreement.

(g) Unfunded Rights. The right of the Participant to receive Common Stock pursuant to this Agreement is an unfunded and unsecured obligation of the Company. The Participant shall have no rights under this Agreement other than those of an unsecured general creditor of the Company.

(h) Deferral. The Participant may elect to defer delivery of Shares issuable under unvested RSUs in accordance with the terms of a valid deferral election made by the Participant with respect to the RSUs under the Company's deferral election form. Neither the Company nor the Participant may defer delivery of any Shares issuable under unvested RSUs except to the extent that such deferral complies with the provisions of Section 409A.

(i) Section 409A.

(i) This Agreement is intended to comply with the requirements of Section 409A, including the exceptions thereto, and shall be construed and administered in accordance with such intent. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement in connection with a termination of service shall only be made if such termination of service constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

(ii) If any provision of this Agreement or the Plan shall be invalid or unenforceable, in whole or in part, or as applied to any circumstance, under the laws of any jurisdiction that may govern for such purpose, or if any provision of this Agreement or the Plan needs to be interpreted to comply with the requirements of Section 409A, then such provision shall be deemed to be modified or restricted, or so interpreted, to the extent and in the manner necessary to render the same valid and enforceable, or to the extent and in the manner necessary to be interpreted in compliance with such requirements of the Code, either generally or as applied to such circumstance, or shall be deemed excised from this Agreement or the Plan, as the case may require, and this Agreement or the Plan shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.

(iii) Notwithstanding any other provision of this Agreement, if at the time of the Participant's termination of service, the Participant is a "specified employee," determined in accordance with Section 409A, any payments and benefits provided under this Agreement that constitute "nonqualified deferred compensation" subject to Section 409A that are provided to the Participant on account of separation from service shall not be paid until the first payroll date to occur following the six-month anniversary of the Participant's termination date ("Specified Employee Payment Date"). The aggregate amount of any payments that would otherwise have been made during such six-month period shall be paid in a lump sum on the Specified Employee Payment Date without interest. If the Participant dies before the Specified Employee Payment Date, any delayed payments shall be paid to the Participant's beneficiary in a lump sum within upon the Participant's death.

(j) Provisions Related to Golden Parachute Excise Tax.

(i) Change in Control When the Shares are Not Publicly Traded. Notwithstanding anything to the contrary contained in this Agreement, to the extent that, upon a Change in Control prior to the time at which the Shares have become publicly traded, any of the payments and benefits provided for under the Plan, any award agreement or any other agreement or arrangement between the Company or any of its affiliates and the Participant (collectively, the "Payments") would constitute a "parachute payment" within the meaning of Section 280G of the Code (a "Parachute Payment"), the amount of such Payments shall be reduced to the amount (the "Safe Harbor Amount") that would result in no portion of the Payments being treated as an excess parachute payment pursuant to Section 280G of the Code (the "Excise Tax"). If, upon a Change in Control prior to the time at which the Shares have become publicly traded, the Parachute Payments that would otherwise be reduced or eliminated, as the case may be, pursuant to this Section 9(j)(i) could be paid without the loss of a deduction under Section 280G of the Code if the shareholder approval exception to treatment as a Parachute Payment can be and is satisfied, then the Company shall use its reasonable best efforts to cause such Parachute Payments to be submitted for such approval in accordance with Section 280G(b)(5)(B) prior to the Change in Control giving rise to such Parachute Payments. If such approval is received, any reduction or forfeiture pursuant to this Section 9(j)(i) shall be reversed, and the subject amount shall be payable to the Participant without regard to this Section 9(j).

(ii) Change in Control When the Shares are Publicly Traded. If upon a Change in Control occurring at any time that the Shares are publicly traded, any Payments would constitute Parachute Payments, then, if and solely to the extent that reducing the benefits payable hereunder would result in the Participant's receiving a greater amount, on an after-tax basis, taking into account any Excise Tax and all applicable income and other taxes payable on such amounts, the amounts payable hereunder shall be reduced or eliminated, as the case may be, so that the total amount of Parachute Payments received by the Participant do not exceed the Safe Harbor Amount.

(iii) Order of Reduction in Payments. Any reduction in the amount of compensation or benefits effected pursuant to this Section 9(j) shall first come, in order and, in each case, solely to the extent necessary, from any cash severance benefits payable to the Participant, then from any other payments which are treated in their entirety as Parachute Payments and then from any other Parachute Payments payable to the Participant with the later possible payment or vesting date being reduced or eliminated before a payment or benefit with an earlier payment or vesting date; provided that if the foregoing order of reduction or elimination would violate Section 409A, then the reduction shall be made pro rata among the payments or benefits otherwise due or payable to the Participant.

(k) Consent to Electronic Delivery; Electronic Signature.

In lieu of receiving documents in paper format, the Participant accepts the electronic delivery of any documents by the Company, or any third party involved in administering the Plan that the Company may designate, may deliver in connection with this Award (including the Plan, this Agreement, account statements, or other communications or information) whether via the Company's intranet or the internet site of such third party or via email or such other means of electronic delivery specified by the Company. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or any third party involved in administering the Plan that the Company may designate and agrees that the Participant's electronic signature is the same as, and shall have the same force and effect as, the Participant's manual signature.

Participant Signature

Date

ELECTRONIC ACCEPTANCE

By the Participant's electronic acceptance hereof, the Participant and the Company agree that this Award is granted and governed by the terms and conditions of the Plan and this Agreement.

By the Participant's electronic acceptance hereof, the Participant agrees that in lieu of receiving documents in paper format, the Participant accepts the electronic delivery of any documents by the Company, or any third party involved in administering the Plan that the Company may designate, may deliver in connection with this Award (including the Plan, this Agreement, account statements, or other communications or information) whether via the Company's intranet or the internet site of such third party or via email or such other means of electronic delivery specified by the Company. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or any third party involved in administering the Plan that the Company may designate.

CERTIFICATION

I, Sarah M. London, 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 Rules 13a-15(e) and 15d-15(e)) and internal control 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 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 functions):
 - 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: July 26, 2024

/s/ SARAH M. LONDON
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Andrew L. Asher, 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 Rules 13a-15(e) and 15d-15(e)) and internal control 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 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 functions):
 - 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: July 26, 2024

/s/ ANDREW L. ASHER

Executive Vice President, Chief Financial Officer
(principal financial officer)

**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 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Sarah M. London, 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 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.

Dated: July 26, 2024

/s/ SARAH M. LONDON
Chief Executive Officer
(principal executive officer)

**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 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Andrew L. Asher, Executive Vice President and Chief Financial 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 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.

Dated: July 26, 2024

/s/ ANDREW L. ASHER

Executive Vice President, Chief Financial Officer
(principal financial officer)