

CENTENE CORP
Form 10-Q
October 28, 2008

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 September 30, 2008

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

42-1406317
(I.R.S. Employer

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incorporation or organization)

Identification Number)

7711 Carondelet Avenue
St. Louis, Missouri
(Address of principal executive offices)

63105
(Zip Code)

Registrant's telephone number, including area code:

(314) 725-4477

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 20, 2008, the registrant had 42,904,326 shares of common stock outstanding.

CENTENE CORPORATION
QUARTERLY REPORT ON FORM 10-Q

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PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements.

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

| | September 30, 2008 | December 31, 2007 |
|--|-----------------------|-------------------------|
| ASSETS | (Unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | \$ 275,284 | \$ 268,584 |
| Premium and related receivables | 150,351 | 90,072 |
| Short-term investments, at fair value (amortized cost \$160,199 and \$46,392, respectively) | 160,376 | 46,269 |
| Other current assets | 48,109 | 41,414 |
| Total current assets | 634,120 | 446,339 |
| Long-term investments, at fair value (amortized cost \$288,140 and \$314,681, respectively) | 288,212 | 317,041 |
| Restricted deposits, at fair value (amortized cost \$30,630 and \$27,056, respectively) | 30,919 | 27,301 |
| Property, software and equipment, net of accumulated depreciation of \$68,834 and \$54,584, respectively | 170,038 | 138,139 |
| Goodwill | 167,008 | 141,030 |
| Other intangible assets, net | 19,886 | 13,205 |
| Other assets | 47,870 | 36,067 |
| Total assets | \$ 1,358,053 | \$ 1,119,122 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Medical claims liabilities | \$ 379,845 | \$ 335,856 |
| Accounts payable and accrued expenses | 200,766 | 105,096 |
| Unearned revenue | 15,623 | 44,016 |
| Current portion of long-term debt | 276 | 971 |
| Current liabilities of discontinued operations | 255 | 861 |
| Total current liabilities | 596,765 | 486,800 |
| Long-term debt | 249,697 | 206,406 |
| Other liabilities | 34,017 | 10,869 |
| Total liabilities | 880,479 | 704,075 |
| Stockholders' equity: | | |

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| | | |
|--|--------------|--------------|
| Common stock, \$.001 par value; authorized 100,000,000 shares; issued and outstanding 43,159,927 and 43,667,837 shares, respectively | 43 | 44 |
| Additional paid-in capital | 223,369 | 221,693 |
| Accumulated other comprehensive income: | | |
| Unrealized gain on investments, net of tax | 349 | 1,571 |
| Retained earnings | 253,813 | 191,739 |
| Total stockholders' equity | 477,574 | 415,047 |
| Total liabilities and stockholders' equity | \$ 1,358,053 | \$ 1,119,122 |

See notes to consolidated financial statements.

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

| | Three Months Ended | | Nine Months Ended | |
|----------------|--------------------|------------|-------------------|--------------|
| | September 30, | | September 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited) | | (Unaudited) | |
| Revenues: | | | | |
| Premium | \$ 855,505 | \$ 709,455 | \$ 2,448,392 | \$ 2,022,123 |
| Premium tax | 23,670 | 20,737 | 68,493 | 58,427 |
| Service | 17,962 | 19,696 | 56,958 | 61,303 |
| Total revenues | 897,137 | 749,888 | | |