

ATTACHMENT Q - SUPPLIER RESPONSIBILITY QUESTIONNAIRE

Supplier Name:

Magellan Medicaid Administration, LLC

Supplier responses must be submitted via Team Georgia Marketplace by the Proposal Due/Close Date and Time as published on the GPR.

All sections require completion. Information provided on the Supplier Responsibility Questionnaire will be used as an assessment to determine/verify whether a Supplier has:

- Appropriate financial, organizational, and operational capacity and controls;
- Appropriate legal authority to do business in the State;
- Satisfactory record of integrity; and
- Acceptable performance record on past contracts.

Section I – Supplier’s Legal Business Entity Information

1.	Supplier’s Full Legal Business Name: Magellan Medicaid Administration, LLC Federal Employer Identification Number (FEIN): 54-0849793 Website: https://www.primetherapeutics.com/ Address of Principal Place of Business: 2900 Ames Crossing Road, Suite 200, Eagan, Minnesota 55121 Primary Contact regarding this eRFP: Billy Thomas Primary Contact Telephone Number: (858) 213-6533 Primary Contact email address: billy.thomas@primetherapeutics.com If applicable, list any other Doing Business As (DBA), trade name, other identities and/or other FEINs used in the last 5 years: Not applicable Is the Supplier publicly traded? If yes, provide CIK Code or Ticker symbol. No Does the Supplier have a DUNS number? If yes, please provide. MMA’s DUNS number is 06-601-5611
2.	Indicate jurisdiction (country and state) where the Supplier’s Legal Business entity was formed or incorporated. Please provide proof of legal entity and authorization to do business in the State of Georgia. ▪ Corporation ▪ Limited Liability Company (LLC or PLLC) ▪ Partnership (including LLP, LP or General) ▪ Sole Proprietor ▪ Other (if Other, explain) Magellan Medicaid Administration, LLC is a Limited Liability Company formed in the United States of America in the State of Virginia. MMA provides proof of legal entity and authorization to do business in the State of Georgia.

Section II – Integrity

3.	Is the Supplier (or any affiliate or subsidiary) currently, or within the past five (5) years been, suspended or debarred from any government contracting process or been disqualified on any government procurement, permit, license? Response: (YES/NO) NO Note: If Supplier answered YES, please provide an explanation.
4.	Is the Supplier (or any affiliate or subsidiary) currently, or within the past five (5) years been, subject to a denial or revocation of a government prequalification? Response: (YES/NO) NO Note: If Supplier answered YES, please provide an explanation.
5.	Is the Supplier (or any affiliate or subsidiary) currently, or within the past five (5) years been, denied a contract award or had a bid rejected based upon a non-responsibility (lack of financial, organizational, and operational capacity and controls) finding by a government entity? Response: (YES/NO) NO Note: If Supplier answered YES, please provide an explanation.
6.	Is the Supplier (or any affiliate or subsidiary) currently, or within the past five (5) years been, subject to an administrative proceeding or civil action seeking specific performance or restitution in connection with any government contract? Response: (YES/NO) NO Note: If Supplier answered YES, please provide an explanation.
7.	Has the Supplier (or any affiliate or subsidiary) entered into a formal monitoring agreement as a condition of a contract award from a government entity within the past five (5) years? Response: (YES/NO) YES Note: If Supplier answered YES, please provide an explanation. In connection with its contract with the California Department of Health Care Services, MMA has entered into a Conflict Avoidance Plan with DHCS to ensure the confidentiality and security of Medi-Cal Rx data. DHCS has engaged a third-party monitor to oversee compliance with the Conflict Avoidance Plan.

Section III – LEGAL PROCEEDINGS

8.	Is the Supplier (or any affiliate or subsidiary) currently, or within the past five (5) years been, involved as a plaintiff or defendant in a lawsuit with a state or any state agency? Response: (YES/NO) NO Note: If Supplier answered YES, please provide an explanation.
9.	Is the Supplier (or any affiliate or subsidiary) currently, or within the past five (5) years been, the subject of an investigation, whether open or closed, by any government entity for a civil or criminal violation? Response: (YES/NO) YES Note: If Supplier answered YES, please provide an explanation. From time to time, an affiliate or subsidiary may receive investigative demands from government entities. Such demands are a normal part of doing business and not indicative of wrongful conduct. Additionally, none of these demands have resulted in any action being taken against affiliates or subsidiaries.
10.	Is the Supplier (or any affiliate or subsidiary) currently, or within the past five (5) years been, the subject of an indictment, grant of immunity, judgment or conviction (including entering into a plea bargain) for conduct constituting a crime? Response: (YES/NO) NO Note: If Supplier answered YES, please provide an explanation.
11.	Within the last seven (7) years, has the Supplier, or any affiliate or subsidiary, filed for bankruptcy protection in any state? Response: (YES/NO) NO Note: If Supplier answered YES, please provide an explanation.
12.	As the provider of services, do you have any material (relevant and significant) pending litigation that may adversely affect your ability to meet any contract requirement pursuant to this eRFP or is likely to have a material adverse effect on your financial condition. Response: (YES/ NO) NO Note: If Supplier answered YES, please list each separately and explain the relevant details.
13.	In the past five (5) years, has the Supplier had a HIPAA data breach impacting 500 or more individuals that the Supplier had to report to the federal Department of Health and Human Services Office of Civil Rights? Response: (YES/NO) YES Note: If Supplier answered YES, please provide an explanation. Within the past five (5) years, Magellan Rx and its subsidiaries and affiliates (including Magellan Medicaid Administration, LLC) have experienced HIPAA data or security breaches impacting 500 or more members that were reported to the U.S.

Department of Health and Human Services Office for Civil Rights. Please see the following for details:

Year	Incident
2019	The Company's Information Security Team discovered that several unauthorized mailbox authentications and connections originating from outside the country had been occurring on an employee's Microsoft Office 365 email account, with all indications being that this activity was solely for the purpose of sending out large volumes of spam. We engaged Microsoft to assist in the investigation and to determine whether the hacker(s) accessed or downloaded any of the emails in the email account. However, despite our best efforts, and because of technical limitations with the email protocol used by the hacker(s), the conclusion was reached that no such determination could definitively be made. All emails which may have been accessible were thoroughly reviewed and members of any of our health plan customers whose PHI was contained in the emails were identified, and those health plans were notified accordingly. While we had no evidence or reason to believe that the hacker accessed any emails at all, out of an abundance of caution, individuals whose information was contained in at least one email within the impacted email account were mailed HIPAA Breach notification letters (either by us or by the health plan themselves) and members who had SSN impacted were offered credit monitoring and identity protection services. Additional security measures were implemented to our Outlook 365 system, employee trainings were reviewed and supplemented to, among other areas, emphasize appropriate use of emails and passwords, how to recognize and report phishing scams and protect member PHI and customer proprietary information.
2020	The Company was the victim of a ransomware attack from an unauthorized third party that disrupted our operations and services. Upon learning of this incident, we took immediate action including notifying the FBI, and launched an investigation to determine the scope and remediate the incident. The Company notified impacted customers, quickly restored all systems and operations, and completed all regulatory and impacted member notifications in compliance with applicable federal and state laws. In addition, appropriate security, and other measures, including additional training and education, have been implemented to fortify our systems to prevent future attacks.
2022	In 2022, the Company's audit vendor experienced a security breach that impacted greater than 500 members across a few of our clients in multiple jurisdictions. The vendor took steps to stop the threat and understand the scope of the situation, including hiring third-party forensic experts to conduct an investigation and technical remediation.

Section IV – Financial and Organizational Capacity

14.	Within the past five (5) years, has the Supplier (or any affiliate or subsidiary) received any formal unsatisfactory performance assessment(s) from any government entity on any contract? Response: (YES/NO) YES Note: If Supplier answered YES, please provide an explanation.

	MMA received a California DHCS communication in February 2022 regarding MMA's performance for January and early February 2022 of that year. The Medi-Cal Rx January and early February 2022 performance issues were immediately rectified.																																										
15.	Within the past five (5) years, has the Supplier (or any affiliate or subsidiary) terminated agreements/contracts in the past five years? Response: (YES/NO) YES Note: If Supplier answered YES, please provide an explanation. In the normal course of business the Supplier (and its affiliates or subsidiaries) have terminated agreements/contracts in the past five years. However, no state Medicaid contracts have been terminated.																																										
16.	Within the past five (5) years, has the Supplier (or any affiliate or subsidiary) had any liens or judgments over \$25,000 been filed against the Supplier? Response: (YES/NO) NO Note: If Supplier answered YES, please provide an explanation.																																										
17.	Within the past five (5) years, has the Supplier (or any affiliate or subsidiary) had any liquidated damages assessed over \$25,000? Response: (YES/NO) YES Note: If Supplier answered YES, please provide an explanation. MMA and its subsidiaries and affiliates have experienced some contractual liquidated damages over \$25,000 within the past five years. We have agreed to such liquidated damage amounts pursuant to service level agreements in certain customer contracts. Over the past five years, we paid less than \$2.1 million total in these contractual liquidated damages. <table border="1"> <thead> <tr> <th>Guarantee</th><th>Year</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>Intermittent System Interruptions</td><td>2019</td><td>\$238,937.63</td></tr> <tr> <td>Missed Service Level Agreements</td><td>2019</td><td>\$198,555.46</td></tr> <tr> <td>Reporting Timeliness</td><td>2019</td><td>\$91,982.00</td></tr> <tr> <td>Claims Accuracy</td><td>2019</td><td>\$75,000.00</td></tr> <tr> <td>Eligibility Turnaround time</td><td>2019</td><td>\$37,500.00</td></tr> <tr> <td>Intermittent System Interruptions</td><td>2020</td><td>\$506,900.00</td></tr> <tr> <td>Missed Service Level Agreements</td><td>2020</td><td>\$204,306.64</td></tr> <tr> <td>Reporting Timeliness</td><td>2020</td><td>\$185,637.00</td></tr> <tr> <td>Eligibility Turnaround time</td><td>2020</td><td>\$72,225.00</td></tr> <tr> <td>Reporting Timeliness</td><td>2021</td><td>\$141,662.00</td></tr> <tr> <td>Intermittent System Interruptions</td><td>2021</td><td>\$60,000.00</td></tr> <tr> <td>Eligibility Turnaround time</td><td>2021</td><td>\$27,890.00</td></tr> <tr> <td>Eligibility Turnaround time</td><td>2022</td><td>\$37,500.00</td></tr> </tbody> </table>	Guarantee	Year	Amount	Intermittent System Interruptions	2019	\$238,937.63	Missed Service Level Agreements	2019	\$198,555.46	Reporting Timeliness	2019	\$91,982.00	Claims Accuracy	2019	\$75,000.00	Eligibility Turnaround time	2019	\$37,500.00	Intermittent System Interruptions	2020	\$506,900.00	Missed Service Level Agreements	2020	\$204,306.64	Reporting Timeliness	2020	\$185,637.00	Eligibility Turnaround time	2020	\$72,225.00	Reporting Timeliness	2021	\$141,662.00	Intermittent System Interruptions	2021	\$60,000.00	Eligibility Turnaround time	2021	\$27,890.00	Eligibility Turnaround time	2022	\$37,500.00
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	Account Management Satisfaction	2022	\$28,000.00
	Average Speed of Answer	2022	\$27,875.00
	First Call Resolution	2023	\$67,289.00
	Reporting Timeliness	2023	\$54,806.00
	Eligibility Turnaround time	2023	\$26,533.00
18.	The Supplier must provide sufficient company financial information to assess whether sufficient financial resources exist to successfully perform under any resultant contract. In fulfillment of this requirement, provide a report from an independent rating service (ex. Dunn & Bradstreet Supplier Qualifier Report (SQR) or similar standard business report) detailing company specific financial and operational capability, or company financial information in the form of (to include but not limited to): P/L Statements, Balance Statements, and other corporate financial reports covering the last three (3) years that will facilitate the evaluation of financial viability. The Supplier must upload Financial Information with its response. MMA is financially stable and has the economic capability to meet the needs of State under the terms of this contract in an uninterrupted manner during any unforeseen delays in reimbursement. On December 2, 2022, Prime Therapeutics, LLC acquired Magellan Rx, including MMA, from Centene Corporation for \$1.35B. The acquisition unites Prime's strong foundation of pharmacy benefits management (PBM) capabilities with MRx's industry-leading total specialty drug management and expertise to create a diversified pharmacy solutions organization that services commercial markets and government programs. Prime's financial statements demonstrate adequate financial resources to meet the contract requirements. Prime is a privately held corporation, and we have uploaded as separate attachment, Prime's audited financial statements including Balance Sheet and Income Statement for the last three fiscal years. We are privately held; therefore, our Dun & Bradstreet report is not available. We are bidding as Magellan Medicaid Administration, LLC (MMA), a subsidiary of our broader organization. MMA does not have our own financial statements; our financial information is included in our parent company's financial statements which has transitioned from Magellan Health, Inc, to Centene Corporation, to Prime Therapeutics, LLC (Prime) ownership during the three-year time period under review. For 2021, MMA was a subsidiary of Magellan Health, which was acquired by Centene in 2022. As of December 2, 2022, MMA is wholly owned by Morocco Acquisition LLC, which is wholly owned by Prime. We have attached the version of Prime's financial statements for 2022 and 2023 that includes supplementary consolidating information showing all the legal entities within the audited financial statements, including MMA, for 2022 and 2023 (please refer to pages 33, 36, 40, and 43 of the financial statement). Magellan Health (including the Magellan Rx entity) was acquired by Centene Corporation in 2022. We have included Centene's 10-K for 2022 which refers to the divestiture of Magellan Rx (please see page 18 of the financial statement). We have also included a letter from Magellan Health's Vice President, Controller which certifies that MMA, as part of Magellan Rx, was included in Centene's consolidated operations and financial statements until Magellan Rx was sold to Prime. We have also attached Magellan Health's 2021 10-K filing that shows that MMA was a subsidiary (please refer to the link on page 60 of the financial statement). Prime is a privately held company, we consider our financial statements to be confidential.		

STATE OF GEORGIA

Secretary of State

Corporations Division

313 West Tower

2 Martin Luther King, Jr. Dr.

Atlanta, Georgia 30334-1530

CERTIFICATE OF EXISTENCE

I, **Brad Raffensperger**, the Secretary of State of the State of Georgia, do hereby certify under the seal of my office that

Magellan Medicaid Administration, LLC

a Foreign Limited Liability Company

was formed in the jurisdiction stated below or was authorized to transact business in Georgia on the below date. Said entity is in compliance with the applicable filing and annual registration provisions of Title 14 of the Official Code of Georgia Annotated and has not filed articles of dissolution, certificate of cancellation or any other similar document with the office of the Secretary of State.

This certificate relates only to the legal existence of the above-named entity as of the date issued. It does not certify whether or not a notice of intent to dissolve, an application for withdrawal, a statement of commencement of winding up or any other similar document has been filed or is pending with the Secretary of State.

This certificate is issued pursuant to Title 14 of the Official Code of Georgia Annotated and is prima-facie evidence that said entity is in existence or is authorized to transact business in this state.

Docket Number : 26906109
Date Inc/Auth/Filed: 08/05/1983
Jurisdiction : Virginia
Print Date : 03/13/2024
Form Number : 211



Brad Raffensperger

Brad Raffensperger
Secretary of State

Commonwealth of Virginia



State Corporation Commission

CERTIFICATE OF FACT

I Certify the Following from the Records of the Commission:

That Magellan Medicaid Administration, LLC is duly organized as a Limited Liability Company under the law of the Commonwealth of Virginia;

That the Limited Liability Company was formed on December 4, 1968; and

That the Limited Liability Company is in existence in the Commonwealth of Virginia as of the date set forth below.

Nothing more is hereby certified.



Signed and Sealed at Richmond on this Date:

January 10, 2024

A handwritten signature in black ink, appearing to read "Bernard J. Logan".

Bernard J. Logan, Clerk of the Commission

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- For the fiscal year ended December 31, 2020
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File No. 1-6639

MAGELLAN HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
4801 E. Washington Street
Phoenix, Arizona
(Address of principal executive offices)

58-1076937
(I.R.S. Employer
Identification No.)

85034
(Zip Code)

Registrant's telephone number, including area code: **(800) 642-1716**

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, par value \$0.01 per share	MGLN	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 twelve 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 definitions of "accelerated filer," "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the Common Stock ("common stock") held by non-affiliates of the registrant based on the closing price on June 30, 2020 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$1.8 billion.

The number of shares of Magellan Health, Inc.'s common stock outstanding as of February 19, 2021 was 25,965,579.

DOCUMENTS INCORPORATED BY REFERENCE

Unless earlier included in an amendment to this Form 10-K, portions of the definitive proxy statement for the 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

MAGELLAN HEALTH, INC.

REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2020

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PART I

Cautionary Statement Concerning Forward-Looking Statements

This Form 10-K includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Examples of forward-looking statements include, but are not limited to, statements the Company (as defined below) makes regarding our future operating results and liquidity needs. Although the Company believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements are set forth under the heading “Risk Factors” in Item 1A and elsewhere in this Form 10-K. When used in this Form 10-K, the words “estimate,” “anticipate,” “expect,” “believe,” “should” and similar expressions are intended to be forward-looking statements.

Any forward-looking statement made by the Company in this Form 10-K speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

You should also be aware that while the Company from time to time communicates with securities analysts, the Company does not disclose to them any material non-public information, internal forecasts or other confidential business information. Therefore, to the extent that reports issued by securities analysts contain projections, forecasts or opinions, those reports are not the Company’s responsibility and are not endorsed by the Company. You should not assume that the Company agrees with any statement or report issued by any analyst, irrespective of the content of the statement or report.

Item 1. Business

Magellan Health, Inc. (“Magellan”) provides managed care services for some of the most complex areas of healthcare. The Company offers innovative solutions that combine analytics, technology and clinical rigor to drive better decision making, positively impact members’ health outcomes and optimize the cost of care for the customers Magellan serves. The Company provides services to health plans and other managed care organizations (“MCOs”), employers, labor unions, various military and governmental agencies and third-party administrators (“TPAs”). Magellan operates three segments: Healthcare, Pharmacy Management and Corporate. In this report, references to “we”, “us”, “our” and the “Company” include Magellan and its subsidiaries. Magellan was incorporated in 1969 under the laws of the State of Delaware.

Business Developments

Sale of the MCC Business

On December 31, 2020, we completed the sale of our Magellan Complete Care business (the “MCC Business”) to Molina Healthcare, Inc. (“Molina”), pursuant to a Stock and Asset Purchase Agreement, dated as of April 30, 2020, by and between the Company and Molina, for cash in the amount of \$850 million plus closing adjustments of \$158 million (subject to post-closing adjustments, if any), and the assumption by Molina of liabilities of the MCC Business (the “MCC Sale”). The MCC Business was the Company’s business of contracting with state Medicaid agencies and the U.S. Centers for Medicare and Medicaid Services to manage total medical benefits or long-term support services for Medicaid and dual eligible Medicaid and Medicare populations.

Pending Merger with Centene Corporation

On January 4, 2021, the Company and Centene Corporation (“Centene”) entered into an Agreement of Plan of Merger (the “Merger Agreement”) by and among the Company, Centene, and Mayflower Merger Sub, Inc., a Delaware

corporation and a wholly owned subsidiary of Centene (“Merger Sub”), pursuant to which, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company, with the Company surviving such merger (the “Merger”) as a wholly-owned subsidiary of Centene. Pursuant to the Merger Agreement, each issued and outstanding share of the Company’s common stock will be automatically canceled and converted into the right to receive \$95.00 in cash. The Company expects to complete the transaction in the second half of 2021.

The Merger has been approved by both the Company’s board of directors and the board of directors of Centene. The completion of the Merger is subject to customary closing conditions, including, among others, the required approval of Magellan’s stockholders and the receipt of various regulatory approvals. For additional information on the Merger Agreement and the Merger, please refer to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission (the “SEC”) on January 4, 2021, and our definitive proxy statement filed with the SEC on February 19, 2021 (the “Proxy Statement”). The Company cannot guarantee that the Merger will be completed on a timely basis or at all or that, if completed, it will be completed on the terms set forth in the Merger Agreement.

For additional information regarding the Merger, including associated risks and uncertainties, see Part I, Item 1A - Risk Factors, Part II, Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 14 “Subsequent Events” in the notes to consolidated financial statements.

Recent Healthcare Acquisitions

In recent years, the Company has expanded its Healthcare segment with various acquisitions and strategic investments. The acquisition of a 70 percent majority interest in Aurelia Health, LLC and its subsidiary Michael B. Bayless, LLC (collectively “Bayless”) in December 2020 expanded Magellan’s capabilities as a provider of outpatient primary care and behavioral health. Also during 2020, the Company made strategic minority investments in Kaden Health and Neuroflow which are technology-enabled companies designed to enhance the Company’s capabilities. Magellan also increased its presence within the federal marketplace through the acquisition of Armed Forces Services Corporation (“AFSC”) in 2016 which falls under the Behavioral & Specialty Health reporting unit.

Recent Pharmacy Management Acquisitions

In recent years, the Company has expanded its Pharmacy Management segment with various acquisitions. The acquisitions of Partners Rx Management, LLC (“Partners Rx”) in 2013, 4D Pharmacy Management Systems, Inc. (“4D”) in 2015 and Veridicus Holdings, LLC (“Veridicus”) in 2016 expanded the Company’s presence in the PBM market. The Company expanded its formulary management programs with the acquisition of CDMI, LLC (“CDMI”) in 2014.

Healthcare

The Healthcare segment (“Healthcare”) previously consisted of two reporting units – Behavioral & Specialty Health and Magellan Complete Care (“MCC”). As a result of the sale of the MCC Business to Molina, the Healthcare segment now only includes Behavioral and Specialty Healthcare reporting unit. Accordingly, the accompanying consolidated financial statements for all periods presented reflect the MCC business as discontinued operations. See Note 9 —“Discontinued Operations” for additional information.

The Behavioral & Specialty Health reporting unit’s customers include health plans, accountable care organizations (“ACOs”), employers, the United States military and various federal government agencies for whom Magellan provides carve-out management services for (i) behavioral health, (ii) employee assistance plans (“EAP”) and (iii) other areas of specialty healthcare including diagnostic imaging, musculoskeletal management, cardiac and physical medicine. These management services can be applied broadly across commercial, Medicaid and Medicare populations, or on a more targeted basis for our health plans and ACO customers. The Behavioral & Specialty Health reporting unit also includes Magellan’s carve-out behavioral health contracts with various state Medicaid agencies, as well as certain provider assets that deliver primary care and behavioral healthcare services through an integrated approach.

The MCC business, which is now reflected as discontinued operations, contracted with state Medicaid agencies and the Centers for Medicare and Medicaid Services (“CMS”) to manage care for beneficiaries under various Medicaid and Medicare programs. MCC managed a wide range of services from total medical cost to carve out long-term support services. MCC largely focused on managing care for more acute special populations including individuals with serious mental illness (“SMI”), dual eligibles, aged, blind and disabled (“ABD”) and other populations with unique and often

complex healthcare needs.

Magellan's coordination and management of these healthcare and long-term support services are provided through its comprehensive network of medical and behavioral health professionals, clinics, hospitals, skilled nursing facilities, home care agencies and ancillary service providers. This network of credentialed providers is integrated with clinical and quality improvement programs to improve access to care and enhance the healthcare experience for individuals in need of care, while at the same time making the cost of these services more affordable for our customers. In addition to the Company's provider assets where it provides treatment services in certain geographies, the Company also employs licensed behavioral health counselors to deliver non-medical counseling under certain government contracts.

The Company provides its Healthcare management services primarily through: (i) risk-based contractual arrangements, where the Company assumes all or a substantial portion of the responsibility for the cost of providing treatment services in exchange for a fixed per member per month ("PMPM") fee, or (ii) administrative services only ("ASO") contractual arrangements, where the Company provides services such as utilization review, claims administration and/or provider network management, but does not assume full responsibility for the cost of the treatment services, in exchange for an administrative fee and, in some instances, a gain share.

Pharmacy Management

The Pharmacy Management segment ("Pharmacy Management") is comprised of services that provide clinical and financial management of pharmaceuticals paid under both the medical and the pharmacy benefit. Pharmacy Management's customer solutions include: (i) pharmacy benefit management ("PBM") services, including pharmaceutical dispensing operations and Medicare Part D; (ii) pharmacy benefit administration ("PBA") for state Medicaid and other government sponsored programs; (iii) clinical and formulary management programs; (iv) medical pharmacy management programs; and (v) programs for the integrated management of specialty drugs across both the medical and pharmacy benefit that treat complex conditions, regardless of site of service, method of delivery, or benefit reimbursement.

These services are available individually, in combination, or in a fully integrated manner. The Company markets its pharmacy management services to managed care organizations, employers, third party administrators, state governments, Medicare Part D, and other government agencies, exchanges, brokers and consultants. In addition, the Company will continue to upsell its pharmacy services to its existing customers and market its pharmacy solutions to the Healthcare customer base, including through integrated Pharmacy Management and Healthcare service offerings.

Pharmacy Management contracts with its customers for services using risk-based, gain share or ASO arrangements. In addition, Pharmacy Management provides services to the Healthcare segment for most of the MCC business.

On May 11, 2020, the Company announced its decision to exit the Medicare Part D business at the end of 2020. The Company will retain its Medicare Employer Group Waiver Plan as well as full capabilities to serve the PBM needs of its existing and prospective Medicare customers.

Corporate

This segment of the Company is comprised primarily of amounts not allocated to the Healthcare and Pharmacy Management segments that are largely associated with costs related to being a publicly traded company.

See Note 12—"Business Segment Information" to the consolidated financial statements for certain segment financial data relating to our business set forth elsewhere herein.

Industry

According to the Centers for Medicare and Medicaid Services ("CMS"), national health expenditure growth is expected to average 5.4 percent annually over 2019-2028. Growth in national health spending is projected to be faster than projected growth in Gross Domestic Product ("GDP") by 1.1 percentage points over 2019-2028. As a result, the report projects the health share of GDP to rise from 17.7 percent in 2018 to 19.7 percent by 2028.

With the dynamic economic environment, rising healthcare costs, increased fiscal pressures on federal and state governments and the uncertainty around the future of healthcare reform, healthcare spending will continue to be one of the greatest pressing issues for the American public and government agencies. The rapidly evolving clinical and technological environment demands the expertise of specialized healthcare management services to provide both high-quality and affordable care.

Business Strategy

Magellan is executing on a strategy that focuses on meeting market demands for our customers, improving health outcomes for our members, and creating value for our shareholders. We are confident that our strategy will improve our effectiveness, expand our margins and position us to reinvest in the business to drive sustainable long-term growth. The Company's strategy is organized around four key areas of focus:

1. Deliver on our commitments;
2. Execute on operational transformation;
3. Accelerate innovation; and
4. Build a robust growth engine.

Deliver on our commitments: We are focused on delivering the commitments we make to our members, customers, providers and shareholders.

Execute on operational transformation: We are focused on executing on operational transformation initiatives to reduce our cost structure and improve efficiency, reliability and effectiveness. Our operational transformation team has prioritized over one dozen workstreams that are focused on four broad categories: process improvements, human capital, worksite strategy, and vendor management to drive lower operating costs and reduce our real estate footprint, while also enhancing our competitive position.

Accelerate innovation: We are focused on accelerating innovation to develop new product offerings and build enhanced capabilities that will strengthen our competitive position to create compelling, contemporary and competitive new solutions for the market.

Build a robust growth engine: We are focused on building a strong growth engine across our businesses through an enhanced enterprise sales organization and improved sales execution.

Customer Contracts

The Company's contracts with customers typically have terms of one to three years, and in certain cases contain renewal provisions (at the customer's option) for successive terms of between one and two years (unless terminated earlier). Substantially all of these contracts may be immediately terminated with cause and many of the Company's contracts are terminable without cause by the customer or the Company either upon the giving of requisite notice and the passage of a specified period of time (typically between 30 and 180 days) or upon the occurrence of other specified events. In addition, the Company's contracts with federal, state and local governmental agencies generally are conditioned on legislative appropriations. These contracts generally can be terminated or modified by the customer if such appropriations are not made. The Company's contracts for managed healthcare and specialty solutions services generally provide for payment of a per member per month fee to the Company. See "Item 1A. Risk Factors—Risk-Based Products" and "Item 1A. Risk Factors—Reliance on Customer Contracts."

The Company has significant concentrations of business for managed behavioral health services with various counties in the State of Pennsylvania (the "Pennsylvania Counties") which are part of the Pennsylvania Medicaid Program, with members under its Medicare Part D contract with CMS, and with various agencies and departments of the United States federal government. See further discussion related to these significant customers in "Item 1A. Risk Factors—Reliance on Customer Contracts." In addition, see "Item 1A. Risk Factors—Dependence on Government Spending" for discussion of risks to the Company related to government contracts.

Provider Network

The Company's managed healthcare services are primarily provided by a contracted network of third-party providers. The number and type of providers in a particular area depend upon customer preference, site, geographic concentration and demographic composition of the beneficiary population in that area. The Company's network consists of approximately 170,000 healthcare providers providing various levels of care nationwide. The Company's network providers are almost exclusively independent contractors located throughout the local areas in which the Company's customers' beneficiary populations reside. Outpatient network providers work out of their own offices, although the Company's personnel are available to assist them with consultation and other needs.

Non-facility network providers typically execute standard contracts with the Company under which they are generally paid on a fee-for-service basis.

The Company contracts with facilities on a per diem or fee-for-service basis and, in some limited cases, on a "case rate" or capitated basis. The contracts between the Company and inpatient and other facilities typically are for one-year terms and are terminable by the Company or the facility upon 30 to 120 days notice.

The Company also provides capability to support client-specific networks. Many of the Company's clients have their own contracted networks. The Company establishes and administers these private networks segregating and reporting to the clients. In addition, the Company can lease networks on behalf of specific entities in order to enhance coverage.

The Company also has a national network of contracted retail pharmacies which is offered to its pharmacy benefit management customers. We contract with and manage these pharmacies to optimize drug cost and member access to fill covered prescriptions. Pharmacies can work with us both electronically and telephonically at the point of service for member eligibility, claim adjudication and member cost share, if applicable.

Competition

The Company's business is highly competitive. The Company competes with insurance companies and other healthcare organizations, including health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), TPAs, independent practitioner associations ("IPAs"), multi-disciplinary medical groups, PBMs, healthcare information technology companies and other specialty healthcare and managed care companies. Many of the Company's competitors, particularly certain insurance companies, HMOs, technology companies and PBMs are significantly larger and have greater financial, marketing and other resources than the Company, and some of the Company's competitors provide a broader range of services. The Company competes based upon quality and reliability of its services, a focus on clinical excellence, product and service innovation and proven expertise across its business lines. The Company may also encounter competition in the future from new market entrants. In addition, some of the Company's customers that are managed care companies may seek to provide specialty managed healthcare services directly to their members, rather than subcontracting with the Company for such services. Because of these factors, the Company does not expect to be able to rely to a significant degree on price increases to achieve revenue growth and anticipates continued pricing pressures.

Insurance

The Company maintains a program of insurance coverage for a broad range of risks in its business. The Company has renewed its general, professional and managed care liability insurance policies with unaffiliated insurers for a one-year period from June 17, 2020 to June 17, 2021. The general liability policy is written on an "occurrence" basis, subject to a \$0.25 million per claim un-aggregated self-insured retention. The professional liability and managed care errors and omissions liability policies are written on a "claims-made" basis, subject to a \$1.0 million per claim (\$5.0 million per anti-trust claim and \$10.0 million per class action claim) un-aggregated self-insured retention for managed care errors and omissions liability, and a \$0.25 million per claim un-aggregated self-insured retention for professional liability.

The Company maintains a separate general and professional liability insurance policy with an unaffiliated insurer for its specialty pharmaceutical dispensing operations. The specialty pharmaceutical dispensing operations insurance policy has a one-year term for the period June 17, 2020 to June 17, 2021. The general liability policy is written

on an “occurrence” basis and the professional liability policy is written on a “claims-made” basis, subject to a \$0.05 million per claim and \$0.25 million aggregated self-insured retention.

The Company is responsible for claims within its self-insured retentions, and for portions of claims reported after the expiration date of the policies if they are not renewed, or if policy limits are exceeded. The Company also purchases excess liability coverage in an amount that management believes to be reasonable for the size and profile of the organization.

See “Item 1A. Risk Factors—Professional Liability and Other Insurance,” for a discussion of the risks associated with the Company’s insurance coverage.

Regulation

General

The Company’s operations are subject to extensive and evolving state and federal laws and regulation in the jurisdictions in which we do business. This includes applicable federal and state laws and regulations in connection with its role in providing pharmacy benefit management; behavioral health benefit management; radiology benefit management; utilization review; customer employee benefit plan services; pharmacy; healthcare services; Medicaid; Medicare; health insurance, and laws and regulations impacting its federal government contracts.

Regulation of the healthcare industry as well as government contracting is constantly evolving, with new legislative enactments and regulatory initiatives at the state and federal levels being implemented on a regular basis. Consequently, it is possible that a court or regulatory agency may take a position under existing or future laws or regulations, or as a result of a change in the interpretation thereof that such laws or regulations apply to the Company in a different manner than the Company believes such laws or regulations apply. In addition, existing laws and regulations may be repealed or modified. Such changes may require significant alterations to the Company’s business operations in order to comply with such laws or regulations, or interpretations thereof. Expansion of the Company’s business to cover additional geographic areas, to serve different types of customers, to provide new services or to commence new operations could also subject the Company to additional licensure requirements and/or regulation. Failure to comply with applicable regulatory requirements could have a material adverse effect on the Company.

State Licensure and Regulation

The Company is subject to certain state laws and regulations governing the licensing of insurance companies, HMOs, PPOs, TPAs, PBMs, pharmacies and companies engaged in utilization review. In addition, the Company is subject to state laws and regulations concerning the licensing of healthcare professionals, including restrictions on business corporations from providing, controlling or exercising excessive influence over healthcare services through the direct employment of physicians, psychiatrists or, in certain states, psychologists and other healthcare professionals. These laws and regulations vary considerably among states, and the Company may be subject to different types of laws and regulations depending on the specific regulatory approach adopted by each state to regulate the managed care and pharmaceutical management businesses and the provision of healthcare treatment services.

Further, certain regulatory agencies having jurisdiction over the Company possess discretionary powers when issuing or renewing licenses or granting approval of proposed actions such as mergers, a change in ownership, and certain intra-corporate transactions. One or multiple agencies may require as a condition of such license or approval that the Company cease or modify certain of its operations or modify the way it operates in order to comply with applicable regulatory requirements or policies. In addition, the time necessary to obtain a license or approval varies from state to state, and difficulties in obtaining a necessary license or approval may result in delays in the Company’s plans to expand operations in a particular state and, in some cases, lost business opportunities.

The Company has sought and obtained licenses as a utilization review agent, single service HMO, TPA, PBM, Pharmacy, discount prescription drug plan, PPO, HMO and Health Insurance Company in one or more jurisdictions. The company owns a majority interest in an entity that holds several outpatient treatment center licenses and one counseling facility license in Arizona. Numerous states in which the Company does business have adopted regulations governing entities engaging in utilization review. Utilization review regulations typically impose requirements with respect to the qualifications of personnel reviewing proposed treatment, timeliness and notice of the review of proposed treatment and

other matters. Many states also license TPA activities. These regulations typically impose requirements regarding claims processing and payments and the handling of customer funds.

Some states require TPA licensure for PBM entities as a way to regulate the PBM lines of business. Other states regulate PBMs through a PBM specific license. The Company has obtained these licenses as required to support the PBM business. In some cases, single purpose HMO or insurance licenses are required for the Company to take risk on business in that state. Some states require PPO or other network licenses to offer a network of providers in the state. Almost all states require licensure for pharmacies dispensing or shipping medications into the state. The Company has obtained all of these necessary licenses.

To the extent that the Company operates or is deemed to operate in some states as an insurance company, HMO, PPO or similar entity, it may be required to comply with certain laws and regulations that, among other things, may require the Company to maintain certain types of assets and minimum levels of deposits, capital, surplus, reserves or net worth. Being licensed as an insurance company, HMO or similar entity could also subject the Company to regulations governing reporting and disclosure, coverage, mandated benefits, rate setting, grievances and appeals, prompt pay laws and other traditional insurance regulatory requirements.

Regulators in a few states have adopted policies that require HMOs or, in some instances, insurance companies, to contract directly with licensed healthcare providers, entities or provider groups, such as IPAs, for the provision of treatment services, rather than with unlicensed intermediary companies. In such states, the Company's customary model of contracting directly is modified so that, for example, the IPAs (rather than the Company) contract directly with the HMO or insurance company, as appropriate, for the provision of treatment services.

The National Association of Insurance Commissioners ("NAIC") has developed a "health organizations risk-based capital" formula, designed specifically for managed care organizations, that establishes a minimum amount of capital necessary for a managed care organization to support its overall operations, allowing consideration for the organization's size and risk profile. The NAIC also adopted a model regulation in the area of health plan standards, which could be adopted by individual states in whole or in part, and could result in the Company being required to meet additional or new standards in connection with its existing operations. Certain states, for example, have adopted regulations based on the NAIC initiative, and as a result, the Company has been subject to certain minimum capital requirements in those states. Certain other states, such as Maryland, Texas, New York, Florida and New Jersey, have also adopted their own regulatory initiatives that subject entities, such as certain of the Company's subsidiaries, to regulation under state insurance laws. This includes, but is not limited to, requiring adherence to specific financial solvency standards. State insurance laws and regulations may limit the Company's ability to pay dividends, make certain investments and repay certain indebtedness.

Regulators may impose operational restrictions on entities granted licenses to operate as insurance companies or HMOs. For example, the California Department of Managed Health Care has imposed certain restrictions on the ability of the Company's California subsidiaries to fund the Company's operations in other states, to guarantee or cosign for the Company's financial obligations, or to pledge or hypothecate the stock of these subsidiaries and on the Company's ability to make certain operational changes with respect to these subsidiaries. In addition, regulators of certain of the Company's subsidiaries may exercise certain discretionary rights under regulations including, without limitation, increasing its supervision of such entities or requiring additional restricted cash or other security.

Failure to obtain and maintain required licenses typically also constitutes an event of default under the Company's contracts with its customers. The loss of business from one or more of the Company's major customers as a result of an event of default or otherwise could have a material adverse effect on the Company. Licensure requirements may increase the Company's cost of doing business in the event that compliance requires the Company to retain additional personnel to meet the regulatory requirements and to take other required actions and make necessary filings. Although compliance with licensure regulations has not had a material adverse effect on the Company, there can be no assurance that specific laws or regulations adopted in the future would not have such a result.

The provision of healthcare treatment services by physicians, psychiatrists, psychologists, pharmacists and other providers is subject to state regulation with respect to the licensing of healthcare professionals. The Company believes that the healthcare professionals, who provide healthcare treatment on behalf of or under contracts with the Company, and the case managers and other personnel of the health services business, are in compliance with the applicable state licensing requirements and current interpretations thereof. Regulations imposed upon healthcare providers include but

are not limited to, provisions relating to the conduct of, and ethical considerations involved in, the practice of medicine, psychiatry, psychology, social work and related behavioral healthcare professions, radiology, pharmacy, privacy, accreditation, state corporate practice of medicine doctrines, state telemedicine laws, health care facility licensure, fee-splitting rules government healthcare program participation requirements, reimbursements for patient services, Medicare, Medicaid, federal and state laws governing fraud, waste and abuse and, federal and state laws relating to self-referrals, anti-kickback, false claims, and other laws and regulations governing government contractors and the use of government funds. In certain cases, the common law or statutory duty to warn others of danger or to prevent patient self-injury or the statutory duties to report matters of abuse or neglect of individuals. However, there can be no assurance that changes in such requirements or interpretations thereof will not adversely affect the Company's existing operations or limit expansion. To the extent that the Company is or is deemed to be engaged in the provision of healthcare treatment services, the Company may be subject to medical malpractice claims and other tort claims related to the provision of such services.

With respect to the Company's employee assistance crisis intervention program, additional licensing of clinicians who provide telephonic assessment or stabilization services to individuals who are calling from out-of-state may be required if such assessment or stabilization services are deemed by regulatory agencies to be treatment provided in the state of such individual's residence. The Company believes that any such additional licenses could be obtained. In California, the Company's employee assistance programs are regulated by the California Department of Managed Health Care. This subjects the Company to regulations governing reporting and disclosure, coverage, mandated benefits, grievances and appeals and other traditional insurance regulatory requirements.

The corporate practice of medicine laws of some states limit the ability of a business corporation to directly provide, control or exercise excessive influence over healthcare services through the direct employment of physicians, psychiatrists, psychologists, or other healthcare professionals, who are providing direct clinical services. In addition, the laws of some states prohibit physicians, psychiatrists, psychologists, or other healthcare professionals from splitting fees with other persons or entities. These laws and their interpretations vary from state to state and enforcement by the courts and regulatory authorities may vary from state to state and may change over time. There can be no assurance that the Company's existing operations and its contractual arrangements with physicians, psychiatrists, psychologists and other healthcare professionals will not be successfully challenged under state laws prohibiting fee splitting or the practice of a profession by an unlicensed entity, or that the enforceability of such contractual arrangements will not be limited. The Company believes that it could, if necessary, restructure its operations to comply with changes in the interpretation or enforcement of such laws and regulations, and that such restructuring would not have a material adverse effect on its operations.

Employee Retirement Income Security Act ("ERISA")

Certain of the Company's services are subject to the provisions of ERISA. ERISA governs certain aspects of the relationship between employer-sponsored healthcare benefit plans and certain providers of services to such plans through a series of complex laws and regulations that are subject to periodic interpretation by the Internal Revenue Service ("IRS") and the U.S. Department of Labor ("DOL"). In some circumstances, and under certain customer contracts, the Company may be expressly named as a "fiduciary" under ERISA, or be deemed to have assumed duties that make it an ERISA fiduciary, and thus be required to carry out its operations in a manner that complies with ERISA in all material respects. In other circumstances, particularly in the administration of pharmacy benefits, the Company does not believe that its services are subject to the fiduciary obligations and requirements of ERISA. In addition, the DOL has not yet finalized guidance regarding whether discounts and other forms of remuneration from pharmaceutical manufacturers are required to be reported to ERISA-governed plans in connection with ERISA reporting requirements.

Numerous states require the licensing or certification of entities performing TPA or PBM activities; however, certain federal courts have held that such licensing requirements are preempted by ERISA. ERISA preempts state laws that mandate employee benefit structures or their administration, as well as those that provide alternative enforcement mechanisms. The Company believes that its TPA and PBM activities performed for its self-insured employee benefit plan customers are exempt from otherwise applicable state licensing or registration requirements based upon federal preemption under ERISA and have relied on this general principle in determining not to seek licenses for certain of the Company's activities in some states. Existing case law is not uniform on the applicability of ERISA preemption with respect to state regulation of PBM and/or TPA activities. In some states, the Company has licensed its self-funded pharmacy related business as a TPA or PBM after a review of state regulatory requirements and case law. There can be no assurance that additional licenses will not be required with respect to utilization review or TPA and/or PBM activities

in certain states.

Some of the state regulatory requirements described herein may be preempted in whole or in part by ERISA, which provides for comprehensive federal regulation of employee benefit plans. However, the scope of ERISA preemption is uncertain and is subject to conflicting court rulings. In this regard, in a December 2020 decision, the United States Supreme Court ruled in *Rutledge v. Pharmaceutical Care Management Association* that ERISA does not pre-empt state rate or cost regulations that do not force plans to adopt particular benefit coverage. The *Rutledge* decision does not address other issues apart from rate regulations, however and so the Company could be subject to overlapping federal and state regulatory requirements with respect to certain of its operations and may need to implement compliance programs that satisfy multiple regulatory regimes. There can be no assurance that continuing ERISA compliance efforts or any future changes to ERISA, or the interpretation of ERISA, will not have a material adverse effect on the Company.

The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and Other Privacy Regulation

HIPAA contains standards relating to the transmission, privacy and security of health information by healthcare providers and healthcare plans. Confidentiality and patient privacy requirements are particularly strict in the Company’s behavioral managed care business.

The Health Information Technology for Economic and Clinical Health Act (“HITECH Act”), passed as part of the American Recovery and Reinvestment Act of 2009, represented a significant expansion of the HIPAA privacy and security laws.

HIPAA generally does not preempt state law. Therefore, because many states have privacy laws that provide more stringent privacy protections than those imposed by HIPAA, the Company must address privacy issues under those state laws as well.

In addition to HIPAA and the HITECH Act, the Company is also subject to federal laws and regulations governing patient records involving substance abuse treatment, as well as other federal privacy laws and regulations.

The European Union (“EU”) General Data Protection Regulation (“GDPR”) became effective May 25, 2018. The Company believes its exposure to the GDPR is at present limited to EAP services to US-based companies that decide to offer EAP to their EU-based employees, which is a very small subset of the Company’s EAP line of business. The Company does not market its EAP services within the EU or to persons in the EU or compete for business with countries solely established in jurisdictions subject to GDPR, or monitor the behavior of persons in the EU, and its EAP contracts with its customers are entered into in the United States with companies either US-established or not solely established in jurisdictions subject to GDPR. When a US customer chooses to make EAP services available to EU-based employees, the EAP services are managed through an EU-based subcontractor and EAP personal data subject to the GDPR processed by that subcontractor does not leave the EU. The Company has received contractual assurances from its subcontractor of the subcontractor’s compliance with the GDPR. Thus, the Company does not believe the GDPR at present poses material compliance risks for the Company. However, there can be no assurances that the GDPR could not be interpreted by EU supervisory authorities or courts in a manner that would require the Company to restructure its EAP services in the EU, or the GDPR could be changed or interpreted in a manner causing material adverse impact on the Company. The Company has not yet determined its legal risks under UK privacy laws post-Brexit.

Fraud, Waste and Abuse Laws

The Company is subject to federal and state laws and regulations protecting against fraud, waste and abuse. Fraud, waste and abuse prohibitions cover a wide range of activities, including kickbacks and other inducements for referral of members or the coverage of products, billing for unnecessary services by a healthcare provider and improper marketing. Companies involved in public healthcare programs such as Medicare and Medicaid are required to maintain compliance programs to detect and deter fraud, waste and abuse, and are often subject to audits. The regulations and contractual requirements applicable to the Company in relation to these programs are complex and subject to change.

The federal healthcare Anti-Kickback Statute (the “Anti-Kickback Statute”) prohibits, among other things, an entity from paying or receiving, subject to certain exceptions and “safe harbors,” any remuneration, directly or indirectly, to induce the referral of individuals covered by federally funded healthcare programs, or the purchase, or the arranging for or recommending of the purchase, of items or services for which payment may be made in whole, or in part, under

Medicare, Medicaid, TRICARE or other federally funded healthcare programs. Sanctions for violating the Anti-Kickback Statute may include imprisonment, criminal and civil fines and exclusion from participation in the federally funded healthcare programs. The Anti-Kickback Statute has been interpreted broadly by courts, the Office of Inspector General (“OIG”), the Department of Health and Human Services (“DHHS”) and other administrative bodies.

Section 1877 of the Social Security Act, commonly known as the “Stark Law,” prohibits physicians, subject to certain exceptions described below, from referring Medicare or Medicaid patients to an entity providing “designated health services” in which the physician, or an immediate family member, has an ownership or investment interest or with which the physician, or an immediate family member, has entered into a compensation arrangement. These prohibitions, contained in the Omnibus Budget Reconciliation Act of 1993, commonly known as “Stark II,” amended prior federal physician self-referral legislation known as “Stark I” by expanding the list of designated health services to a total of 11 categories of health services. The professional groups with which we are affiliated provide one or more of these designated health services. Persons or entities found to be in violation of the Stark Law are subject to denial of payment for services furnished pursuant to an improper referral, civil monetary penalties, and exclusion from the Medicare and Medicaid programs.

Many states also have enacted laws similar in scope and purpose to the Anti-Kickback Statute and, in more limited instances, the Stark Law, that are not limited to services for which Medicare or Medicaid payment is made. In addition, most states have statutes, regulations, or professional codes that restrict a physician from accepting various kinds of remuneration in exchange for making referrals. These laws vary from state to state and have seldom been interpreted by the courts or regulatory agencies. In states that have enacted these statutes, we believe that regulatory authorities and state courts interpreting these statutes may regard federal law under the Anti-Kickback Statute and the Stark Law as persuasive.

It also is a crime under the Public Contracts Anti-Kickback Act, for any person to knowingly and willfully offer or provide any remuneration to a prime contractor to the United States, in order to obtain favorable treatment in a subcontract. Violators of this law also may be subject to civil monetary penalties. There have been a series of substantial civil and criminal investigations and settlements over the last several years in connection with alleged kickback schemes.

The federal civil monetary penalty (“CMP”) statute provides for civil monetary penalties for any person who provides something of value to a beneficiary covered under a federal healthcare program, such as Medicare or Medicaid, in order to influence the beneficiary’s choice of a provider. ERISA, to which certain of our customers’ services are subject, generally prohibits any person from providing to a plan fiduciary a remuneration in order to affect the fiduciary’s selection of or decisions with respect to service providers. Unlike the federal healthcare Anti-Kickback Statute, ERISA regulations do not provide specific safe harbors and its application may be unclear.

The Federal Civil False Claims Act imposes civil penalties for knowingly making or causing to be made false claims with respect to government contracts and governmental programs, such as Medicare and Medicaid, for services not rendered, or for misrepresenting actual services rendered, in order to obtain higher reimbursement. Private individuals may bring *qui tam* or whistleblower suits under the Federal Civil False Claims Act, which authorizes the payment of a portion of any recovery to the individual bringing suit.

Further, pursuant to the Patient Protection and Affordable Care Act (“ACA”), a violation of the Anti-Kickback Statute is also a per se violation of the Federal Civil False Claims Act. The Federal Civil False Claims Act generally provides for the imposition of civil penalties and for treble damages, resulting in the possibility of substantial financial penalties for small billing discrepancies. Criminal provisions that are similar to the Federal Civil False Claims Act provide that a corporation may be fined if it is convicted of presenting to any federal agency a claim or making a statement that it knows to be false, fictitious or fraudulent. Even in situations where the Company does not directly provide services to beneficiaries of federally funded health programs and, accordingly, does not directly submit claims to the federal government, it is possible that the Company could nevertheless become involved in a situation where false claim issues are raised based on allegations that it caused or assisted a government contractor in making a false claim.

The Company is subject to certain provisions of the Deficit Reduction Act of 2005 (the “Act”). The Act requires entities that receive \$5 million or more in annual Medicaid payments to establish written policies that provide detailed information about the Federal Civil False Claims Act and the remedies thereunder, as well as any state laws pertaining to civil or criminal penalties for false claims and statements, the “whistleblower” protections afforded under such laws, and the role of such laws in preventing and detecting fraud, waste and abuse.

The Company is also subject to The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). Under the law, those with independent knowledge of a financial fraud committed by a business required to report to the U.S. Securities and Exchange Commission (“SEC”) or the U.S. Commodity Futures Trading Commission (“CFTC”) may be entitled to a percentage of the money recovered. Included in Dodd-Frank are provisions which protect employees of publicly traded companies from retaliation for reporting securities fraud, fraud against shareholders and violation of the SEC rules/regulations. Dodd-Frank also amends the Sarbanes-Oxley Act (“SOX”) and Federal Civil False Claims Act to expand their whistleblower protections.

Many states have laws and/or regulations similar to the federal fraud, waste and abuse laws described above. Sanctions for violating these laws may include injunction, imprisonment, criminal and civil fines and exclusion from participation in the state Medicaid programs. The Company has a corporate compliance and ethics program, policies and procedures and internal controls in place designed to ensure that the Company conducts business appropriately. However, there can be no assurance that the Company will not be subject to scrutiny or challenge under such laws or regulations and that any such challenge would not have a material adverse effect on the Company’s business, results of operations, financial condition or cash flows.

Mental Health Parity

The Paul Wellstone and Pete Domenici Mental Health Parity Act of 2008 (“MHPAEA”) establishes parity in financial requirements (e.g., co-pays, deductibles, etc.) and treatment limitations (e.g., limits on the number of visits) between mental health and substance abuse benefits and medical/surgical benefits for health plan members. The law applies to ERISA plans, Medicaid managed care plans and State Children’s Health Insurance Program (“CHIP”) plans. On November 13, 2013 the Department of the Treasury, the Department of Labor and the Department of Health and Human Services issued Final Rules on the MHPAEA (“Final Rules”). The Final Rules include some concepts not included under the statute including the requirement to conduct the parity review at the category level within the plan, introducing the concept of non-quantitative treatment limitations and prohibiting separate but equal deductibles. The Company believes it is in compliance with these requirements. In March 2016, CMS promulgated a final rule on the application of parity to Medicaid Managed Care Plans, CHIP and alternative benefit plans. The Company believes it is in compliance with these requirements. On December 7, 2016, the Congress adopted the Twenty-First Century Cures Act, which codified some concepts in the Final Rules. The Consolidated Appropriations Bill, effective December 27, 2020 contained some new reporting requirements related to mental health parity that are effective February 10, 2021. The Company’s risk contracts allow for repricing to occur effective the same date that any legislation/regulation becomes effective if that legislation/regulation is projected to have a material effect on cost of care.

Health Care Reform

The ACA is a broad and sweeping piece of legislation creating numerous changes in the healthcare regulatory environment. Some of the regulations interpreting the ACA, most notably the Medical Loss Ratio regulations, the Internal Claims and Appeals and External Review Processes Regulations and Health Insurance Exchanges have an impact on the Company and its business. Others, such as the regulation on dependent coverage to age 26 and coverage of preventative health services, could impact the nature of the members that we serve and the utilization rates. Medicaid expansion under the ACA has had some impact on the Company’s Medicaid business. The Company has customers that are participating in the state and federal Health Insurance Exchanges. The Company has taken necessary steps to support our customers in their administration of these plans.

Federal and State Medicaid Laws and Regulations

The Company directly contracts with various states to provide Medicaid services to states. In addition, the Company directly contracts with various states to provide Medicaid managed care services to state Medicaid beneficiaries. As such, it is subject to certain federal and state laws and regulations affecting Medicaid as well as state contractual requirements. In addition to state regulation, certain Medicaid contracts require the Company to maintain Medicare Advantage special needs plan status, which is regulated by CMS.

The Company also is a sub-contractor to health plans that provide Medicaid managed care services to state Medicaid beneficiaries. In the Company’s capacity as a subcontractor with these health plans, the Company is indirectly subject to certain federal and state laws and regulations as well as contractual requirements pertaining to the operation of this business. If a state or a health plan customer determines that the Company has not performed satisfactorily as a

subcontractor, the state or the health plan customer may require the Company to cease these activities or responsibilities under the subcontract. While the Company believes that it provides satisfactory levels of service under its respective subcontracts, the Company can give no assurances that a state or health plan will not terminate the Company's business relationships insofar as they pertain to these services.

On April 16, 2019 CMS promulgated a final rule to revise the Medicare Advantage (MA) program (Part C) regulations and Prescription Drug Benefit program (Part D) regulations to implement certain provisions of the Bipartisan Budget Act of 2018; improve quality and accessibility; clarify certain program integrity policies for MA, Part D, and cost plans and PACE organizations; reduce burden on providers, MA plans, and Part D sponsors through providing additional policy clarification; and implement other technical changes regarding quality improvement. This final rule revises the appeals and grievances requirements for certain Medicaid managed care and MA special needs plans for dual eligible individuals to implement certain provisions of the Bipartisan Budget Act of 2018.

May 1, 2020 (CMS-9115-F) – Per CMS, “This final rule which is intended to move the health care ecosystem in the direction of interoperability, and to signal our commitment to the vision set out in the 21st Century Cures Act and Executive Order 13813 to improve the quality and accessibility of information that Americans need to make informed health care decisions, including data about health care prices and outcomes, while minimizing reporting burdens on affected health care providers and payers.”

On November 13, 2020, CMS promulgated a final rule advances CMS' efforts to streamline the Medicaid and Children's Health Insurance Program (CHIP) managed care regulatory framework and reflects a broader strategy to relieve regulatory burdens; support state flexibility and local leadership; and promote transparency, flexibility, and innovation in the delivery of care. These revisions of the Medicaid and CHIP managed care regulations are intended to ensure that the regulatory framework is efficient and feasible for states to implement in a cost-effective manner and ensure that states can implement and operate Medicaid and CHIP managed care programs without undue administrative burdens.”

Interoperability Rule

In April 2020, the Centers for Medicare & Medicaid Services (CMS) issued a final rule on interoperability and patient access to health data to provide patients access to their electronic health information. In the final Interoperability and Patient Access rule, CMS states that a core policy principal in the final rule is that all Americans should be able, without special effort or advanced technical skills, to see, obtain, and use all electronically available information that is relevant to their health, care, and choices – of plans, providers, and special treatment options.

Under the final rule, Medicare Advantage (MA) plans, state Medicaid and Children's Health Insurance Program (CHIP) agencies, Medicaid and CHIP managed care plans, and qualified health plan (QHP) issuers in the federally-facilitated exchanges (FEEs) (referred to herein as “CMS-regulated health insurers/payers”) must meet certain requirements regarding patient access to their health care information, including requirements related to application programming interfaces (APIs). The effective date of these API requirements is January 1, 2021 for all payers, except QHP issuers/payers in FEEs. For QHPs in FEEs, the API requirements are effective for plan years beginning on or after January 1, 2021. However, CMS will not exercise enforcement regarding these provisions until July 1, 2021 due to the COVID-19 pandemic, and to provide additional flexibility to payers.

CMS-regulated health insurers/payers are required to implement, test and maintain a secure, standards-based application programming interface (API) that permits third-party applications to retrieve, with the approval/permission and direction of the individual/patient, the individual's claims and encounter information, including cost, as well as a defined sub-set of their clinical information through third-party applications of their choice. CMS-regulated plans/payers must also implement and maintain a publicly accessible standards-based API that maintains a complete and accurate directory of contracted providers which is updated within 30 calendar days of a payer receiving provider directory information or an update to the provider directory information. Since Magellan is not a CMS-regulated payer, but is a first tier, downstream or related entity (FDR) or a subcontractor to health plan customers who are CMS-regulated payers, in such instances where Magellan maintains data that falls under the rule on behalf of a CMS-regulated payer/health plan customer, Magellan is collaborating with such health plans to ensure that the required data is provided to the health plans accordingly and in a timely fashion.

Transparency Rule

On October 29, 2020, the U.S. Department of Health and Human Services, the Department of Labor and the Department of the Treasury issued a final rule which requires most group health plans and health insurance issuers in the individual and group markets to disclose price and cost-sharing information for all items and services to participants and enrollees. The cost-sharing information requirements under the rule take effect in a phased approach beginning January 1, 2023. In addition to providing personalized cost-sharing information, health plans and health insurers must also publicly disclose in-network provider negotiated rates and historical out-of-network allowed amounts starting January 1, 2022. Many of the rule's requirements apply directly to Magellan clients which are group health plans and health insurance issuers. The rule provides that health plans and insurers may contract with vendors (including third-party administrators, pharmacy benefit managers, and utilization review agents like Magellan) to support these disclosure requirements; however the plans and insurers remain responsible for compliance with the requirements. Clients may seek Magellan's assistance in complying with certain information disclosure requirements in the rule. Magellan will work with impacted clients to address the implications of the rule and its implementation.

In connection with its PBM business, the Company negotiates rebates with and provides services for drug manufacturers. The manufacturers are subject to Medicaid "best price" regulations requiring essentially that the manufacturer provide its deepest level of discounts to the Medicaid program. In some instances, the government has challenged a manufacturer's calculation of best price and we cannot be certain what effect, if any, the outcome of any such investigation or proceeding will have on our ability to negotiate favorable terms.

Medicare Laws and Regulations

The Company is contracted with CMS as a Prescription Drug Plan ("PDP" or "Part D Plan") to provide health services and prescription drug benefits to Medicare beneficiaries within employer group health plans. The regulations and contractual requirements applicable to the Company and other participants in Medicare programs are complex and subject to change. CMS regularly audits the performance of contracted health plans to determine compliance with contracts and CMS regulations, and to assess the quality of services provided to Medicare beneficiaries. CMS penalties for noncompliance include premium refunds, civil monetary penalties, prohibiting a company from continuing to market and/or enroll members in the company's Medicare products, contract termination, and exclusion from participation in federally funded healthcare programs and other sanctions.

The Company is also a subcontractor to health plans that are Medicare Advantage Organizations and PDPs. In the Company's capacity as a subcontractor with these health plans, the Company administers benefits to Medicare beneficiaries and is indirectly subject to certain federal laws and regulations, as well as contractual requirements pertaining to the operation of this business. If CMS or a health plan customer determines that the Company has not performed satisfactorily as a subcontractor, CMS or the health plan customer may require the Company to cease these activities or responsibilities under the subcontract. While the Company believes that it provides satisfactory levels of service under its respective subcontracts, the Company can give no assurances that CMS or a health plan will not terminate the Company's business relationships with respect to these services.

CMS requires PDPs to report all price concessions received for PBM services. The applicable CMS guidance requires PDPs to contractually require the right to audit their PBMs as well as require full transparency as to manufacturer rebates and administrative fees paid for drugs or services provided in connection with the sponsor's plan, including the portion of such rebates retained by the PBM.

Additionally, CMS requires MAOs and PDPs to ensure through their contractual arrangements with first tier, downstream and related entities that CMS has access to such entities' books and records pertaining to services performed in connection with CMS contracts. CMS regulations also require that MAOs and PDPs contractually require their first tier, downstream and related entities (subcontractors) to comply with certain elements of the MAO's and PDP's compliance program. The Company has not experienced, and does not anticipate, that such disclosure and auditing requirements, to the extent required by its MAO and PDP partners, will have a materially adverse effect on the Company's business.

The Company expects CMS and the U.S. Congress to continue to closely scrutinize each component of the Medicare program, modify the terms and requirements of the program and possibly seek to modify private insurers' role. Therefore, it is not possible to predict the outcome of any Congressional or regulatory activity, either of which could

have a material adverse effect on the Company.

Other Federal and State Laws and Regulations

Federal Laws and Regulations affecting Procurement. In addition to the laws and regulations cited in the section entitled *Fraud, Waste and Abuse laws* above, the Company is subject to other federal laws and regulations in connection with its contracts with the federal government. These laws and regulations affect how the Company conducts business with its federal agency customers and may impose added costs on its business. The Company's failure to comply with federal procurement laws and regulations could cause it to lose business, incur additional costs and subject it to a variety of civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, harm to reputation, suspension of payments, fines, and suspension or debarment from doing business with federal government agencies. The Company conducts business with federal agency customers and federal contractors to such agencies.

The Company's wholly owned subsidiary, Armed Forces Services Corporation ("AFSC"), conducts business with federal agency customers and federal contractors to such agencies. The Company investigated, with the assistance of outside counsel, matters relating to compliance by AFSC with Small Business Administration ("SBA") regulations and other federal laws applicable to government contractors and reported findings to the SBA and the Department of Defense, including facts indicating violations of SBA regulations and other federal laws, such as the Anti-Kickback Act, by former AFSC executives, none of which was disclosed to Magellan prior to its acquisition of AFSC. The Company voluntarily responded to government requests for further information regarding the Company's investigation. As a result of the Company's disclosure and the ensuing government investigation, a former AFSC executive pleaded guilty in the United States District Court for the Eastern District of Virginia to one count of honest services fraud, and at sentencing in September 2020, the Court ordered the former AFSC executive to pay restitution to AFSC as the victim of that offense. In June 2020, the United States Attorney's Office for the Eastern District of Virginia ("U.S. Attorney's Office") informed the Company of a civil investigation regarding the Company and AFSC related to potential violations of the False Claims Act and/or the Anti-Kickback Act also stemming from the matters self-disclosed by the Company. While the Company believes that it has responded appropriately by self-reporting findings regarding matters that incepted prior to its acquisition of AFSC in order to mitigate the risk of adverse consequences, should the Company or AFSC be held responsible for the reported conduct in a proceeding initiated by the U.S. Attorney's Office, SBA, Department of Defense and/or other federal agencies, we may be required to pay damages and/or penalties and AFSC could be suspended or debarred from government contracting. Management believes that the resolution of such investigations will not have a material adverse effect on the Company's financial condition or results of operations; however, there can be no assurance in this regard. AFSC generated approximately 3.0% and 2.4% of the Company's total revenue from continuing operations for the year ended December 31, 2019 and 2020, respectively.

The Company also provides services to various state Medicaid programs. Services procurement related to Medicaid programs is governed in part by federal regulations because the federal government provides a substantial amount of funding for the services. The Company's state customers risk loss of federal funding if the Company is not in compliance with federal regulations. The Company's non-compliance may also lead to unanticipated, negative financial consequences including corrective action plans or contract default risks.

FDA Regulation. The U.S. Food and Drug Administration ("FDA") generally has authority to regulate drug promotional activities that are performed "by or on behalf of" a drug manufacturer. The Company provides certain consulting and related services to drug manufacturers, and there can be no assurance that the FDA will not attempt to assert jurisdiction over certain aspects of the Company's activities. The impact of future FDA regulation could materially adversely affect the Company's business, results of operations, financial condition or cash flows.

State PBM Regulation. States continue to introduce broad legislation to regulate PBM activities. This legislation encompasses some of the services offered by the Company's PBM business. Legislation in this area is varied and encompasses licensing, audit provisions, network access, recoupment of funds, submission of claims data to state all payor claims databases, potential fiduciary duties, pass through of cost savings and disclosure obligations, including the disclosure of information regarding the company's maximum allowable cost pricing with pharmacies. In some circumstances, claims or inquiries against PBMs have been asserted under state consumer protection laws, which exist in most states. The Company has obtained licenses as necessary to support current business and future opportunities. The Company generally believes that state regulation relating to employer sponsored benefit plans is pre-empted by ERISA. However, in a December 2020 decision, the United States Supreme Court ruled in *Rutledge v. Pharmaceutical Care*

Management Association that ERISA does not pre-empt state rate or cost regulations that do not force plans to adopt particular benefit coverages. The various state laws enacted to date do not appear to have a material adverse effect on the Company's pharmaceutical management business. However, the Company can give no assurance that these and other states will not enact legislation with more adverse consequences in the near future; nor can the Company be certain that future regulations or interpretations of existing laws, including ERISA, will not adversely affect its business.

State Legislation Affecting Plan or Benefit Design. Some states have enacted legislation that prohibits certain types of managed care plan sponsors from implementing certain restrictive formulary and network design features, and many states have legislation regulating various aspects of managed care plans, including provisions relating to pharmacy benefits. Other states mandate coverage of certain benefits or conditions and require health plan coverage of specific drugs, if deemed medically necessary by the prescribing physician. Such legislation does not generally apply to the Company directly, but may apply to certain clients of the Company, such as HMOs and health insurers. These types of laws would generally have an adverse effect on the ability of a PBM to reduce cost for its plan sponsor customers.

Prompt Pay Laws. Under Medicare Part D and some state laws, the Company or customer may be required to pay network pharmacies within certain time periods and/or by electronic transfer instead of by check. The shorter time periods may negatively impact our cash flow. We cannot predict whether additional states will enact some form of prompt pay legislation.

Legislation and Regulation Affecting Drug Price and Rebates. Specialty pharmaceutical manufacturers generally report various price metrics to the federal government, including "average sales price" ("ASP"), "average manufacturer price" ("AMP") and "best price" ("BP"). The Company does not calculate these price metrics, but the Company notes that the ASP, AMP and BP methodologies may create incentives for some drug manufacturers to reduce the levels of discounts or rebates available to purchasers, including the Company, or their clients with respect to specialty drugs. Any changes in the guidance affecting pharmaceutical manufacturer price metric calculations could materially adversely affect the Company's business.

Additionally, most of the Company's pharmacy benefit management and dispensing contracts with its customers use "average wholesale price" ("AWP") as a benchmark for establishing pricing. There can be no guarantee that AWP will continue to be an available pricing metric in the future. The discontinuance of AWP reporting by one data source has not had a material adverse effect on the Company's results of operations and the Company expects that were AWP data to no longer be available, other equitable pricing measures would be available to avoid a material adverse impact on the Company's business. Separately, on a monthly basis CMS publishes the National Average Drug Acquisition Cost ("NADAC"), a data set that purports to provide the average acquisition cost of retail drugs based on a nationwide voluntary survey of retail pharmacies. At this time, the Company does not anticipate that NADAC will materially adversely impact its operations, but it is too early to speculate what impact, if any, such a reimbursement shift might have in pharmacy reimbursement and/or costs in the future.

In November 2020, the Department of Health and Human Services Office of Inspector General ("HHS-OIG") published a final rule which would remove the anti-kickback regulatory safe harbor protection for prescription drug rebates paid by manufacturers to plan sponsors under Medicare Part D. It also would create a new safe harbor protection for price discounts between manufacturers and PBMs if given at the point-of-sale ("POS"). This rule does not apply to commercial rebates. The legality of the rule has been challenged in federal district court. In connection with that proceeding and with HHS' consent, on January 30, 2021, the federal district court ordered that implementation of the rule be postponed until January 1, 2023, and the litigation challenging the rule be briefly held in abeyance while HHS reviews the rule but will continue at a later date. While we do not believe the proposed rule would have a material adverse impact on our business, we anticipate that President Biden and Congress may seek to adopt laws to control drug prices and other related measures, which could materially and adversely affect our commercial pharmacy benefits management rebate business.

Regulations Affecting the Company's Pharmacies. The Company owns three pharmacies that provide services primarily to members of certain of the Company's health plan customers. The activities undertaken by the Company's pharmacies subject the pharmacies to state and federal statutes and regulations governing, among other things, the licensure and operation of mail order and nonresident pharmacies, repackaging of drug products, stocking of prescription drug products and dispensing of prescription drug products, including controlled substances. The Company's pharmacy facilities are located in Florida and Utah, and are duly licensed to conduct business in those states. However, almost all states require out-of-state mail order pharmacies to register with or be licensed by the state board of pharmacy or similar

governing body when pharmaceuticals are delivered by mail into the state, and some states require that an out-of-state pharmacy employ a pharmacist that is licensed in the state into which pharmaceuticals are shipped. The Company holds mail order and nonresident pharmacy licenses where required. The Company also maintains Medicare and Medicaid provider licenses where required in order for the pharmacies to provide services to these plans. In some states, the Company is not able to obtain Medicaid licenses to dispense because those states require that the pharmacy have a physical location in the state to participate in the Medicaid network.

Regulation of Controlled Substances. The Company's pharmacies must register with the United States Drug Enforcement Administration (the "DEA") and individual state-controlled substance authorities in order to dispense controlled substances. Federal law requires the Company to comply with the DEA's security, recordkeeping, inventory control and labeling standards in order to dispense controlled substances. State controlled substance law requires registration and compliance with state pharmacy licensure, registration or permit standards promulgated by the state pharmacy licensing authority and in some states drug database reporting requirements.

Human Capital

Employees of the Registrant

Magellan's mission of leading humanity to healthy, vibrant lives is powered by its workforce, and is at the center of our talent strategy and culture. It gives purpose to the work that we do and our employees are committed to it.

Our Workforce. Our workforce is made up of almost 9,000 professionals (after the Magellan Complete Care divestiture at the end of 2020). These professionals represent 3,500 credentialed healthcare professions, from MDs and Physicians, to Social Workers, Counselors, Therapists, RNs, Pharmacists and Pharmacy Technicians. The average tenure of our employees is just over 5 years. Our employee population is located in all 50 states, as well as Puerto Rico and Canada, and on U.S. military bases in 16 foreign countries where they provide counseling to military families.

Diversity, Equity & Inclusion (DE&I). Magellan serves the needs of diverse member populations. To this end, we and our leaders promote a diverse, equitable and inclusive work environment through diversity initiatives and programs.

Our workforce reflects the diversity of our customers and members and demonstrates our commitment to DE&I:

- 74% of our employees are women
- 59% of our leadership roles are held by women
- 40% of our employees are people of color
- 25% of our leadership roles are held by people of color
- 26% of our employees are Millennials, and 50% are members of Generation X

Training & Development. We believe that the training and development of our workforce is critical to our ongoing success, not only to support the advancement of their skills and leadership abilities, but also because it helps us attract and retain the talent we need to successfully serve our customers and members. As part of our talent strategy, we offer extensive training and development programs through our Learning Center which emphasize self-directed development and continuous learning.

Available Information

The Company makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and Section 16 filings available, free of charge, on the SEC's website, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, at www.sec.gov, and on the Company's website at www.magellanhealth.com as soon as practicable after the Company has electronically filed such material with, or furnished it to, the SEC. The information on the Company's website is not part of or incorporated by reference in this report on Form 10-K.

Item 1A. Risk Factors

RISK ASSOCIATED WITH THE CENTENE TRANSACTION

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the transactions contemplated by the Merger Agreement, including the Merger, may be completed, various approvals must be obtained from regulatory authorities. These regulatory authorities may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying completion of the Merger or of imposing additional costs or limitations on the combined company following the Merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, or may contain conditions on the completion of the Merger that are not anticipated or cannot be, or are not required under the Merger Agreement to be, met. If the consummation of the Merger is delayed, including by a delay in receipt of necessary regulatory approvals, the business, financial condition and results of operations of each company may also be materially and adversely affected. Please see the section entitled “The Merger—Regulatory Approvals” in our definitive proxy statement filed with the SEC on February 19, 2021 (the “Proxy Statement”).

Failure of the Merger to be completed, the termination of the Merger Agreement or a significant delay in the consummation of the Merger could negatively impact us.

The Merger Agreement is subject to a number of conditions which must be fulfilled in order to complete the Merger. Please see the section entitled “The Merger Agreement—Conditions to the Merger” in the Proxy Statement. These conditions to the consummation of the Merger may not be fulfilled and, accordingly, the Merger may not be completed or may be significantly delayed. In addition, if the Merger is not completed by October 4, 2021 (as may be extended to January 4, 2022 under certain circumstances related to regulatory approvals described in the Merger Agreement), either Centene or we may choose to terminate the Merger Agreement at any time after that date if the failure to consummate the transactions contemplated by the Merger Agreement is not proximately caused by any breach of or failure to perform or comply with, in any material respect, any obligation under the Merger Agreement by the party electing to terminate the Merger Agreement. Furthermore, the consummation of the Merger may be significantly delayed due to various factors, including potential litigation related to the Merger.

If the Merger is not consummated or significantly delayed, our ongoing business, financial condition and results of operations may be materially adversely affected and the market price of our common stock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the Merger will be consummated. If the consummation of the Merger is delayed, including by the receipt of a competing acquisition proposal, our business, financial condition and results of operations may be materially adversely affected.

In addition, we have incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the Merger Agreement. If the Merger is not completed or significantly delayed, we would have to recognize these expenses without realizing the expected benefits of the Merger. Any of the foregoing, or other risks arising in connection with the failure of or delay in consummating the Merger, including the diversion of management attention from pursuing other opportunities and the constraints in the Merger Agreement on our ability to make significant changes to our ongoing business during the pendency of the Merger, could have a material adverse effect on our business, financial condition and results of operations.

Additionally, our business may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger, and the market price of our common stock might decline to the extent that the current market price reflects a market assumption that the Merger will be completed. If the Merger Agreement is terminated and our board of directors seeks an alternative transaction, our stockholders cannot be certain that we will be able to find a party willing to engage in a transaction on more attractive terms than the Merger. If the Merger Agreement is terminated under specified circumstances, we also may be required to pay Centene a termination fee. Please see the section entitled “The Merger Agreement—Termination Fees” in the Proxy Statement for a description of the termination fees applicable to us.

We will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on employees, customers, suppliers and vendors may have an adverse effect on our business, financial condition and results of operations. These uncertainties may impair our ability to attract, retain and motivate key personnel and customers pending the consummation of the Merger, as such personnel and customers may experience uncertainty about their future roles and relationships following the consummation of the Merger. Additionally, these uncertainties could cause our customers, suppliers, vendors and others with whom we deal to seek to change, or fail to extend, existing business relationships with us. In addition, competitors may target our existing customers by highlighting potential uncertainties and integration difficulties that may result from the Merger.

The pursuit of the Merger and the preparation for the integration may place a burden on our management and internal resources. Any significant diversion of management attention away from ongoing business concerns and any difficulties encountered in the transition and integration process could have a material adverse effect on our business, financial condition and results of operations.

In addition, the Merger Agreement restricts us from taking certain actions without Centene's consent while the Merger is pending. If the Merger is not completed, these restrictions could have a material adverse effect on our business, financial condition and results of operations. Please see the section entitled "The Merger Agreement—Covenants and Agreements—Conduct of Business of the Company" in the Proxy Statement for a description of the restrictive covenants applicable to us.

Certain provisions of the Merger Agreement may limit our ability to pursue alternatives to the Merger.

The Merger Agreement contains provisions that may discourage a third party from submitting an acquisition proposal to us that might result in greater value to our stockholders than the Merger, or may result in a potential competing acquirer proposing to pay a lower per share price to acquire us than it might otherwise have proposed to pay. These provisions include a general prohibition on our soliciting or, subject to certain exceptions relating to the exercise of fiduciary duties by our board of directors, entering into discussions with any third party regarding any acquisition proposal or offer for a competing transaction and a termination fee that is payable to Centene if we terminate the Merger Agreement to accept a superior acquisition proposal.

Litigation against us or Centene, or the members of our or Centene's board of directors, could prevent or delay the completion of the Merger.

While we and Centene believe that any claims that may be asserted by purported stockholder plaintiffs related to the Merger would be without merit, the results of any such potential legal proceedings are difficult to predict and could delay or prevent the Merger from being completed in a timely manner. Moreover, any litigation could be time consuming and expensive, could divert our and Centene's management's attention away from their regular business and any lawsuit adversely resolved against us, Centene or members of our or Centene's board of directors could have a material adverse effect on each party's business, financial condition and results of operations.

One of the conditions to the consummation of the Merger is the absence of any law or order, whether preliminary, temporary or permanent, having the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger. Consequently, if a settlement or other resolution is not reached in any lawsuit that is filed or any regulatory proceeding and a claimant secures injunctive or other relief or a regulatory authority issues an order or other directive having the effect of making the Merger illegal or otherwise prohibiting consummation of the Merger, then such injunctive or other relief may prevent the Merger from becoming effective in a timely manner or at all.

RISK RELATED TO OUR BUSINESS

Reliance on Customer Contracts—The Company's inability to renew, extend or replace expiring or terminated contracts could adversely affect the Company's liquidity, profitability and financial condition.

Substantially all of the Company's net revenue is derived from contracts that may be terminated immediately with cause and many, including some of the Company's most significant contracts, are terminable without cause by the customer upon notice and the passage of a specified period of time (typically between 60 and 180 days), or upon the occurrence of certain other specified events. The Company's ten largest customers accounted for approximately

45.5 percent, 44.1 percent and 42.0 percent of the Company's net revenue in the years ended December 31, 2018, 2019 and 2020, respectively. Loss of all of these contracts or customers would, and loss of any one of these contracts or customers could, materially reduce the Company's net revenue and have a material adverse effect on the Company's liquidity, profitability and financial condition. See Note 2—"Summary of Significant Accounting Policies—Significant Customers" to the consolidated financial statements set forth elsewhere herein for a discussion of the Company's significant customers.

Changes in the Medical Managed Care Carve-Out Industry—Certain changes in the business practices of this industry could negatively impact the Company's resources, profitability and results of operations.

A portion of the Company's Healthcare and Pharmacy Management segments' net revenues from continuing operations are derived from customers in the medical managed healthcare industry, including managed care companies, health insurers and other health plans. Some types of changes in this industry's business practices could negatively impact the Company. For example, if the Company's managed care customers seek to provide services directly to their subscribers, instead of contracting with the Company for such services, the Company could be adversely affected. In this regard, certain of the Company's major customers in the past have not renewed all or part of their contracts with the Company, and instead provided managed healthcare services directly to their subscribers. In addition, the Company has a significant number of contracts with Blue Cross Blue Shield plans and other regional health plans. Consolidation of the healthcare industry through acquisitions and mergers could potentially result in the loss of contracts for the Company. In addition, in some instances state Medicaid agencies may look to procure certain services, such as pharmacy benefit management services, directly instead of contracting with a managed care company to do so, potentially reducing the amount of business opportunities from managed care customers. Any of these changes could reduce the Company's net revenue, and adversely affect the Company's profitability and financial condition.

Changes in the Contracting Model for Medicaid Contracts—Certain changes in the contracting model used by states for managed healthcare services contracts relating to Medicaid lives could negatively impact the Company's resources, profitability and results of operations.

A portion of the Company's Healthcare segment net revenue is derived from direct contracts that it has with state or county governments for the provision of services to Medicaid enrollees. Certain states have recently contracted with managed care companies to manage both the behavioral and physical medical care of their Medicaid enrollees. If other governmental entities change the method for contracting for Medicaid business to a fully integrated model, the Company will attempt to subcontract with the managed care organizations to provide behavioral healthcare management for such Medicaid business; however, there is no assurance that the Company would be able to secure such arrangements. Accordingly, if such a change in the contracting model were to occur, it is possible that the Company could lose current contracted revenues, as well as be unable to bid on potential new business opportunities, thus negatively impacting the Company's profitability and financial condition.

Risk-Based Products—Because the Company provides services at a fixed fee, if the Company is unable to maintain historical margins, or is unable to accurately predict and control healthcare costs, the Company's profitability could decline.

The Company derives its net revenue primarily from arrangements under which the Company assumes responsibility for costs of treatment in exchange for a fixed fee. The Company refers to such arrangements as "risk-based contracts" or "risk-based products," which include EAP services. These arrangements provided 37.5 percent, 40.4 percent and 37.5 percent of the Company's net revenue from continuing operations in the years ended December 31, 2018, 2019 and 2020, respectively.

The profitability of the Company's risk contracts could be reduced if the Company is unable to maintain its historical margins. The competitive environment for the Company's risk products could result in pricing pressures which cause the Company to reduce its rates. In addition, customer demands or expectations as to margin levels could cause the Company to reduce its rates. A reduction in risk rates which are not accompanied by a reduction in services covered or expected underlying care trend could result in a decrease in the Company's operating margins.

Profitability of the Company's risk contracts could also be reduced if the Company is unable to accurately estimate the rate of service utilization by members or the cost of such services when the Company prices its services. The Company's assumptions of utilization and costs when the Company prices its services may not ultimately reflect

actual utilization rates and costs, many aspects of which are beyond the Company's control. If the cost of services provided to members under a contract together with the administrative costs exceeds the aggregate fees received by the Company under such contract, the Company will incur a loss on the contract.

The Company's profitability could also be reduced if the Company is required to make adjustments to estimates made in reporting historical financial results regarding cost of care, reflected in the Company's financial statements as medical claims payable. Medical claims payable includes reserves for incurred but not reported ("IBNR") claims, which are claims for covered services rendered by the Company's providers which have not yet been submitted to the Company for payment. The Company estimates and reserves for IBNR claims based on past claims payment experience, including the average interval between the date services are rendered and the date the claims are received and between the date services are rendered and the date claims are paid, enrollment data, utilization statistics, adjudication decisions, authorized healthcare services and other factors. This data is incorporated into contract-specific reserve models. The estimates for submitted claims and IBNR claims are made on an accrual basis and adjusted in future periods as required.

If such risk-based products are not correctly underwritten, the Company's profitability and financial condition could be adversely affected. Factors that affect the Company's ability to price the Company's services, or accurately make estimates of IBNR claims and other expenses for which the Company creates reserves may include differences between the Company's assumptions and actual results arising from, among other things: changes in the delivery system; changes in utilization patterns; changes in the number of members seeking treatment; unforeseen fluctuations in claims backlogs; unforeseen increases in the costs of the services; the occurrence of catastrophes; regulatory changes; and changes in benefit plan design.

Some of these factors could impact the ability of the Company to manage and control the medical costs to the extent assumed in the pricing of its services.

Competition—The competitive environment in the managed healthcare industry may limit the Company's ability to maintain or increase the Company's rates, which would limit or adversely affect the Company's profitability, and any failure in the Company's ability to respond adequately may adversely affect the Company's ability to maintain contracts or obtain new contracts.

The Company's business is highly competitive. The Company competes with other healthcare organizations as well as with insurance companies, including HMOs, PPOs, TPAs, IPAs, multi-disciplinary medical groups, PBMs, specialty pharmacy companies, radiology benefits management companies and other specialty healthcare and managed care companies. Many of the Company's competitors, particularly certain insurance companies, HMOs and PBMs are significantly larger and have greater financial, marketing and other resources than the Company, which can create downward pressure on prices through economies of scale. The entrance or expansion of these larger companies in the managed healthcare industry (including the Company's customers who have in-sourced or who may choose to in-source healthcare services) could increase the competitive pressures the Company faces and could limit the Company's ability to maintain or increase the Company's rates. If this happens, the Company's profitability could be adversely affected. In addition, if the Company does not adequately respond to these competitive pressures, it could cause the Company to not be able to maintain its current contracts or to not be able to obtain new contracts.

Provider Agreements—Failure to maintain or to secure cost-effective healthcare provider contracts may result in a loss of membership or higher medical costs.

The Company's profitability depends, to an extent, upon the ability to contract favorably with certain healthcare providers. The Company may be unable to enter into agreements with providers in new markets on a timely basis or under favorable terms. If the Company is unable to retain its current provider contracts or enter into new provider contracts timely or on favorable terms, the Company's profitability could be reduced.

Pharmacy Management—Loss of Relationship with Providers—If we lose our relationship, or our relationship otherwise changes in an unfavorable manner, with one or more key pharmacy providers or if significant changes occur within the pharmacy provider marketplace, or if other issues arise with respect to our pharmacy networks, our business could be adversely affected.

Our operations are dependent to a significant extent on our ability to obtain discounts on prescription purchases from retail pharmacies that can be utilized by our clients and their members. Our contracts with retail pharmacies, which

are non-exclusive, are generally terminable by either party on short notice. If one or more of our top pharmacy chains elects to terminate its relationship with us, or if we are only able to continue our relationship on terms less favorable to us, access to retail pharmacies by our clients and their health plan members, and consequently our business, results of operations, financial condition or cash flows could be adversely affected.

Pharmacy Management—Loss of Relationship with Vendors—Our specialty pharmacies, pharmacy claims processing, and mail processing are dependent on our relationships with a limited number of vendors and suppliers and the loss of any of these relationships could significantly impact our ability to sustain our financial performance.

We acquire a substantial percentage of our specialty pharmacies prescription drug supply from a limited number of suppliers. Some of our agreements with these suppliers may be short-term and cancelable by either party without cause with a relatively short time-frame of prior notice. Further, certain parts of these agreements allow pricing and other terms of these relationships to be periodically adjusted based upon required service levels. A termination or modification to any of these relationships could have an adverse effect on our business, financial condition and results of operations. An additional risk related to supply is that many products dispensed by our specialty pharmacy business are manufactured with ingredients that are susceptible to supply shortages. If any products we dispense are in short supply for long periods of time, this could result in a material adverse effect on our business, financial condition and results of operations. Further, we source from a limited number of vendors certain aspects of our pharmacy claims and mail processing capabilities. An interruption of service, termination or modification to the terms to any of these agreements may adversely affect our business and financial condition.

Pharmacy Management—Loss of Relationship with Manufacturers—If we lose relationships with one or more key pharmaceutical manufacturers or third-party rebate administrators or if rebate payments we receive from pharmaceutical manufacturers and rebate processing service providers decline, our business, results of operations, financial condition or cash flows could be adversely affected.

We receive fees or other compensation from our clients, in some cases based upon the retention of rebate amounts paid by pharmaceutical manufacturers or third-party rebate administrators based on the use of selected drugs by members of health plans sponsored by our clients, all pursuant to the terms of our customer contracts. In addition, pharmaceutical manufacturers often pay administrative fees to us based upon our provision of rebate administration services under agreements with such manufacturers or third-party rebate administrators. Our business, results of operations, financial condition or cash flows could be adversely affected if: we lose relationships with one or more key pharmaceutical manufacturers or third-party rebate administrators; we are unable to renew or finalize rebate contracts with one or more key pharmaceutical manufacturers or third-party rebate administrators in the future, or are unable to negotiate interim arrangements; rebates decline due to the failure of our health plan sponsors to meet market share or other thresholds; legal restrictions are imposed on the ability of pharmaceutical manufacturers to offer rebates or purchase our services relating to the administration of rebates; pharmaceutical manufacturers choose not to offer rebates or purchase our services; or rebates decline due to contracted branded products losing their patents.

Dependence on Government Spending—The Company can be adversely affected by changes in federal, state and local healthcare policies, programs, funding and enrollments.

A portion of the Company's net revenues are derived, directly or indirectly, from governmental agencies, including state Medicaid programs. Contract rates vary from state to state, are subject to periodic negotiation and may limit the Company's ability to maintain or increase rates. The Company is unable to predict the impact on the Company's operations of future regulations or legislation affecting Medicaid programs, or the healthcare industry in general. Future regulations or legislation may have a material adverse effect on the Company. Moreover, any reduction in government spending for such programs could also have a material adverse effect on the Company (See "Reliance on Customer Contracts"). In addition, the Company's contracts with federal, state and local governmental agencies, under both direct contract and subcontract arrangements, generally are conditioned upon financial appropriations by one or more governmental agencies, especially in the case of state Medicaid programs. These contracts generally can be terminated or modified by the customer if such appropriations are not made. The Company faces increased risks in this regard as state budgets have come under increasing pressure. Finally, some of the Company's contracts with federal, state and local governmental agencies, under both direct contract and subcontract arrangements, require the Company to perform additional services if federal, state or local laws or regulations imposed after the contract is signed so require, in exchange for additional compensation, to be negotiated by the parties in good faith. Government and other third-party

payors generally seek to impose lower contract rates and to renegotiate reduced contract rates with service providers in a trend toward cost control.

Restrictive Covenants in the Company's Debt Instruments—Restrictions imposed by the Company's debt agreements limit the Company's operating and financial flexibility. These restrictions may adversely affect the Company's ability to finance the Company's future operations or capital needs or engage in other business activities that may be in the Company's interest.

On September 22, 2017, the Company completed the public offering of \$400.0 million aggregate principal amount of its 4.400% Senior Notes due 2024 (the "Notes"). The Notes are governed by an indenture dated as of September 22, 2017 (the "Base Indenture"), between the Company, as issuer, and U.S. Bank National Association, as trustee, and are supplemented by a first supplemental indenture dated as of September 22, 2017 (the "First Supplemental Indenture" together, with the Base Indenture, the "Indenture"), between the Company, as issuer, and U.S. Bank National Association, as trustee. During the years ended December 31, 2019 and 2020, the Company purchased and subsequently retired \$11.1 million and \$28.9 million of its Notes, respectively, which resulted in a loss on retirement of \$0.3 million and \$0.7 million, respectively, that is included in interest expense. The Notes were issued at a discount and had a carrying value of \$388.4 million and \$359.6 million as of December 31, 2019 and 2020, respectively.

The Indenture contains certain covenants which restrict the Company's ability to, among other things, create liens on its and its subsidiaries' assets; engage in sale and lease-back transactions; and engage in a consolidation, merger or sale of assets.

On September 22, 2017, the Company entered into a credit agreement with various lenders that provides for a \$400.0 million senior unsecured revolving credit facility and a \$350.0 million senior unsecured term loan facility to the Company, as the borrower (the "2017 Credit Agreement"). On August 13, 2018, the Company entered into an amendment to the 2017 Credit Agreement, which extended the maturity date by one year. On February 27, 2019, the Company entered into a second amendment to the 2017 Credit Agreement, which amended the total leverage ratio covenant and which was necessary in order for the Company to remain in compliance with the terms of the 2017 Credit Agreement. The 2017 Credit Agreement is scheduled to mature on September 22, 2023.

The 2017 Credit Agreement contains covenants that limit management's discretion in operating the Company's business by restricting or limiting the Company's ability, among other things, to: incur or guarantee additional indebtedness or issue preferred or redeemable stock; pay dividends and make other distributions; repurchase equity interests; make certain advances, investments and loans; enter into sale and leaseback transactions; create liens; sell and otherwise dispose of assets; acquire or merge or consolidate with another company; and enter into some types of transactions with affiliates.

These restrictions could adversely affect the Company's ability to finance future operations or capital needs or engage in other business activities that may be in the Company's interest. The 2017 Credit Agreement also requires the Company to comply with specified financial ratios and tests. Failure to do so, unless waived by the lenders under the 2017 Credit Agreement, pursuant to its terms, or amended, would result in an event of default.

Required Assurances of Financial Resources—The Company's liquidity, financial condition, prospects and profitability can be adversely affected by present or future state regulations and contractual requirements that the Company provide financial assurance of the Company's ability to meet the Company's obligations.

Some of the Company's contracts and certain state regulations require the Company or certain of the Company's subsidiaries to maintain specified cash reserves or letters of credit and/or to maintain certain minimum tangible net equity in certain of the Company's subsidiaries as assurance that the Company has financial resources to meet the Company's contractual obligations. Many of these state regulations also restrict the investment activity of certain of the Company's subsidiaries. Some state regulations also restrict the ability of certain of the Company's subsidiaries to pay dividends to Magellan. Additional state regulations could be promulgated that would increase the cash or other security the Company would be required to maintain. In addition, the Company's customers may require additional restricted cash or other security with respect to the Company's obligations under the Company's contracts, including the Company's obligation to pay IBNR claims and other medical claims not yet processed and paid. In addition, certain of the Company's contracts and state regulations limit the profits that the Company may earn on risk-based business. The Company's liquidity, financial condition, prospects and profitability could be adversely affected

by the effects of such regulations and contractual provisions. See Note 2—“Summary of Significant Accounting Policies—Restricted Assets” to the consolidated financial statements set forth elsewhere herein for a discussion of the Company’s restricted assets.

Risks Related to Realization of Goodwill and Intangible Assets—The Company’s profitability could be adversely affected if the value of intangible assets is not fully realized.

The Company’s total assets at December 31, 2020 reflect goodwill of approximately \$0.9 billion, representing approximately 26.0 percent of total assets. The Company completed its annual impairment analysis of goodwill as of October 1, 2020, noting that no impairment was identified.

At December 31, 2020, identifiable intangible assets (customer lists, contracts, provider networks and trade names) totaled approximately \$79.7 million. Intangible assets are generally amortized over their estimated useful lives, which range from approximately one to eighteen years. The amortization periods used may differ from those used by other entities. In addition, the Company may be required to shorten the amortization period for intangible assets in future periods based on changes in the Company’s business. There can be no assurance that such goodwill or intangible assets will be realizable.

The Company evaluates, on a regular basis, whether for any reason the carrying value of the Company’s intangible assets and other long-lived assets may no longer be completely recoverable, in which case a charge to earnings for impairment losses could become necessary. When events or changes in circumstances occur that indicate the carrying amount of long-lived assets may not be recoverable, the Company assesses the recoverability of long-lived assets other than goodwill by determining whether the carrying value of such assets will be recovered through the future cash flows expected from the use of the asset and its eventual disposition.

While no units were determined to be impaired at this time, reporting unit goodwill is at risk of future impairment in the event of significant unfavorable changes in the Company’s forecasted future results and cash flows. In addition, market factors utilized in the impairment analysis, including long-term growth rates or discount rates, could negatively impact the fair value of our reporting units. For testing purposes, management’s best estimates of the expected future results are the primary driver in determining the fair value. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill test will prove to be an accurate prediction of the future.

Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) a decrease in expected future cash flows, specifically, a decrease in membership or rates or customer attrition and increase in costs that could significantly impact our immediate and long-range results, unfavorable working capital changes and an inability to successfully achieve our cost savings targets, (ii) adverse changes in macroeconomic conditions or an economic recovery that significantly differs from our assumptions in timing and/or degree (such as a recession); and (iii) volatility in the equity and debt markets or other country specific factors which could result in a higher weighted average cost of capital.

Based on known facts and circumstances, we evaluate and consider recent events and uncertain items, as well as related potential implications, as part of our annual assessment and incorporate into the analyses as appropriate. These facts and circumstances are subject to change and may impact future analyses.

While historical performance and current expectations have resulted in fair values of our reporting units and indefinite-lived intangible assets in excess of carrying values, if our assumptions are not realized, it is possible that an impairment charge may need to be recorded in the future.

Any event or change in circumstances leading to a future determination requiring write-off of a significant portion of unamortized intangible assets or goodwill would adversely affect the Company’s profitability.

The Company faces risks related to unauthorized disclosure of sensitive or confidential member and other protected personal or health information.

As part of its normal operations, the Company collects, processes and retains confidential member and protected personal or health information making the Company subject to various federal and state laws and rules regarding the use and disclosure of confidential member and protected personal or health information, including HIPAA. The Company also maintains other confidential information related to its business and operations. Despite our security measures, the Company is subject to security breaches, acts of vandalism, acts of ransomware and other cyber-attacks, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. For example, we have experienced data security breaches resulting in disclosure of confidential or protected personal or health information. Noncompliance with any privacy or security laws and regulations (including, but not limited to, state and federal laws and international regulations, such as GDPR) or any security incident or breach, whether by the Company or by its vendors, could result in enforcement actions, material fines and penalties, reputational and financial harm to the Company, and could also subject the Company to litigation.

IT Systems – The Company’s ability to effectively maintain and upgrade its information systems is critical to its business.

The Company’s operations are dependent on effective information systems. Our information systems require routine maintenance, enhancements and upgrades in order to meet operational needs and regulatory requirements. The maintenance, upgrade and enhancement of our information systems requires significant economic resources. If the Company encounters difficulties in its information systems, or with the transition to or from its information systems, or does not appropriately maintain, enhance and upgrade its information systems, such events could adversely impact the Company’s operations materially.

Cyber-Security—The Company faces risks related to a breach or failure in our operational security systems or infrastructure, or those of third parties with which we do business.

Our business requires us to securely store, process and transmit confidential, proprietary and other information in our operations, including protected personal or health information. Security incidents or breaches may arise from, among other things, computer hackers penetrating our systems or approaching our employees to obtain personal information for financial gain, attempting to cause harm to our operations, or intending to obtain competitive, confidential or protected personal or health information. It is widely reported that the healthcare industry, including providers, plans and pharmacies, are increasingly prime targets for cyber-attacks. Our data assets and systems continue to be subject to attack by viruses, worms, phishing attempts and other malicious software programs on a regular basis, and we routinely identify attempts to gain unauthorized access to our systems.

We maintain a comprehensive system of preventive and detective controls through our security programs; however given the rapidly evolving nature and proliferation of cyber threats, our controls may not prevent or identify all such attacks in a timely manner or otherwise prevent unauthorized access to, damage to, or interruption of our systems and operations, and we cannot eliminate the risk of human error or employee or vendor malfeasance. For example, we were the target of a criminal ransomware attack on our computer network, which resulted in a temporary systems outage and the exfiltration of certain confidential company and personal information as well as protected health information of certain members.

Any costs that we incur as a result of a data security incident or breach, including costs to update our security protocols to mitigate such an incident or breach could be significant. Any breach or failure in our operational security systems can result in loss of data or an unauthorized disclosure of or access to sensitive or confidential member or protected personal or health information and could result in significant penalties or fines, litigation, loss of customers, significant damage to our reputation and business, and other losses, which could adversely impact the Company’s financial condition and results of operations materially.

We are subject to risks associated with outsourcing services and functions to third parties.

We contract with third party vendors and service providers who provide services to us and our subsidiaries or to whom we delegate selected functions. Some of these third parties also have direct access to our systems. Our arrangements with third party vendors and service providers may make our operations vulnerable if those third parties fail to satisfy their obligations to us, including their obligations to maintain and protect the security and confidentiality of our information and data or the protected personal or health information and data relating to our members or customers. We are also at risk of a data security incident or breach involving a vendor or third party, which could result in a

breakdown of such third party's data protection processes or cyber-attackers gaining access to our infrastructure through the third party, or can result in loss of data or an unauthorized disclosure of or access to sensitive or confidential member or protected personal or health information.

To the extent that a vendor or third party suffers a security incident or breach that compromises its operations, we could incur significant costs and possible service interruption, which could have an adverse effect on our business, operations and reputation. In addition, we may have disagreements with third party vendors and service providers regarding relative responsibilities for any such failures or security incidents or breaches under applicable business associate agreements or other applicable outsourcing agreements.

Any contractual remedies and/or indemnification obligations we may have for vendor or service provider failures or security incidents or breaches may not be adequate to fully compensate us for any losses suffered as a result of any vendor's failure to satisfy its obligations to us or under applicable law. Further, we may not be adequately indemnified against all possible losses through the terms and conditions of our contracts with third party vendors and service providers. Our outsourcing arrangements could be adversely impacted by changes in vendors' or service providers' operations or financial condition or other matters outside of our control.

If we fail to adequately monitor and regulate the performance of our third-party vendors and service providers, we could be subject to additional risk, including significant cybersecurity risk. Violations of, or noncompliance with, laws and/or regulations governing our business (including, but not limited to, state and federal laws and international regulations, such as GDPR) or noncompliance with contract terms by third-party vendors and service providers could increase our exposure to liability to our members, providers, or other third parties, or sanctions and/or fines from the regulators that oversee our business, as well as litigation. In turn, this could increase the costs associated with the operation of our business or have an adverse impact on our business and reputation. Moreover, if these vendor and service provider relationships were terminated for any reason, we may not be able to find alternative partners in a timely manner or on acceptable financial terms, and may incur significant costs and/or disruption to our operations in connection with any such vendor or service provider transition. As a result, we may not be able to meet the full demands of our members or customers and, in turn, our business, financial condition, or results of operations may be harmed materially. In addition, we may not fully realize the anticipated economic and other benefits from our outsourcing projects or other relationships we enter into with third party vendors and service providers, as a result of regulatory restrictions on outsourcing, unanticipated delays in transitioning our operations to the third party, vendor or service provider noncompliance with contract terms or violations of laws and/or regulations, or otherwise. This could result in substantial costs or other operational or financial problems that could have a material adverse effect on our business, financial condition, cash flows, or results of operations.

RISK RELATED TO REGULATORY AND LEGAL MATTERS

Possible Impact of Federal Mental Health Parity—could impact the Company's revenues or profitability.

In October 2008, the United States Congress passed the Paul Wellstone and Pete Dominici Mental Health Parity Act of 2008 ("MHPAEA") establishing parity in financial requirements (e.g. co-pays, deductibles, etc.) and treatment limitations (e.g., limits on the number of visits) between mental health and substance abuse benefits and medical/surgical benefits for health plan members. The law applies to ERISA plans, Medicaid managed care plans and SCHIP plans. In 2010 regulations were issued that apply to ERISA plans and insured business. These regulations included some significant concepts not included under the statute including the requirement to conduct the parity review at the category level within the plan, introducing the concept of non-quantitative treatment limitations, and prohibiting separate but equal deductibles. In 2016 regulations were released imposing similar requirements and concepts on Medicaid Managed Care. The Company believes it is in compliance with the requirements of these regulations, however additional guidance or new parity laws could impact the business. The Company's risk contracts do allow for repricing to occur effective the same date that any legislation/regulation becomes effective if that legislation/regulation is projected to have a material effect on cost of care.

Government Regulation—The Company is subject to substantial government regulation and scrutiny, which increase the Company's costs of doing business and could adversely affect the Company's profitability.

The managed healthcare industry is subject to extensive and evolving federal and state regulation. Such laws and regulations cover, but are not limited to, matters such as licensure, accreditation, government healthcare program

participation requirements, information privacy and security, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. The Company's pharmaceutical management business is also the subject of substantial federal and state governmental regulation and scrutiny.

Regulatory issues may also affect the Company's operations including, but not limited to: additional state licenses that may be required to conduct the Company's businesses, including utilization review, PBM, pharmacy, HMO and TPA activities; limits imposed by state authorities upon corporations' control or excessive influence over managed healthcare services through the direct employment of physicians, psychiatrists, psychologists or other professionals, and prohibiting fee splitting; laws that impose financial terms and requirements on the Company due to the Company's assumption of risk under contracts with licensed insurance companies or HMOs; laws in certain states that impose an obligation to contract with any healthcare provider willing to meet the terms of the Company's contracts with similar providers; compliance with HIPAA (including the federal HITECH Act, which strengthens and expands HIPAA) and other federal and state laws impacting the confidentiality of member information; state and federal laws governing telemedicine; state legislation regulating PBMs or imposing fiduciary status on PBMs; pharmacy laws and regulation; legislation imposing benefit plan design restrictions, which limit how our clients can design their drug benefit plans; and network pharmacy access laws, including "any willing provider" and "due process" legislation, that affect aspects of our pharmacy network contracts.

The imposition of additional licensing and other regulatory requirements may, among other things, increase the Company's equity requirements, increase the cost of doing business or force significant changes in the Company's operations to comply with these requirements. In this regard, in a December 2020 decision, the United States Supreme Court ruled in *Rutledge v. Pharmaceutical Care Management Association* that ERISA does not pre-empt state rate or cost regulations that do not force plans to adopt particular benefit coverage. The *Rutledge* decision does not address other issues apart from rate regulations, however and so the Company could be subject to overlapping federal and state regulatory requirements with respect to certain of its operations and may need to implement compliance programs that satisfy multiple regulatory regimes.

The costs associated with compliance with government regulation as discussed above may adversely affect the Company's financial condition and results of operation.

Proposed changes to current Federal law and regulations could have a material and adverse impact on our PBM business.

There are various proposed federal laws that could change some aspects of our pharmacy benefit management business. For example, the laws, if enacted, could require the pass-through of all rebate amounts to customer, or prohibit the use of "traditional" pricing, under which a pharmacy benefit manager pays a pharmacy one price under its pharmacy contract, and charges a different price to the customer based on the terms of the customer contract. These and other changes, if enacted into law, may change the manner in which industry participants contract with customers, and we cannot predict with any certainty whether such alternative contract structures would be materially less profitable than current contracts.

Noncompliance with Regulations—Noncompliance with regulations may have a material adverse effect on the Company's business, financial condition and results of operations, including from monetary or criminal liabilities and penalties, investigations or regulatory actions, additional compliance requirements, heightened governmental scrutiny, or exclusion from participating in government programs.

Extensive laws and regulation are applicable to all of our business operations. In addition to laws and regulations generally applicable to our business, the Company is subject to other federal laws and regulations in connection with its contracts with the federal government. These laws and regulations affect how the Company conducts business with its federal agency customers and may impose added costs on its business. Noncompliance by the Company with these laws and regulations may have a material adverse effect on the Company's business, financial condition and results of operations.

Government investigations and allegations have become more frequent concerning possible violations of statutes and regulations by healthcare organizations. The Company also conducts its own investigations into these matters and may choose to self-report its findings to governmental agencies. Violations by the Company with certain laws and regulations may result in it being excluded from participating in government healthcare programs, subject to

finances or penalties or required to repay amounts received from the government for previously billed services. The Company's failure to comply with federal procurement laws and regulations could cause it to lose business, incur additional costs and subject it to a variety of civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, harm to reputation, suspension of payments, fines, and suspension or debarment from doing business with federal government agencies. In addition, alleged violations may result in litigation or regulatory action. A subsequent legal liability or a significant regulatory action against the Company could have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, even if the Company ultimately prevails in any litigation, regulatory action or investigation, such litigation, regulatory action or investigation could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company also receives notifications from and engages in discussions with various government agencies concerning the Company's businesses and operations. As a result of these contacts with regulators, the Company may, as appropriate, be required to implement changes to the Company's operations, revise the Company's filings with such agencies and/or seek additional licenses to conduct the Company's business. The Company's inability to comply with the various regulatory requirements may have a material adverse effect on the Company's business.

Reference is made to information set forth under "Regulation—Other Federal and State Laws and Regulations" under Item 1 of this Report.

Medicare Part D—The Company's participation in Medicare Part D is subject to government regulation and failure to comply with regulatory requirements could adversely impact the Company's profitability.

There are many uncertainties about the financial and regulatory risks of participating in the Medicare Part D program, and we can give no assurance these risks will not materially adversely impact the Company's results. Certain of the Company's subsidiaries have been approved by CMS to offer Medicare Part D prescription drug plans to employer groups. Such subsidiaries are required to comply with Medicare Part D laws and regulations and, because CMS requires that Medicare Part D sponsors be licensed as risk-bearing entities, also with applicable state laws and regulations regarding the business of insurance. The Company also provides services in support of our clients' Medicare Part D plans and must be able to deliver such services in a manner that complies with applicable regulatory requirements. The adoption of new or more complex regulatory requirements or changes in the interpretation of existing regulatory requirements associated with Medicare Part D may require us to incur significant costs or otherwise impact our ability to earn a profit on such business. In addition, the Company's receipt of federal funds made available through the Medicare Part D program is subject to compliance with the laws and regulations governing the federal government's payment for healthcare goods and services, including the Federal Anti-Kickback law and False Claims Acts. If we fail to comply materially with applicable regulatory or contractual requirements, whether identified through CMS or other government audits, client audits, or otherwise, we may be subject to certain sanctions, penalties, or other remedies, including, but not limited to, suspension of marketing or enrollment activities, restrictions on expanding our service area, civil monetary penalties or other monetary amounts, termination of our contract(s) with CMS or Part D clients, and exclusion from federal healthcare programs.

The Company faces additional regulatory risks associated with its Pharmacy Management segment which could subject it to additional regulatory scrutiny and liability and which could adversely affect the profitability of the Pharmacy Management segment in the future.

Various aspects of the Company's Pharmacy Management segment are governed by federal and state laws and regulations. Pharmaceutical management services are provided by the Company to Medicaid and Medicare plans as well as commercial insurance plans. There has been enhanced scrutiny on federal programs and the Company must remain vigilant in ensuring compliance with the requirements of these programs. Significant sanctions may be imposed for violations of these laws and compliance programs are a significant operational requirement of the Company's business. There are significant uncertainties involving the application of many of these legal requirements to the Company. Accordingly, the Company may be required to incur additional administrative and compliance expenses in determining the applicable requirements and in adapting its compliance practices, or modifying its business practices, in order to satisfy changing interpretations and regulatory policies. In addition, there are numerous proposed healthcare laws and regulations at the federal and state levels, many of which, if adopted, could adversely affect the Company's business. See "Regulation" above.

Claims for Professional Liability—Pending or future actions or claims for professional liability (including any associated judgments, settlements, legal fees and other costs) could require the Company to make significant cash expenditures and consume significant management time and resources, which could have a material adverse effect on the Company’s profitability and financial condition.

The Company’s operating activities entail significant risks of liability. In recent years, participants in the healthcare industry generally, as well as the managed healthcare industry, have become subject to an increasing number of lawsuits. From time to time, the Company is subject to various actions and claims of professional liability alleging negligence in performing utilization review and other managed healthcare activities, as well as for the acts or omissions of the Company’s employees, including employed physicians and other clinicians, network providers, pharmacists, or others. In the normal course of business, the Company receives reports relating to deaths and other serious incidents involving patients whose care is being managed by the Company. Such incidents occasionally give rise to malpractice, professional negligence and other related actions and claims against the Company, the Company’s employees or the Company’s network providers. The Company is also subject to actions and claims for the costs of services for which payment was denied. Many of these actions and claims seek substantial damages and require the Company to incur significant fees and costs related to the Company’s defense and consume significant management time and resources. While the Company maintains professional liability insurance, there can be no assurance that future actions or claims for professional liability (including any judgments, settlements or costs associated therewith) will not have a material adverse effect on the Company’s profitability and financial condition.

Professional Liability and Other Insurance—Claims brought against the Company that exceed the scope of the Company’s liability coverage or denial of coverage could materially and adversely affect the Company’s profitability and financial condition.

The Company maintains a program of insurance coverage against a broad range of risks in the Company’s business. As part of this program of insurance, the Company carries professional liability insurance, subject to certain deductibles and self-insured retentions. The Company also is sometimes required by customer contracts to post surety bonds with respect to the Company’s potential liability on professional responsibility claims that may be asserted in connection with services the Company provides. As of December 31, 2020, the Company had approximately \$154.1 million of such bonds outstanding. The Company’s insurance may not be sufficient to cover any judgments, settlements or costs relating to present or future claims, suits or complaints. Upon expiration of the Company’s insurance policies, sufficient insurance may not be available on favorable terms, if at all. To the extent the Company’s customers are entitled to indemnification under their contracts with the Company relating to liabilities they incur arising from the operation of the Company’s programs, such indemnification may not be covered under the Company’s insurance policies. To the extent that certain actions and claims seek punitive and compensatory damages arising from the Company’s alleged intentional misconduct, such damages, if awarded, may not be covered, in whole or in part, by the Company’s insurance policies. If the Company is unable to secure adequate insurance in the future, or if the insurance the Company carries is not sufficient to cover any judgments, settlements or costs relating to any present or future actions or claims, such judgments, settlements or costs may have a material adverse effect on the Company’s profitability and financial condition. If the Company is unable to obtain needed surety bonds in adequate amounts or make alternative arrangements to satisfy the requirements for such bonds, the Company may no longer be able to operate in those states, which would have a material adverse effect on the Company.

Class Action Suits and Other Legal Proceedings—The Company is subject to class action and other lawsuits that could result in material liabilities to the Company or cause the Company to incur material costs, to change the Company’s operating procedures in ways that increase costs or to comply with additional regulatory requirements.

Managed healthcare companies and PBM companies have been targeted as defendants in national class action lawsuits regarding their business practices. The Company is subject to such national class actions as defendants and is also subject to or a party to other class actions, lawsuits and legal proceedings in conducting the Company’s business, including but not limited to, network provider reimbursement, employment practices, and privacy and data protection. In addition, certain of the Company’s customers are parties to pending class action lawsuits regarding the customers’ business practices for which the customers could seek indemnification from the Company. These lawsuits may take years to resolve and cause the Company to incur substantial litigation expense, and the outcomes could have a material adverse effect on the Company’s profitability and financial condition. In addition to potential damage awards, depending upon the outcomes of such cases, these lawsuits may cause or force changes in practices of the Company’s industry and

may also cause additional regulation of the industry through new federal or state laws or new applications of existing laws or regulations. Such changes could increase the Company's operating costs.

Our amended bylaws provide that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a breach of fiduciary duty; (3) any action asserting a claim against us arising under the General Corporation Law of the State of Delaware, our certificate of incorporation, or our bylaws; and (4) any action asserting a claim against us that is governed by the internal-affairs doctrine.

This provision would not apply to actions brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all Securities Act claims, which means both courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our bylaws provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

These exclusive forum provisions may limit a stockholder's ability to bring an action in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring an action in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of our exclusive forum provisions, which may require significant additional costs associated with resolving such action in other jurisdictions, and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive forum provision in our bylaws to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

GENERAL RISK FACTORS

Negative Publicity—The Company may be subject to negative publicity which may adversely affect the Company's business, financial position, results of operations or cash flows.

From time to time, the managed healthcare industry has received negative publicity. This publicity has led to increased legislation, regulation, review of industry practices and private litigation. These factors may adversely affect the Company's ability to market our services, require the Company to change its services, or increase the overall regulatory burden under which the Company operates. Any of these factors may increase the costs of doing business and adversely affect the Company's business, financial position, results of operations or cash flows.

Investment Portfolio—The value of the Company's investments is influenced by varying economic and market conditions, and a decrease in value may result in a loss charged to income.

All of the Company's investments are classified as "available-for-sale" and are carried at fair value. The Company's available-for-sale investment securities were \$143.5 million and represented 4.3 percent of the Company's total assets at December 31, 2020.

The current economic environment and recent volatility of securities markets increase the difficulty of assessing investment impairment and the same influences tend to increase the risk of potential impairment of these assets. The Company believes it has adequately reviewed its investment securities for impairment and that its investment securities are carried at fair value. However, over time, the economic and market environment may provide additional insight regarding the fair value of certain securities, which could change the Company's judgment regarding impairment. This could result in realized losses relating to other-than-temporary declines being charged against future income. Given the

current market conditions and the significant judgments involved, there is a risk that declines in fair value may occur and material other-than-temporary impairments may be charged to income in future periods, resulting in realized losses. In addition, if it became necessary for the Company to liquidate its investment portfolio on an accelerated basis, it could have an adverse effect on the Company's results of operations.

Adverse Economic Conditions—Adverse changes in national economic conditions could adversely affect the Company's business and results of operations.

Changes in national economic conditions could adversely affect the Company's reimbursement from state Medicaid programs in its Healthcare segment. Adverse economic conditions could also adversely affect the Company's customers in the Healthcare and Pharmacy Management segments resulting in increased pressures on the Company's operating margins. In addition, economic conditions may result in decreased membership in the Healthcare and Pharmacy Management segments, thereby adversely affecting the revenues to the Company from such customers as well as the Company's operating profitability.

Adverse economic conditions in the debt markets could affect the Company's ability to refinance the Company's existing Credit Agreement upon its maturity on acceptable terms, or at all.

Talent Management – The Company's ability to attract and retain employees and manage the succession and retention of key executives is critical to our success.

The Company's ability to attract and retain qualified employees is critical to the Company's success. There is competition among potential employers for qualified and experienced employees and there is no assurance that the Company will be able to attract or retain such employees. In addition, competition among potential employers could result in increased salaries and benefits. If the Company is unable to retain its employees, or attract additional employees, such events could result in a material adverse impact on our business.

The Company also could be impacted adversely if the Company is unable to plan adequately for the succession of executives and senior management. The Company has succession plans in place, however, such plans do not guarantee that the services of these employees will continue to be available to us.

Tax matters, including the changes in corporate tax rates, disagreements with taxing authorities and imposition of new taxes could impact our results of operations and financial condition.

We are subject to income and other taxes in the U.S., and our operations, plans and results of operations are affected by tax and other initiatives. As a result of the passage of the Tax Cuts and Jobs Act (the "Tax Act"), corporate tax rates in the United States decreased in 2018, which resulted in changes to our valuation of our deferred tax assets and liabilities. These changes in valuation were material to our income tax expense and deferred tax balances.

We are also subject to regular reviews, examinations, and audits by the Internal Revenue Service and other taxing authorities with respect to our taxes. Although we believe our tax estimates are reasonable, if a taxing authority disagrees with the positions we have taken, we could face additional tax liability, including interest and penalties. There can be no assurance that payment of such additional amounts upon final adjudication of any disputes will not have a material impact on our results of operations and financial position.

Our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in jurisdictions with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in the application or interpretation of the Tax Act, or other changes in tax laws.

Extraordinary Events—Extraordinary events, including the ongoing COVID-19 pandemic, could adversely affect the Company's business, financial condition and results of operations.

The Company's operations could be subject to an epidemic or health crisis such as the COVID-19 pandemic, natural disasters, political disruptions, acts of war or terrorism and other such extraordinary events. These events could cause significant disruptions in the Company's operations and its ability to serve its members. If a business interruption occurs and we are unsuccessful in our continuing efforts to minimize the impact of these events, our business, results of operations, financial position and cash flows could be materially adversely affected. Such events could also impact the

Company's utilization, which could have a favorable or unfavorable impact to its medical loss ratios. In addition, such events could impact the financial markets, which could adversely impact the Company's investment portfolio and its ability to access the credit markets.

In 2020, the spread of the COVID-19 pandemic caused significant financial market volatility and economic uncertainty, and is currently impacting countries, communities and workforces around the world. To date, the Company has not experienced any negative impact on its medical loss ratios and, other than the transition of our employees to a work at home environment, the Company has not experienced any significant interruptions to normal business activities and has not experienced any disruptions in its services. In addition, the Company does not expect the valuation of its investments to be materially affected. The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition are dependent on future developments for which there is significant uncertainty at this time and cannot be predicted, such as the scope, duration and severity of the pandemic, the extent and effectiveness of containment actions, any actions that may be taken by various governmental authorities in response to the outbreak, the possible impact on the global economy and local economies in which we operate and the resumption of normal economic conditions. The long-term financial and economic impacts of the COVID-19 pandemic may continue for a significant period of time and cannot be reliably quantified or estimated at this time due to the uncertainty of future developments.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company currently occupies under lease approximately 886,000 square feet of office space comprising 49 offices in 20 states and the District of Columbia with terms expiring between January 31, 2021 and August 31, 2029. The Company's headquarters are located in Phoenix, Arizona, which lease expires in March 2024. The Company believes that its current facilities are suitable for and adequate to support the level of its present operations. In addition, the Company is lessee of approximately 235,000 square feet of office space, which as of February 26, 2021, was unoccupied.

Item 3. Legal Proceedings

The Company's operating activities entail significant risks of liability. From time to time, the Company is subject to various actions and claims arising from the acts or omissions of its employees, network providers or other parties. In the normal course of business, the Company receives reports relating to deaths and other serious incidents involving patients whose care is being managed by the Company. Such incidents occasionally give rise to malpractice, professional negligence and other related actions and claims against the Company or its network providers. Many of these actions and claims received by the Company seek substantial damages and therefore require the Company to incur significant fees and costs related to their defense.

The Company is also subject to or party to certain class actions and other litigation and claims relating to its operations or business practices, including network provider reimbursement, employment practices and privacy and data protection. The Company has recorded reserves that, in the opinion of management, are adequate to cover litigation, claims or assessments that have been or may be asserted against the Company, and for which the outcome is probable and reasonably estimable. Management believes that the resolution of such litigation and claims will not have a material adverse effect on the Company's financial condition or results of operations; however, there can be no assurance in this regard.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

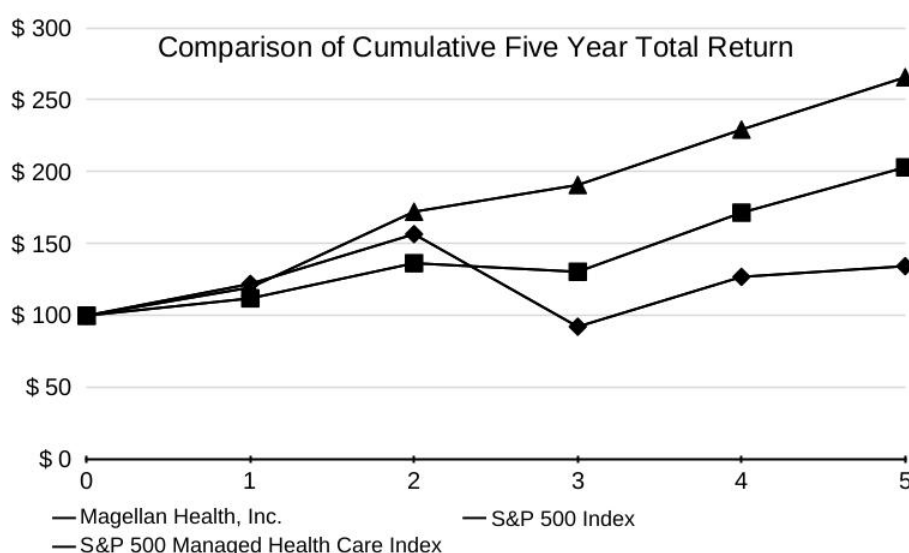
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Shares of the Company's Common Stock, \$0.01 par value per share ("common stock") trade on the NASDAQ Stock Market under the symbol "MGLN." For further information regarding the Company's common stock, see Note 6—"Stockholders' Equity" to the consolidated financial statements set forth elsewhere herein.

As of December 31, 2020, there were approximately 224 stockholders of record of the Company's common stock. The stockholders of record data for common stock does not reflect persons whose stock was held on that date by the Depository Trust Company or other intermediaries.

Comparison of Cumulative Total Return

The following graph compares the change in the cumulative total return on the Company's common stock to (a) the change in the cumulative total return on the stocks included in the Standard & Poor's ("S&P") 500 Stock Index and (b) the change in the cumulative total return on the stocks included in the S&P 500 Managed Health Care Index, assuming an investment of \$100 made at the close of trading on December 31, 2015, and comparing relative values on December 31, 2016, 2017, 2018, 2019 and 2020. The Company did not pay any dividends during the period reflected in the graph. The common stock price performance shown below should not be viewed as being indicative of future performance.



	December 31,					
	2015	2016	2017	2018	2019	2020
Magellan Health, Inc.	\$ 100.00	\$ 122.04	\$ 156.58	\$ 92.26	\$ 126.91	\$ 134.35
S&P 500 Index	100.00	111.96	136.40	130.42	171.49	203.04
S&P 500 Managed Health Care Index(1)	100.00	119.51	172.18	190.76	229.25	265.60

- (1) The S&P 500 Managed Health Care Index consists of Anthem, Inc., Centene Corporation, Humana, Inc. and UnitedHealth Group, Inc.

The information set forth above under the “Comparison of Cumulative Total Return” does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other of the Company’s filings under the Securities Act or the Exchange Act, except to the extent the filing specifically incorporates such information by reference therein.

Stock Repurchases

The Company’s board of directors has previously authorized a series of stock repurchase plans. Stock repurchases for each such plan could be executed through open market repurchases, privately negotiated transactions, accelerated share repurchases or other means. The board of directors authorized management to execute stock repurchase transactions from time to time and in such amounts and via such methods as management deemed appropriate. Each stock repurchase program could be limited or terminated at any time without prior notice. Pursuant to the terms of the Merger Agreement the Company suspended its stock repurchase programs on January 4, 2021, the date we announced our planned merger with Centene.

The Company’s board of directors approved, and subsequently amended, a stock repurchase plan which authorizes the Company to purchase up to \$400 million of its outstanding common stock through November 15, 2021 (the “Repurchase Program”). As of December 31, 2020, the remaining capacity under the Repurchase Program was \$186.3 million. Stock repurchases under the programs may be carried out from time to time in open market transactions (including blocks) or in privately negotiated transactions. The timing of repurchases and the actual amount purchased will depend on a variety of factors including the market price of the Company’s shares, general market and economic conditions, and other corporate considerations. Repurchases may be made pursuant to plans intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, which could allow the Company to purchase its shares during periods when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Repurchases are expected to be funded from working capital and anticipated cash from operations. The repurchase authorization does not require the purchase of a specific number of shares and is subject to suspension or termination by the Company’s board of directors at any time.

Dividends

The Company does not expect to pay a dividend in 2021. Should the Company pay any dividends in the future, there can be no assurance that the Company will continue to pay such dividends.

Recent Sales of Unregistered Securities

During the quarter ended December 31, 2020, the Company had no sales of unregistered securities.

Item 6. Selected Financial Data

Pursuant to Release No. 33-10890 (including the transition guidance therein), which was adopted by the SEC on November 19, 2020, the Company has elected to exclude the disclosures formerly required by this Item 6.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the Company’s selected financial data and the Company’s financial statements and the accompanying notes included herein. The following discussion may contain “forward-looking statements” within the meaning of the Securities Act and the Exchange Act. When used in this Form 10-K, the words “estimate,” “anticipate,” “expect,” “believe,” “should” and similar expressions are intended to be forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those in forward-looking

statements are set forth under the heading “Risk Factors” in Item 1A and elsewhere in this Form 10-K. Capitalized or defined terms included in this Item 7 have the meanings set forth in Item 1 of this Form 10-K.

Business Overview

The Company is engaged in the healthcare management business, and is focused on meeting needs in areas of healthcare that are fast growing, highly complex and high cost, with an emphasis on special population management. The Company provides services to health plans and other MCOs, employers, labor unions, various military and governmental agencies, TPAs, consultants and brokers. The Company’s business is divided into three segments, based on the services it provides and/or the customers that it serves. See Item 1—“Business” for more information on the Company’s business segments.

Results of Operations

The following table summarizes, for the periods indicated, continuing operating results (in thousands):

Continuing Operations	December 31,			Change	Change
	2018	2019	2020	'18 vs '19	'19 vs '20
Statement of Operations Data:					
Net revenue	\$ 4,957,522	\$ 4,565,613	\$ 4,577,531	(7.9)%	0.3%
Cost of Care	1,554,691	1,543,524	1,397,855	(0.7)%	(9.4)%
Cost of goods sold	2,452,703	2,059,285	2,180,717	(16.0)%	5.9%
Direct service costs and other operating expenses (1)(2)	773,915	801,667	880,168	3.6%	9.8%
Depreciation and amortization	112,284	110,367	98,387	(1.7)%	(10.9)%
Interest expense	35,180	35,868	30,865	2.0%	(13.9)%
Interest and other income	(4,884)	(6,857)	(4,054)	40.4%	(40.9)%
Special charges	—	—	34,078		
Income (loss) before income taxes	33,633	21,759	(40,485)	(35.3)%	(286.1)%
Provision (benefit) for income taxes	11,457	9,162	(44,531)	(20.0)%	(586.0)%
Net income from continuing operations	<u>\$ 22,176</u>	<u>\$ 12,597</u>	<u>\$ 4,046</u>	(43.2)%	(67.9)%

(1) Includes stock compensation expense of \$28,936, \$24,673 and \$25,172 for the years ended December 31, 2018, 2019 and 2020, respectively.

(2) Includes changes in fair value of contingent consideration of \$1,108 for the year ended December 31, 2018.

2020 compared to 2019

Net revenue, Cost of care, Cost of goods sold, and Direct service costs and other operating expenses

Net revenue, cost of care, cost of goods sold, and direct service costs and other operating expense variances are addressed within the segment results that follow.

Depreciation and amortization

Depreciation and amortization expense decreased by 10.9 percent or \$12.0 million from 2019 to 2020, primarily due to asset maturities and office impairments, partially offset by normal asset additions in the current year.

Interest Expense

Interest expense decreased by \$5.0 million from 2019 to 2020 primarily due to lower interest rates and lower debt balances.

Interest and other income

Interest and other income decreased by \$2.8 million from 2019 to 2020 primarily due to a reduction in rates.

Special charges

Special charges increased by \$34.1 million from 2019 to 2020 due to recognition of the special charges in the current year, see Note 10—“Special Charges” for further discussion.

Income taxes

The Company’s effective income tax rate from continuing operations was 42.1 percent in 2019 and 110.0 percent in 2020. These rates differ from the applicable federal statutory income tax rate for each year primarily due to state income taxes, permanent differences between book and tax income, changes to the valuation allowances, and an adjustment for the recognition of a \$38.9 million nonrecurring tax benefit in the current year for tax basis in excess of net book value for certain assets included in the MCC Sale. The Company also accrues interest and penalties related to uncertain tax positions in its provision for income taxes. The significant effective income tax rate for 2020 is primarily due to the adjustment for the nonrecurring tax benefit related to the MCC Sale realized in the current year, relative to the pre-tax loss for the period.

The statutes of limitations regarding the assessment of federal and most state and local income taxes for 2016 expired during 2020. As a result, \$1.8 million of tax contingency reserves recorded as of December 31, 2019 were reversed in 2020, of which \$1.4 million was reflected as a reduction to income tax expense from continuing operations and \$0.4 million as a decrease to deferred tax assets. Additionally, \$0.1 million of accrued interest was reversed in 2020 and reflected as a reduction to income tax expense from continuing operations due to the closing of statutes of limitations on tax assessments.

The statutes of limitations regarding the assessment of federal and most state and local income taxes for 2015 expired during 2019. As a result, \$3.2 million of tax contingency reserves recorded as of December 31, 2018 were reversed in 2019, of which \$2.5 million was reflected as a reduction to income tax expense from continuing operations and \$0.7 million as a decrease to deferred tax assets. Additionally, \$0.3 million of accrued interest was reversed in 2019 and reflected as a reduction to income tax expense from continuing operations due to the closing of statutes of limitations on tax assessments.

2019 compared to 2018

Net revenue, Cost of care, Cost of goods sold, and Direct service costs and other operating expenses

Net revenue, cost of care, cost of goods sold, and direct service costs and other operating expense variances are addressed within the segment results that follow.

Depreciation and amortization

Depreciation and amortization expense decreased by 1.7 percent or \$1.9 million from 2018 to 2019, primarily due to asset maturation after 2018.

Interest Expense

Interest expense increased by \$0.7 million from 2018 to 2019 mainly due to higher interest rates.

Interest and other income

Interest and other income increased by \$2.0 million from 2018 to 2019 primarily due to higher yields.

Income taxes

The Company’s effective income tax rate from continuing operations was 34.1 percent in 2018 and 42.1 percent

in 2019. These rates differ from the applicable federal statutory income tax rate for each year primarily due to state income taxes, permanent differences between book and tax income, and changes to the valuation allowances. The Company also accrues interest and penalties related to uncertain tax positions in its provision for income taxes. The effective income tax rate for 2019 was higher than 2018, primarily due to an increased relative impact in 2019 of the permanent differences for executive compensation as a result of reduced earnings in continuing operations.

The statutes of limitations regarding the assessment of federal and most state and local income taxes for 2015 expired during 2019. As a result, \$3.2 million of tax contingency reserves recorded as of December 31, 2018 were reversed in 2019, of which \$2.5 million was reflected as a reduction to income tax expense from continuing operations and \$0.7 million as a decrease to deferred tax assets. Additionally, \$0.3 million of accrued interest was reversed in 2019 and reflected as a reduction to income tax expense from continuing operations due to the closing of statutes of limitations on tax assessments.

The statutes of limitations regarding the assessment of federal and most state and local income taxes for 2014 expired during 2018. As a result, \$2.9 million of tax contingency reserves recorded as of December 31, 2017 were reversed in 2018, of which \$2.3 million was reflected as a reduction to income tax expense from continuing operations and \$0.6 million as a decrease to deferred tax assets. Additionally, \$0.2 million of accrued interest was reversed in 2018 and reflected as a reduction to income tax expense from continuing operations due to the closing of statutes of limitations on tax assessments.

Segment Results

The Company manages and measures operational performance through three segments: Healthcare, Pharmacy Management and Corporate. The Company evaluates performance of its segments based on Segment Profit. Management uses Segment Profit information for internal reporting and control purposes and considers it important in making decisions regarding the allocation of capital and other resources, risk assessment and employee compensation, among other matters. Stock compensation expense and changes in fair value of contingent consideration recorded in relation to acquisitions are included in direct service costs and other operating expenses; however, these amounts are excluded from the computation of Segment Profit.

Healthcare

The Healthcare segment includes the Company's: (i) management of behavioral healthcare services and EAP services and (ii) management of other specialty areas including diagnostic imaging and musculoskeletal management. The Healthcare segment provides management services to health plans, accountable care organizations, employers, state Medicaid agencies, the United States military and various federal government agencies for whom Magellan provides carve-out management services for behavioral health, employee assistance plans, and other areas of specialty healthcare including diagnostic imaging, musculoskeletal management, cardiac, and physical medicine.

The following table summarizes, for the periods indicated, operating results for the Healthcare segment (in thousands):

Healthcare Segment Results	December 31,			Change	Change
	2018	2019	2020	'18 vs '19	'19 vs '20
Risk-based, non-EAP	\$ 1,511,532	\$ 1,504,472	\$ 1,399,532	(0.5)%	(7.0)%
EAP risk-based	349,751	339,377	315,306	(3.0)%	(7.1)%
ASO	249,473	238,239	245,031	(4.5)%	2.9%
Managed care and other revenue	2,110,756	2,082,088	1,959,869	(1.4)%	(5.9)%
Cost of care	1,554,691	1,543,524	1,397,855	(0.7)%	(9.4)%
	556,065	538,564	562,014	(3.1)%	4.4%
Direct service costs and other	401,083	402,006	433,723	0.2%	7.9%
	154,982	136,558	128,291	(11.9)%	(6.1)%
Stock compensation expense	6,446	7,639	6,876	18.5%	(10.0)%
Changes in fair value of contingent consideration	1,108	—	—		
Segment Profit	\$ 162,536	\$ 144,197	\$ 135,167	(11.3)%	(6.3)%
Direct service cost as % of revenue	19.0%	19.3%	22.1%		
MLR Behavioral & Specialty Health risk	87.0%	87.2%	84.2%		
MLR Behavioral & Specialty Health EAP risk	68.4%	68.3%	69.5%		
Membership					
Risk (1)	12,321	11,517	10,141		
EAP risk	15,189	14,710	14,036		
ASO	26,655	28,394	25,828		

- (1) May include some duplicate count of membership for customers that contract with Magellan for both behavioral and other specialty management services.

2020 compared to 2019

Managed Care and Other Revenue

Net revenue related to Healthcare decreased by 5.9 percent or \$122.2 million from 2019 to 2020. The decrease in revenue is primarily due to terminated contracts of \$152.1 million, program changes of \$40.5 million, revenue impact of favorable prior period medical claims development recorded in 2020 of \$5.0 million, and customer settlements in 2019 of \$4.3 million. These decreases were partially offset by new contracts implemented during (or after) 2019 of \$50.2 million, net revenue recorded for health insurance fees (“HIF”) in 2020 of \$15.8 million, higher membership and favorable rate changes of \$6.0 million, revenue for Bayless acquired December 21, 2020 of \$1.1 million, and net favorable variances of \$6.6 million.

Cost of Care

Cost of care decreased by 9.4 percent or \$145.7 million from 2019 to 2020. The decrease in cost of care is primarily due to terminated contracts of \$105.0 million, program changes of \$36.9 million, increased membership and higher care from existing customers of \$10.8 million, favorable prior period medical claims development recorded in 2020 of \$5.7 million and other net favorable variances of \$17.6 million. These decreases were partially offset by new contracts implemented after (or during) 2019 of \$24.6 million and favorable prior period medical claims development recorded in 2019 of \$5.7 million. For our behavioral and specialty health contracts, cost of care as a percentage of risk revenue (excluding EAP business) decreased from 87.2 percent in 2019 to 84.2 percent in 2020 mainly due to business mix.

Direct Service Costs

Direct service costs increased by 7.9 percent or \$31.7 million from 2019 to 2020 primarily due to costs related

to HIF fees in 2020 and increased discretionary benefits. Direct service costs increased as a percentage of revenue from 19.3 percent in 2019 to 22.1 percent in 2020, primarily due to the previously discussed revenue decreases as well as increased discretionary benefits and HIF fees in the current year.

2019 compared to 2018

Managed Care and Other Revenue

Net revenue related to Healthcare decreased by 1.4 percent or \$28.7 million from 2018 to 2019. The decrease in revenue is primarily due to terminated contracts of \$119.5 million, net revenue recorded for HIF fees in 2018 of \$13.3 million and lower membership and unfavorable rate changes of \$3.3 million. These decreases were partially offset by program changes of \$74.1 million, new contracts implemented during (or after) 2018 of \$21.1 million, customer settlements in 2019 of \$4.3 million, net unfavorable retroactive revenue adjustments in 2018 of \$3.2 million and other net favorable variances of \$4.7 million. Retroactive revenue adjustments include the net retroactive impact for matters primarily related to membership, rates and the revenue impact of prior period medical claims development.

Cost of Care

Cost of care decreased by 0.7 percent or \$11.2 million from 2018 to 2019. The decrease in cost of care is primarily due to terminated contracts of \$85.3 million, decreased membership and lower care from existing customers of \$21.0 million and favorable prior period medical claims development recorded in 2019 of \$5.7 million. These decreases were partially offset by program changes of \$63.5 million, new contracts implemented after (or during) 2018 of \$4.4 million, net favorable prior period medical claims development recorded in 2018 of \$0.9 million and care trends and other net favorable variances of \$32.0 million. For our behavioral and specialty health contracts, cost of care as a percentage of risk revenue (excluding EAP business) increased slightly from 87.0 percent in 2018 to 87.2 percent in 2019.

Direct Service Costs

Direct service costs increased by 0.2 percent or \$0.9 million from 2018 to 2019 primarily due to discretionary benefits and new business growth, partially offset by costs related to HIF fees in 2018 and terminated contracts. Direct service costs remained consistent as a percentage of revenue with 19.0 percent in 2018 and 19.3 percent in 2019.

Pharmacy Management

The Pharmacy Management segment comprises products and solutions that provide clinical and financial management of pharmaceuticals paid under medical and pharmacy benefit programs. Pharmacy Management's services include: (i) PBM services; (ii) PBA for state Medicaid and other government sponsored programs; (iii) pharmaceutical dispensing operations; (iv) clinical and formulary management programs; (v) medical pharmacy management programs; and (vi) programs for the integrated management of specialty drugs. Pharmacy Management's services are provided under contracts with health plans, employers, state Medicaid programs, Medicare Part D and other government agencies.

The following table summarizes, for the periods indicated, operating results for the Pharmacy Management segment (in thousands, except state count):

Pharmacy Segment Results	December 31,			Change	Change
	2018	2019	2020	'18 vs '19	'19 vs '20
Formulary management	\$ 70,900	\$ 84,567	\$ 104,891	19.3%	24.0%
PBA and other	169,527	180,872	185,964	6.7%	2.8%
Managed care and other revenue	240,427	265,439	290,855	10.4%	9.6%
PBM, including dispensing	2,183,151	1,949,225	2,103,702	(10.7)%	7.9%
Medicare Part D	442,266	287,604	243,744	(35.0)%	(15.3)%
PBM revenue	2,625,417	2,236,829	2,347,446	(14.8)%	4.9%
Total net revenue	2,865,844	2,502,268	2,638,301	(12.7)%	5.4%
Cost of goods sold	2,468,170	2,076,509	2,199,674	(15.9)%	5.9%
	397,674	425,759	438,627	7.1%	3.0%
Direct service costs and other	298,713	323,162	360,970	8.2%	11.7%
	98,961	102,597	77,657	3.7%	(24.3)%
Stock compensation expense	5,458	7,834	7,723	43.5%	(1.4)%
Segment Profit	\$ 104,419	\$ 110,431	\$ 85,380	5.8%	(22.7)%
Direct service cost as % of revenue	10.4%	12.9%	13.7%		
COGS as % of PBM revenue	94.0%	92.8%	93.7%		
Pharmacy Operational Statistics					
Adjusted commercial network claims	31,321	27,996	27,979		
Adjusted PBA claims	70,429	78,799	53,263		
Total adjusted claims	101,750	106,795	81,242		
Generic dispensing rate	87.4%	86.6%	88.5%		
Commercial PBM covered lives	1,986	1,663	1,895		
Medical pharmacy covered lives	13,910	13,988	15,772		
Total states and DC that participate in PBA	27	27	26		

2020 compared to 2019

Managed Care and Other Revenue

Managed care and other revenue related to Pharmacy Management increased by 9.6 percent or \$25.4 million from 2019 to 2020. This increase is primarily due to increased formulary management revenue of \$19.0 million mainly due to utilization, increased medical pharmacy management revenue of \$10.7 million due to increased membership, increased government pharmacy revenue of \$7.7 million mainly due to favorable settlements, and other net favorable variances of \$5.5 million. These increases were partially offset by terminated contracts of \$17.5 million.

PBM and Dispensing Revenue

PBM and dispensing revenue related to Pharmacy Management increased by 4.9 percent or \$110.6 million from

2019 to 2020. This increase is primarily due to new contracts implemented after (or during 2019) of \$75.2 million and increased membership and utilization of \$46.1 million. These increases were partially offset by other unfavorable variances of \$10.7 million.

Cost of Goods Sold

Cost of goods sold increased by 5.9 percent or \$123.2 million from 2019 to 2020. This increase is primarily due to an increase in new contracts implemented after (or during) 2019 of \$74.3 million, membership and utilization of \$42.9 million, and other unfavorable variances of \$6.0 million. As a percentage of the portion of net revenue that relates to PBM, cost of goods sold increased from 92.8 percent in 2019 to 93.7 percent in 2020, mainly due to higher utilization and business mix.

Direct Service Costs

Direct service costs increased by 11.7 percent or \$37.8 million from 2019 to 2020. The increase is primarily due to start-up costs associated with new contract implementation costs and discretionary benefits. Direct service costs increased as a percentage of revenue from 12.9 percent in 2019 to 13.7 percent in 2020 due to higher contract implementation costs and discretionary benefits.

2019 compared to 2018

Managed Care and Other Revenue

Managed care and other revenue related to Pharmacy Management increased by 10.4 percent or \$25.0 million from 2018 to 2019. This increase is primarily due to increased formulary management revenue of \$13.7 million mainly due to utilization, higher revenue in government pharmacy of \$5.6 million mainly due to increased membership, increased medical pharmacy revenue of \$4.7 million mainly due to favorable settlements, and other net favorable variances of \$1.0 million.

PBM and Dispensing Revenue

PBM and dispensing revenue related to Pharmacy Management decreased by 14.8 percent or \$388.6 million from 2018 to 2019. This decrease is primarily due to terminated contracts of \$325.8 million and decreased membership and utilization of \$154.6 million, mainly due to a reduction in the Part D footprint. These decreases were partially offset by new contracts implemented after (or during 2018) of \$83.8 million, customer guarantee penalties in 2018 of \$3.3 million and other favorable variances of \$4.7 million.

Cost of Goods Sold

Cost of goods sold decreased by 15.9 percent or \$391.7 million from 2018 to 2019. This decrease is primarily due to terminated contracts of \$320.8 million, decreased membership and utilization of \$139.9 million and other favorable variances of \$10.7 million. These decreases were partially offset by new contracts implemented after (or during) 2018 of \$79.7 million. As a percentage of the portion of net revenue that relates to PBM, cost of goods sold decreased from 94.0 percent in 2018 to 92.8 percent in 2019, mainly due to business mix.

Direct Service Costs

Direct service costs increased by 8.2 percent or \$24.4 million from 2018 to 2019. The increase is primarily due to an increase in discretionary benefits, an increase in stock compensation expense and new business growth. Direct service costs increased as a percentage of revenue from 10.4 percent in 2018 to 12.9 percent in 2019 due to higher discretionary benefits.

Corporate Segment

The Corporate segment of the Company is comprised primarily of amounts not allocated to the Healthcare and Pharmacy Management segments that are largely associated with costs related to being a publicly traded company.

The following table summarizes, for the periods indicated, operating results for the Corporate segment (in thousands):

Corporate Segment & Eliminations	December 31,			Change	Change
	2018	2019	2020	'18 vs '19	'19 vs '20
Managed care and other revenue	\$ (607)	\$ (592)	\$ (703)	(2.5)%	18.8%
PBM revenue	(18,471)	(18,151)	(19,936)	(1.7)%	9.8%
Cost of goods sold	15,467	17,224	18,957	11.4%	10.1%
	(3,611)	(1,519)	(1,682)	(57.9)%	10.7%
Direct service costs and other	74,119	76,499	85,475	3.2%	11.7%
	(77,730)	(78,018)	(87,157)	0.4%	11.7%
Stock compensation expense	17,032	9,200	10,573	(46.0)%	14.9%
Segment Loss	<u>\$ (60,698)</u>	<u>\$ (68,818)</u>	<u>\$ (76,584)</u>	13.4%	11.3%

2020 compared to 2019

Net expenses related to Corporate, which includes eliminations, increased 11.3 percent or \$7.8 million, primarily due to higher discretionary benefits in 2020. As a percentage of revenue, corporate and elimination increased from 1.5 percent in 2019 and 1.7 percent in 2020, mainly due to higher discretionary benefits.

2019 compared to 2018

Net expenses related to Corporate, which includes eliminations, increased 13.4 percent or \$8.1 million, primarily due to higher discretionary benefits in 2019. As a percentage of revenue, corporate and elimination increased from 1.2 percent in 2018 to 1.5 percent in 2019, mainly due to decreased revenue and higher discretionary benefits.

Inter segment revenues and expenses

Healthcare subcontracts with Pharmacy Management to provide pharmacy benefits management services for certain of Healthcare's customers. In addition, Pharmacy Management provides pharmacy benefits management for the Company's employees covered under its medical plan. As such, revenue, cost of goods sold and direct service costs and other related to these arrangements are eliminated within the Corporate segment.

Non-GAAP Measures

The Company reports its financial results in accordance with GAAP, however the Company's management also assesses business performance and makes business decisions regarding the Company's operations using certain non-GAAP measures.

In addition to Segment Profit, as defined above, the Company also uses adjusted net income from continuing operations ("Adjusted Net Income from Continuing Operations") and adjusted net income from continuing operations per common share on a diluted basis ("Adjusted EPS"). Adjusted Net Income from Continuing Operations and Adjusted EPS reflect certain adjustments made for acquisitions completed after January 1, 2013 to exclude non-cash stock compensation expense resulting from restricted stock purchases by sellers, changes in the fair value of contingent consideration, amortization of identified acquisition intangibles, as well as impairment of identified acquisition intangibles, special charges and any impact related to the sale of MCC. The Company believes these non-GAAP measures provide a more useful comparison of the Company's underlying business performance from period to period and are more representative of the earnings capacity of the Company. Non-GAAP financial measures disclosed, such as

Segment Profit, Adjusted Net Income from Continuing Operations and Adjusted EPS, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

The following table reconciles income before income taxes to Segment Profit for the years ended December 31, 2018, 2019 and 2020 (in thousands):

	2018	2019	2020
Income (loss) from continuing operations before income taxes	\$ 33,633	\$ 21,759	\$ (40,485)
Stock compensation expense	28,936	24,673	25,172
Changes in fair value of contingent consideration	1,108	—	—
Depreciation and amortization	112,284	110,367	98,387
Interest expense	35,180	35,868	30,865
Interest and other income	(4,884)	(6,857)	(4,054)
Special charges	—	—	34,078
Segment Profit from continuing operations	<u>\$ 206,257</u>	<u>\$ 185,810</u>	<u>\$ 143,963</u>

The following table reconciles net income attributable to Magellan to Adjusted Net Income for the years ended December 31, 2018, 2019 and 2020:

	2018	2019	2020
Net income from continuing operations	\$ 22,176	\$ 12,597	\$ 4,046
Adjustments			
Stock compensation expense	530	—	—
Changes in fair value of contingent consideration	1,108	—	—
Amortization of acquired intangibles	31,239	33,002	39,793
Special charges	—	—	34,078
Tax impact	(9,051)	(8,874)	(19,465)
Nonrecurring tax benefit - divestiture	—	—	(38,859)
Adjusted Net Income from continuing operations	<u>\$ 46,002</u>	<u>\$ 36,725</u>	<u>\$ 19,593</u>

The following table reconciles net income per common share attributable to Magellan—diluted to Adjusted EPS for the years ended December 31, 2018, 2019 and 2020:

	2018	2019	2020
Net income from continuing operations per common share—diluted	\$ 0.89	\$ 0.51	\$ 0.16
Adjustments			
Stock compensation expense	0.02	—	—
Changes in fair value of contingent consideration	0.04	—	—
Amortization of acquired intangibles	1.25	1.34	1.56
Special charges	—	—	1.33
Tax impact	(0.36)	(0.36)	(0.76)
Nonrecurring tax benefit - divestiture	—	—	(1.52)
Adjusted EPS from continuing operations	<u>\$ 1.84</u>	<u>\$ 1.49</u>	<u>\$ 0.77</u>

Outlook—Results of Operations

The Company's Segment Profit and net income are subject to significant fluctuations from period to period. These fluctuations may result from a variety of factors such as those set forth under Item 1A—"Risk Factors" as well as a variety of other factors including: (i) changes in utilization levels by enrolled members of the Company's risk-based contracts, including seasonal utilization patterns; (ii) contractual adjustments and settlements; (iii) retrospective membership adjustments; (iv) timing of implementation of new contracts, enrollment changes and contract terminations; (v) pricing adjustments upon contract renewals (and price competition in general); (vi) the timing of acquisitions;

(vii) changes in estimates regarding medical costs and IBNR; (viii) the timing of recognition of pharmacy revenues, including rebates and Medicare Part D; and (ix) changes in the estimates of contingent consideration.

A portion of the Company's business is subject to rising care costs due to an increase in the number and frequency of covered members seeking healthcare services and higher costs of such services. Many of these factors are beyond the Company's control. Future results of operations will be heavily dependent on management's ability to obtain customer rate increases that are consistent with care cost increases and/or to reduce operating expenses.

Interest Rate Risk. Changes in interest rates affect interest income earned on the Company's cash equivalents and investments, as well as interest expense on variable interest rate borrowings under the 2017 Credit Agreement. In addition, interest rates on the Notes are subject to adjustment upon the occurrence of certain credit rating events. Based on the amount of cash equivalents and investments and the borrowing levels under the 2017 Credit Agreement and the principal amount of the Notes as of December 31, 2020, a hypothetical 10 percent increase or decrease in the interest rate associated with these instruments, with all other variables held constant, would not materially affect the Company's future earnings and cash outflows.

Historical—Liquidity and Capital Resources

2020 compared to 2019

Operating Activities. The Company reported net cash provided by operating activities of \$115.8 million and \$450.8 million for 2019 and 2020, respectively. The \$335.0 million increase in operating cash flows from 2019 is mainly attributable to higher segment profit and favorable working capital changes, partially offset by increased tax payments and lower interest income collected.

The net favorable impact of working capital changes between periods totaled \$306.6 million. For 2019, operating cash flows were impacted by net unfavorable working capital changes of \$117.7 million, mainly attributable to the timing of receivable and payables. For 2020, operating cash flows were impacted by net favorable working capital changes of \$188.9 million, mainly attributable to the timing of receivables and payables.

Segment Profit for 2020, inclusive of Segment Profit from MCC, increased \$77.0 million from 2019.

Investing Activities. The Company utilized \$60.4 million and \$75.5 million during 2019 and 2020, respectively, for capital expenditures. The additions related to hard assets (equipment, furniture, and leaseholds) and capitalized software for 2019 were \$15.8 million and \$44.6 million, respectively, as compared to additions for 2020 related to hard assets and capitalized software of \$20.1 million and \$55.4 million, respectively.

During 2019 the Company received \$41.6 million for the net maturity of "available-for-sale" securities. During 2020 the Company used \$158.8 million for the net purchase of "available-for-sale" securities. During 2020, the Company received net cash of \$1,013.8 million in relation to the sale of MCC and used net cash of \$79.8 million for the acquisition of Bayless and \$20.8 million for investments in other non-consolidated investees.

Financing Activities. During 2019, the Company paid \$59.8 million on debt obligations, \$6.2 million for payments on contingent consideration, \$4.1 million for the repurchase of treasury stock under the Company's share repurchase program and \$7.7 million on finance lease obligations. In addition, the Company received \$32.7 million from the exercise of stock options and had other net favorable items of \$1.8 million.

During 2020, the Company received \$80.0 million from the issuance of debt, \$64.2 million from the exercise of stock options and had other net favorable items of \$0.6 million. In addition, the Company paid \$126.4 million on debt obligations and \$5.2 million on finance lease obligations.

2019 compared to 2018

Operating Activities. The Company reported net cash provided by operating activities of \$164.8 million and \$115.8 million for 2018 and 2019, respectively. The \$49.0 million decrease in operating cash flows from 2018 is mainly attributable to unfavorable working capital changes, partially offset by lower tax payments and higher segment profit.

The net unfavorable impact of working capital changes between periods totaled \$114.7 million. For 2018, operating cash flows were impacted by net unfavorable working capital changes of \$3.0 million, mainly attributable to an increase in accounts receivables partially offset by an increase in payables. For 2019, operating cash flows were impacted by net unfavorable working capital changes of \$117.7 million, mainly attributable to the timing of receivables and payables.

Tax payments for 2019 decreased \$35.4 million from 2018. Interest payments for 2019 decreased \$4.3 million from 2018. Segment Profit for 2019 increased \$24.7 million from 2018.

Investing Activities. The Company utilized \$68.3 million and \$60.4 million during 2018 and 2019, respectively, for capital expenditures. The additions related to hard assets (equipment, furniture and leaseholds) and capitalized software for 2018 were \$26.3 million and \$42.0 million, respectively, as compared to additions for 2019 related to hard assets and capitalized software of \$15.8 million and \$44.6 million, respectively.

During 2018 the Company used \$59.2 million for the net purchase of "available-for-sale" securities. During 2019 the Company received \$41.6 million for the net maturity of "available-for-sale" securities.

Financing Activities. During 2018, the Company paid \$110.0 million on debt obligations, \$62.6 million for the repurchase of treasury stock under the Company's share repurchase program, \$12.2 million on finance lease obligations and had other net unfavorable items of \$1.0 million. In addition, the Company received \$23.1 million from the exercise of stock options.

During 2019, the Company paid \$59.8 million on debt obligations, \$6.2 million for payments on contingent consideration, \$4.1 million for the repurchase of treasury stock under the Company's share repurchase program and \$7.7 million on finance lease obligations. In addition, the Company received \$32.7 million from the exercise of stock options and had other net favorable items of \$1.8 million.

Outlook—Liquidity and Capital Resources

Liquidity. The Company may draw on the 2017 Credit Agreement as required to meet working capital needs associated with the timing of receivables and payables, fund share repurchases or support acquisition activities. The Company currently expects to have adequate liquidity to satisfy its existing financial commitments over the periods in which they will become due. The Company plans to maintain its current investment strategy of investing in a diversified, high quality, liquid portfolio of investments and continues to closely monitor the financial markets. The Company estimates that it has no risk of any material permanent loss on its investment portfolio; however, there can be no assurance the Company will not experience any such losses in the future.

Contractual Obligations and Commitments

The following table sets forth the future financial commitments of the Company as of December 31, 2020 (in thousands):

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Senior Notes	\$ 360,000	\$ —	\$ —	\$ 360,000	\$ —
Term loan	263,125	—	263,125	—	—
Operating leases(1)	39,449	14,471	16,375	7,930	673
Letters of credit(2)	32,062	—	—	—	—
Finance lease and deferred financing obligations(3)	17,776	5,064	8,857	3,855	—
Purchase commitments(4)	1,333	1,333	—	—	—
Income tax contingencies(5)	10,444	—	—	—	—
	<u>\$ 724,189</u>	<u>\$ 20,868</u>	<u>\$ 288,357</u>	<u>\$ 371,785</u>	<u>\$ 673</u>

- (1) Operating lease obligations include estimated future lease payments for both open and closed offices.
- (2) These letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions.
- (3) Finance lease and deferred financing obligations include imputed interest of \$1.3 million and are net of leasehold improvement allowances.
- (4) Purchase commitments include open purchase orders as of December 31, 2020 relating to ongoing capital expenditure and operational activities.
- (5) The Company is unable to make a reasonably reliable estimate of the period of the cash settlement (if any) with the respective taxing authorities for these contingencies. However, settlement of such amounts could require the utilization of working capital. See further discussion in Note 7—"Income Taxes" to the consolidated financial statements set forth elsewhere herein.

The Company also has a variety of other contractual agreements related to acquiring materials and services used in the Company's operations. However, the Company does not believe these other agreements contain material noncancelable commitments.

Stock Repurchases

The Company's board of directors has previously authorized a series of stock repurchase plans. Stock repurchases for each such plan could be executed through open market repurchases, privately negotiated transactions, accelerated share repurchases or other means. The board of directors authorized management to execute stock repurchase transactions from time to time and in such amounts and via such methods as management deemed appropriate. Each stock repurchase program could be limited or terminated at any time without prior notice. See Note 6—"Stockholders' Equity" to the consolidated financial statements for more information on the Company's share repurchase program.

Off-Balance Sheet Arrangements

As of December 31, 2020, the Company has no material off-balance sheet arrangements.

Senior Notes

On September 22, 2017, the Company completed the public offering of \$400.0 million aggregate principal amount of its 4.400% Senior Notes due 2024 (the "Notes"). The Notes are governed by an indenture dated as of September 22, 2017 (the "Base Indenture"), between the Company, as issuer, and U.S. Bank National Association, as trustee, and is supplemented by a first supplemental indenture dated as of September 22, 2017 (the "First Supplemental Indenture" together, with the Base Indenture, the "Indenture"), between the Company, as issuer, and U.S. Bank National

Association, as trustee. During the years ended December 31, 2019 and 2020, the Company purchased and subsequently retired \$11.1 million and \$28.9 million of its Notes, respectively, which resulted in a loss on retirement of \$0.3 million and \$0.7 million, respectively, that is included in interest expense. The Notes were issued at a discount and had a carrying value of \$388.4 million and \$359.6 million as of December 31, 2019 and 2020, respectively.

For more information on the Company's Senior Notes see Note 5—"Long-Term Debt, Finance Lease and Deferred Financing Obligations" to the consolidated financial statements set forth elsewhere herein.

Credit Agreements

On September 22, 2017, the Company entered into the 2017 Credit Agreement with various lenders that provides for a \$400.0 million senior unsecured revolving credit facility and a \$350.0 million senior unsecured term loan facility to the Company, as the borrower. On August 13, 2018, the Company entered into an amendment to the 2017 Credit Agreement, which extended the maturity date by one year. On February 27, 2019, the Company entered into a second amendment to the 2017 Credit Agreement, which amended the total leverage ratio covenant, and which was necessary in order for us to remain in compliance with the terms of the 2017 Credit Agreement. The 2017 Credit Agreement is scheduled to mature on September 22, 2023.

For more information on the Company's Credit Agreements see Note 5—"Long-Term Debt, Finance Lease and Deferred Financing Obligations" to the consolidated financial statements set forth elsewhere herein.

Restrictive Covenants in Debt Agreements

The 2017 Credit Agreement contains covenants that limit management's discretion in operating the Company's business by restricting or limiting the Company's ability, among other things, to:

- incur or guarantee additional indebtedness or issue preferred or redeemable stock;
- pay dividends and make other distributions;
- repurchase equity interests;
- make certain advances, investments and loans;
- enter into sale and leaseback transactions;
- create liens;
- sell and otherwise dispose of assets;
- acquire, merge or consolidate with another company; and
- enter into some types of transactions with affiliates.

These restrictions could adversely affect the Company's ability to finance future operations or capital needs or engage in other business activities that may be in the Company's interest.

The 2017 Credit Agreement also requires the Company to comply with specified financial ratios and tests. Failure to do so, unless waived by the lenders under the 2017 Credit Agreement, pursuant to its terms, or amended, would result in an event of default under the 2017 Credit Agreement. As of December 31, 2020, the Company was in compliance with all covenants, including financial covenants, under the 2017 Credit Agreement.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and

liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers the following to be its critical accounting policies and estimates:

Cost of Care, Medical Claims Payable and Other Medical Liabilities

Cost of care is recognized in the period in which members receive managed healthcare services. In addition to actual benefits paid, cost of care in a period also includes the impact of accruals for estimates of medical claims payable. Medical claims payable represents the liability for healthcare claims reported but not yet paid and claims IBNR related to the Company's managed healthcare businesses. Such liabilities are determined by employing actuarial methods that are commonly used by health insurance actuaries and that meet actuarial standards of practice. Cost of care for the Company's EAP contracts, which are mainly with the United States federal government, pertain to the costs to employ licensed behavioral health counselors to deliver non-medical counseling for these contracts.

The IBNR portion of medical claims payable is estimated based on past claims payment experience for member groups, enrollment data, utilization statistics, authorized healthcare services and other factors. This data is incorporated into contract-specific actuarial reserve models and is further analyzed to create "completion factors" that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Factors that affect estimated completion factors include benefit changes, enrollment changes, shifts in product mix, seasonality influences, provider reimbursement changes, changes in claims inventory levels, the speed of claims processing and changes in paid claim levels. Completion factors are applied to claims paid through the financial statement date to estimate the ultimate claim expense incurred for the current period. Actuarial estimates of claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims. For the most recent incurred months (generally the most recent two months), the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factor methodology less reliable for such months. Therefore, incurred claims for any month with a completion factor that is less than 70 percent are generally not projected from historical completion and payment patterns; rather they are projected by estimating claims expense based on recent monthly estimated cost incurred per member per month times membership, taking into account seasonality influences, benefit changes and healthcare trend levels, collectively considered to be "trend factors." For new contracts, the Company estimates IBNR based on underwriting data until it has sufficient data to utilize these methodologies.

Medical claims payable balances are continually monitored and reviewed. If it is determined that the Company's assumptions in estimating such liabilities are significantly different than actual results, the Company's results of operations and financial position could be impacted in future periods. Adjustments of prior period estimates may result in additional cost of care or a reduction of cost of care in the period an adjustment is made. Further, due to the considerable variability of healthcare costs, adjustments to claim liabilities occur each period and are sometimes significant as compared to the net income recorded in that period. Prior period development is recognized immediately upon the actuary's judgment that a portion of the prior period liability is no longer needed or that additional liability should have been accrued. The following table presents the components of the change in medical claims payable for the years ended December 31, 2018, 2019 and 2020 (in thousands):

	2018	2019	2020
Claims payable and IBNR, beginning of period	\$ 126,861	\$ 126,311	\$ 123,276
Cost of care:			
Current year	1,555,491	1,545,024	1,403,555
Prior years(3)	(800)	(1,500)	(5,700)
Total cost of care	1,554,691	1,543,524	1,397,855
Claim payments and transfers to other medical liabilities(1):			
Current year	1,441,621	1,433,214	1,306,519
Prior years	113,620	113,345	107,241
Total claim payments and transfers to other medical liabilities	1,555,241	1,546,559	1,413,760
Claims payable and IBNR, end of period	126,311	123,276	107,371
Withhold payable, end of period(2)	3,418	4,838	4,480
Medical claims payable, end of period	\$ 129,729	\$ 128,114	\$ 111,851

- (1) For any given period, a portion of unpaid medical claims payable could be covered by risk share or reinvestment liabilities (discussed below) and may not impact the Company's results of operations for such periods.
- (2) Medical claims payable is offset by customer withholds from capitation payments in situations in which the customer has the contractual requirement to pay providers for care incurred.
- (3) Favorable development in 2018, 2019 and 2020 was \$0.8 million, \$1.5 million and \$5.7 million, respectively, and was mainly related to lower medical trends and faster claims completion than originally assumed.

Actuarial standards of practice require that the claim liabilities be adequate under moderately adverse circumstances. Adverse circumstances are situations in which the actual claims experience could be higher than the otherwise estimated value of such claims. In many situations, the claims paid amount experienced will be less than the estimate that satisfies the actuarial standards of practice. Any prior period favorable cost of care development related to a lack of moderately adverse conditions is excluded from "Cost of Care—Prior Years" adjustments, as a similar provision for moderately adverse conditions is established for current year cost of care liabilities and therefore does not generally impact net income.

Care trend factors and completion factors can have a significant impact on the medical claims payable liability. The following example provides the estimated impact to the Company's December 31, 2020 unpaid medical claims payable liability assuming hypothetical changes in care trend factors and completion factors:

Care Trend Factor(1)		Completion Factor(2)	
(Decrease) Increase		(Decrease) Increase	
Trend Factor	Medical Claims Payable (in thousands)	Completion Factor	Medical Claims Payable (in thousands)
-4 %	\$ (8,500)	-2 %	\$ (19,500)
-3 %	(6,000)	-1.5 %	(14,500)
-2 %	(4,000)	-1 %	(10,000)
-1 %	(2,000)	-0.5 %	(5,000)
1 %	2,000	0.5 %	5,000
2 %	4,000	1 %	10,000
3 %	6,000	1.5 %	15,000
4 %	8,500	2 %	20,000

Approximately 70 percent of IBNR dollars is based on care trend factors.

- (1) Assumes a change in the care trend factor for any month that a completion factor is not used to estimate incurred claims (which is generally any month that is less than 70 percent complete).
- (2) Assumes a change in the completion factor for any month for which completion factors are used to estimate IBNR (which is generally any month that is 70 percent or more complete).

Due to the existence of risk sharing and reinvestment provisions in certain customer contracts, a change in the estimate for medical claims payable does not necessarily result in an equivalent impact on segment profit.

The Company believes that the amount of medical claims payable is adequate to cover its ultimate liability for unpaid claims as of December 31, 2020; however, actual claims payments may differ from established estimates.

Other medical liabilities consist primarily of amounts payable to pharmacies for claims that have been adjudicated by the Company but not yet paid, “reinvestment” payables under certain managed healthcare contracts with Medicaid customers and “profit share” payables under certain risk-based contracts. Under a contract with reinvestment features, if the cost of care is less than certain minimum amounts specified in the contract (usually as a percentage of revenue), the Company is required to “reinvest” such difference in behavioral healthcare programs when and as specified by the customer or to pay the difference to the customer for their use in funding such programs. Under a contract with profit share provisions, if the cost of care is below certain specified levels, the Company will “share” the cost savings with the customer at the percentages set forth in the contract. In addition, certain contracts include provisions to provide the Company additional funding if the cost of care is above the specified levels.

Goodwill

The Company is required to test its goodwill for impairment on at least an annual basis. The Company has selected October 1 as the date of its annual impairment test. The goodwill impairment test is a two-step process that requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of each reporting unit with goodwill based on various valuation techniques, with the primary technique being a discounted cash flow analysis, which requires the input of various assumptions with respect to revenues, operating margins, growth rates and discount rates. The estimated fair value for each reporting unit is compared to the carrying value of the reporting unit, which includes goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an “implied fair value” of goodwill. The determination of a reporting unit’s “implied fair value” of goodwill requires the Company to allocate the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit. Any unallocated fair value represents the “implied fair value” of goodwill, which is compared to its corresponding carrying value.

Goodwill is tested for impairment at a level referred to as a reporting unit, with the Company’s reporting units with goodwill as of December 31, 2020 comprised of Behavioral & Specialty Health and Pharmacy Management. On December 31, 2020, the Company completed the sale of its MCC reporting unit to Molina.

The fair value of Behavioral & Specialty Health and Pharmacy Management reporting units were determined using a discounted cash flow method. This method involves estimating the present value of estimated future cash flows utilizing a risk adjusted discount rate. Key assumptions for this method include cash flow projections, terminal growth rates and discount rates.

While no units were determined to be impaired at this time, reporting unit goodwill is at risk of future impairment in the event of significant unfavorable changes in the Company’s forecasted future results and cash flows. In addition, market factors utilized in the impairment analysis, including long-term growth rates or discount rates, could negatively impact the fair value of our reporting units. For testing purposes, management’s best estimates of the expected future results are the primary driver in determining the fair value. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill test will prove to be an accurate prediction of the future.

Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) a decrease in expected future cash flows, specifically, a decrease in membership or rates or customer attrition and increase in costs that could significantly impact our immediate and long-range results, unfavorable working capital changes and an inability to successfully achieve our cost savings targets, (ii) adverse changes in macroeconomic conditions or an economic recovery that significantly differs from our assumptions in timing and/or degree (such as a recession); and (iii) volatility in the equity and debt markets or other country specific factors which could result in a higher weighted average cost of capital.

Based on known facts and circumstances, we evaluate and consider recent events and uncertain items, as well as related potential implications, as part of our annual assessment and incorporate into the analyses as appropriate. These facts and circumstances are subject to change and may impact future analyses.

While historical performance and current expectations have resulted in fair values of our reporting units and indefinite-lived intangible assets in excess of carrying values, if our assumptions are not realized, it is possible that an impairment charge may need to be recorded in the future.

Goodwill for each of the Company's reporting units with goodwill at December 31, 2019 and 2020 was as follows (in thousands):

	2019	2020
Behavioral & Specialty Health	\$ 410,869	\$ 478,227
Pharmacy Management	395,552	395,552
Total	<u>\$ 806,421</u>	<u>\$ 873,779</u>

The changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2020 are reflected in the table below (in thousands):

	2019	2020
Balance as of beginning of period	\$ 806,421	\$ 806,421
Acquisition of Bayless	—	67,358
Balance as of end of period	<u>\$ 806,421</u>	<u>\$ 873,779</u>

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Changes in interest rates affect interest income earned on the Company's cash equivalents and investments, as well as interest expense on variable interest rate borrowings under the 2017 Credit Agreement. In addition, interest rates on the Notes are subject to adjustment upon the occurrence of certain credit rating events. Based on the amount of cash equivalents and investments and the borrowing levels under the 2017 Credit Agreement and the principal amount of the Notes as of December 31, 2020, a hypothetical 10 percent increase or decrease in the interest rate associated with these instruments, with all other variables held constant, would not materially affect the Company's future earnings and cash outflows.

Item 8. Financial Statements and Supplementary Data

Information with respect to this item is contained in the Company's consolidated financial statements, including the reports of independent accountants, set forth elsewhere herein and financial statement schedule indicated in the Index on Page F-1 of this Report on Form 10-K, as included herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of December 31, 2020. Based on their evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

In the fourth quarter ended December 31, 2020, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company assessed the effectiveness of internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its statement "Internal Control-Integrated Framework (2013)."

Management's assessment of the effectiveness of internal control over financial reporting excludes the evaluation of the internal controls over reporting of Aurelia (Bayless Operations), which the company acquired a 70% majority interest on December 21, 2020. Aurelia's operations represent 2.4 percent of total and net assets of the Company as of December 31, 2020, and 0.2 percent of revenues of the Company for the year then ended.

Based on this assessment, which excluded assessment of internal control of the acquired Bayless operations, management has concluded that, as of December 31, 2020, internal control over financial reporting is effective based on these criteria.

The Company's independent registered public accounting firm has issued an audit report on the Company's internal control over financial reporting. This report dated February 26, 2021 appears on page 53 of this Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Magellan Health, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Magellan Health, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Magellan Health, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying consolidated balance sheets of Magellan Health, Inc. and subsidiaries as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements") and our report dated February 26, 2021, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitation of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal

controls of Aurelia Health, LLC, which is included in the 2020 consolidated financial statements of Magellan Health, Inc. and subsidiaries and which collectively constituted 2.4% of total and net assets as of December 31, 2020 as well as 0.2% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Aurelia Health, LLC.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland
February 26, 2021

Item 9B. Other Information

None.

PART III

Unless earlier included in an amendment to this Form 10-K, the information required by Items 10 through 14 is incorporated by reference to the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 2020, except for the following information required by Item 10 and Item 12 of this Part III.

The Company will also provide to any person without charge, upon request, copies of its Code of Ethics for Directors, Code of Ethics for Covered Officers, and Corporate Compliance Handbook for all employees (hereinafter referred to as the "Codes of Ethics"). Any such requests should be made in writing to the Investor Relations Department, InvestorRelations@magellanhealth.com. The Company intends to disclose any future amendments to the provisions of the Codes of Ethics and waivers from such Codes of Ethics, if any, made with respect to any of its directors and executive officers, on its internet site.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth certain information as of December 31, 2020 with respect to the Company's compensation plans under which equity securities are authorized for issuance:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
	(a)		
Equity compensation plans approved by security holders	1,752,590 (1)	\$ 75.48 (2)	2,058,875 (3)
Equity compensation plans not approved by security holders	—	—	—
Total	1,752,590 (1)	\$ 75.48 (2)	2,058,875 (3)

(1) Consists of outstanding stock options, unvested restricted stock units and performance-based restricted stock units as of December 31, 2020.

(2) Weighted average exercise price of outstanding stock options as of December 31, 2020.

(3) Consists of shares remaining available for issuance as of December 31, 2020 under the Company's equity compensation plans (pursuant to which the Company may issue stock options, restricted stock awards, stock bonuses, stock purchase rights and other equity incentives), after giving effect to the shares issuable upon the exercise of outstanding options and the shares of restricted stock.

For further discussion, see Note 6—"Stockholders' Equity" to the consolidated financial statements set forth elsewhere herein.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents furnished as part of the Report:

1. Financial Statements

Information with respect to this item is contained on Pages F-1 to F-48 of this Report on Form 10-K.

2. Exhibit Index

Exhibit No.	Description of Exhibit
2.1	Agreement and Plan of Merger, dated July 13, 2017, among Magellan Healthcare, Inc., SWH Holdings, Inc., certain of the stockholders of SWH Holdings, Inc., certain of the vested optionholders of SWH Holdings, Inc., TA Associates Management, L.P. and Silver Merger Sub, Inc., which was filed as Exhibit 2.1 to the Company's quarterly report on Form 10-Q, which was filed on July 28, 2017 and is incorporated herein by reference.
2.2	Stock and Asset Purchase Agreement between Magellan Health, Inc. and Molina Healthcare, Inc., dated April 30, 2020, which was filed as Exhibit 2.1 to the Company's quarter report on Form 10-Q, which was filed on May 11, 2020 and is incorporated herein by reference.
2.3	Agreement and Plan of Merger between Centene Corporation, Mayflower Merger Sub, Inc. and the Company, which was filed as Exhibit 2.1 on Form 8-K, which was filed on January 4, 2021 and is incorporated herein by reference.
3.1	Second Amended and Restated Certificate of Incorporation of the Company, as amended and restated on May 25, 2017, which was filed as Exhibit 3.1 to the Company's current report on Form 8-K, which was filed on May 25, 2017 and is incorporated herein by reference.
3.2	Bylaws of the Company as amended and restated on May 24, 2017, which was filed as Exhibit 3.2 to the Company's current report on Form 8-K, which was filed on May 25, 2017 and is incorporated herein by reference.
3.3	Amendment to the Bylaws of Magellan Health, Inc., which was filed as Exhibit 3.1 on Form 8-K, which was filed on January 4, 2021 and is incorporated herein by reference.
4.1	Base Indenture, dated as of September 22, 2017, between the Company, as issuer, and U.S. Bank National Association, as trustee, which was filed as Exhibit 4.1 to the Company's current report on Form 8-K, which was filed on September 25, 2017.
4.2	First Supplemental Indenture, dated September 22, 2017, between the Company, as issuer, and U.S. Bank National Association, as trustee, which was filed as Exhibit 4.2 to the Company's current report on Form 8-K, which was filed on September 25, 2017.
4.3	Form of Global Note for the 4.400% Senior Notes due 2024 (included as an exhibit to Exhibit 4.2), which was filed as Exhibit 4.3 to the Company's current report on Form 8-K, which was filed on September 25, 2017.
4.4	Description of securities, which was filed as Exhibit 4.4 to the Company's annual report on Form 10-K, which was filed with on February 28, 2020.
*10.1	Amended and Restated Supplemental Accumulation Plan, effective as of January 1, 2005, which was filed as Exhibit 10.1 to the Company's Quarterly report on Form 10-Q for the quarter ended September 30, 2006, which was filed on October 26, 2006 and is incorporated herein by reference.
*10.2	Magellan Health Services, Inc. 2008 Management Incentive Plan, effective as of May 20, 2008, which was filed as Appendix A to the Company's Definitive Proxy Statement, which was filed on April 11, 2008 and is incorporated herein by reference.
*10.3	Employment Agreement, dated August 11, 2008 between the Company and Jonathan Rubin, Chief Financial Officer, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on August 13, 2008 and is incorporated herein by reference.

Exhibit No.	Description of Exhibit
*10.4	<u>Amendment to Employment Agreement, dated December 1, 2008, between the Company and Daniel N. Gregoire, Executive Vice President, General Counsel and Secretary which was filed as Exhibit 10.58 to the Company's Annual Report on Form 10-K, which was filed on February 27, 2009 and is incorporated herein by reference.</u>
*10.5	<u>Form of Stock Option Agreement, relating to options granted under the Company's 2008 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 10, 2009 and is incorporated herein by reference.</u>
*10.6	<u>Form of Notice of March 2008 Stock Option Grant, relating to options granted under the Company's 2008 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 10, 2009 and is incorporated herein by reference.</u>
*10.7	<u>Form of Stock Option Agreement, relating to options granted under the Company's 2008 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 5, 2010 and is incorporated herein by reference.</u>
*10.8	<u>Form of Notice of March 2008 Stock Option Grant, relating to options granted under the Company's 2008 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 5, 2010 and is incorporated herein by reference.</u>
*10.9	<u>Form of Stock Option Agreement, relating to options granted under the Company's 2008 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 8, 2011 and is incorporated herein by reference.</u>
*10.10	<u>Form of Notice of Stock Option Grant, relating to options granted under the Company's 2008 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 8, 2011 and is incorporated herein by reference.</u>
*10.11	<u>Magellan Health Services, Inc. 2011 Management Incentive Plan, effective as of May 18, 2011, which was filed as Appendix A to the Company's Definitive Proxy Statement, which was filed on April 8, 2011 and is incorporated herein by reference.</u>
*10.12	<u>Form of Stock Option Agreement, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 7, 2012 and is incorporated herein by reference.</u>
*10.13	<u>Form of Notice of Stock Option Grant, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 7, 2012 and is incorporated herein by reference.</u>
*10.14	<u>Employment Agreement dated December 10, 2012 between the Company and Barry M. Smith, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on December 12, 2012 and is incorporated herein by reference.</u>
*10.15	<u>Form of Stock Option Agreement, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on February 7, 2013 and is incorporated herein by reference.</u>
*10.16	<u>Form of Notice of Stock Option Grant, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on February 7, 2013 and is incorporated herein by reference.</u>
*10.17	<u>Form of Restricted Stock Unit Agreement, relating to restricted stock units granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.3 to the Company's current report on Form 8-K, which was filed on February 7, 2013 and is incorporated herein by reference.</u>
*10.18	<u>Form of Notice of Restricted Stock Unit Award, relating to restricted stock units granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.4 to the Company's current report on Form 8-K, which was filed on February 7, 2013 and is incorporated herein by reference.</u>
*10.19	<u>Form of Stock Option Agreement, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 8, 2013 and is incorporated herein by reference.</u>
*10.20	<u>Form of Notice of Stock Option Grant, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 8, 2013 and is incorporated herein by reference.</u>

Exhibit No.	Description of Exhibit
*10.21	Form of Restricted Stock Unit Agreement, relating to restricted stock units granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.3 to the Company's current report on Form 8 K, which was filed on March 8, 2013 and is incorporated herein by reference.
*10.22	Form of Notice of Restricted Stock Unit Award, relating to restricted stock units granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.4 to the Company's current report on Form 8 K, which was filed on March 8, 2013 and is incorporated herein by reference.
*10.23	Form of Stock Option Agreement, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 7, 2014 and is incorporated herein by reference.
*10.24	Form of Notice of Stock Option Grant, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 7, 2014 and is incorporated herein by reference.
*10.25	Amendment to Employment Agreement, dated April 28, 2014, between the Company and Jonathan N. Rubin, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on April 29, 2014 and is incorporated herein by reference.
*10.26	Form of Stock Option Agreement, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 9, 2015 and is incorporated herein by reference.
*10.27	Form of Notice of Stock Option Grant, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 9, 2015 and is incorporated herein by reference.
*10.28	Amendment to Employment Agreement, dated April 28, 2015, between the Company and Jonathan N. Rubin, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on April 29, 2015 and is incorporated herein by reference.
*10.29	Amendment to Employment Agreement, dated October 26, 2015 between the Company and Jonathan N. Rubin, which was filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q, which was filed on October 27, 2015 and is incorporated herein by reference.
*10.30	Form of Stock Option Agreement, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 7, 2016 and is incorporated herein by reference.
*10.31	Form of Notice of Stock Option Grant, relating to options granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 7, 2016 and is incorporated herein by reference.
*10.32	Form of Performance-Based Restricted Stock Unit Agreement, relating to performance-based restricted stock units granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.3 to the Company's current report on Form 8-K, which was filed on March 7, 2016 and is incorporated herein by reference.
*10.33	Form of Notice of Performance-Based Restricted Stock Unit Award, relating to performance-based restricted stock units granted under the Company's 2011 Management Incentive Plan, which was filed as Exhibit 10.4 to the Company's current report on Form 8-K, which was filed on March 7, 2016 and is incorporated herein by reference.
*10.34	Magellan Health Services, Inc. 2016 Management Incentive Plan, effective as of May 18, 2016, which was filed as Appendix A to the Company's Definitive Proxy Statement, which was filed on April 8, 2016 and is incorporated herein by reference.
10.35	Share Purchase Agreement dated as of May 15, 2016, among Magellan Health, Inc., Magellan Healthcare, Inc., Armed Forces Services Corporation and the holders of the issued and outstanding common stock of AFSC who are parties thereto, which was filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q, which was filed on July 29, 2016 and is incorporated herein by reference.
10.36	Purchase Agreement dated as of November 9, 2016, among Magellan Health, Inc., Magellan Pharmacy Solutions, Inc., Veridicus Holdings, LLC and Veridicus Health, LLC, which was filed as Exhibit 10.44 to the Company's annual report on Form 10-K, which was filed on February 24, 2017 and is incorporated herein by reference.

Exhibit No.	Description of Exhibit
*10.37	<u>Form of Stock Option Agreement, relating to options granted under the Company's 2016 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 8, 2017 and is incorporated herein by reference.</u>
*10.38	<u>Form of Notice of Stock Option Grant, relating to options granted under the Company's 2016 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 7, 2017 and is incorporated herein by reference.</u>
*10.39	<u>Form of Performance-Based Restricted Stock Unit Agreement, relating to performance-based restricted stock units granted under the Company's 2016 Management Incentive Plan, which was filed as Exhibit 10.3 to the Company's current report on Form 8-K, which was filed on March 7, 2017 and is incorporated herein by reference.</u>
*10.40	<u>Form of Notice of Performance-Based Restricted Stock Unit Award, relating to performance-based restricted stock units granted under the Company's 2016 Management Incentive Plan, which was filed as Exhibit 10.4 to the Company's current report on Form 8-K, which was filed on March 7, 2017 and is incorporated herein by reference.</u>
*10.41	<u>Form of Stock Option Agreement, relating to options granted under the 2016 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 9, 2018 and is incorporated herein by reference.</u>
*10.42	<u>Form of Notice of Stock Option Grant, relating to options granted under the 2016 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 9, 2018 and is incorporated herein by reference.</u>
*10.43	<u>Form of Performance-Based Restricted Stock Unit Agreement, relating to performance-based restricted stock units granted under the 2016 Management Incentive Plan, which was filed as Exhibit 10.3 to the Company's current report on Form 8-K, which was filed on March 9, 2018 and is incorporated herein by reference.</u>
*10.44	<u>Form of Notice of Performance-Based Restricted Stock Award, relating to performance-based restricted stock units granted under the 2016 Management Incentive Plan, which was filed as Exhibit 10.4 to the Company's current report on Form 8-K, which was filed on March 9, 2018 and is incorporated herein by reference.</u>
*10.45	<u>Form of Stock Option Agreement, relating to options granted under the 2016 Management Incentive Plan, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 7, 2019 and is incorporated herein by reference.</u>
*10.46	<u>Form of Notice of Stock Option Grant, relating to options granted under the 2016 Management Incentive Plan, which was filed as Exhibit 10.2 to the Company's current report on Form 8-K, which was filed on March 7, 2019 and is incorporated herein by reference.</u>
*10.47	<u>Form of Performance-Based Restricted Stock Unit Agreement, relating to performance-based restricted stock units granted under the 2016 Management Incentive Plan, which was filed as Exhibit 10.3 to the Company's current report on Form 8-K, which was filed on March 7, 2019 and is incorporated herein by reference.</u>
*10.48	<u>Form of Notice of Performance-Based Restricted Stock Unit Award, relating to performance-based restricted stock units granted under the 2016 Management Incentive Plan, which was filed as Exhibit 10.4 to the Company's current report on Form 8-K, which was filed on March 7, 2019 and is incorporated herein by reference.</u>
*10.49	<u>Agreement dated as of March 28, 2019, by and among Magellan Health, Inc. and Starboard Value LP and certain of its affiliates, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on March 29, 2019 and is incorporated herein by reference.</u>
*10.50	<u>Letter Agreement dated August 26, 2019 between the Company and Barry M. Smith, which was filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q which was filed on November 1, 2019 and is incorporated herein by reference.</u>
*10.51	<u>Restricted Stock Award Agreement dated August 26, 2019 between the Company and Steven J. Shulman, which was filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q which was filed on November 1, 2019 and is incorporated herein by reference.</u>

Exhibit No.	Description of Exhibit
*10.52	Employment Agreement, dated October 31, 2019, between the Company and Kenneth Fasola, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on October 31, 2019 and is incorporated herein by reference.
10.53	Credit Agreement dated as of September 22, 2017, among the Company, as borrower, BTMU, JPMorgan Chase Bank, N.A., Compass Bank (d/b/a BBVA Compass), U.S. Bank National Association and Wells Fargo Securities, LLC as co-syndication agents, BTMU as administrative agent and the lenders party thereto from time to time, which was filed as Exhibit 4.4 to the Company's current report on Form 8-K, which was filed on September 25, 2017.
10.54	Amendment No.1 to Credit Agreement dated as of August 13, 2018, among the Company, as borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent and the lenders party thereto, which was filed as Exhibit 4.1 to the Company's current report on Form 8-K, which was filed on August 13, 2018 and is incorporated herein by reference.
10.55	Amendment No. 2 to Credit Agreement dated as of February 27, 2019, among the Company, as borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent and the lenders party thereto, which was filed as Exhibit 4.6 to the Company's annual report on Form 10-K, which was filed on February 28, 2019 and is incorporated herein by reference.
*10.56	Employment Agreement, dated December 3, 2019, between the Company and James E. Murray, which was filed as Exhibit 10.1 to the Company's current report on Form 8-K, which was filed on December 5, 2019 and is incorporated herein by reference.
*10.57	Form of Restricted Stock Unit Agreement, relating to restricted stock units granted under the Company's 2016 Management Incentive Plan, which was filed as Exhibit 10.1 on Form 8-K, which was filed on March 4, 2020 and is incorporated herein by reference.
*10.58	Form of Notice of Restricted Stock Unit Award under the Company's 2016 Management Incentive Plan, which was filed as Exhibit 10.2 on Form 8-K, which was filed on March 4, 2020 and is incorporated herein by reference.
*10.59	Form of Performance-Based Restricted Stock Unit Agreement under the Company's 2016 Management Incentive Plan, which was filed as Exhibit 10.3 on Form 8-K, which was filed on March 4, 2020 and is incorporated herein by reference.
*10.60	Form of Notice of Terms of Performance-Based Restricted Stock Units under the Company's 2016 Management Incentive Plan, which was filed as Exhibit 10.4 on Form 8-K, which was filed on March 4, 2020 and is incorporated herein by reference.
*10.61	Employment Agreement, dated September 2, 2020, between the Company and David Bourdon, which was filed as Exhibit 10.1 to Form 8-K, which was filed on September 3, 2020 and is incorporated herein by reference.
#*10.62	Employment Agreement, dated January 31, 2020, between the Company and David Haddock.
#21	List of subsidiaries of the Company.
#23	Consent of Independent Registered Public Accounting Firm.
#31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
#31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
#101	The following materials from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the cover page, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Balance Sheets, (v) the Consolidated Statements of Changes in Shareholders' Equity, (vi) the Consolidated Statements of Cash Flows and (vii) related notes.
#104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the iXBRL document).
*	Constitutes a management contract, compensatory plan or arrangement.
#	Filed herewith.
†	Furnished herewith.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

MAGELLAN HEALTH, INC.
(Registrant)

Date: February 26, 2021

/s/ DAVID P. BOURDON

David P. Bourdon
Chief Financial Officer
(Principal Financial Officer)

Date: February 26, 2021

/s/ JEFFREY N. WEST

Jeffrey N. West
Senior Vice President and Controller
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant and in the capacities and on the dates indicated have signed this Report below.

Signature	Title	Date
<u>/s/ KENNETH J. FASOLA</u> Kenneth J. Fasola	Chief Executive Officer (Principal Executive Officer, Director)	February 26, 2021
<u>/s/ STEVEN J. SHULMAN</u> Steven J. Shulman	Chairman of the Board of Directors	February 26, 2021
<u>/s/ SWATI ABBOTT</u> Swati Abbott	Director	February 26, 2021
<u>/s/ CHRISTOPHER J. CHEN, MD</u> Christopher J. Chen, MD	Director	February 26, 2021
<u>/s/ PETER A. FELD</u> Peter A. Feld	Director	February 26, 2021
<u>/s/ MURAL R. JOSEPHSON</u> Mural R. Josephson	Director	February 26, 2021
<u>/s/ G. SCOTT MACKENZIE</u> G. Scott MacKenzie	Director	February 26, 2021
<u>/s/ LESLIE V. NORWALK, ESQ.</u> Leslie V. Norwalk	Director	February 26, 2021
<u>/s/ GUY P. SANSONE</u> Guy P. Sansone	Director	February 26, 2021
<u>/s/ DAVID P. BOURDON</u> David P. Bourdon	Chief Financial Officer (Principal Financial Officer)	February 26, 2021
<u>/s/ JEFFREY N. WEST</u> Jeffrey N. West	Senior Vice President and Controller (Principal Accounting Officer)	February 26, 2021

MAGELLAN HEALTH, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

The following consolidated financial statements of the registrant and its subsidiaries are submitted herewith in response to Item 8 and Item 15(a)1:

	<u>Page(s)</u>
Magellan Health, Inc.	
Audited Consolidated Financial Statements	
Report of independent registered public accounting firm	F-2
Consolidated balance sheets as of December 31, 2019 and 2020	F-4
Consolidated statements of income for the years ended December 31, 2018, 2019 and 2020	F-5
Consolidated statements of comprehensive income for the years ended December 31, 2018, 2019 and 2020	F-6
Consolidated statements of changes in stockholders' equity for the years ended December 31, 2018, 2019 and 2020	F-7
Consolidated statements of cash flows for the years ended December 31, 2018, 2019 and 2020	F-8
Notes to consolidated financial statements	F-9

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Magellan Health, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Magellan Health, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 26, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Medical Claims Payable

Description of the Matter	At December 31, 2020, the Company's liability for medical claims payable totaled \$111.9 million. As discussed in Note 2 of the consolidated financial statements, medical claims payable includes reserves for incurred but not reported ("IBNR") claims, which are claims for covered services rendered by the Company's providers that have not yet been submitted to the Company for payment. The amount of the liability is determined using actuarial reserve models that require the

Company to develop completion factors, which represent the average percentage of total incurred claims that have been paid through a given date after being incurred, and trend factors, which are applied to recent costs incurred to estimate the liability for periods that the completion factors are considered less reliable.

Auditing management's estimate of the IBNR liability for medical claims payable was challenging and involved a high degree of subjectivity due to the complexity of the models used by management and the nature of the significant assumptions used in the measurement process. In particular, the determination of estimated completion and trend factors require management to exercise judgment when considering the effects of benefit design, enrollment, product mix, seasonality, provider reimbursement changes, claims processing patterns and changes in claims inventory levels. Both completion and trend factor estimates are determined by analyzing the assumptions described above using historical and recently emerging experience and changes in these assumptions can have a significant effect on the medical claims payable liability.

How We
Addressed the
Matter in Our
Audit

We obtained an understanding, evaluated the design and tested controls over the actuarial estimation process. For example, we tested controls over the completeness and accuracy of the data used in the actuarial projections, the transfer of data between underlying source systems, and management's review and approval of the methods and significant assumptions used in estimating the IBNR liabilities, including the assumptions utilized to determine completion factors and trend factors described above.

To test the IBNR liability for medical claims payable, we performed audit procedures with the assistance of our actuarial specialists that included, among others, testing the underlying data through agreement to original source documentation; comparing management's methods and assumptions used in their analysis with historical experience, consistency with generally accepted actuarial methodologies used within the industry, and observable healthcare trend levels within the markets the Company operates; and, comparing management's reserve to a range developed by our actuarial specialists based on assumptions developed by the specialists. We also assessed the historical accuracy of management's estimates by comparing to actual claims paid.

We have served as the Company's auditor since 2002.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland
February 26, 2021

MAGELLAN HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31,
(In thousands, except per share amounts)

	2019	2020
ASSETS		
Current Assets:		
Cash and cash equivalents (\$51,253 and \$49,227 restricted at December 31, 2019 and December 31, 2020, respectively)	\$ 115,752	\$ 1,144,450
Accounts receivable, net	680,569	743,502
Short-term investments (\$82,772 and \$88,867 restricted at December 31, 2019 and December 31, 2020, respectively)	98,797	140,847
Pharmaceutical inventory	44,962	43,334
Other current assets (\$36,215 and \$43,547 restricted at December 31, 2019 and December 31, 2020, respectively)	69,687	84,264
Current portion of assets held for sale	663,276	—
Total Current Assets	1,673,043	2,156,397
Property and equipment, net	131,712	136,739
Long-term investments (\$2,307 and \$1,026 restricted at December 31, 2019 and December 31, 2020, respectively)	2,864	2,612
Deferred income taxes	1,840	1,842
Other long-term assets	58,905	108,797
Goodwill	806,421	873,779
Other intangible assets, net	81,675	79,689
Assets held for sale, less current portion	335,713	—
Total Assets	<u>\$ 3,092,173</u>	<u>\$ 3,359,855</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 83,790	\$ 137,380
Accrued liabilities	191,854	354,906
Medical claims payable	128,114	111,851
Other medical liabilities	92,915	126,921
Current debt, finance lease and deferred financing obligations	3,491	6,521
Current portion of liabilities held for sale	409,983	—
Total Current Liabilities	910,147	737,579
Long-term debt, finance lease and deferred financing obligations	679,125	631,855
Deferred income taxes	1,971	7,102
Tax contingencies	9,453	11,002
Deferred credits and other long-term liabilities	56,393	69,283
Liabilities held for sale, less current portion	37,301	—
Total Liabilities	1,694,390	1,456,821
Redeemable non-controlling interest	—	33,062
Preferred stock, par value \$.01 per share		
Authorized—10,000 shares at December 31, 2019 and December 31, 2020-Issued and outstanding-none	—	—
Common stock, par value \$.01 per share		
Authorized—100,000 shares at December 31, 2019 and December 31, 2020-Issued and outstanding-54,285 and 24,623 shares at December 31, 2019, respectively, and 55,549 and 25,887 shares at December 31, 2020, respectively	543	555
Other Stockholders' Equity:		
Additional paid-in capital	1,386,616	1,477,219
Retained earnings	1,475,207	1,857,130
Accumulated other comprehensive income (loss)	144	(205)
Treasury stock, at cost, 29,662 and 29,662 shares at December 31, 2019 and December 31, 2020, respectively	(1,464,727)	(1,464,727)
Total Stockholders' Equity	1,397,783	1,869,972
Total Liabilities and Stockholders' Equity	<u>\$ 3,092,173</u>	<u>\$ 3,359,855</u>

See accompanying notes to consolidated financial statements.

MAGELLAN HEALTH, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,**

(In thousands, except per share amounts)

	2018	2019	2020
Net revenue:			
Managed care and other	\$ 2,350,576	\$ 2,346,935	\$ 2,250,021
PBM	2,606,946	2,218,678	2,327,510
Total net revenue	4,957,522	4,565,613	4,577,531
Costs and expenses:			
Cost of care	1,554,691	1,543,524	1,397,855
Cost of goods sold	2,452,703	2,059,285	2,180,717
Direct service costs and other operating expenses (1)(2)	773,915	801,667	880,168
Depreciation and amortization	112,284	110,367	98,387
Interest expense	35,180	35,868	30,865
Interest and other income	(4,884)	(6,857)	(4,054)
Special charges	—	—	34,078
Total costs and expenses	4,923,889	4,543,854	4,618,016
Income (loss) from continuing operations before income taxes	33,633	21,759	(40,485)
Provision (benefit) for income taxes	11,457	9,162	(44,531)
Net income from continuing operations	22,176	12,597	4,046
Income from discontinued operations, net of tax	2,005	43,305	378,289
Net income	<u>\$ 24,181</u>	<u>\$ 55,902</u>	<u>\$ 382,335</u>
Net income per common share:			
Basic (See Note A)			
Continuing operations	\$ 0.91	\$ 0.52	\$ 0.16
Discontinued operations	0.08	1.79	14.98
Consolidated operations	<u>\$ 0.99</u>	<u>\$ 2.31</u>	<u>\$ 15.14</u>
Diluted (See Note A)			
Continuing operations	\$ 0.89	\$ 0.51	\$ 0.16
Discontinued operations	0.08	1.76	14.82
Consolidated operations	<u>\$ 0.97</u>	<u>\$ 2.27</u>	<u>\$ 14.98</u>

(1) Includes stock compensation expense of \$28,936, \$24,673 and \$25,172 for the years ended December 31, 2018, 2019 and 2020, respectively.

(2) Includes changes in fair value of contingent consideration of \$1,108 for the year ended December 31, 2018.

See accompanying notes to consolidated financial statements.

MAGELLAN HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,

(In thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net income	\$ 24,181	\$ 55,902	\$ 382,335
Other comprehensive income:			
Unrealized (loss) gain on available-for-sale securities (1)	56	468	(349)
Comprehensive income	<u>\$ 24,237</u>	<u>\$ 56,370</u>	<u>\$ 381,986</u>

- (1) Net of income tax (benefit) expense of \$18, \$150 and (\$124) for the years ended December 31, 2018, 2019 and 2020, respectively.

See accompanying notes to consolidated financial statements.

MAGELLAN HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Common Stock In Treasury		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2017	52,973	\$ 530	(28,771)	\$ (1,397,962)	\$ 1,274,811	\$ 1,399,495	\$ (380)	\$ 1,276,494
Stock compensation expense	—	—	—	—	29,472	—	—	29,472
Exercise of stock options	409	4	—	—	23,060	—	—	23,064
Issuance of equity	154	1	—	—	(698)	—	—	(697)
Repurchase of stock	—	—	(830)	(63,040)	—	—	—	(63,040)
Net income	—	—	—	—	—	24,181	—	24,181
Other comprehensive loss—other	—	—	—	—	—	—	56	56
Adoption of ASC 606	—	—	—	—	—	(4,227)	—	(4,227)
Balance at December 31, 2018	53,536	\$ 535	(29,601)	\$ (1,461,002)	\$ 1,326,645	\$ 1,419,449	\$ (324)	\$ 1,285,303
Stock compensation expense	—	—	—	—	25,501	—	—	25,501
Exercise of stock options	543	7	—	—	32,708	—	—	32,715
Issuance of equity	206	1	—	—	1,762	—	—	1,763
Repurchase of stock	—	—	(61)	(3,725)	—	—	—	(3,725)
Net income	—	—	—	—	—	55,902	—	55,902
Other comprehensive income—other	—	—	—	—	—	—	468	468
Adoption of ASC 842	—	—	—	—	—	(144)	—	(144)
Balance at December 31, 2019	54,285	\$ 543	(29,662)	\$ (1,464,727)	\$ 1,386,616	\$ 1,475,207	\$ 144	\$ 1,397,783
Stock compensation expense	—	—	—	—	25,450	—	—	25,450
Exercise of stock options	1,041	11	—	—	64,518	—	—	64,529
Issuance of equity	223	1	—	—	635	—	—	636
Net income	—	—	—	—	—	382,335	—	382,335
Other comprehensive (loss)—other	—	—	—	—	—	—	(349)	(349)
Adoption of ASC 326	—	—	—	—	—	(412)	—	(412)
Balance at December 31, 2020	55,549	\$ 555	(29,662)	\$ (1,464,727)	\$ 1,477,219	\$ 1,857,130	\$ (205)	\$ 1,869,972

See accompanying notes to consolidated financial statements.

MAGELLAN HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

(In thousands)

	2018	2019	2020
Cash flows from operating activities:			
Net income	\$ 24,181	\$ 55,902	\$ 382,335
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	132,660	131,509	118,745
Special charges	—	—	34,078
Gain on sale of MCC	—	—	(348,145)
Non-cash interest expense	1,221	1,537	1,652
Non-cash stock compensation expense	29,472	25,501	25,450
Non-cash income tax (benefit) provision	(1,725)	7,052	(10,435)
Non-cash accretion (amortization) on investments	1,344	(433)	4,282
Changes in assets and liabilities, net of effects from acquisitions of businesses:			
Accounts receivable, net	(99,295)	(133,999)	17,078
Pharmaceutical inventory	127	(4,144)	1,628
Other assets	(25,774)	19,492	(48,328)
Accounts payable and accrued liabilities	9,139	56,843	225,055
Medical claims payable and other medical liabilities	72,347	(28,969)	44,449
Contingent consideration	1,307	(3,877)	—
Tax contingencies	1,803	(1,352)	(3,075)
Deferred credits and other long-term liabilities	18,020	(10,668)	6,361
Other	17	1,452	(369)
Net cash provided by operating activities	164,844	115,846	450,761
Net cash provided by (used in) operating activities from discontinued operations	47,287	(67,768)	271,256
Net cash provided by operating activities from continuing operations	117,557	183,614	179,505
Cash flows from investing activities:			
Capital expenditures	(68,275)	(60,402)	(75,480)
Acquisitions and investments in businesses, net of cash acquired	(958)	(727)	(100,604)
Sale of MCC	—	—	1,013,828
Purchases of investments	(557,232)	(514,324)	(804,150)
Proceeds from maturities and sales of investments	498,032	555,960	645,345
Net cash (used in) provided by investing activities	(128,433)	(19,493)	678,939
Net cash (used in) provided by investing activities from discontinued operations	(47,762)	41,830	(119,017)
Net cash (used in) provided by investing activities from continuing operations	(80,671)	(61,323)	797,956
Cash flows from financing activities:			
Proceeds from borrowings on revolving line of credit	—	—	80,000
Payments to acquire treasury stock	(62,640)	(4,125)	—
Proceeds from exercise of stock options	23,064	32,708	64,167
Payments on debt, finance lease and deferred financing obligations	(122,239)	(67,511)	(131,667)
Payments on contingent consideration	—	(6,247)	—
Other	(1,020)	1,763	637
Net cash (used in) provided by financing activities	(162,835)	(43,412)	13,137
Net cash (used in) provided by financing activities from discontinued operations	(50,900)	50,050	(38,100)
Net cash (used in) provided by financing activities from continuing operations	(111,935)	(93,462)	51,237
Net (decrease) increase in cash and cash equivalents from continuing operations	(75,049)	28,829	1,028,698
Cash and cash equivalents at beginning of period	161,972	86,923	115,752
Cash and cash equivalents at end of period	<u>\$ 86,923</u>	<u>\$ 115,752</u>	<u>\$ 1,144,450</u>

See accompanying notes to consolidated financial statements.

MAGELLAN HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

1. General

Basis of Presentation

The consolidated financial statements of Magellan Health, Inc., a Delaware corporation (“Magellan”), include Magellan and its subsidiaries (together with Magellan, the “Company”). All significant intercompany accounts and transactions have been eliminated in consolidation.

On December 31, 2020, Magellan Health, Inc. (the “Company”) completed the sale of its Magellan Complete Care business (the “MCC Business”) to Molina Healthcare, Inc. (“Molina”), pursuant to a Stock and Asset Purchase Agreement, dated as of April 30, 2020, by and between the Company and Molina, for cash in the amount of \$850 million plus closing adjustments of \$158 million (subject to post-closing adjustments, if any), and the assumption by Molina of liabilities of the MCC Business (the “MCC Sale”). The MCC Business was the Company’s business of contracting with state Medicaid agencies and the U.S. Centers for Medicare and Medicaid Services to manage total medical benefits or long-term support services for Medicaid and dual eligible Medicaid and Medicare populations.

On January 4, 2021, the Company and Centene Corporation (“Centene”) entered into an Agreement of Plan of Merger (the “Merger Agreement”) by and among the Company, Centene, and Mayflower Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Centene (“Merger Sub”), pursuant to which, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company, with the Company surviving such merger as a wholly-owned subsidiary of Centene. The Company expects to complete the transaction in the second half of 2021.

Business Overview

The Company provides managed care and pharmacy solutions for some of the most complex areas of healthcare. The Company offers innovative solutions that combine analytics, technology and clinical rigor to drive better decision making, positively impact members’ health outcomes and optimize the cost of care for the customers Magellan serves. The Company provides services to health plans and other managed care organizations (“MCOs”), employers, labor unions, various military and governmental agencies and third-party administrators (“TPAs”). Magellan operates three segments: Healthcare, Pharmacy Management and Corporate.

Healthcare Segment

The Healthcare segment (“Healthcare”) previously consisted of two reporting units – Behavioral & Specialty Health and Magellan Complete Care (“MCC”). As a result of the sale of the MCC Business to Molina, the Healthcare segment now only includes the Behavioral and Specialty Health reporting unit.

The Behavioral & Specialty Health reporting unit’s customers include health plans, accountable care organizations (“ACOs”), employers, the United States military and various federal government agencies for whom Magellan provides carve-out management services for (i) behavioral health, (ii) employee assistance plans (“EAP”) and (iii) other areas of specialty healthcare including diagnostic imaging, musculoskeletal management, cardiac and physical medicine. These management services can be applied broadly across commercial, Medicaid and Medicare populations, or on a more targeted basis for our health plans and ACO customers. The Behavioral & Specialty Health unit also includes Magellan’s carve-out behavioral health contracts with various state Medicaid agencies, as well as certain provider assets that deliver primary care and behavioral healthcare services through an integrated approach.

The MCC Business, which is now reflected as discontinued operations, contracts with state Medicaid agencies

and the Centers for Medicare and Medicaid Services (“CMS”) to manage care for beneficiaries under various Medicaid and Medicare programs. MCC manages a wide range of services from total medical cost to carve out long-term support services. MCC largely focuses on managing care for more acute special populations including individuals with serious mental illness (“SMI”), dual eligibles, aged, blind and disabled (“ABD”) and other populations with unique and often complex healthcare needs.

Magellan’s coordination and management of these healthcare and long-term support services are provided through its comprehensive network of medical and behavioral health professionals, clinics, hospitals, skilled nursing facilities, home care agencies and ancillary service providers. This network of credentialed providers is integrated with clinical and quality improvement programs to improve access to care and enhance the healthcare experience for individuals in need of care, while at the same time making the cost of these services more affordable for our customers. In addition to the Company’s provider assets where it provides treatment services in certain geographies, the Company also employs licensed behavioral health counselors to deliver non-medical counseling under certain government contracts.

The Company provides its Healthcare management services primarily through: (i) risk-based contractual arrangements, where the Company assumes all or a substantial portion of the responsibility for the cost of providing treatment services in exchange for a fixed per member per month (“PMPM”) fee, or (ii) administrative services only (“ASO”) contractual arrangements, where the Company provides services such as utilization review, claims administration and/or provider network management, but does not assume full responsibility for the cost of the treatment services, in exchange for an administrative fee and, in some instances, a gain share.

Pharmacy Management

The Pharmacy Management segment (“Pharmacy Management”) is comprised of services that provide clinical and financial management of pharmaceuticals paid under both the medical and the pharmacy benefit. Pharmacy Management’s customer solutions include: (i) pharmacy benefit management (“PBM”) services, including pharmaceutical dispensing operations and Medicare Part D; (ii) pharmacy benefit administration (“PBA”) for state Medicaid and other government sponsored programs; (iii) clinical and formulary management programs; (iv) medical pharmacy management programs; and (v) programs for the integrated management of specialty drugs across both the medical and pharmacy benefit that treat complex conditions, regardless of site of service, method of delivery, or benefit reimbursement.

These services are available individually, in combination, or in a fully integrated manner. The Company markets its pharmacy management services to managed care organizations, employers, third party administrators, state governments, Medicare Part D, and other government agencies, exchanges, brokers and consultants. In addition, the Company will continue to upsell its pharmacy services to its existing customers and market its pharmacy solutions to the Healthcare customer base.

Pharmacy Management contracts with its customers for services using risk-based, gain share or ASO arrangements. In addition, Pharmacy Management provides services to the Healthcare segment for most of the MCC business.

On May 11, 2020, the Company announced its decision to exit the Medicare Part D business at the end of 2020. The Company will retain its Medicare Employer Group Waiver Plan as well as full capabilities to serve the PBM needs of its existing and prospective Medicare customers.

Corporate

This segment of the Company is comprised primarily of amounts not allocated to the Healthcare and Pharmacy Management segments that are largely associated with costs related to being a publicly traded company.

2. Summary of Significant Accounting Policies

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13” or “ASC 326”). This ASU amends the accounting on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. This guidance is effective for annual and interim periods of public entities beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 31, 2018. The Company adopted ASC 326 on a modified retrospective basis on January 1, 2020. The adoption of ASC 326 did not have a material impact on the Company’s consolidated results of operation, financial position and cash flows.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). The amendments in this ASU eliminate the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. This guidance is effective for annual and interim periods of public entities beginning after December 15, 2019, and was adopted by the Company in the quarter ended March 31, 2020. The effect of this guidance was immaterial to the Company’s consolidated results of operations, financial position and cash flows.

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract” (“ASU 2018-15”). This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This guidance is effective for annual and interim periods of public entities beginning after December 15, 2019, and was adopted by the Company in the quarter ended March 31, 2020. The effect of this guidance was immaterial to the Company’s consolidated results of operations, financial position and cash flows.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes – Simplifying the Accounting for Income Taxes” (“ASU 2019-12”). ASU 2019-12 simplifies the accounting for income taxes by removing several exceptions in the current standard and adding guidance to reduce the complexity in certain areas, such as requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company did not adopt ASU 2019-12 as of the year ended 2020 but plans to adopt in the first quarter of 2021. The Company does not expect the impact of ASU 2019-12 to be material to its consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates of the Company can include, among other things, valuation of goodwill and intangible assets, medical claims payable, other medical liabilities, stock compensation assumptions, tax contingencies and legal liabilities. In addition, the Company also makes estimates in relation to revenue recognition under Accounting Standard Codification 606 (“ASC 606”) which are explained in more detail in “*Revenue Recognition*” below. Actual results could differ from those estimates.

Revenue Recognition

Virtually all of the Company's revenues are derived from business in North America. The following tables disaggregate our revenue for the years ended December 31, 2018, 2019 and 2020 by major service line, type of customer and timing of revenue recognition (in thousands):

	Year Ended December 31, 2018			
	Healthcare	Pharmacy Management	Elimination	Total
Major Service Lines				
Behavioral & Specialty Health				
Risk-based, non-EAP	\$ 1,511,532	\$ —	\$ (263)	\$ 1,511,269
EAP risk-based	349,751	—	—	349,751
ASO	249,473	34,130	(344)	283,259
PBM, including dispensing	—	2,183,151	(18,471)	2,164,680
Medicare Part D	—	442,266	—	442,266
PBA	—	132,112	—	132,112
Formulary management	—	70,900	—	70,900
Other	—	3,285	—	3,285
Total net revenue	<u>\$ 2,110,756</u>	<u>\$ 2,865,844</u>	<u>\$ (19,078)</u>	<u>\$ 4,957,522</u>
Type of Customer				
Government	\$ 899,515	\$ 946,606	\$ —	\$ 1,846,121
Non-government	1,211,241	1,919,238	(19,078)	3,111,401
Total net revenue	<u>\$ 2,110,756</u>	<u>\$ 2,865,844</u>	<u>\$ (19,078)</u>	<u>\$ 4,957,522</u>
Timing of Revenue Recognition				
Transferred at a point in time	\$ —	\$ 2,625,417	\$ (18,471)	\$ 2,606,946
Transferred over time	2,110,756	240,427	(607)	2,350,576
Total net revenue	<u>\$ 2,110,756</u>	<u>\$ 2,865,844</u>	<u>\$ (19,078)</u>	<u>\$ 4,957,522</u>

	Year Ended December 31, 2019			
	Healthcare	Pharmacy Management	Elimination	Total
Major Service Lines				
Behavioral & Specialty Health				
Risk-based, non-EAP	\$ 1,504,472	\$ —	\$ (290)	\$ 1,504,182
EAP risk-based	339,377	—	—	339,377
ASO	238,239	40,348	(302)	278,285
PBM, including dispensing	—	1,949,225	(18,151)	1,931,074
Medicare Part D	—	287,604	—	287,604
PBA	—	137,885	—	137,885
Formulary management	—	84,567	—	84,567
Other	—	2,639	—	2,639
Total net revenue	<u>\$ 2,082,088</u>	<u>\$ 2,502,268</u>	<u>\$ (18,743)</u>	<u>\$ 4,565,613</u>

Type of Customer				
Government	\$ 916,542	\$ 831,673	\$ —	\$ 1,748,215
Non-government	1,165,546	1,670,595	(18,743)	2,817,398
Total net revenue	<u>\$ 2,082,088</u>	<u>\$ 2,502,268</u>	<u>\$ (18,743)</u>	<u>\$ 4,565,613</u>

Timing of Revenue Recognition				
Transferred at a point in time	\$ —	\$ 2,236,829	\$ (18,151)	\$ 2,218,678
Transferred over time	2,082,088	265,439	(592)	2,346,935
Total net revenue	<u>\$ 2,082,088</u>	<u>\$ 2,502,268</u>	<u>\$ (18,743)</u>	<u>\$ 4,565,613</u>

	Year Ended December 31, 2020			
	Healthcare	Pharmacy Management	Elimination	Total
Major Service Lines				
Behavioral & Specialty Health				
Risk-based, non-EAP	\$ 1,399,532	\$ —	\$ (388)	\$ 1,399,144
EAP risk-based	315,306	—	—	315,306
ASO	245,031	46,892	(315)	291,608
PBM, including dispensing	—	2,103,702	(19,936)	2,083,766
Medicare Part D	—	243,744	—	243,744
PBA	—	136,155	—	136,155
Formulary management	—	104,891	—	104,891
Other	—	2,917	—	2,917
Total net revenue	<u>\$ 1,959,869</u>	<u>\$ 2,638,301</u>	<u>\$ (20,639)</u>	<u>\$ 4,577,531</u>

Type of Customer				
Government	\$ 935,138	\$ 821,681	\$ —	\$ 1,756,819
Non-government	1,024,731	1,816,620	(20,639)	2,820,712
Total net revenue	<u>\$ 1,959,869</u>	<u>\$ 2,638,301</u>	<u>\$ (20,639)</u>	<u>\$ 4,577,531</u>

Timing of Revenue Recognition				
Transferred at a point in time	\$ —	\$ 2,347,446	\$ (19,936)	\$ 2,327,510
Transferred over time	1,959,869	290,855	(703)	2,250,021
Total net revenue	<u>\$ 1,959,869</u>	<u>\$ 2,638,301</u>	<u>\$ (20,639)</u>	<u>\$ 4,577,531</u>

Per Member Per Month (“PMPM”) Revenue. Almost all of the Healthcare revenue and a small portion of the Pharmacy Management revenue is paid on a PMPM basis. PMPM revenue is inclusive of revenue from the Company’s risk, EAP and ASO contracts and primarily relates to managed care contracts for services such as the provision of behavioral healthcare, specialty healthcare, pharmacy management, or fully integrated healthcare services. PMPM contracts generally have a term of one year or longer, with the exception of government contracts where the customer can terminate with as little as 30 days’ notice for no significant penalty. All managed care contracts have a single performance obligation that constitutes a series for the provision of managed healthcare services for a population of enrolled members for the duration of the contract. The transaction price for PMPM contracts is entirely variable as it primarily includes PMPM fees associated with unspecified membership that fluctuates throughout the contract. In certain contracts, PMPM fees also include adjustments for things such as performance incentives, performance guarantees and risk shares. The Company generally estimates the transaction price using an expected value methodology and amounts are only included in the net transaction price to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty is resolved. The majority of the Company’s net PMPM transaction price relates specifically to its efforts to transfer the service for a distinct increment of the series (e.g. day or month) and is recognized as revenue in the month in which members are entitled to service. The remaining transaction price is recognized over the contract period (or portion of the series to which it specifically relates) based upon estimated membership as a measure of progress.

Pharmacy Benefit Management Revenue. The Company’s customers for PBM business, including pharmaceutical dispensing operations, are generally comprised of MCOs, employer groups and health plans. PBM relationships generally have an expected term of one year or longer. A master services arrangement (“MSA”) is executed by the Company and the customer, which outlines the terms and conditions of the PBM services to be provided. When a member in the customer’s organization submits a prescription, a claim is created which is presented for approval. The acceptance of each individual claim creates enforceable rights and obligations for each party and represents a separate contract. For each individual claim, the performance obligations are limited to the processing and adjudication of the claim, or dispensing of the products purchased. Generally, the transaction price for PBM services is explicitly listed in each contract and does not represent variable consideration. The Company recognizes PBM revenue, which consists of a negotiated prescription price (ingredient cost plus dispensing fee), co-payments and any associated administrative fees, when claims are adjudicated or the drugs are shipped. The Company recognizes PBM revenue on a gross basis (i.e. including drug costs and co-payments) as it is acting as the principal in the arrangement, controls the underlying service, and is contractually obligated to its clients and network pharmacies, which is a primary indicator of gross reporting. In addition, the Company is solely responsible for the claims adjudication process, negotiating the prescription price for the pharmacy, collecting payments from the client for drugs dispensed by the pharmacy, and managing the total prescription drug relationship with the client’s members. If the Company enters into a contract where it is only an administrator, and does not assume any of the risks previously noted, revenue will be recognized on a net basis. For dispensing, at the time of shipment, the earnings process is complete; the obligation of the Company’s customer to pay for the specialty pharmaceutical drugs is fixed, and, due to the nature of the product, the member may neither return the specialty pharmaceutical drugs nor receive a refund.

Medicare Part D. The Company is contracted with CMS as a Prescription Drug Plan (“PDP”) to provide prescription drug benefits to Medicare beneficiaries. The accounting for Medicare Part D revenue is primarily the same as that for PBM, as previously discussed. However, there is certain variable consideration present only in Medicare Part D arrangements. The Company estimates the annual amount of variable consideration using a most likely amount methodology, which is allocated to each reporting period based upon actual utilization as a percentage of estimated utilization for the year. Amounts estimated throughout the year for interim reporting are substantially resolved and fixed as of December 31st, the end of the plan year. In May 2020, the Company announced its decision to exit the Part D business at the end of 2020.

Pharmacy Benefit Administration Revenue. The Company provides Medicaid pharmacy services to states and other government sponsored programs. PBA contracts are generally multi-year arrangements but include language regarding early termination for convenience without material penalty provisions that results in enforceable rights and obligations on a month-to-month basis. In PBA arrangements, the Company is generally paid a fixed fee per month to provide PBA services. In addition, some PBA contracts contain upfront fees that constitute a material right. For contracts without an upfront fee, there is a single performance obligation to stand ready to provide the PBA services required for the contracted period. The Company believes that the customer receives the PBA benefits each day from access to the claims processing activities, and has concluded that a time-based measure is appropriate for recognizing PBA revenue.

For contracts with an upfront fee, the material right represents an additional performance obligation. Amounts allocated to the material right are initially recorded as a contract liability and recognized as revenue over the anticipated period of benefit of the material right, which generally ranges from 2 to 10 years.

Formulary Management Revenue. The Company administers formulary management programs for certain clients through which the Company coordinates the achievement, calculation and collection of rebates and administrative fees from pharmaceutical manufacturers on behalf of clients. Formulary management contracts generally have a term of one year or longer. All formulary management contracts have a single performance obligation that constitutes a series for the provision of rebate services for a drug, with utilization measured and settled on a quarterly basis, for the duration of the arrangement. The Company retains its administrative fee and/or a percentage of rebates that is included in its contract with the client from collecting the rebate from the manufacturer. While the administrative fee and/or the percentage of rebates retained is fixed, there is an unknown quantity of pharmaceutical purchases (utilization) during each quarter; therefore the transaction price itself is variable. The Company uses the expected value methodology to estimate the total rebates earned each quarter based on estimated volumes of pharmaceutical purchases by the Company's clients during the quarter, as well as historical and/or anticipated retained rebate percentages. The Company does not record as rebate revenue any rebates that are passed through to its clients.

In relation to the Company's PBM business, the Company administers rebate programs through which it receives rebates from pharmaceutical manufacturers that are shared with its customers. The Company recognizes rebates when the Company is entitled to them and when the amounts of the rebates are determinable. The amount recorded for rebates earned by the Company from the pharmaceutical manufacturers is recorded as a reduction of cost of goods sold.

Government EAP Risk-Based Revenue. The Company has certain contracts with federal customers for the provision of various managed care services, which are classified as EAP risk-based business. These contracts are generally multi-year arrangements. The Company's federal contracts are reimbursed on either a fixed fee basis or a cost reimbursement basis. The performance obligation on a fixed fee contract is to stand ready to provide the staffing required for the contracted period. For fixed fee contracts, the Company believes the invoiced amount corresponds directly with the value to the customer of the Company's performance completed to date; therefore, the Company is utilizing the "right to invoice" practical expedient, with revenue recognition in the amount for which the Company has the right to invoice.

The performance obligation on a cost reimbursement contract is to stand ready to provide the activity or services purchased by the customer, such as the operation of a counseling services group or call center. The performance obligation represents a series for the duration of the arrangement. The reimbursement rate is fixed per the contract; however, the level of activity (e.g., number of hours, number of counselors or number of units) is variable. A majority of the Company's cost reimbursement transaction price relates specifically to its efforts to transfer the service for a distinct increment of the series (e.g. day or month) and is recognized as revenue when the portion of the series for which it relates has been provided (i.e. as the Company provides hours, counselors or units of service).

In accordance with ASC 606-10-50-13, the Company is required to include disclosure on its remaining performance obligations as of the end of the current reporting period. Due to the nature of the contracts in the Company's PBM and Part D business, these reporting requirements are not applicable. The majority of the Company's remaining contracts meet certain exemptions as defined in ASC 606-10-50-14 through 606-10-50-14A, including (i) performance obligation is part of a contract that has an original expected duration of one year or less; (ii) the right to invoice practical expedient; and (iii) variable consideration related to unsatisfied performance obligations that is allocated entirely to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation, and the terms of that variable consideration relate specifically to our efforts to transfer the distinct service, or to a specific outcome from transferring the distinct service. For the Company's contracts that pertain to these exemptions: (i) the remaining performance obligations primarily relate to the provision of managed healthcare services to the customers' membership; (ii) the estimated remaining duration of these performance obligations ranges from the remainder of the current calendar year to three years; and (iii) variable consideration for these contracts primarily includes net per member per month fees associated with unspecified membership that fluctuates throughout the contract.

Accounts Receivable, Contract Assets and Contract Liabilities

Accounts receivable, contract assets and contract liabilities consisted of the following (in thousands, except percentages):

	December 31, 2019	December 31, 2020	\$ Change	% Change
Accounts receivable	\$ 717,455	\$ 799,803	\$ 82,348	11.5%
Contract assets	2,162	3,566	1,404	64.9%
Contract liabilities - current	6,728	6,772	44	0.7%
Contract liabilities - long-term	11,099	11,073	(26)	(0.2)%

Accounts receivable, which are included in accounts receivable, other current assets and other long-term assets on the consolidated balance sheets, increased by \$82.3 million, mainly due to timing of payments. Contract assets, which are included in other current assets on the consolidated balance sheets, increased by \$1.4 million, mainly due to the increase in prepaid contract discounts. Contract liabilities – current, which are included in accrued liabilities on the consolidated balance sheets, were consistent with prior year. Contract liabilities – long-term, which are included in deferred credits and other long-term liabilities on the consolidated balance sheets, were consistent with prior year.

During the year ended December 31, 2020, the Company recognized revenue of \$6.7 million that was included in current contract liabilities at January 1, 2020. The estimated timing of recognition of amounts included in contract liabilities at December 31, 2020 are as follows: 2021—\$6.8 million; 2022—\$3.5 million; 2023—\$3.2 million; 2024 and beyond—\$4.3 million. During the year ended December 31, 2020, the revenue the Company recognized related to performance obligations that were satisfied, or partially satisfied, in previous periods was not material.

The Company's accounts receivable consists of amounts due from customers throughout the United States. Collateral is generally not required. A majority of the Company's contracts have payment terms in the month of service, or within a few months thereafter. The timing of payments from customers from time to time generates contract assets or contract liabilities, however these amounts are immaterial.

Significant Customers

Customers exceeding ten percent of the consolidated Company's net revenues

The Company had no customers that exceeded ten percent of the Company's net revenues from continuing operations for the years ended December 31, 2018, 2019 and 2020. The following MCC customers, which are included in discontinued operations, previously exceeded ten percent of the Company's consolidated net revenues.

The Company had contracts with the Commonwealth of Virginia (the "Virginia Contracts"). The Company began providing Medicaid managed long-term services and supports to enrollees in the Commonwealth Coordinated Care Plus ("CCC Plus") program on August 1, 2017. On August 1, 2018, the Company began providing integrated healthcare services to Medicaid enrollees in the Commonwealth of Virginia under the Medallion 4.0/FAMIS Managed Care Program ("Medallion"). The Virginia Contracts generated net revenues of \$476.7 million, \$847.8 million and \$1,013.2 million for the years ended December 31, 2018, 2019 and 2020, respectively.

The Company had a contract with the State of New York (the "New York Contract") to provide integrated managed care services to Medicaid and Medicare enrollees in the State of New York. The New York Contracts generated net revenues of \$691.6 million, \$836.4 million and \$756.4 million for the years ended December 31, 2018, 2019 and 2020, respectively.

The Company had contracts with the Commonwealth of Massachusetts and CMS (the "Massachusetts Contracts") to provide integrated managed care services to Medicaid and Medicare enrollees in the Commonwealth of Massachusetts. Medicaid services are provided under a Senior Care Options contract ("SCO Contract") began on January 1, 2016. The Massachusetts Contracts generated net revenues of \$682.1 million, \$718.9 million and \$709.2 million for the years ended December 31, 2018, 2019 and 2020, respectively.

Customers exceeding ten percent of segment net revenues

In addition to the Massachusetts Contracts, New York Contract and Virginia Contracts previously discussed, the following customers generated in excess of ten percent of net revenues for the respective segment for the years ended December 31, 2018, 2019 and 2020 (in thousands):

Segment	Term Date	2018	2019	2020
Healthcare				
Customer A	December 31, 2021	\$ 308,649	\$ 324,321	\$ 344,988
Customer B	December 31, 2022	169,508 *	199,036 *	198,199
Pharmacy Management				
Customer C	March 31, 2024	344,479	335,682	358,236

* Revenue amount did not exceed 10 percent of net revenues for the respective segment for the year presented. Amount is shown for comparative purposes only.

Concentration of Business

The Company also has a significant concentration of business with various counties in the State of Pennsylvania (the "Pennsylvania Counties") which are part of the Pennsylvania Medicaid program, with members under its contract with CMS and with various agencies and departments of the United States federal government. Net revenues from the Pennsylvania Counties in the aggregate totaled \$544.6 million, \$537.8 million and \$583.0 million for the years ended December 31, 2018, 2019 and 2020, respectively. Net revenues from members in relation to its contract with CMS in aggregate totaled \$442.3 million, \$287.6 million and \$243.7 million for the years ended December 31, 2018, 2019 and 2020 respectively. Net revenues from contracts with various agencies and departments of the United States federal government in aggregate totaled \$308.7 million, \$299.2 million, and \$273.0 million for the years ended December 31, 2018, 2019 and 2020, respectively.

The Company's contracts with customers typically have stated terms of one to three years, and in certain cases contain renewal provisions (at the customer's option) for successive terms of between one and two years (unless terminated earlier). Substantially all of these contracts may be immediately terminated with cause and many of the Company's contracts are terminable without cause by the customer or the Company either upon the giving of requisite notice and the passage of a specified period of time (typically between 30 and 180 days) or upon the occurrence of other specified events. In addition, the Company's contracts with federal, state and local governmental agencies generally are conditioned on legislative appropriations. These contracts generally can be terminated or modified by the customer if such appropriations are not made.

Income Taxes

The Company files a consolidated federal income tax return with its eighty-percent or more controlled subsidiaries. The Company and its subsidiaries also file income tax returns in various state and local jurisdictions.

The Company estimates income taxes for each of the jurisdictions in which it operates. This process involves determining both permanent and temporary differences resulting from differing treatment for tax and book purposes. Deferred tax assets and/or liabilities are determined by multiplying the temporary differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. The Company then assesses the likelihood that the deferred tax assets will be recovered from the reversal of temporary differences, the implementation of feasible and prudent tax planning strategies, and future taxable income. To the extent the Company cannot conclude that recovery is more likely than not, it establishes a valuation allowance. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date. Reversals of both valuation allowances and unrecognized tax benefits are recorded in the period they occur, typically as reductions to income tax expense.

The Coronavirus Aid, Relief, and Economic Security Act was signed into law on March 27, 2020, and the Consolidated Appropriations Act, 2021 was signed into law on December 27, 2020. Both acts provide widespread

emergency relief for the economy and aid to corporations including several significant provisions related to taxes. As of December 31, 2020, the Company has not utilized any of the provisions that would result in a material impact on its results.

Health Care Reform

The Patient Protection and the Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the “Health Reform Law”), imposes a mandatory annual fee on health insurers for each calendar year beginning on or after January 1, 2014. The Company has obtained rate adjustments from customers which the Company expects will cover the direct costs of these fees and the impact from non-deductibility of such fees for federal and state income tax purposes. To the extent the Company has such a customer that does not renew, there may be some impact due to taxes paid where the timing and amount of recoupment of these additional costs is uncertain. In the event the Company is unable to obtain rate adjustments to cover the financial impact of the annual fee, the fee may have a material impact on the Company. On January 23, 2018, the United States Congress passed the Continuing Resolution which imposed a one-year moratorium on the health insurance fee (“HIF”), suspending its application for 2019. For 2020 the HIF fee was \$36.2 million, of which \$12.4 related to continuing operations, which was paid in 2020. Congress repealed the HIF fee effective for plan years after December 31, 2020.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid interest-bearing investments with maturity dates of three months or less when purchased, consisting primarily of money market instruments. Book overdrafts are reflected within accounts payable on the balance sheets. At December 31, 2019, the Company had \$0.5 million in book overdrafts. There were no book overdrafts at December 31, 2020. At December 31, 2020, the Company’s excess capital and undistributed earnings for the Company’s regulated subsidiaries of approximately \$35 million are included in cash and cash equivalents.

Restricted Assets

The Company has certain assets which are considered restricted for: (i) the payment of claims under the terms of certain managed care contracts; (ii) regulatory purposes related to the payment of claims in certain jurisdictions; and (iii) the maintenance of minimum required tangible net equity levels for certain of the Company’s subsidiaries. Significant restricted assets of the Company as of December 31, 2019 and 2020 were as follows (in thousands):

	2019	2020
Restricted cash and cash equivalents	\$ 51,253	\$ 49,227
Restricted short-term investments	82,772	88,867
Restricted deposits (included in other current assets)	36,215	43,547
Restricted long-term investments	2,307	1,026
Total	<u>\$ 172,547</u>	<u>\$ 182,667</u>

The Company’s equity in restricted net assets of consolidated subsidiaries represented approximately 9.3% of the Company’s consolidated stockholders’ equity as of December 31, 2020 and consisted of net assets of the Company which were restricted as to transfer to Magellan in the form of cash dividends, loans or advances under regulatory restrictions.

Fair Value Measurements

The Company has certain assets and liabilities that are required to be measured at fair value on a recurring basis. These assets and liabilities are to be measured using inputs from the three levels of the fair value hierarchy, which are as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable

for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3—Unobservable inputs that reflect the Company’s assumptions about the assumptions that market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available, including the Company’s data.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company’s financial assets and liabilities that are required to be measured at fair value as of December 31, 2019 and 2020 (in thousands):

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents (1)	\$ —	\$ 111,085	\$ —	\$ 111,085
Investments:				
U.S. Government and agency securities	30,775	—	—	30,775
Corporate debt securities	—	69,581	—	69,581
Certificates of deposit	—	1,305	—	1,305
Total assets held at fair value	\$ 30,775	\$ 181,971	\$ —	\$ 212,746

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents (2)	\$ —	\$ 679,554	\$ —	\$ 679,554
Investments:				
U.S. Government and agency securities	42,399	—	—	42,399
Corporate debt securities	—	99,749	—	99,749
Certificates of deposit	—	1,311	—	1,311
Total assets held at fair value	\$ 42,399	\$ 780,614	\$ —	\$ 823,013

(1) Excludes \$4.7 million of cash held in bank accounts by the Company.

(2) Excludes \$464.9 million of cash held in bank accounts by the Company.

For the years ended December 31, 2019 and 2020, the Company did not transfer any assets between fair value measurement levels.

The carrying values of financial instruments, including accounts receivable and accounts payable, approximate their fair values due to their short-term maturities. The fair value of the Notes (as defined below) of \$381.7 million as of December 31, 2020 was determined based on quoted market prices and would be classified within Level 1 of the fair value hierarchy. The estimated fair value of the Company’s term loan of \$263.1 million as of December 31, 2020 was based on current interest rates for similar types of borrowings and is in Level 2 of the fair value hierarchy. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

Investments

All of the Company’s investments are classified as “available-for-sale” and are carried at fair value. Securities which have been classified as Level 1 are measured using quoted market prices in active markets for identical assets or liabilities while those which have been classified as Level 2 are measured using quoted prices for identical assets and liabilities in markets that are not active. The Company’s policy is to classify all investments with contractual maturities within one year as current. Investment income is recognized when earned and reported net of investment expenses. Net unrealized holding gains or losses are excluded from earnings and are reported, net of tax, as “accumulated other comprehensive income (loss)” in the accompanying consolidated balance sheets and consolidated statements of

comprehensive income until realized, unless the losses are deemed to be other-than-temporary. Realized gains or losses, including any provision for other-than-temporary declines in value, are included in the consolidated statements of income.

If a debt security is in an unrealized loss position and the Company has the intent to sell the debt security, or it is more likely than not that the Company will have to sell the debt security before recovery of its amortized cost basis, the decline in value is deemed to be other-than-temporary and is recorded to other-than-temporary impairment losses recognized in income in the consolidated statements of income. For impaired debt securities that the Company does not intend to sell or it is more likely than not that the Company will not have to sell such securities, but the Company expects that it will not fully recover the amortized cost basis, the credit component of the other-than-temporary impairment is recognized in other-than-temporary impairment losses recognized in income in the consolidated statements of income and the non-credit component of the other-than-temporary impairment is recognized in other comprehensive income.

The credit component of an other-than-temporary impairment is determined by comparing the net present value of projected future cash flows with the amortized cost basis of the debt security. The net present value is calculated by discounting the best estimate of projected future cash flows at the effective interest rate implicit in the debt security at the date of acquisition. Cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings, and estimates regarding timing and amount of recoveries associated with a default. Furthermore, unrealized losses entirely caused by non-credit related factors related to debt securities for which the Company expects to fully recover the amortized cost basis continue to be recognized in accumulated other comprehensive income.

As of December 31, 2019 and 2020, there were no material unrealized losses that the Company believed to be other-than-temporary. No realized gains or losses were recorded for the years ended December 31, 2018, 2019, or 2020. The following is a summary of short-term and long-term investments at December 31, 2019 and 2020 (in thousands):

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agency securities	\$ 30,742	\$ 38	\$ (5)	\$ 30,775
Corporate debt securities	69,552	40	(11)	69,581
Certificates of deposit	1,305	—	—	1,305
Total investments at December 31, 2019	<u>\$ 101,599</u>	<u>\$ 78</u>	<u>\$ (16)</u>	<u>\$ 101,661</u>

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agency securities	\$ 42,389	\$ 11	\$ (1)	\$ 42,399
Corporate debt securities	99,861	3	(115)	99,749
Certificates of deposit	1,311	—	—	1,311
Total investments at December 31, 2020	<u>\$ 143,561</u>	<u>\$ 14</u>	<u>\$ (116)</u>	<u>\$ 143,459</u>

The maturity dates of the Company's investments as of December 31, 2020 are summarized below (in thousands):

	Amortized Cost	Estimated Fair Value
2021	\$ 140,950	\$ 140,847
2022	2,611	2,612
Total investments at December 31, 2020	<u>\$ 143,561</u>	<u>\$ 143,459</u>

Concentration of Credit Risk

Accounts receivable subjects the Company to a concentration of credit risk with third party payors that include health insurance companies, managed healthcare organizations, healthcare providers and governmental entities.

The Company maintains cash and cash equivalents balances at financial institutions which are insured by the Federal Deposit Insurance Corporation (“FDIC”). At times, balances in certain bank accounts may exceed the FDIC insured limits.

Pharmaceutical Inventory

Pharmaceutical inventory consists solely of finished goods (primarily prescription drugs) and is stated at the lower of first-in first-out, cost, or market.

Long-lived Assets

Long-lived assets, including property and equipment and intangible assets to be held and used, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We group and evaluate these long-lived assets for impairment at the lowest level at which individual cash flows can be identified. Impairment is determined by comparing the carrying value of these long-lived assets to management’s best estimate of the future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. The cash flow projections used to make this assessment are consistent with the cash flow projections that management uses internally in making key decisions. In the event an impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset, which is generally determined by using quoted market prices or the discounted present value of expected future cash flows.

In the evaluation of indefinite-lived intangible assets for impairment, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. If the Company determines that it is not more likely than not for the indefinite-lived intangible asset’s fair value to be less than its carrying value, a calculation of the fair value is not performed. If the Company determines that it is more likely than not that the indefinite-lived intangible asset’s fair value is less than its carrying value, a calculation is performed and compared to the carrying value of the asset. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company measures the fair value of its indefinite-lived intangible assets using the “relief from royalty” method. Significant estimates in this approach include projected revenues and royalty and discount rates for each trade name evaluated.

Property and Equipment

Property and equipment is stated at cost, except for assets that have been impaired, for which the carrying amount has been reduced to estimated fair value. Expenditures for renewals and improvements are capitalized to the property accounts. Replacements and maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred. The Company capitalizes costs incurred to develop internal-use software during the application development stage. Capitalization of software development costs occurs after the preliminary project stage is complete, management authorizes the project, and it is probable that the project will be completed and the software will be used for the function intended. Amortization of capital lease assets is included in depreciation expense and is included in accumulated depreciation as reflected in the table below. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which is generally two to ten years for building improvements (or the lease term, if shorter), three to fifteen years for equipment and three to five years for capitalized internal-use software. The net capitalized internal use software as of December 31, 2019 and 2020 was \$69.2 million and \$88.3 million, respectively. Depreciation expense was \$78.4 million, \$71.4 million and \$58.4 million for the years ended December 31, 2018, 2019 and 2020, respectively. Included in depreciation expense for the years ended December 31, 2018, 2019 and 2020 was \$50.0 million, \$46.7 million and \$36.2 million, respectively, related to capitalized internal-use software.

Property and equipment, net, consisted of the following at December 31, 2019 and 2020 (in thousands):

	2019	2020
Building improvements	\$ 17,726	\$ 12,027
Equipment	188,611	188,954
Finance leases - property	26,945	10,455
Finance leases - equipment	26,856	32,568
Capitalized internal-use software	570,989	626,186
	831,127	870,190
Accumulated depreciation	(699,415)	(733,451)
Property and equipment, net	<u>\$ 131,712</u>	<u>\$ 136,739</u>

Goodwill

The Company is required to test its goodwill for impairment on at least an annual basis. The Company has selected October 1 as the date of its annual impairment test. The goodwill impairment test is a two-step process that requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of each reporting unit with goodwill based on various valuation techniques, with the primary technique being a discounted cash flow analysis, which requires the input of various assumptions with respect to revenues, operating margins, growth rates and discount rates. The estimated fair value for each reporting unit is compared to the carrying value of the reporting unit, which includes goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an “implied fair value” of goodwill. The determination of a reporting unit’s “implied fair value” of goodwill requires the Company to allocate the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit. Any unallocated fair value represents the “implied fair value” of goodwill, which is compared to its corresponding carrying value.

Goodwill is tested for impairment at a level referred to as a reporting unit, with the Company’s reporting units with goodwill as of December 31, 2020 comprised of Behavioral & Specialty Health and Pharmacy Management. On December 31, 2020, the Company completed the sale of its MCC reporting unit to Molina.

The fair values of the Behavioral & Specialty Health and Pharmacy Management reporting units were determined using a discounted cash flow method. This method involves estimating the present value of estimated future cash flows utilizing a risk adjusted discount rate. Key assumptions for this method include cash flow projections, terminal growth rates and discount rates.

While no units were determined to be impaired at this time, reporting unit goodwill is at risk of future impairment in the event of significant unfavorable changes in the Company’s forecasted future results and cash flows. In addition, market factors utilized in the impairment analysis, including long-term growth rates or discount rates, could negatively impact the fair value of our reporting units. For testing purposes, management’s best estimates of the expected future results are the primary driver in determining the fair value. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill test will prove to be an accurate prediction of the future.

Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) a decrease in expected future cash flows, specifically, a decrease in membership or rates or customer attrition and increase in costs that could significantly impact our immediate and long-range results, unfavorable working capital changes and an inability to successfully achieve our cost savings targets, (ii) adverse changes in macroeconomic conditions or an economic recovery that significantly differs from our assumptions in timing and/or degree (such as a recession); and (iii) volatility in the equity and debt markets or other country specific factors which could result in a higher weighted average cost of capital.

Based on known facts and circumstances, we evaluate and consider recent events and uncertain items, as well as related potential implications, as part of our annual assessment and incorporate into the analyses as appropriate. These facts and circumstances are subject to change and may impact future analyses.

While historical performance and current expectations have resulted in fair values of our reporting units and indefinite-lived intangible assets in excess of carrying values, if our assumptions are not realized, it is possible that an impairment charge may need to be recorded in the future.

Goodwill for each of the Company's reporting units with goodwill at December 31, 2019 and 2020 was as follows (in thousands):

	2019	2020
Behavioral & Specialty Health	\$ 410,869	\$ 478,227
Pharmacy Management	395,552	395,552
Total	<u>\$ 806,421</u>	<u>\$ 873,779</u>

The changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2020 are reflected in the table below (in thousands):

	2019	2020
Balance as of beginning of period	\$ 806,421	\$ 806,421
Acquisition of Bayless	—	67,358
Balance as of end of period	<u>\$ 806,421</u>	<u>\$ 873,779</u>

Intangible Assets

The Company reviews other intangible assets for impairment when events or changes in circumstances occur which may potentially impact the estimated useful life of the intangible assets.

The following is a summary of intangible assets at December 31, 2019 and 2020, and the estimated useful lives for such assets (in thousands, except useful lives):

December 31, 2019					
Asset	Original Useful Life	Weighted Avg Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer agreements and lists	2.5 to 18 years	3.3 years	\$ 347,033	\$ (267,977)	\$ 79,056
Provider networks and other	1 to 16 years	2.3 years	20,760	(18,141)	2,619
			<u>\$ 367,793</u>	<u>\$ (286,118)</u>	<u>\$ 81,675</u>

December 31, 2020					
Asset	Original Useful Life	Weighted Avg Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer agreements and lists	2.5 to 18 years	4.7 years	\$ 380,853	\$ (306,173)	\$ 74,680
Provider networks and other	1 to 16 years	2.8 years	24,151	(20,692)	3,459
Trade names and licenses	indefinite	indefinite	1,550	—	1,550
			<u>\$ 406,554</u>	<u>\$ (326,865)</u>	<u>\$ 79,689</u>

Amortization expense was \$34.0 million, \$38.9 million and \$40.0 million for the years ended December 31, 2018, 2019 and 2020, respectively. The Company estimates amortization expense will be \$30.5 million, \$17.8 million, \$9.3 million, \$5.8 million and \$5.1 million for the years ending December 31, 2021, 2022, 2023, 2024 and 2025, respectively.

Cost of Care, Medical Claims Payable and Other Medical Liabilities

Cost of care is recognized in the period in which members receive managed healthcare services. In addition to actual benefits paid, cost of care in a period also includes the impact of accruals for estimates of medical claims payable. Medical claims payable represents the liability for healthcare claims reported but not yet paid and claims incurred but not yet reported ("IBNR") related to the Company's managed healthcare businesses. Such liabilities are determined by

employing actuarial methods that are commonly used by health insurance actuaries and that meet actuarial standards of practice. Cost of care for the Company's EAP contracts, which are mainly with the United States federal government, pertain to the costs to employ licensed behavioral health counselors to deliver non-medical counseling for these contracts.

The IBNR portion of medical claims payable is estimated based on past claims payment experience for member groups, enrollment data, utilization statistics, authorized healthcare services and other factors. This data is incorporated into contract-specific actuarial reserve models and is further analyzed to create "completion factors" that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Factors that affect estimated completion factors include benefit changes, enrollment changes, shifts in product mix, seasonality influences, provider reimbursement changes, changes in claims inventory levels, the speed of claims processing and changes in paid claim levels. Completion factors are applied to claims paid through the financial statement date to estimate the ultimate claim expense incurred for the current period. Actuarial estimates of claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims. For the most recent incurred months (generally the most recent two months), the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factor methodology less reliable for such months. Therefore, incurred claims for any month with a completion factor that is less than 70 percent are generally not projected from historical completion and payment patterns; rather they are projected by estimating claims expense based on recent monthly estimated cost incurred per member per month times membership, taking into account seasonality influences, benefit changes and healthcare trend levels, collectively considered to be "trend factors." For new contracts, the Company estimates IBNR based on underwriting data until it has sufficient data to utilize these methodologies.

Medical claims payable balances are continually monitored and reviewed. If it is determined that the Company's assumptions in estimating such liabilities are significantly different than actual results, the Company's results of operations and financial position could be impacted in future periods. Adjustments of prior period estimates may result in additional cost of care or a reduction of cost of care in the period an adjustment is made. Further, due to the considerable variability of healthcare costs, adjustments to claim liabilities occur each period and are sometimes significant as compared to the net income recorded in that period. Prior period development is recognized immediately upon the actuary's judgment that a portion of the prior period liability is no longer needed or that additional liability needs to be accrued. The following table presents the components of the change in medical claims payable for the years ended December 31, 2018, 2019 and 2020 (in thousands):

	2018	2019	2020
Claims payable and IBNR, beginning of period	\$ 126,861	\$ 126,311	\$ 123,276
Cost of care:			
Current year	1,555,491	1,545,024	1,403,555
Prior years(3)	(800)	(1,500)	(5,700)
Total cost of care	1,554,691	1,543,524	1,397,855
Claim payments and transfers to other medical liabilities(1):			
Current year	1,441,621	1,433,214	1,306,519
Prior years	113,620	113,345	107,241
Total claim payments and transfers to other medical liabilities	1,555,241	1,546,559	1,413,760
Claims payable and IBNR, end of period	126,311	123,276	107,371
Withhold payable, end of period(2)	3,418	4,838	4,480
Medical claims payable, end of period	\$ 129,729	\$ 128,114	\$ 111,851

- (1) For any given period, a portion of unpaid medical claims payable could be covered by risk share or reinvestment liabilities (discussed below) and may not impact the Company's results of operations for such periods.
- (2) Medical claims payable is offset by customer withholds from capitation payments in situations in which the customer has the contractual requirement to pay providers for care incurred.
- (3) Favorable development in 2018, 2019 and 2020 was \$0.8 million, \$1.5 million and \$5.7 million, respectively, and was mainly related to lower medical trends and faster claims completion than originally assumed.

Actuarial standards of practice require that claim liabilities be adequate under moderately adverse circumstances. Adverse circumstances are situations in which the actual claims experience could be higher than the otherwise estimated value of such claims. In many situations, the claims paid amount experienced will be less than the estimate that satisfies the actuarial standards of practice. Any prior period favorable cost of care development related to a lack of moderately adverse conditions is excluded from “Cost of Care – Prior Years” adjustments, as a similar provision for moderately adverse conditions is established for current year cost of care liabilities and therefore does not generally impact net income.

Due to the existence of risk sharing and reinvestment provisions in certain customer contracts, principally in the Government contracts, a change in the estimate for medical claims payable does not necessarily result in an equivalent impact on segment profit.

The Company believes that the amount of medical claims payable is adequate to cover its ultimate liability for unpaid claims as of December 31, 2020; however, actual claims payments may differ from established estimates.

Other medical liabilities consist primarily of amounts payable to pharmacies for claims that have been adjudicated by the Company but not yet paid and “profit share” payables under certain risk-based contracts. Under a contract with profit share provisions, if the cost of care is below certain specified levels, the Company will “share” the cost savings with the customer at the percentages set forth in the contract. In addition, certain contracts include provisions to provide the Company additional funding if the cost of care is above the specified levels. Other medical liabilities also include “reinvestment” payables under certain managed healthcare contracts with Medicaid customers. Under a contract with reinvestment features, if the cost of care is less than certain minimum amounts specified in the contract (usually as a percentage of revenue), the Company is required to “reinvest” such difference in behavioral healthcare programs when and as specified by the customer or to pay the difference to the customer for their use in funding such programs.

Leases

The Company leases certain office space, distribution centers, land and equipment. We assess our contracts to determine if they contain a lease. This assessment is based on (i) the right to control the use of an identified asset; (ii) the right to obtain substantially all of the economic benefits from the use of the identified asset; and (iii) the right to use the identified asset. The Company elected the short-term lease practical expedient; thus, leases with an initial term of twelve months or less are not capitalized and the expense is recognized on a straight-line basis. Most leases include one or more options to renew, with renewal terms that can extend the lease from one to ten years. The exercise of renewal options are at the sole discretion of the Company. Renewal options that the Company is reasonably certain to accept are recognized as part of the right-of-use (“ROU”) asset.

Operating leases are included in other long-term assets, accrued liabilities and deferred credits and other long-term liabilities in the consolidated balance sheets. Finance leases are included in property and equipment, current debt, capital lease deferred financing obligations and long-term debt, capital lease and deferred financing obligations in the consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments per the lease. Operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As the rate implicit in most of our leases is not readily determinable, the Company used its incremental borrowing rate to determine the present value of lease payments.

The following table shows the components of lease expenses for the year ended December 31, 2020 (in thousands):

	Year Ended December 31, 2020
Operating lease cost	\$ 9,506
Finance lease cost:	
Amortization of right-of-use asset	3,419
Interest on lease liabilities	785
Total finance lease cost	4,204
Short-term lease cost	298
Variable lease cost	2,656
Total lease cost	16,664
Sublease income	(258)
Net lease cost	\$ 16,406

The following table shows the components of the lease assets and liabilities as of December 31, 2020 (in thousands):

	December 31, 2020
Operating leases:	
Other long-term assets	\$ 23,545
Accrued liabilities	\$ 14,526
Deferred credits and other long-term liabilities	24,923
Total operating lease liabilities	\$ 39,449
Finance leases:	
Property and equipment, net	\$ 11,892
Current debt, finance lease and deferred financing obligations	\$ 4,460
Long-term debt, finance lease and deferred financing obligations	11,967
Total finance lease liabilities	\$ 16,427

The maturity dates of the Company's leases as of December 31, 2020 are summarized below (in thousands):

	December 31, 2020
2020	\$ 19,535
2021	14,883
2022	10,349
2023	8,557
2024	3,228
2025 and beyond	673
Total lease payments	57,225
Less interest	(1,349)
Present value of lease liabilities	\$ 55,876

The following table shows the weighted average remaining lease term and discount rate as of December 31, 2020:

	December 31, 2020
Weighted average remaining lease term	
Operating leases	3.94
Finance leases	3.96
Weighted average discount rate	
Operating leases	4.79%
Finance leases	4.39%

Supplemental cash flow information relating to leases is as follows (in thousands):

	Year ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 12,268
Operating cash flows from finance leases	5,401
Financing cash flows from finance leases	785
Right-of-use asset obtained in exchange for new lease obligation	
Operating leases	1,677
Finance leases	3,599

Accrued Liabilities

As of December 31, 2019, the individual current liabilities that exceeded five percent of total current liabilities related to accrued customer settlement liabilities of \$21.4 million and accounts payable rebates of \$51.0 million. As of December 31, 2020, the individual current liabilities that exceeded five percent of total current liabilities related to accrued employee compensation liabilities of \$106.7 million, accounts payable rebates of \$101.7 million, state and federal income tax liabilities of \$56.6 million and accrued customer settlement liabilities of \$41.1 million.

Net Income per Common Share attributable to Magellan

Net income per common share attributable to Magellan is computed based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period (see Note 6—“Stockholders’ Equity”).

Stock Compensation

At December 31, 2019 and 2020, the Company had equity-based employee incentive plans, which are described more fully in Note 6—“Stockholders’ Equity”. The Company recorded stock compensation expense of \$39.1 million, \$29.5 million and \$25.5 million for the years ended December 31, 2018, 2019 and 2020, respectively. As stock compensation expense recognized in the consolidated statements of income for the years ended December 31, 2018, 2019 and 2020 is based on awards ultimately expected to vest, it has been reduced for annual estimated forfeitures of zero to four percent. If the actual number of forfeitures differs from those estimated, additional adjustments to compensation expense may be required in future periods. The Company uses the Black-Scholes-Merton formula to estimate the fair value of substantially all stock options granted to employees. The Company uses the Monte Carlo simulation to derive the fair value of performance-based restricted stock units (“PSUs”) granted to employees. If vesting of an award is conditioned upon the achievement of performance goals, compensation expense during the performance period is estimated using the most probable outcome of the performance goals, and adjusted as the expected outcome changes. The Company recognizes compensation costs for awards that do not contain performance conditions on a straight-line basis over the requisite service period, which is generally the vesting term of three years.

Redeemable Non-Controlling Interest

As of December 31, 2020, the Company held a 70% equity interest in Aurelia Health, LLC (“Aurelia”). The other shareholders of Aurelia have the right to exercise put options, requiring the Company to purchase up to 33.3% of the remaining shares during the thirty-day period beginning on January 15, 2022 and each subsequent anniversary thereafter. In addition, for the thirty-day period beginning on January 15, 2022 and each subsequent anniversary thereafter, the Company has the right to purchase 33.3% of the remaining shares (“call option”). The redemption price for these put and call options is based on a fixed multiple of the trailing twelve-month EBITDA at the redemption date. Non-controlling interests with redemption features, such as put options, that are not solely within the Company’s control are considered redeemable non-controlling interests. Redeemable non-controlling interest is considered to be temporary and is therefore reported in a mezzanine level between liabilities and stockholders’ equity on the Company’s consolidated balance sheet at the greater of the initial carrying amount adjusted for the non-controlling interest’s share of net income or loss or its redemption value. The carrying value of the non-controlling interest as of December 31, 2020 was \$33.1 million. The Company will evaluate the redemption value on a quarterly basis. If the redemption value is greater than the carrying value, the Company will adjust the carrying amount of the non-controlling interest to equal the redemption value at the end of each reporting period. Under this method, this is viewed at the end of the reporting period as if it were also the redemption date for the non-controlling interest. The Company will reflect redemption value adjustments in the earnings per share (“EPS”) calculation if redemption value is in excess of the carrying value of the non-controlling interest. As of December 31, 2020, the carrying value of the non-controlling interest exceeded the redemption value and therefore no adjustment to the carrying value was required.

3. Acquisitions

Acquisition of Aurelia Health, LLC

Pursuant to the December 18, 2020 purchase agreement (the “Bayless Agreement”) between Bella Vista Enterprises, Inc., Aurelia Health, LLC and the Company, on December 21, 2020 the Company acquired 70 percent of the outstanding membership interests of Aurelia Health, LLC and its subsidiary Michael B. Bayless, LLC (collectively “Bayless”) (the “Bayless Acquisition”).

The base purchase price for the Bayless Acquisition per the Bayless Agreement was \$78.4 million, subject to working capital adjustments. The Company reports the results of operations of Bayless within its Healthcare segment.

The purchase price has been allocated based upon the estimated fair value of net assets acquired at the date of acquisition. A portion of the excess purchase price over tangible net assets acquired has been allocated to identified intangible assets totaling \$38.0 million, consisting of total customer contract intangible assets in the amount of \$33.8 million, which are being amortized over ten years, non-compete agreements in the amount of \$2.4 million, which are being amortized over two to five years, trade name in the amount of \$1.6 million, which has an indefinite life, and payor contracts in the amount of \$0.2 million, which is being amortized over two years. The acquisition resulted in \$67.4 million in goodwill related primarily to anticipated synergies and the assembled workforce of Bayless. The entire excess purchase price over tangible net assets acquired is amortizable for tax purposes, although the Company’s effective rate will not be impacted by the tax amortization.

The estimated fair value of Bayless' assets acquired and liabilities assumed at the date of the acquisition are summarized as follows (in thousands):

Assets acquired:	
Current assets (includes \$330 and \$7,189 of cash and accounts receivable, respectively)	\$ 9,974
Property and equipment, net	699
Other assets	3,182
Identified intangible assets	38,011
Goodwill	67,358
Total assets acquired	119,224
Liabilities assumed:	
Current liabilities	1,825
Other liabilities	4,294
Total liabilities assumed	6,119
Net assets acquired	113,105
Redeemable non-controlling interest	33,006
Total Consideration	\$ 80,099

The Company's estimated fair values of Bayless' assets acquired, liabilities assumed and the redeemable non-controlling interest at the date of acquisition are determined based on certain valuations and analyses that have yet to be finalized, and accordingly, the assets acquired, liabilities assumed, and non-controlling interest, as detailed above, are subject to adjustment once the analyses are completed. The Company will make appropriate adjustments to the purchase price allocation prior to the completion of the measurement period as required.

In connection with the Bayless acquisition, the Company incurred acquisition related costs of \$2.0 million during the year ended December 31, 2020. These costs are included within direct service costs and other operating expenses in the accompanying consolidated statements of income.

4. Benefit Plans

The Company has a defined contribution retirement plan (the "401(k) Plan"). Employee participants can elect to contribute up to 75 percent of their compensation, subject to Internal Revenue Service ("IRS") deferral limitations. The Company makes contributions to the 401(k) Plan based on employee compensation and contributions. The Company matches 50 percent of each employee's contribution up to 6 percent of their annual compensation. The Company recognized \$14.9 million, \$15.2 million and \$18.1 million of expense for the years ended December 31, 2018, 2019 and 2020, respectively, for matching contributions to the 401(k) Plan.

5. Long-Term Debt, Finance Lease and Deferred Financing Obligations

Senior Notes

On September 22, 2017, the Company completed the public offering of \$400.0 million aggregate principal amount of its 4.400% Senior Notes due 2024 (the "Notes"). The Notes are governed by an indenture dated as of September 22, 2017 (the "Base Indenture"), between the Company, as issuer, and U.S. Bank National Association, as trustee, and is supplemented by a first supplemental indenture dated as of September 22, 2017 (the "First Supplemental Indenture" together, with the Base Indenture, the "Indenture"), between the Company, as issuer, and U.S. Bank National Association, as trustee. During the years ended December 31, 2019 and 2020, the Company purchased and subsequently retired \$11.1 million and \$28.9 million of its Notes, respectively, which resulted in a loss on retirement of \$0.3 million and \$0.7 million, respectively, that is included in interest expense. The Notes were issued at a discount and had a carrying value of \$388.4 million and \$359.6 million as of December 31, 2019 and 2020, respectively.

The Notes bear interest payable semiannually in cash in arrears on March 22 and September 22 of each year, commencing on March 22, 2018, which rate is subject to an interest rate adjustment upon the occurrence of certain credit rating events. The interest rate on the Notes on December 31, 2020 was 4.900%. The Notes mature on September 22,

2024. The Indenture provides that the Notes are redeemable at the Company's option, in whole or in part, at any time on or after July 22, 2024, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date.

The Indenture also contains certain covenants which restrict the Company's ability to, among other things, create liens on its and its subsidiaries' assets; engage in sale and lease-back transactions; and engage in a consolidation, merger or sale of assets.

Credit Agreement

On September 22, 2017, the Company entered into a credit agreement with various lenders that provides for a \$400.0 million senior unsecured revolving credit facility and a \$350.0 million senior unsecured term loan facility to the Company, as the borrower (the "2017 Credit Agreement"). On August 13, 2018, the Company entered into an amendment to the 2017 Credit Agreement, which extended the maturity date by one year. On February 27, 2019, the Company entered into a second amendment to the 2017 Credit Agreement, which amended the total leverage ratio covenant, and which was necessary in order for the Company to remain in compliance with the terms of the 2017 Credit Agreement. The 2017 Credit Agreement is scheduled to mature on September 22, 2023.

Under the 2017 Credit Agreement, the annual interest rate on the loan borrowing is equal to (i) in the case of base rate loans, the sum of an initial borrowing margin of 0.500 percent plus the higher of the prime rate, one-half of one percent in excess of the overnight "federal funds" rate, or the Eurodollar rate for one month plus 1.000 percent, or (ii) in the case of Eurodollar rate loans, the sum of an initial borrowing margin of 1.500 percent plus the Eurodollar rate for the selected interest period. The borrowing margin is subject to adjustment based on the Company's debt rating as provided by certain rating agencies. The Company has the option to borrow in base rate loans or Eurodollar rate loans at its discretion. The Company has elected to borrow in Eurodollar rate loans that currently have a borrowing margin of 1.7500 percent plus the Eurodollar rate for the selected interest period. For year ended December 31, 2020, the weighted average interest rate on the term loan facility was approximately 2.9686 percent. The interest rate on the term loan facility was 2.01% on December 31, 2020. The term loan facility balance under the 2017 Credit Agreement totaled \$280.6 million and \$263.1 million as of December 31, 2019 and 2020, respectively.

As of December 31, 2020, the contractual maturities of the term loan facility under the 2017 Credit Agreement were as follows: 2021 - \$0.0 million; 2022 - \$5.0 million; and 2023 - \$258.1 million. On December 31, 2019 and 2020, the Company had no revolving loan borrowings under the 2017 Credit Agreement, resulting in a borrowing capacity of \$400.0 million. Included in long-term debt and finance lease and deferred financing obligations as of December 31, 2019 and 2020 are deferred loan issuance costs of \$5.7 million and \$4.2 million, respectively.

The 2017 Credit Agreement contains covenants that limit management's discretion in operating the Company's business by restricting or limiting the Company's ability, among other things, to:

- incur or guarantee additional indebtedness or issue preferred or redeemable stock;
- pay dividends and make other distributions;
- repurchase equity interests;
- make certain advances, investments and loans;
- enter into sale and leaseback transactions;
- create liens;
- sell and otherwise dispose of assets;
- acquire or merge or consolidate with another company; and

- enter into some types of transactions with affiliates.

Letter of Credit Agreement

On August 22, 2017, the Company entered into a Continuing Agreement for Standby Letters of Credit with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”), as issuer (the “L/C Agreement”), under which BTMU, at its sole discretion, may provide stand-by letter of credit to the Company. The Company had \$66.4 million and \$32.1 million of letters of credit outstanding under the L/C Agreement on December 31, 2019 and 2020, respectively.

Finance Lease and Deferred Financing Obligations

There were \$18.1 million and \$16.4 million of finance lease and deferred financing obligations at December 31, 2019 and December 31, 2020, respectively. The Company’s finance lease and deferred financing obligations represent amounts due under leases for certain properties, computer software (acquired prior to the prospective adoption of ASU 2015-05 on January 1, 2016) and equipment. The recorded gross cost of finance leased assets was \$53.8 million and \$43.0 million at December 31, 2019 and 2020, respectively.

6. Stockholders’ Equity

Stock Compensation

At December 31, 2019 and 2020, the Company had equity-based employee incentive plans. Prior to May 18, 2016, the Company utilized the 2011 Management Incentive Plan (the “2011 MIP”), 2008 Management Incentive Plan (the “2008 MIP”) and 2006 Directors’ Equity Compensation Plan (collectively the “Preexisting Plans”) for grants of stock options, RSAs, RSUs, and stock appreciation rights, to provide incentives to officers, employees and non-employee directors.

On February 25, 2016, the board of directors of the Company approved the 2016 Management Incentive Plan (“2016 MIP”), and the 2016 MIP was approved by the Company’s shareholders at the 2016 Annual Meeting of Shareholders on May 18, 2016. The 2016 MIP provides for the delivery of up to a number of shares equal to (i) 4,000,000 shares of common stock, plus (ii) the number of shares subject to outstanding awards under the 2011 MIP and Preexisting Plans which become available after shareholder approval of the 2016 MIP as a result of forfeitures, expirations, and in other permitted ways under the share recapture provisions of the 2016 MIP. Delivery of shares under “full-value” awards (awards other than options or stock appreciation rights) will be counted for each share delivered as 1.60 shares against the total number of shares reserved under the 2016 MIP.

The 2016 MIP provides for awards of stock options, RSAs, RSUs, performance-based restricted stock units (“PSUs”), stock appreciation rights, cash-denominated awards and any combination of the foregoing. A RSU is a notional account representing the right to receive a share of the Company’s Common Stock (or, at the Company’s option, cash in lieu thereof) at some future date. In general, stock options vest ratably on each anniversary over the three years subsequent to grant, and have a ten year life. In general, RSUs vest ratably on each anniversary over the three years subsequent to grant. The PSUs vest over three years and are subject to market-based conditions. At December 31, 2020, 2,058,875 shares of the Company’s common stock remain available for future grant under the Company’s 2016 MIP.

On February 27, 2014 the board of directors of the Company approved the 2014 Employee Stock Purchase Plan (“2014 ESPP”), and the 2014 ESPP was approved by the Company’s shareholders at the 2014 Annual Meeting of Shareholders on May 21, 2014. The 2014 ESPP provides for up to 200,000 shares of the Company’s common stock, plus the number of shares remaining under the 2011 Employee Stock Purchase Plan, to be issued. On May 24, 2018, the Company’s shareholders approved an amendment to the 2014 ESPP to increase by 300,000 the number of shares available for issuance under the plan. During the years ended December 31, 2019 and 2020, 93,632 and 64,011 shares of the Company’s common stock were issued under the employee stock purchase plans, respectively. At December 31, 2020, 151,073 shares of the Company’s common stock remain available for future grant under the Company’s 2014 ESPP.

Stock Options

Summarized information related to the Company's stock options for the years ended December 31, 2018, 2019 and 2020 is as follows:

	2018		2019	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	2,458,237	\$ 61.50	2,352,609	\$ 68.10
Granted	477,956	96.39	429,124	66.22
Forfeited	(174,376)	80.21	(112,120)	78.18
Exercised	(409,208)	56.36	(543,752)	60.16
Outstanding, end of period	2,352,609	68.10	2,125,861	69.22

	2020			
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding, beginning of period	2,125,861	\$ 69.22		
Granted	63,771	62.93		
Forfeited	(102,163)	75.63		
Exercised	(1,042,186)	61.92		
Outstanding, end of period	1,045,283	\$ 75.48	4.55	\$ 12,984
Vested and expected to vest at end of period	1,042,443	\$ 75.51	4.54	\$ 12,936
Exercisable, end of period	841,892	\$ 76.41	3.65	\$ 10,131

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (based upon the difference between the Company's closing stock price on the last trading day of 2020 of \$82.84 and the exercise price) for all in-the-money options as of December 31, 2020. This amount changes based on the fair market value of the Company's common stock.

The total pre-tax intrinsic value of options exercised during the years ended December 31, 2018, 2019 and 2020 was \$17.3 million, \$5.6 million and \$11.8 million, respectively.

The weighted average grant date fair value per share of substantially all stock options granted during the years ended December 31, 2018, 2019 and 2020 was \$25.34, \$20.64 and \$18.55 respectively, as estimated using the Black-Scholes-Merton option pricing model based on the following weighted average assumptions:

	2018	2019	2020
Risk-free interest rate	2.54 %	2.50 %	1.06 %
Expected life	4 years	4 years	4 years
Expected volatility	28.20 %	35.56 %	35.56 %
Expected dividend yield	0.00 %	0.00 %	0.00 %

For the years ended December 31, 2018, 2019 and 2020, expected volatility was based on the historical volatility of the Company's stock price.

As of December 31, 2020, there was \$2.3 million of total unrecognized compensation expense related to nonvested stock options that is expected to be recognized over a weighted average remaining recognition period of 1.35 years. The total fair value of options vested during the year ended December 31, 2020 was \$6.4 million.

In the year ended December 31, 2018, the tax benefit from excess tax deductions included in continuing operations was \$5.1 million; tax deficiencies were insignificant. In the year ended December 31, 2019, the net tax expense from tax deficiencies included in continuing operations was \$1.5 million, which consisted of \$1.8 million of tax deficiencies offset by \$0.3 million of excess tax deductions. In the year ended December 31, 2020, the net tax expense from tax deficiencies included in continuing operations was \$2.3 million, which consisted of \$2.7 million of tax deficiencies offset by \$0.4 million of excess tax deductions. The tax impact for discontinued operations was insignificant.

Restricted Stock Awards

Summarized information related to the Company's nonvested RSAs for the years ended December 31, 2018, 2019 and 2020 is as follows:

	2018		2019		2020	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of period	31,102	\$ 68.00	11,795	\$ 89.05	39,761	\$ 65.40
Awarded	11,795	89.05	41,905	65.60	54,314	76.72
Vested	(31,102)	68.00	(13,939)	85.99	(39,761)	65.40
Forfeited	—	—	—	—	—	—
Outstanding, ending of period	<u>11,795</u>	<u>89.05</u>	<u>39,761</u>	<u>65.40</u>	<u>54,314</u>	<u>76.72</u>

As of December 31, 2020, there was \$3.5 million of unrecognized stock compensation expense related to nonvested restricted stock awards. This cost is expected to be recognized over a weighted average period of 2.57 years.

Restricted Stock Units

Summarized information related to the Company's nonvested RSUs for the years ended December 31, 2018, 2019 and 2020 is as follows:

	2018		2019		2020	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of period	163,289	\$ 66.46	156,750	\$ 86.68	256,430	\$ 74.12
Awarded	111,033	99.29	212,065	67.92	355,689	62.48
Vested	(84,627)	65.20	(68,993)	81.95	(108,996)	75.15
Forfeited	(32,945)	84.17	(43,392)	76.71	(74,761)	64.79
Outstanding, ending of period	<u>156,750</u>	<u>86.68</u>	<u>256,430</u>	<u>74.12</u>	<u>428,362</u>	<u>65.83</u>

As of December 31, 2020, there was \$18.3 million of unrecognized stock compensation expense related to nonvested restricted stock units. This cost is expected to be recognized over a weighted average period of 1.97 years.

Performance-Based Restricted Stock Units

Summarized information related to the Company's nonvested PSUs for the years ended December 31, 2018, 2019 and 2020 is as follows:

	2018		2019		2020	
	Weighted Average Grant Date		Weighted Average Grant Date		Weighted Average Grant Date	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Outstanding, beginning of period	202,315	\$ 84.63	209,019	\$ 103.38	248,559	\$ 104.27
Awarded	80,502	141.61	101,498	101.82	138,114	76.88
Vested	(33,592)	85.0	(43,109)	97.12	(52,861)	76.24
Forfeited	(40,206)	100.96	(18,849)	97.49	(54,867)	85.09
Outstanding, end of period	<u>209,019</u>	<u>103.38</u>	<u>248,559</u>	<u>104.27</u>	<u>278,945</u>	<u>99.80</u>

The PSUs will entitle the grantee to receive a number of shares of the Company's Common Stock determined over a three-year performance period ending on December 31 of the year prior to the settlement date of the awards, provided the grantee remains in the service of the Company on the settlement date. The Company expenses the cost of PSU awards ratably over the requisite service period. The number of shares for which the PSUs will be settled will be a percentage of shares for which the award is targeted and will depend on the Company's total shareholder return (as defined below), expressed as a percentile ranking of the Company's total shareholder return as compared to the Company's peer group (as defined below). The number of shares for which the PSUs will be settled vary from zero to 200 percent of the shares specified in the grant. Total shareholder return is determined by dividing the average share value of the Company's Common Stock over the 30 trading days preceding January 1 of the year the awards are scheduled to vest by the average share value of the Company's Common Stock over the 30 trading days beginning on January 1 of the year the awards were granted, with a deemed reinvestment of any dividends declared during the performance period. The Company's peer group includes companies which comprise the S&P Health Care Services Industry Index, selected by the Compensation Committee of the Company's Board of Directors and includes a range of healthcare companies operating in several business segments.

The weighted average estimated fair value of the PSUs granted in the year ended December 31, 2018 was \$141.61, which was derived from a Monte Carlo simulation. Significant assumptions utilized in estimating the value of the awards granted include an expected dividend yield of 0%, a risk-free rate of 2.37%, and expected volatility of 20% to 82% (average of 35%).

The weighted average estimated fair value of the PSUs granted in the year ended December 31, 2019 was \$101.82, which was derived from a Monte Carlo simulation. Significant assumptions utilized in estimating the value of the awards granted include an expected dividend yield of 0%, a risk-free rate of 2.35%, and expected volatility of 58% to 82% (average of 78%).

The weighted average estimated fair value of the PSUs granted in the year ended December 31, 2020 was \$76.88, which was derived from a Monte Carlo simulation. Significant assumptions utilized in estimating the value of the awards granted include an expected dividend yield of 0%, a risk-free rate of 0.68%, and expected volatility of 20% to 70% (average of 35%).

As of December 31, 2020, there was \$9.2 million of unrecognized stock compensation expense related to nonvested PSUs. This cost is expected to be recognized over a weighted average period of 1.96 years.

Net Income per Common Share Attributable to Magellan

The following table reconciles income (numerator) and shares (denominator) used in the Company's computations of net income per share for the years ended December 31, 2018, 2019 and 2020 (in thousands, except per share data):

	2018	2019	2020
Numerator:			
Net income from continuing operations	\$ 22,176	\$ 12,597	\$ 4,046
Income from discontinued operations, net of tax	2,005	43,305	378,289
Net income	<u>\$ 24,181</u>	<u>\$ 55,902</u>	<u>\$ 382,335</u>
Denominator:			
Weighted average number of common shares outstanding—basic	24,349	24,243	25,255
Common stock equivalents—stock options	493	142	79
Common stock equivalents—RSAs	15	8	18
Common stock equivalents—RSUs	37	35	104
Common stock equivalents—PSUs	137	131	72
Common stock equivalents—employee stock purchase plan	4	4	4
Weighted average number of common shares outstanding—diluted	<u>25,035</u>	<u>24,563</u>	<u>25,532</u>
Net income per common share—basic:			
Continuing operations	\$ 0.91	\$ 0.52	\$ 0.16
Discontinued operations	0.08	1.79	14.98
Consolidated operations	<u>\$ 0.99</u>	<u>\$ 2.31</u>	<u>\$ 15.14</u>
Net income per common share—diluted:			
Continuing operations	\$ 0.89	\$ 0.51	\$ 0.16
Discontinued operations	0.08	1.76	14.82
Consolidated operations	<u>\$ 0.97</u>	<u>\$ 2.27</u>	<u>\$ 14.98</u>

The weighted average number of common shares outstanding for the years ended December 31, 2018, 2019 and 2020 was calculated using outstanding shares of the Company's common stock. Common stock equivalents included in the calculation of diluted weighted average common shares outstanding for the years ended December 31, 2018, 2019 and 2020 represent stock options to purchase shares of the Company's common stock, restricted stock awards, restricted stock units and stock purchased under the 2014 ESPP.

For the years ended December 31, 2018, 2019 and 2020, the Company had additional potential dilutive securities outstanding representing 0.5 million, 1.0 million and 0.7 million options, respectively, that were not included in the computation of dilutive securities because they were anti-dilutive for such periods. Had these shares not been anti-dilutive, all of these shares would not have been included in the net income per common share calculation, as the Company uses the treasury stock method of calculating diluted shares.

Stock Repurchases

The Company's board of directors has previously authorized a series of stock repurchase plans. Stock repurchases for each such plan could be executed through open market repurchases, privately negotiated transactions, accelerated share repurchases or other means. The board of directors authorized management to execute stock repurchase transactions from time to time and in such amounts and via such methods as management deemed appropriate. Each stock repurchase program could be limited or terminated at any time without prior notice. Pursuant to the terms of the Merger Agreement the Company suspended its stock repurchase programs on January 4, 2021, the date we announced our planned merger with Centene.

The Company's board of directors approved, and subsequently amended, a stock repurchase plan which authorizes the Company to purchase up to \$400 million of its outstanding common stock through November 15, 2021. As of December 31, 2020, the remaining capacity under the Repurchase Program was \$186.3 million. Stock repurchases

under the programs may be carried out from time to time in open market transactions (including blocks) or in privately negotiated transactions. The timing of repurchases and the actual amount purchased will depend on a variety of factors including the market price of the Company's shares, general market and economic conditions, and other corporate considerations. Repurchases may be made pursuant to plans intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, which could allow the Company to purchase its shares during periods when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Repurchases are expected to be funded from working capital and anticipated cash from operations. The repurchase authorization does not require the purchase of a specific number of shares and is subject to suspension or termination by the Company's board of directors at any time.

Pursuant to this program, the Company made purchases as follows (aggregate cost excludes broker commissions and is reflected in millions):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Aggregate Cost
October 26, 2015 - December 31, 2015	345,044	\$ 53.46	\$ 18.4
January 1, 2016 - December 31, 2016	1,828,183	58.40	106.8
January 1, 2017 - December 31, 2017	280,140	77.67	21.8
January 1, 2018 - December 31, 2018	844,872	74.59	63.0
January 1, 2019 - December 31, 2019	60,901	61.15	3.7
January 1, 2020 - December 31, 2020	—	—	—
	<u>3,359,140</u>		<u>\$ 213.7</u>

The Company made no share repurchases from January 1, 2021 through February 19, 2021.

7. Income Taxes

Income Tax Expense

The components of income tax expense (benefit) in continuing operations for the following years ended December 31 were as follows (in thousands):

	2018	2019	2020
Income taxes currently payable:			
Federal	\$ 8,918	\$ 2,051	\$ (31,567)
State	3,241	27	(5,238)
	<u>12,159</u>	<u>2,078</u>	<u>(36,805)</u>
Deferred income taxes (benefits):			
Federal	(912)	5,378	(5,903)
State	210	1,706	(1,823)
	<u>(702)</u>	<u>7,084</u>	<u>(7,726)</u>
Total income tax expense (benefit)	<u>\$ 11,457</u>	<u>\$ 9,162</u>	<u>\$ (44,531)</u>

Total income tax expense in continuing operations for the years ended December 31 was different from the amount computed using the statutory federal income tax rate in effect for each respective year for the following reasons (in thousands):

	2018	2019	2020
Income tax expense (benefit) at federal statutory rate	\$ 7,063	\$ 4,569	\$ (8,501)
State income taxes (benefit), net of federal income tax benefit	3,407	1,285	(1,632)
State contingencies added	2,287	944	1,519
Tax contingencies reversed due to statute closings	(2,500)	(2,860)	(1,762)
Change in valuation allowances	(691)	584	(924)
Share-based compensation	(4,750)	1,715	2,982
Qualified research credit	(1,584)	(1,418)	(2,424)
Non-deductible executive compensation	3,052	3,153	2,717
Non-deductible HIF fees	3,236	—	3,263
Sale of MCC Business	—	—	(39,819)
Other-net	1,937	1,190	50
Total income tax expense	<u>\$ 11,457</u>	<u>\$ 9,162</u>	<u>\$ (44,531)</u>

Deferred Income Taxes

The significant components of deferred tax assets and liabilities at December 31 were as follows (in thousands):

	2019	2020
Deferred tax assets:		
Net operating loss carryforwards	\$ 3,824	\$ 3,760
Share-based compensation	9,167	4,365
Other accrued compensation	10,697	17,037
Claims reserves	5,355	2,241
Deferred revenue	4,122	4,491
Accrued severance	1,244	3,505
Other non-deductible accrued liabilities	1,210	1,224
Indirect tax benefits	1,867	2,247
Operating lease--right-of-use liabilities	18,603	13,564
Other deferred tax assets	111	1,962
Total deferred tax assets	56,200	54,396
Valuation allowances	(1,828)	(905)
Deferred tax assets after valuation allowances	<u>54,372</u>	<u>53,491</u>
Deferred tax liabilities:		
Depreciation	(20,479)	(29,967)
Amortization of goodwill and intangible assets	(12,569)	(15,670)
Operating lease--right-of-use assets	(15,893)	(7,091)
Other deferred tax liabilities	(5,562)	(6,023)
Total deferred tax liabilities	<u>(54,503)</u>	<u>(58,751)</u>
Net deferred tax liabilities from continued operations	<u>\$ (131)</u>	<u>\$ (5,260)</u>

As a result of the MCC Sale, \$13.4 million of the Company's state and local net operating loss carryforwards ("NOLs") and all of its remaining \$1.3 million of federal NOLs were assumed by Molina and therefore the related deferred tax assets were reversed against continuing operations income tax expense in 2020.

The Company and its subsidiaries have \$75.0 million of NOLs available to reduce state and local taxable income at certain subsidiaries in 2021 and subsequent years. Most of these NOLs will expire in 2021 through 2039 if not used and are subject to examination and adjustment by the respective tax authorities. In addition, the Company's utilization of certain of these NOLs is subject to limitations as to the timing and use. Other than those considered in determining the valuation allowances discussed below, the Company does not believe these limitations will restrict the

Company's ability to use any of these state and local NOLs before they expire.

The Company's valuation allowances against deferred tax assets were \$1.8 million and \$0.9 million as of December 31, 2019 and 2020. The change in valuation allowances of \$0.9 million was reflected as a decrease to continuing operations income tax expense. These valuation allowances mostly relate to uncertainties regarding the eventual realization of certain state NOLs.

Reversals of valuation allowances are recorded in the period they occur, typically as reductions to income tax expense. Determination of the amount of deferred tax assets considered realizable requires significant judgment and estimation regarding the forecasts of future taxable income which are consistent with the plans and estimates the Company uses to manage the underlying businesses. Although consideration is also given to potential tax planning strategies which might be available to improve the realization of deferred tax assets, none were identified which were both prudent and reasonable. The Company believes taxable income expected to be generated in the future will be sufficient to support realization of the Company's deferred tax assets, as reduced by valuation allowances. This determination is based upon earnings history and future earnings expectations.

Other than deferred tax benefits attributable to operating loss carryforwards, there are no time constraints within which the Company's deferred tax assets must be realized. Future changes in the estimated realizability of deferred tax assets could materially affect the Company's financial condition and results of operations.

Uncertain Tax Positions

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

	2018	2019	2020
Balance as of beginning of period	\$ 10,411	\$ 10,823	\$ 9,010
Additions for current year tax positions	2,925	1,180	3,316
Additions for tax positions of prior years	397	699	29
Reductions for tax positions of prior years	(44)	(472)	(85)
Reductions due to lapses of applicable statutes of limitations	(2,906)	(3,177)	(1,826)
Changes due to Tax Act	339	—	—
Reductions due to settlements with taxing authorities	(299)	(43)	—
Balance as of end of period	<u>\$ 10,823</u>	<u>\$ 9,010</u>	<u>\$ 10,444</u>

If these unrecognized tax benefits had been realized as of December 31, 2019 and 2020, \$7.6 million and \$6.2 million, respectively, would have reduced income tax expense from continuing operations.

The Company continually performs a comprehensive review of its tax positions and accrues amounts for tax contingencies related to uncertain tax positions. Based upon these reviews, the status of ongoing tax audits and the expiration of applicable statutes of limitations, accruals are adjusted as necessary. The tax benefit from an uncertain tax position is recognized when it is more likely than not that, based on the technical merits, the position will be sustained upon examination, including resolution of any related appeals or litigation processes.

The Company also adjusts these liabilities for unrecognized tax benefits when its judgment changes as a result of the evaluation of new information not previously available. However, the ultimate resolution of a disputed tax position following an examination by a taxing authority could result in a payment that is materially different from that accrued by the Company. These differences are typically reflected as increases or decreases to income tax expense in the period in which they are determined.

The statutes of limitations regarding the assessment of federal and most state and local income taxes for 2016 expired during 2020. As a result, \$1.8 million of tax contingency reserves recorded as of December 31, 2019 were reversed in 2020, of which \$1.4 million was reflected as a reduction to income tax expense continuing operations and \$0.4 million as a decrease to deferred tax assets. Additionally, \$0.1 million of accrued interest was reversed in 2020 and reflected as a reduction to income tax expense from continuing operations due to the closing of statutes of limitations on tax assessments.

The statutes of limitations regarding the assessment of federal and most state and local income taxes for 2015 expired during 2019. As a result, \$3.2 million of tax contingency reserves recorded as of December 31, 2018 were reversed in 2019, of which \$2.5 million was reflected as a reduction to income tax expense from continuing operations and \$0.7 million as a decrease to deferred tax assets. Additionally, \$0.3 million of accrued interest was reversed in 2019 and reflected as a reduction to income tax expense from continuing operations due to the closing of statutes of limitations on tax assessments.

The statutes of limitations regarding the assessment of federal and most state and local income taxes for 2014 expired during 2018. As a result, \$2.9 million of tax contingency reserves recorded as of December 31, 2017 were reversed in 2018, of which \$2.3 million was reflected as a reduction to income tax expense from continuing operations and \$0.6 million as a decrease to deferred tax assets. Additionally, \$0.2 million of accrued interest was reversed in 2018 and reflected as a reduction to income tax expense from continuing operations due to the closing of statutes of limitations on tax assessments.

With few exceptions, the Company is no longer subject to income tax assessments by tax authorities for years ended prior to 2017. Further, it is reasonably possible the statutes of limitations regarding the assessment of federal and most state and local income taxes for 2017 could expire during 2021. Up to \$1.3 million of unrecognized tax benefits recorded as of December 31, 2020 could be reversed during 2021 as a result of statute expirations, of which \$1.1 million would be reflected as a reduction to income tax expense and \$0.2 million as a decrease to deferred tax assets. All reversals from statute expirations would be reflected as discrete adjustments during the quarter in which the respective event occurs. As of December 31, 2019 and 2020, the Company had accrued approximately \$0.3 million and \$0.3 million, respectively, for the potential payment of interest and penalties. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. During the years ended December 31, 2018, 2019 and 2020, the Company recorded approximately \$0.1 million, \$0.1 million and \$0.0 million, respectively, in interest and penalties.

8. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 2018, 2019 and 2020 is as follows (in thousands):

	2018	2019	2020
Income taxes paid, net of refunds	\$ 40,179	\$ 4,774	\$ 49,197
Interest paid	\$ 34,223	\$ 29,892	\$ 29,840
Assets acquired through finance leases and deferred financing	\$ 20,576	\$ 3,302	\$ 3,599

9. Discontinued Operations

Magellan Complete Care – Stock and Asset Purchase Agreement

As discussed in Note 1—“General”, on December 31, 2020, the Company completed the sale of its MCC Business to Molina, pursuant to a Stock and Asset Purchase Agreement, dated as of April 30, 2020, by and between the Company and Molina, for cash in the amount of \$850 million plus closing adjustments of \$158 million (subject to post-closing adjustments, if any), and the assumption by Molina of liabilities of the MCC Business.

In connection with the MCC Sale, the Company and Molina are entering into commercial agreements for certain behavioral health, utilization management and related services to be provided by the Company to Molina and the MCC business. In addition, the parties will enter into a transition services agreement pursuant to which the Company and certain of its affiliates will provide, or cause third parties to provide, certain services to accommodate the transition of the MCC business to Molina.

The foregoing description of the Purchase Agreement and the MCC Sale does not purport to be complete and is qualified in its entirety by the terms and conditions of the Purchase Agreement, which was filed as Exhibit 2.1 to the Company’s Quarterly Report on Form 10-Q which was filed with the SEC on May 11, 2020, and any related agreements.

The accounting requirements for reporting a business to be divested as a discontinued operation were met during the second quarter of 2020. Accordingly, the accompanying consolidated financial statements for all periods presented reflect the MCC business as a discontinued operation.

The following table summarizes the major classes of assets and liabilities held for sale that were included in the Company's consolidated balance sheets as of December 31, 2019 (in thousands):

	December 31, 2019
Assets Held For Sale	
Cash and cash equivalents (\$95,202 restricted)	\$ 209,497
Accounts receivable, net	209,496
Short-term and long-term investments (\$243,496 restricted)	243,496
Property and equipment, net	6,710
Goodwill	211,735
Other intangible assets, net	85,669
Other current and long-term assets (\$2,387 restricted)	32,386
Total Assets Held For Sale	998,989
Less: current portion	663,276
Total Assets Held For Sale, Less Current Portion	\$ 335,713
Liabilities Held For Sale	
Accounts payable	\$ 4,625
Accrued liabilities	92,170
Medical claims payable	281,419
Other medical liabilities	31,769
Deferred income taxes	15,063
Tax contingencies	5,388
Deferred credits and other long-term liabilities	16,850
Total Liabilities Held For Sale	447,284
Less: current portion	409,983
Total Liabilities Held For Sale, Less Current Portion	\$ 37,301

The following table summarizes the components of income from discontinued operations that is included in the Company's consolidated income statements for the years ended December 31, 2018, 2019 and 2020 (in thousands):

	Year Ended December 31,		
	2018	2019	2020
Managed care and other revenue	\$ 2,529,386	\$ 2,757,511	\$ 2,924,014
Costs and expenses:			
Cost of care	2,207,721	2,397,007	2,377,847
Direct service costs and other operating expenses (1)(2)(3)	300,696	292,351	360,783
Depreciation and amortization	20,376	21,142	20,358
Interest expense	216	285	89
Interest and other income	(9,184)	(12,332)	(5,464)
Gain on sale	—	—	(348,145)
Total costs and expenses	2,519,825	2,698,453	2,405,468
Income from discontinued operation before income taxes	9,561	59,058	518,546
Provision for income taxes	7,556	15,753	140,257
Net income from discontinued operations	\$ 2,005	\$ 43,305	\$ 378,289

- (1) Includes stock compensation expense of \$536, \$828 and \$278 for the years ended December 31, 2018, 2019 and 2020 respectively.
- (2) Includes changes in fair value of contingent consideration of \$199 and \$(2,124) for the years ended December 31, 2018 and 2019, respectively.
- (3) Includes divestiture related expenses of \$9,379 for the year ended December 31, 2020.

The Company has retained corporate overhead expenses previously allocated to MCC of \$35.1 million, \$33.6 million and \$30.4 million for the years ended December 31, 2018, 2019 and 2020, respectively.

10. Special Charges

In 2020, the Company established a transformation office which has an initiative (the "Transformation Initiative") to lower our operating costs and reinvest in our business by improving and automating processes, leveraging technology, consolidating platforms and reducing any friction our customers, providers and members experience when doing business with us. As part of the Transformation Initiative, the Company is in the process of restructuring certain operating activities which has resulted in the Company recording severance of \$11.3 million for the year ended December 31, 2020, within special charges in the consolidated statement of operations.

In addition, the Company reevaluated its current office lease footprint. Recoverability of existing operating right-of-use lease assets, and the related fixed assets held at the office locations, to be held and used are measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Any lease terminations or abandonments initiated as a result of the Transformation Initiative that result in an impairment of such right-of-use assets and the location's related fixtures will be reported as special charges. For the year ended December 31, 2020, lease terminations and abandonments resulted in the recognition of non-cash pre-tax impairment of \$22.1 million, within special charges in the consolidated statement of operations. The impairment charge reduced the carrying value of these assets to their estimated fair value. In the future, if events or market conditions affect the estimated fair value to the extent that a long-lived asset is impaired, the Company will adjust the carrying value of these long-lived assets in the period in which the impairment occurs. In addition, the Company accrued various lease shutdown costs of \$0.6 million year ended December 31, 2020, respectively, within special charges in the consolidated statement of operations.

The following table summarizes the components of special charges that are included in the Company's consolidated income statements for the year ended December 31, 2020 (in thousands):

	Year Ended December 31, 2020
Non-cash related special charges	
Right-of-use assets	\$ 7,051
Fixed assets	15,081
Total non-cash related special charges	22,132
Cash related special charges	
Employee severance and termination benefits	11,330
Lease shutdown costs	616
Total cash related special charges	11,946
Total special charges	\$ 34,078

A roll-forward of the Transformation Initiative liabilities is as follows (in thousands):

	Balance December 31, 2019	Additions	Payments	Balance December 31, 2020
Employee severance and termination benefits	\$ —	\$ 11,330	\$ (347)	\$ 10,983
Lease shutdown costs	—	616	(6)	610
	\$ —	\$ 11,946	\$ (353)	\$ 11,593

11. Commitments and Contingencies

Insurance

The Company maintains a program of insurance coverage for a broad range of risks in its business. The Company has renewed its general, professional and managed care liability insurance policies with unaffiliated insurers for a one-year period from June 17, 2020 to June 17, 2021. The general liability policy is written on an "occurrence" basis, subject to a \$0.25 million per claim un-aggregated self-insured retention. The professional liability and managed care errors and omissions liability policies are written on a "claims-made" basis, subject to a \$1.0 million per claim (\$5.0 million per anti-trust claim and \$10.0 million per class action claim) un-aggregated self-insured retention for managed care errors and omissions liability, and a \$0.25 million per claim un-aggregated self-insured retention for professional liability.

The Company maintains a separate general and professional liability insurance policy with an unaffiliated insurer for its specialty pharmaceutical dispensing operations. The specialty pharmaceutical dispensing operations insurance policy has a one-year term for the period June 17, 2020 to June 17, 2021. The general liability policy is written on an "occurrence" basis and the professional liability policy is written on a "claims-made" basis, subject to a \$0.05 million per claim and \$0.25 million aggregated self-insured retention.

The Company is responsible for claims within its self-insured retentions, and for portions of claims reported after the expiration date of the policies if they are not renewed, or if policy limits are exceeded. The Company also purchases excess liability coverage in an amount that management believes to be reasonable for the size and profile of the organization.

Regulatory Issues

The managed healthcare industry is subject to numerous laws and regulations. The subjects of such laws and regulations cover, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, information privacy and security, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Over the past several years, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse and false claims statutes and/or regulations by

healthcare organizations and insurers. Entities that are found to have violated these laws and regulations may be excluded from participating in government healthcare programs, subjected to fines or penalties or required to repay amounts received from the government for previously billed patient services. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

In addition, regulators of certain of the Company's subsidiaries may exercise certain discretionary rights under regulations including increasing their supervision of such entities, requiring additional restricted cash or other security or seizing or otherwise taking control of the assets and operations of such subsidiaries.

The Company is subject to certain federal laws and regulations in connection with its contracts with the federal government. These laws and regulations affect how the Company conducts business with its federal agency customers and may impose added costs on its business. The Company's failure to comply with federal procurement laws and regulations could cause it to lose business, incur additional costs and subject it to a variety of civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, harm to reputation, suspension of payments, fines, and suspension or debarment from doing business with federal government agencies. The Company's wholly owned subsidiary, Armed Forces Services Corporation ("AFSC"), conducts business with federal agency customers and federal contractors to such agencies. The Company investigated, with the assistance of outside counsel, matters relating to compliance by AFSC with Small Business Administration ("SBA") regulations and other federal laws applicable to government contractors and reported findings to the SBA and the Department of Defense, including facts indicating violations of SBA regulations and other federal laws, such as the Anti-Kickback Act, by former AFSC executives, none of which was disclosed to Magellan prior to its acquisition of AFSC. The Company voluntarily responded to government requests for further information regarding the Company's investigation. As a result of the Company's disclosure and the ensuing government investigation, a former AFSC executive pleaded guilty in the United States District Court for the Eastern District of Virginia to one count of honest services fraud, and at sentencing in September 2020, the Court ordered the former AFSC executive to pay restitution to AFSC as the victim of that offense. In June 2020, the United States Attorney's Office for the Eastern District of Virginia ("U.S. Attorney's Office") informed the Company of a civil investigation regarding the Company and AFSC related to potential violations of the False Claims Act and/or the Anti-Kickback Act also stemming from the matters self-disclosed by the Company. While the Company believes that it has responded appropriately by self-reporting findings regarding matters that incepted prior to its acquisition of AFSC in order to mitigate the risk of adverse consequences, should the Company or AFSC be held responsible for the reported conduct in a proceeding initiated by the U.S. Attorney's Office, SBA, Department of Defense and/or other federal agencies, we may be required to pay damages and/or penalties and AFSC could be suspended or debarred from government contracting. Management believes that the resolution of such investigations will not have a material adverse effect on the Company's financial condition or results of operations; however, there can be no assurance in this regard. AFSC generated approximately 3.0% and 2.4% of the Company's total revenue from continuing operations for the years ended December 31, 2019 and 2020, respectively.

Legal

The Company's operating activities entail significant risks of liability. From time to time, the Company is subject to various actions and claims arising from the acts or omissions of its employees, network providers or other parties. In the normal course of business, the Company receives reports relating to deaths and other serious incidents involving patients whose care is being managed by the Company. Such incidents occasionally give rise to malpractice, professional negligence and other related actions and claims against the Company or its network providers. Many of these actions and claims received by the Company seek substantial damages and therefore require the Company to incur significant fees and costs related to their defense.

The Company is also subject to or party to certain class actions and other litigation and claims relating to its operations or business practices, including network provider reimbursement, employment practices and privacy and data protection. The Company has recorded reserves that, in the opinion of management, are adequate to cover litigation, claims or assessments that have been or may be asserted against the Company, and for which the outcome is probable and reasonably estimable. Management believes that the resolution of such litigation and claims will not have a material adverse effect on the Company's financial condition or results of operations; however, there can be no assurance in this regard.

Leases

The Company leases certain office space, distribution centers, land and equipment. These leases expire at various dates through August 2029. See Note 2—“Summary of Significant Accounting Policies—Leases” for a discussion of the Company’s leases.

12. Business Segment Information

The accounting policies of the Company’s segments are the same as those described in Note 2—“Summary of Significant Accounting Policies.” The Company evaluates performance of its segments based on profit or loss from operations before stock compensation expense, depreciation and amortization, interest expense, interest and other income, changes in the fair value of contingent consideration recorded in relation to acquisitions, gain on sale of assets, special charges or benefits, and income taxes (“Segment Profit”). Management uses Segment Profit information for internal reporting and control purposes and considers it important in making decisions regarding the allocation of capital and other resources, risk assessment and employee compensation, among other matters. Healthcare subcontracts with Pharmacy Management to provide pharmacy benefits management services for certain of Healthcare’s customers. In addition, Pharmacy Management provides pharmacy benefits management for the Company’s employees covered under its medical plan. As such, revenue, cost of goods sold and direct service costs and other related to these arrangements are eliminated. The Company’s segments are defined in Note 1—“General.”

The following tables summarize, for the periods indicated, operating results by business segment for the years ended December 31, 2018, 2019 and 2020 (in thousands):

	Healthcare	Pharmacy Management	Corporate and Elimination	Consolidated
Year Ended December 31, 2018				
Managed care and other revenue	\$ 2,110,756	\$ 240,427	\$ (607)	\$ 2,350,576
PBM and dispensing revenue	—	2,625,417	(18,471)	2,606,946
Cost of care	(1,554,691)	—	—	(1,554,691)
Cost of goods sold	—	(2,468,170)	15,467	(2,452,703)
Direct service costs and other	(401,083)	(298,713)	(74,119)	(773,915)
Stock compensation expense (1)	6,446	5,458	17,032	28,936
Changes in fair value of contingent consideration (1)	1,108	—	—	1,108
Segment profit (loss)	<u>\$ 162,536</u>	<u>\$ 104,419</u>	<u>\$ (60,698)</u>	<u>\$ 206,257</u>
Identifiable assets by business segment (2)				
Restricted cash	\$ 52,681	\$ 576	\$ 2,954	\$ 56,211
Net accounts receivable	192,239	465,345	150	657,734
Investments	91,841	7,037	—	98,878
Pharmaceutical inventory	—	40,818	—	40,818
Goodwill	410,869	395,552	—	806,421
Other intangible assets, net	32,893	82,072	13,167	128,132

	Healthcare	Pharmacy Management	Corporate and Elimination	Consolidated
Year Ended December 31, 2019				
Managed care and other revenue	\$ 2,082,088	\$ 265,439	\$ (592)	\$ 2,346,935
PBM revenue	—	2,236,829	(18,151)	2,218,678
Cost of care	(1,543,524)	—	—	(1,543,524)
Cost of goods sold	—	(2,076,509)	17,224	(2,059,285)
Direct service costs and other	(402,006)	(323,162)	(76,499)	(801,667)
Stock compensation expense (1)	7,639	7,834	9,200	24,673
Segment Profit (Loss)	<u>\$ 144,197</u>	<u>\$ 110,431</u>	<u>\$ (68,818)</u>	<u>\$ 185,810</u>
Identifiable assets by business segment (2)				
Restricted cash	\$ 49,027	\$ 2,226	\$ —	\$ 51,253
Net accounts receivable	201,462	478,627	480	680,569
Investments	94,943	6,718	—	101,661
Pharmaceutical inventory	—	44,962	—	44,962
Goodwill	410,869	395,552	—	806,421
Other intangible assets, net	20,059	61,536	80	81,675

	Healthcare	Pharmacy Management	Corporate and Elimination	Consolidated
Year Ended December 31, 2020				
Managed care and other revenue	\$ 1,959,869	\$ 290,855	\$ (703)	\$ 2,250,021
PBM revenue	—	2,347,446	(19,936)	2,327,510
Cost of care	(1,397,855)	—	—	(1,397,855)
Cost of goods sold	—	(2,199,674)	18,957	(2,180,717)
Direct service costs and other	(433,723)	(360,970)	(85,475)	(880,168)
Stock compensation expense (1)	6,876	7,723	10,573	25,172
Segment Profit (Loss)	<u>\$ 135,167</u>	<u>\$ 85,380</u>	<u>\$ (76,584)</u>	<u>\$ 143,963</u>
Identifiable assets by business segment (2)				
Restricted cash	\$ 33,381	\$ 12,658	\$ 3,188	\$ 49,227
Net accounts receivable	229,250	509,086	5,166	743,502
Investments	136,243	7,216	—	143,459
Pharmaceutical inventory	—	43,334	—	43,334
Goodwill	478,227	395,552	—	873,779
Other intangible assets, net	39,446	40,243	—	79,689

- (1) Stock compensation expense, changes in the fair value of contingent consideration recorded in relation to the acquisitions and impairment of intangible assets are included in direct service costs and other operating expenses; however, these amounts are excluded from the computation of Segment Profit.
- (2) Identifiable assets by business segment are those assets that are used in the operations of each segment. The remainder of the Company's assets cannot be specifically identified by segment.

The following table reconciles consolidated income before income taxes to Segment Profit for the years ended December 31, 2018, 2019 and 2020 (in thousands):

	2018	2019	2020
Income (loss) from continuing operations before income taxes	\$ 33,633	\$ 21,759	\$ (40,485)
Stock compensation expense	28,936	24,673	25,172
Changes in fair value of contingent consideration	1,108	—	—
Depreciation and amortization	112,284	110,367	98,387
Interest expense	35,180	35,868	30,865
Interest and other income	(4,884)	(6,857)	(4,054)
Special charges	—	—	34,078
Segment Profit from continuing operations	<u>\$ 206,257</u>	<u>\$ 185,810</u>	<u>\$ 143,963</u>

13. Selected Quarterly Financial Data (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2019 and 2020 (in thousands, except per share amounts):

	For the Quarter Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Year Ended December 31, 2019				
Net revenue:				
Managed care and other	\$ 566,548	\$ 608,614	\$ 591,229	\$ 580,544
PBM and dispensing	552,458	545,675	567,314	553,231
Total net revenue	1,119,006	1,154,289	1,158,543	1,133,775
Costs and expenses:				
Cost of care	369,097	408,911	397,697	367,819
Cost of goods sold	526,314	501,081	523,973	507,917
Direct service costs and other operating expenses (1)	202,300	195,907	195,844	207,616
Depreciation and amortization	25,417	28,191	28,890	27,869
Interest expense	9,037	9,070	8,935	8,826
Interest and other income	(1,759)	(1,821)	(1,699)	(1,578)
Special charges	—	—	—	—
Total costs and expenses	1,130,406	1,141,339	1,153,640	1,118,469
Income (loss) from continuing operations before income taxes	(11,400)	12,950	4,903	15,306
Provision (benefit) for income taxes	(3,209)	5,735	782	5,854
Net income (loss) from continuing operations	(8,191)	7,215	4,121	9,452
Income from discontinued operations, net of tax	8,622	6,398	17,153	11,132
Net Income	\$ 431	\$ 13,613	\$ 21,274	\$ 20,584
Weighted average number of common shares outstanding—basic	23,946	24,101	24,426	24,491
Weighted average number of common shares outstanding—diluted	24,213	24,416	24,708	24,905
Net income (loss) per common share—basic:				
Continuing operations	\$ (0.34)	\$ 0.30	\$ 0.17	\$ 0.39
Discontinued operations	0.36	0.26	0.70	0.45
Consolidated operations	\$ 0.02	\$ 0.56	\$ 0.87	\$ 0.84
Net income (loss) per common share—diluted:				
Continuing operations	\$ (0.34)	\$ 0.30	\$ 0.17	\$ 0.38
Discontinued operations	0.36	0.26	0.69	0.45
Consolidated operations	\$ 0.02	\$ 0.56	\$ 0.86	\$ 0.83

	For the Quarter Ended			
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Year Ended December 31, 2020				
Net revenue:				
Managed care and other	\$ 553,168	\$ 548,711	\$ 568,688	\$ 579,454
PBM and dispensing	569,211	551,364	601,429	605,506
Total net revenue	1,122,379	1,100,075	1,170,117	1,184,960
Costs and expenses:				
Cost of care	349,108	321,831	364,438	362,478
Cost of goods sold	533,241	528,067	560,269	559,140
Direct service costs and other operating expenses (2)	204,241	199,756	216,770	259,401
Depreciation and amortization	23,358	23,888	24,730	26,411
Interest expense	8,958	7,995	7,286	6,626
Interest and other income	(1,219)	(551)	(349)	(1,935)
Special charges	—	8,309	16,599	9,170
Total costs and expenses	1,117,687	1,089,295	1,189,743	1,221,291
Income (loss) from continuing operations before income taxes	4,692	10,780	(19,626)	(36,331)
Provision (benefit) for income taxes	5,762	(36,328)	(2,330)	(11,635)
Net income (loss) from continuing operations	(1,070)	47,108	(17,296)	(24,696)
Income from discontinued operations, net of tax	19,320	36,397	28,943	293,629
Net Income	\$ 18,250	\$ 83,505	\$ 11,647	\$ 268,933
Weighted average number of common shares outstanding—basic	24,728	25,054	25,448	25,781
Weighted average number of common shares outstanding—diluted	24,869	25,278	25,448	25,781
Net income (loss) per common share—basic:				
Continuing operations	\$ (0.04)	\$ 1.88	\$ (0.68)	\$ (0.96)
Discontinued operations	0.78	1.45	1.14	11.39
Consolidated operations	\$ 0.74	\$ 3.33	\$ 0.46	\$ 10.43
Net income (loss) per common share—diluted:				
Continuing operations	\$ (0.04)	\$ 1.86	\$ (0.68)	\$ (0.96)
Discontinued operations	0.78	1.44	1.14	11.39
Consolidated operations	\$ 0.74	\$ 3.30	\$ 0.46	\$ 10.43

(1) Includes stock compensation expense of \$9,400, \$5,207, \$4,604 and \$5,462 for the quarters ended March 31, June 30, September 30 and December 31, 2019, respectively.

(2) Includes stock compensation expense of \$5,797, \$6,592, \$5,442 and \$7,341 for the quarters ended March 31, June 30, September 30 and December 31, 2020, respectively.

14. Subsequent Events

On January 4, 2021, the Company and Centene Corporation (“Centene”) entered into an Agreement of Plan of Merger (the “Merger Agreement”) by and among the Company, Centene, and Mayflower Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Centene (“Merger Sub”), pursuant to which, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company, with the Company surviving such merger as a wholly-owned subsidiary of Centene.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“Agreement”) is made and entered into by and between David Haddock (“Employee”) and Magellan Health, Inc. (together with any successor or assign, the “Employer”) on behalf of itself and its direct and indirect controlled subsidiaries and affiliates (collectively referred to herein as the “Company”) on this 31st day of January, 2020.

WHEREAS, Employer desires to obtain the services of Employee and Employee desires to render services to Employer; and

WHEREAS, Employer and Employee desire to set forth the terms and conditions of Employee’s employment with Employer under this Agreement;

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

STATEMENT OF AGREEMENT

1. Employment. Employer agrees to employ Employee, and Employee accepts such employment in accordance with the terms of this Agreement, for a term commencing on February 3, 2020 (the “Commencement Date”) and, unless terminated earlier in accordance with the terms of Section 6 of this Agreement, ending on the first anniversary of the Commencement Date (including this term and any extensions or renewals in accordance with this Section 1, the “Term”). Thereafter, the Term of this Agreement shall automatically renew for twelve (12) month periods on the last day of the applicable Term, unless sooner terminated as provided herein. If either party desires not to renew the Term of this Agreement, they must provide the other party with written notice of their intent not to renew the Term of this Agreement at least ninety (90) days prior to the last day of the applicable Term. Non-renewal of the Term of this Agreement by either party will in all cases result in termination of Employee’s employment on the last day of the applicable Term. Employer’s notice of intent not to renew the Agreement shall be deemed to be a termination without Cause on the last day of the applicable Term for purposes of this Agreement and any other plan and/or policy of the Company or any other written agreement to which Employer and Employee are parties in which termination without Cause is relevant. As such, the provisions of Section 6(c) or Section 6(e) shall apply, as applicable.

Employee represents and warrants to Employer that (i) the execution and delivery of this Agreement by Employee does not conflict with, or result in a breach of or constitute a default under, any agreement or contract to which Employee is a party or by which Employee is bound, and (ii) that Employee has informed the Employer of, and provided the Employer with copies of, any non-competition, confidentiality, work-for-hire or similar agreements to which Employee is subject or may be bound.

2. Position and Duties of Employee. During the Term, Employee will serve as General Counsel and Secretary of Employer. During the Term, Employee shall report directly to the Chief Executive Officer of Employer and shall have such duties, powers and authorities customarily vested in the office of General Counsel and Secretary of a public company the size and nature of Employer. Employee agrees to serve in such positions until the expiration of the

Term or such time as Employee's employment with Employer is terminated pursuant to this Agreement.

3. Time Devoted; Undertakings. During the Term, Employee will devote his full business time and energy to the business affairs and interests of Employer and will use his best efforts and abilities to promote Employer's interests. Employee agrees that he will diligently endeavor to perform services contemplated by this Agreement in a manner consistent with his position and in accordance with the policies established by the Employer. Excluding charitable and civic organizations, Employee shall not serve on any outside boards of directors of any organizations without the prior approval of the Employer. Nothing herein shall preclude Employee from managing his personal and family investments, so long as such activities do not materially interfere with the performance of Employee's duties and responsibilities under this Agreement or result in a breach of Section 7 of this Agreement.

4. Compensation.

(a) Base Salary. During the Term, Employer will pay Employee a base salary at a rate of \$525,000 per year which amount will be paid in bi-weekly intervals, less appropriate withholdings for federal and state taxes and other deductions authorized by Employee. Such salary will be subject to annual review by Employer and subject to increase, but not decrease. Employee's annual base salary, as in effect from time to time in accordance with this Agreement, is hereinafter referred to as the "Base Salary."

(b) Annual Bonus. During the Term, beginning with the 2020 fiscal year, Employee's annual target bonus opportunity will be 65% of Base Salary ("Target Bonus") under the Company's Incentive Compensation Plan (or successor annual incentive plan applicable to similarly situated executive officers), with the ability to earn up to 200% of Target Bonus, based upon the achievement of performance goals, which goals shall be established by the Employer within the first ninety (90) days of each fiscal year. The actual payout to Employee will be based on Company and individual performance during the measurement period as determined by Employer in its sole discretion. Except as otherwise provided herein, any such bonus payable to Employee shall be paid to Employee in cash during the period January 1 to March 15 of each year in respect of service in the preceding year provided that Employee is still employed by Employer at the time the bonus is paid. If Employee's target bonus as a percentage of Base Salary is increased during the Term, "Target Bonus" for purposes of this Agreement shall mean such increased amount.

(c) Sign-on Equity Grant. Employee will receive a grant of a number of Performance-Based Restricted Stock Units (the "PSUs") with a value determined by the Employer consistent with its valuation of other PSUs equal to \$750,000, to be granted on the first business day of the month following the month of commencement of his employment under this Agreement (the "Grant Date"). Such PSUs shall be granted pursuant to the form of Performance-Based Restricted Stock Unit Agreement attached hereto as Exhibit A and the terms of the Employer's 2016 Management Incentive Plan (or any successor equity and/or long-term incentive plan applicable to similarly situated executive officers) (the "2016 MIP Plan"). Employee will receive a grant of a number of Restricted Stock Units (the "RSUs") with a value equal to \$750,000, to be

granted on the Grant Date. Such RSUs shall be granted pursuant to the form of Restricted Stock Unit Agreement attached hereto as Exhibit B and the terms of the 2016 MIP Plan.

(d) Benefits and Long-Term Incentive Compensation. During the Term, Employee will be eligible to participate in Employer's retirement and health and welfare benefit plans (the "Benefit Plans") commensurate with his position on a basis at least as favorable as other similarly situated senior level executives of Employer. Employee will receive separate information detailing the terms of such Benefit Plans and the terms of those plans will control. During the Term, beginning with calendar year 2021, Employee also will be entitled to participate in Employer's long-term incentive plan applicable to Employee in accordance with its terms; provided the annual target value for 2021 for Employee's long-term incentive plan grant shall be no less than 200% of Base Salary. Long-term incentive awards, if any, will be determined and granted (unless validly deferred if then permitted by the Company) in March. During the term of this Agreement, Employee will be entitled to such other benefits of employment with Employer as are now or may later be in effect for salaried employees of Employer, and also will be eligible to participate in other benefits adopted for employees at his level in accordance with their respective terms.

(e) Relocation. Employer agrees to reimburse Employee for relocation related expenses, pursuant to the terms of Employer's Employee Relocation Policy. In the event Employee relocates his primary residence to Employer's executive offices in Dallas, Texas, he will be reimbursed under the terms of Employer's Employee Relocation Policy, provided that such move occurs within 12 months after February 3, 2020.

5. **Expenses.** During the Term of this Agreement, Employer will reimburse Employee promptly for all reasonable travel, entertainment, parking, business meetings and similar expenditures in pursuance and furtherance of Employer's business upon receipt of reasonably supporting documentation as required by Employer's policies applicable to its employees generally, subject to Section 10(a)(ii).

6. **Termination.** Any termination of Employee's employment under this Section 6 shall result in a termination of the Term as of the last day of Employee's employment hereunder as determined in accordance with this Agreement.

(a) Termination Due to Resignation. During the Term, Employee may resign his employment at any time (other than for Good Reason) by giving ninety (90) days written notice of resignation to Employer. Except as otherwise set forth in this Agreement, Employee's employment, and Employee's right to receive compensation and benefits from Employer, will terminate upon the effective date of Employee's termination.

If Employee resigns pursuant to this Section 6(a), Employer's only remaining financial obligation to Employee under this Agreement will be to pay, subject to Section 10: (i) any earned but unpaid Base Salary and accrued paid time off through the effective date of Employee's termination; (ii) reimbursement of expenses incurred by Employee through the effective date of termination which are reimbursable pursuant to this Agreement; and (iii) Employee's vested portion of awards under the 2016 MIP Plan (or any applicable award agreement), any Magellan deferred compensation and/or other benefit plan in accordance with the applicable terms of such

plan or agreement (items (i), (ii) and (iii) collectively, the “Accrued Amounts”); provided that all Accrued Amounts shall remain subject to the Employer’s clawback policy(s) or other recapture policies as in effect from time to time and applicable law. In addition, for all terminations, Employee shall remain entitled to his rights under Sections 6(e)(ii), 12 and 20 of this Agreement, to the extent not otherwise forfeited in connection with such termination in accordance with applicable law.

(b) Termination with Cause. Employee’s employment, and Employee’s right to receive compensation and benefits from Employer (except as otherwise provided herein or required by applicable law), may be terminated for “Cause” by Employer during the Term after following the procedures set forth herein under the following circumstances:

(i) Employee’s commission of an act of fraud or material dishonesty involving his duties on behalf of Employer;

(ii) Employee’s failure or refusal to faithfully and diligently perform duties assigned to Employee (other than any failure resulting from Employee’s incapacity due to physical or mental illness) after a written demand for performance is delivered to Employee;

(iii) Employee’s material failure or refusal to abide by Employer’s policies, rules, procedures or lawful directives relating to the performance of his duties, including related to sexual harassment, or Employee’s material breach of this Agreement which, if curable as determined by Employer, is not cured within thirty (30) days after receipt of written notice from Employer of such material failure or refusal;

(iv) Employee’s intentional misconduct unrelated to Employer which is materially damaging or reasonably likely to result in material damage to Employer (economically or its reputation);

(v) an act of gross neglect or misconduct by Employee that relates to the affairs of Employer, which is materially damaging or reasonably likely to result in material damage to Employer (either economically or its reputation); or

(vi) Employee’s plea of guilty or no contest to, or conviction of a felony or a misdemeanor (other than a traffic violation misdemeanor).

Prior to terminating Employee’s employment for Cause, Employer must provide written notice to Employee describing the act or omission that constitutes Cause and, if Employee fails to cure such act or omission in any time period set forth above, if any, or the act or omission is not curable as determined by Employer in its reasonable discretion, Employer may thereafter immediately terminate Employee’s employment for Cause. If Employee is terminated pursuant to this Section 6(b), Employer’s only remaining financial obligation to Employee under this Agreement will be to pay, subject to Section 10, the Accrued Amounts; provided Employee shall remain entitled to his rights under Sections 6(e)(ii), 12 and 20 of this Agreement, to the extent not otherwise forfeited in connection with such termination in accordance with applicable law.

(c) Termination Without Cause by Employer (Including Notice of Non-Renewal) or with Good Reason by Employee. During the Term, Employer may terminate Employee's employment for any reason without Cause at any time. If Employer terminates the Term of this Agreement and Employee's employment without Cause, including by providing a timely notice of non-renewal of the Term in accordance with Section 1 above ("Employer Notice of Non-Renewal"), or Employee terminates the Term of this Agreement and his employment with Good Reason, in addition to the Accrued Amounts and subject to Employee's execution, delivery and non-revocation of an effective release of claims in favor of Employer in the form attached hereto as Exhibit C (with modifications determined by Employer to be necessary or advisable under applicable law for a complete release of claims) (the "Release"), Employee shall be entitled to, subject to Section 10, cash severance in an amount equal to one times (1x) Base Salary, payable in equal installments over a period of twelve (12) months beginning as soon as reasonably practicable following Employee's termination date. If Employee and any of Employee's eligible dependents, in each case, who participate in Employer's medical, dental, vision and prescription drug plans as of the date of termination, timely elect COBRA coverage under such plans, Employer shall pay its portion of such COBRA premiums (on a monthly basis) for a period of up to twelve (12) months following the date of termination, with the COBRA premium shared in the same relative proportion of the insurance premiums shared by Employer and Employee as in effect on the date of termination; provided, that if and to the extent that any payment of COBRA premiums described in this Section 6(c) is not or cannot be paid or provided under any Employer plan or program without adverse tax consequences to Employer or Employee or for any other reason, then the Company shall pay Employee a monthly payment in an amount equal to Employer's cost of providing such benefit. The reimbursement or payment of COBRA premiums (or the monthly payment, if applicable) provided under this Section 6(c) shall cease to be effective as of the date Employee becomes eligible for coverage under the medical, dental, vision and prescription drug plans, as applicable, of a subsequent employer. If Employee participates in any incentive bonus plan(s), including but not limited to, any long-term incentive plan(s), then Employer will pay Employee, on a pro-rata basis, the amount of such plan(s) as Employee would have earned if Employee had been employed for the full calendar year. The pro-rata will be determined by the fraction of the number of months in the calendar year in which the Employee worked (rounded to the nearest whole month) divided by 12 months. At the time of termination, Employer shall determine in its sole discretion the Employee's pro-rata amount, if any. Notwithstanding the foregoing, any payout of such bonus amount shall be contingent upon the Company satisfying the financial targets established by the Employer's Board of Directors (the "Board"). Payment of any bonus shall be made at the time of the annual bonus payout for all employees, subject to Section 4(b). Employee shall remain entitled to his rights under Sections 6(e)(ii), 12 and 20 of this Agreement, to the extent not otherwise forfeited in connection with such termination in accordance with applicable law.

For purposes of this Agreement, "Good Reason" shall mean: (A) any reduction in Employee's then current Base Salary or Target Bonus opportunity; (B) any diminution in Employee's position, duties or authorities to those not customarily vested in the office of General Counsel of a public company the size and nature of Employer; (C) a change in the reporting structure so that Employee reports to anyone other than the Chief Executive Officer of Employer; (D) any material breach by Employer of any material provision of this Agreement or its Exhibits; or (E) the failure of a successor to at least 75% of the consolidated assets of the Employer (measured using a quantitative analysis determined in good faith by the Board) in a single

transaction to assume this Agreement, either contractually or as a matter of law, as of the closing of such transaction; provided, that Employee provides written notice to Employer, as applicable, of the existence of any such condition within ninety (90) days of Employee having actual knowledge of the initial existence of such condition and Employer, as applicable, fails to remedy the condition within thirty (30) days of receipt of such notice (the "Cure Period"). In order to resign for Good Reason, Employee must actually terminate employment no later than thirty (30) days following the end of such Cure Period, if the Good Reason condition remains uncured.

(d) Automatic Termination. The Term of this Agreement will terminate automatically upon the death or Disability of Employee. Employee will be deemed to be "Disabled" or to suffer from a "Disability" within the meaning of this Agreement if, because of a physical or mental impairment, Employee has been unable to perform the essential functions of his position, with or without reasonable accommodation, for a period of one hundred eighty (180) consecutive days, or if Employee can reasonably be expected to be unable to perform the essential functions of his position for such period as determined by a medical doctor selected by Employer and Employee (provided if the parties cannot agree on a medical doctor for this purpose, Employer and Employee shall each select a medical doctor and such medical doctors shall select the medical doctor to make this determination). If Employee is terminated pursuant to this Section 6(d), Employee or his estate will receive, subject to Section 10, (i) a pro rata portion (based on the portion of the year during which Employee was employed and performing the functions of his position) of the bonus called for by Section 4(b) for the year in which Employee last performed the functions of his position, payable at the time of the annual bonus payout for other employees, but in all events in accordance with Section 4(b), and (ii) the Accrued Amounts. Employee shall also remain entitled to his rights under Sections 6(e)(ii), 12 and 20 of this Agreement, to the extent not otherwise forfeited in connection with such termination in accordance with applicable law.

(e) Termination Without Cause by the Employer (Including by Employer Notice of Non-Renewal) or With Good Reason by Employee in Connection With, or Within Two Years After, a Change in Control Occurring 18 Months or Longer After the Commencement Date.

(i) If Employer terminates the Term of this Agreement and Employee's employment without Cause (including by an Employer Notice of Non-Renewal), or if Employee terminates the Term of this Agreement and his employment with Good Reason, in connection with a Change in Control (as defined below) that occurs eighteen (18) months or longer after the Commencement Date, or within two (2) years after such Change in Control, Employee shall receive the following, in addition to the amounts and benefits described in Section 6(c), subject to Section 10: (i) cash severance in an amount equal to the sum of (x) one times (1x) Base Salary plus (y) two times (2x) Target Bonus, payable in a single cash installment immediately after termination; and (ii) an additional six (6) months of COBRA premiums in accordance with Section 6(c). Employee shall also remain entitled to his rights under Sections 6(e)(ii), 12 and 20 of this Agreement, to the extent not otherwise forfeited in connection with such termination in accordance with applicable law.

(ii) Notwithstanding any provision of this Agreement or otherwise, if any portion of the payments, entitlements, distributions or benefits paid or payable to Employee or provided or to be provided for his benefit under this Agreement or otherwise (including, without limitation, under any other agreement with the Company or plan of the

Company (including by an entity effecting the Change in Control)) (in the aggregate, "Total Payments"), would constitute an "excess parachute payment" and would, but for this Section 6(e)(ii), result in the imposition on Employee of an excise tax under Section 4999 of the Code or any similar federal or state law (the "Excise Tax"), then the Total Payments to be made to Employee shall either be (i) delivered in full or (ii) delivered in such amount so that no portion of such Total Payments would be subject to the Excise Tax, whichever of the foregoing results in the receipt by Employee of the greatest benefit of an after-tax basis (taking into account the applicable federal, state and local income and employment taxes, the Excise Tax). If, in connection with making this determination, Employee requests that Employer obtain, at its sole expense, an independent valuation of the non-competition, non-solicitation and other restrictions on Employee's activities for the purpose of allocating reasonable compensation to reduce the value of Employee's excess parachute payments, to the extent permitted by Section 280G of the Code, then Employer shall obtain such independent valuation and shall consider the results in good faith. To the extent such Total Payments are required to be reduced hereunder, the parachute payment amounts due to Employee (but no non-parachute payment amounts) shall be reduced in the following order: (A) the parachute payments that are payable in cash shall be reduced with amounts that are payable last reduced first; (B) payments and benefits due in respect of any equity, valued at full value (rather than accelerated value), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); (C) all other non-cash benefits valued at full value (rather than accelerated value), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); and (D) all other non-cash benefits not otherwise described in clauses (B) and (C) reduced last. The determinations to be made with respect to this Section 6(e)(ii) shall be made by a certified public accounting firm (the "Accountant") designated by Employer and reasonably acceptable to Employee. Employer shall be responsible for all charges of the Accountant. The Accountant shall provide its determinations and calculations, together with supporting documentation, both to Employer and Employee in connection with the event that is reasonably expected to give rise to imposition on the Employee of the Excise Tax. For the avoidance of doubt, this Section 6(e)(ii) shall apply whether or not Employee's employment has terminated.

(iii) For purposes of this Agreement, the following definitions shall apply:

"Change in Control" of the Employer shall mean the first to occur after the date hereof of any of the following events:

- (i) any "person," as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), becomes a "beneficial owner," as such term is used in Rule 13d-3 promulgated under the Exchange Act, of greater than 50% of the Voting Stock (as defined below) of the Employer;
- (ii) the majority of the Board consists of individuals other than "Continuing Directors," which shall mean the members of the Board on the date hereof,

provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was supported by a vote of the directors who then comprised the Continuing Directors, shall be considered to be a Continuing Director;

- (iii) the Board adopts and, if required by law or the certificate of incorporation of the Corporation, the shareholders approve the dissolution of the Employer or a plan of liquidation or comparable plan providing for the disposition of all or substantially all of the Employer's assets;
- (iv) at least 75% of the consolidated assets of the Employer (measured using a quantitative analysis determined in good faith by the Board) are disposed of in a single transaction pursuant to a merger, consolidation, share exchange, reorganization or other transaction unless the shareholders of the Employer immediately prior to such merger, consolidation, share exchange, reorganization or other transaction beneficially own, directly or indirectly, in substantially the same proportion as they previously owned the Voting Stock or other ownership interests of the Employer, 51% or more of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Employer; or
- (v) the Employer merges or combines with another company and, immediately after the merger or combination, the shareholders of the Employer immediately prior to the merger or combination own, directly or indirectly, 50% or less of the Voting Stock of the successor company, provided that in making such determination there shall be excluded from the number of shares of Voting Stock held by such shareholders, but not from the Voting Stock of the successor company, any shares owned by Affiliates of such other company who were not also Affiliates of the Employer prior to such merger or combination.

"Employer" shall include for purposes of this Section 6(e) any entity that succeeds to all or substantially all of the business of the Employer.

"Affiliate" of a person or other entity shall mean a person or other entity that directly or indirectly controls, is controlled by, or is under common control with the person or other entity specified.

"Voting Stock" shall mean any capital stock of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation and reference to a percentage of Voting Stock shall refer to such percentage of the votes that all such Voting Stock is entitled to cast.

(f) Effect of Termination. Except as otherwise provided for in this Section 6 or Section 11, upon termination of the Term of this Agreement, all rights and obligations under this Agreement will cease except for (i) the rights and obligations under Sections 7, 8, 9, 12, and

(g) No Mitigation; No Offset. In the event of any termination of Employee's employment for any reason, Employee shall not be required to seek other employment to mitigate damages, and any income earned by Employee from other employment or self-employment shall not be offset against any obligations of the Company under this Agreement or otherwise.

7. Protection of Confidential Information/Non-Competition/Non-Solicitation.

Employee covenants and agrees as follows:

(a) (i) Confidential Information. During Employer's employment of Employee and following the termination of Employee's employment for any reason, Employee will not use or disclose, directly or indirectly, for any reason whatsoever or in any way, other than (1) in the ordinary course of performing his duties in good faith for the Company in compliance with the Company's policies, (2) at the direction of Employer during the course of Employee's employment, or (3) after receipt of the prior written consent of Employer, any confidential information of Employer, its direct and indirect controlled subsidiaries or affiliates, or its Customers that comes into his knowledge during his employment by Employer (the "Confidential Information" as hereinafter defined). The obligation not to use or disclose any Confidential Information will not apply to any Confidential Information that is or becomes public knowledge (including becoming known within the relevant trade or industry) through no fault of Employee, and that may be utilized by the public (or such trade or industry) without any direct or indirect obligation to Employer, but the termination of the obligation for non-use or nondisclosure by reason of such information becoming public (including becoming known within the relevant trade or industry) will extend only from the date such information becomes public knowledge. The above will be without prejudice to any additional rights or remedies of Employer under any state or federal law protecting trade secrets or other information.

(ii) Trade Secrets. Employee shall hold in confidence all Trade Secrets of Employer, its direct and indirect controlled subsidiaries or affiliates, and/or its Customers that came into his knowledge during his employment by Employer and shall not disclose, publish or make use of at any time after the date hereof such Trade Secrets, other than at the direction of Employer, for as long as the information remains a Trade Secret.

(iii) For purposes of this Agreement, the following definitions apply:

"Confidential Information" means any data or information, other than Trade Secrets, that is valuable to Employer and not generally known to the public, to competitors of Employer, or within the relevant trade or industry of the Company. It is understood that the term "Confidential Information" does not mean and shall not include information which:

- (a) is or subsequently becomes publicly available without the breach of any obligation owed to the Employer;

- (b) is disclosed with the prior written approval of the Employer; or
- (c) is obligated to be produced under order of a court of competent jurisdiction or a valid administrative, congressional, or other subpoena, civil investigative demand or similar process; **provided, however,** that upon issuance of any such order, subpoena, demand or other process, unless otherwise prohibited by law or regulation, Employee shall promptly notify Employer and shall provide Employer with an opportunity (if then available) to contest, at Employer's expense, the propriety of such order or subpoena (or to arrange for appropriate safeguards against any further disclosure by the court or administrative or congressional body seeking to compel disclosure of such Confidential Information).

"Customer" means any individual or entity to whom Employer or its direct and indirect controlled subsidiaries or affiliates has provided, or contracted to provide, or to whom the Company has made proposals to provide, services and with whom Employee had, alone or in conjunction with others, contact with or knowledge of, during the twelve months prior to the termination of his employment. For purposes of this Agreement, Employee had contact with or knowledge of a Customer if (i) Employee had business dealings with the Customer on behalf of Employer or its direct and indirect controlled subsidiaries or affiliates; (ii) Employee was responsible, alone or in conjunction with others, for supervising or coordinating the dealings between the Customer and Employer or its direct and indirect controlled subsidiaries or affiliates; or (iii) Employee obtained or had access to trade secrets or confidential information about the Customer as a result of Employee's association with Employer or its direct and indirect controlled subsidiaries or affiliates.

"Trade Secret" means information including, but not limited to, any technical or non-technical data, formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, financial plan, product plan, list of actual or potential Customers or suppliers or other information similar to any of the foregoing, which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can derive economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(iv) Interpretation. The restrictions stated in paragraphs 7(a)(i) and 7(a)(ii) are in addition to and not in lieu of protections afforded to trade secrets and confidential information under applicable state law. Nothing in this Agreement is intended to or shall be interpreted as diminishing or otherwise limiting Employer's right under applicable state law to protect its trade secrets and confidential information.

(v) Protected Activities. Employee acknowledges that this Agreement does not limit or interfere with his right, without notice to or authorization of Employer, to communicate and cooperate in good faith with any self-regulatory organization or U.S. federal, state, or local governmental or law enforcement branch, agency, commission, or

entity (collectively, a “Government Agency”) for the purpose of (i) reporting a possible violation of any U.S. federal, state, or local law or regulation, (ii) participating in any investigation or proceeding that may be conducted or managed by any Government Agency, including by providing documents or other information, or (iii) filing a charge or complaint with a Government Agency. Additionally, Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (a) in confidence to a federal, state, or local government official, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (c) in court proceedings if Employee files a lawsuit for retaliation by an employer for reporting a suspected violation of law, or to Employee’s attorney in such lawsuit, provided that Employee must file any document containing the trade secret under seal, and Employee may not disclose the trade secret, except pursuant to court order. Notwithstanding the foregoing, under no circumstance will Employee be authorized to make any disclosures as to which Employer may assert protections from disclosure under the attorney-client privilege or the attorney work product doctrine, without prior written consent of Employer’s General Counsel or another authorized officer designated by Employer.

(b) Non-Competition.

(i) Due to the strategic, sensitive and broad nature of Employee’s position with the Employer and the Confidential Information, Trade Secrets and business relationships and contacts to which Employee will be exposed, along with the Company’s interest in maintaining its competitive position in a highly competitive industry, Employee covenants and agrees that during Employee’s employment and for a period of twelve months (12) months following termination of Employee’s employment for any reason by either party (the “Restricted Period”), he will not, on his own behalf or as a partner, officer, director, employee, agent, or consultant of any other person or entity, directly or indirectly, engage or attempt to engage in the business of providing or selling services in the United States that are the same or similar services offered by Employer or its direct and indirect controlled subsidiaries or affiliates at the time of the termination of Employee’s employment, unless waived in writing by Employer in its sole discretion. Notwithstanding the foregoing, following termination of his employment, Employee shall be permitted to provide services to (and have an economic or equity interest in) (i) a division, business line, subsidiary or affiliate of a commercial enterprise with multiple divisions or business lines if such division, business line, subsidiary or affiliate is not directly competitive with the business of the Employer or any direct or indirect controlled subsidiary or affiliate (even if another division, business line, subsidiary or affiliate is competitive with the businesses of the Company); provided Employee does not provide services, advice, knowledge or support to the division, business line, subsidiary or affiliate that is competitive with the businesses of the Company and Employee’s services would not, directly or indirectly, inevitably disclose Confidential Information or Trade Secrets of the Company to the division, business line, subsidiary or affiliate that is competitive with the businesses of the Company or (ii) a private equity firm or hedge fund that holds investments in or manages entities engaged in such competitive activities if Employee is not involved in providing services, advice, knowledge or support with respect to the investment involved in the

competitive activities and Employee's services would not, directly or indirectly, inevitably disclose Confidential Information or Trade Secrets of the Company to the investment involved in the competitive activities. In addition, Employee's ownership of less than one percent (1%) of any class of stock in a publicly-traded corporation shall not be deemed a breach of this Section 7(b).

(ii) During the Restricted Period, Employee may submit a written request to Employer outlining a proposed employment or other employment opportunity that Employee is considering. Employer will review such request and make a determination within ten (10) business days following receipt of such request, in its sole discretion, as to whether the opportunity would constitute a breach of the non-competition covenant.

(c) Non-Solicitation. To protect the goodwill of Employer and its controlled subsidiaries and affiliates, and the Customers of Employer and its controlled subsidiaries and affiliates, Employee agrees that, during the Restricted Period, he will not, without the prior written permission of Employer, directly or indirectly, for himself or on behalf of any other person or entity, solicit, divert away, take away or attempt to solicit or take away any Customer of Employer or its direct and indirect controlled subsidiaries or affiliates for purposes of providing or selling services to such Customer that are the same or substantially similar services offered by Employer or its direct and indirect controlled subsidiaries or affiliates, if Employer, or the particular direct and indirect controlled subsidiary or affiliate of Employer, is engaged in the sale or provision of such services at the time of the solicitation.

(d) Solicitation or Hiring of Employees. During the Restricted Period, Employee will not, on his own behalf or on behalf of any other person or entity, solicit for employment, hire, or engage as a consultant or other agent, directly or indirectly, any employee of Employer or any of its controlled subsidiaries or affiliates who was employed with Employer or its direct and indirect controlled subsidiaries or affiliates within the one year period immediately prior to Employee's termination.

(e) Employee recognizes that the above restrictions are reasonable and necessary to protect the interest of the Employer and its subsidiaries and affiliates and that such restrictions will not prevent him from earning a living.

(f) Other. Following a Change in Control, the definition of Employer and its controlled subsidiaries and affiliates and their respective employees and Customers for purpose of this Section 7 shall refer only to Employer and its controlled subsidiaries and affiliates (and their employees, Customers and the business in which they were engaged) as of immediately prior to the Change in Control.

8. Work Made for Hire. Employee agrees that any written program materials, protocols, research papers, other writings, as well as improvements, inventions, new techniques, programs or products (the "Work") made or developed by Employee within or after normal working hours relating to the business or activities of Employer or any of its direct and indirect controlled subsidiaries and affiliates, shall be deemed to have been made or developed by Employee solely for the benefit of Employer and will be considered "work made for hire" within the meaning of the United States Copyright Act, Title 17, United States Code, which vests all

copyright interest in and to the Work in the Employer. In the event, however, that any court of competent jurisdiction finally declares that the Work is not or was not a work made for hire as agreed, at Employer's sole expense, Employee agrees to assign, convey, and transfer to the Employer all right, title and interest Employee may presently have or may have or be deemed to have in and to any such Work and in the copyright of such work, including but not limited to, all rights of reproduction, distribution, publication, public performance, public display and preparation of derivative works, and all rights of ownership and possession of the original fixation of the Work and any and all copies. Additionally, at Employer's sole expense, Employee agrees to execute any documents necessary for Employer to record and/or perfect its ownership of the Work and the applicable copyright.

9. Property of Employer. Employee agrees that, upon the termination of Employee's employment with Employer, Employee will immediately surrender to Employer all property, files, equipment, funds, lists, books, records, computer programs, computer software and other materials of Employer or its direct and indirect controlled subsidiaries or affiliates in the possession of or provided to Employee.

10. Special Rules for Compliance with Code Section 409A. This Section 10 serves to ensure compliance with applicable requirements of Section 409A of the Internal Revenue Code (the "Code"). Certain provisions of this Section 10 modify other provisions of this Agreement. If the terms of this Section 10 conflict with other terms of the Agreement, the terms of this Section 10 control. The intent of the parties to this Agreement is that the payments and benefits under this Agreement are either exempt from, or comply with, Section 409A of the Code, and the terms of this Agreement shall be interpreted consistent with such intent.

(a) Timing of Certain Payments. Payments and benefits specified under this Agreement shall be paid at the times specified as follows:

(i) Accrued Payments at Termination. Sections 6(a) – (e) of this Agreement require payment of amounts earned but unpaid or accrued at the date of Employee's termination. Unless the amount is payable under an applicable plan, program or arrangement on explicit terms providing for a delay in payment compliant with or exempt from Code Section 409A, these amounts shall be payable at the date the amounts otherwise would have been payable under the applicable plans, programs and arrangements in the absence of termination but in no event more than thirty (30) days after Employee's termination of employment, subject to Section 10(c).

(ii) Expense Reimbursements. Any payment under Section 5 or otherwise as an expense reimbursement hereunder must be paid no later than the end of Employee's taxable year next following the taxable year in which Employee incurred the reimbursable expense. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursements or in-kind, benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year.

(iii) Other Payments. Any other payment or benefit required under this Agreement to be paid in a lump sum or otherwise to be paid promptly at or following a date or event shall be paid within five (5) days after the due date, subject to Section 10(b), (c) and (d) below.

(iv) No Influence on Year of Payment. In the case of any payment under the Agreement payable during a specified period of time following a termination or other event (including any payment for which the permitted payment period begins in one (1) calendar year and ends in a subsequent calendar year), Employee shall have no right to elect in which year the payment will be made, and the Company's determination of when to make the payment shall not be influenced in any way by Employee.

(b) Special Rules for Severance Payments. In the case of payments in the nature of continuation of payments under Section 4(a) required under Section 6(c) ("Pre-CIC Severance Payments") and severance payable under Section 6(e) (the "CIC Severance Payments" and, with the "Pre-CIC Severance Payment, the "Severance Payments"), the following rules will apply:

(i) Separate Payments. Each installment of the Severance Payments shall be deemed to be a separate payment for all purposes, including for purposes of Section 409A.

(ii) Special Rules for Severance Payments. All Severance Payments shall be treated as follows for purposes of Section 409A:

(A) Severance Payments payable during the year of termination and by March 15 of the year following termination shall, to the maximum extent possible, be deemed to constitute a short-term deferral under Treasury Regulation § 1.409A-1(b) (4);

(B) Severance Payments not covered by Section 10(b)(ii)(A), shall, to the maximum extent possible, be deemed to constitute amounts payable under the "two-year/two-times" exclusion from being a deferral of compensation under Treasury Regulation § 1.409A-1(b)(9)(iii); and

(C) All Severance Payments not covered by Section 10(b)(ii)(A) and (B) shall be paid at the applicable payment date in compliance with Section 409A, except that any such payment shall be subject to the six-month delay rule of Section 10(c).

(iii) Change in Control. A Change in Control shall not be deemed to occur for any compensation, benefits or entitlements which qualify as non-qualified deferred compensation under Section 409A (after taking into account all applicable exemptions) payable upon such an event unless it also constitutes a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company as defined in Treasury Regulation § 1.409A-3(i)(10) (a "409A Change in Control").

(c) Six-Month Delay Rule.

(i) General Rule. The six-month delay rule will apply to payments and benefits under the Agreement if all of the following conditions are met:

- (A) Employee is a “key employee” (as defined in Code Section 416(i) without regard to paragraph (10) thereof) for the year in which the termination occurs. The Company will determine status of “key employees” annually, under administrative procedures applicable to all Section 409A plans and arrangements and applied in accordance with Treasury Regulation § 1.409A-1(i).
- (B) The Company’s stock is publicly traded on an established securities market or otherwise.
- (C) The payment or benefit in question is a deferral of compensation and not excepted, exempted or excluded from being such by the short-term deferral rule, or the “two- years/two-times” rule in Treasury Regulation § 1.409A- 1(b)(9)(iii), or any other exception, exemption or exclusion; provided, however, that the exclusion under Treasury Regulation § 1.409A-1(b)(9)(v)(D) shall apply only if and to the extent that it is not necessary to apply to any other payment or benefit payable within six months after Employee’s termination.

(ii) Effect of Rule. If it applies, the six-month delay rule will delay a payment or benefit which otherwise would be payable under this Agreement within six months after Employee’s separation from service.

- (A) Any delayed payment or benefit shall be paid on the date six months after Employee’s separation from service.
- (B) During the six-month delay period, accelerated payment will occur in the event of the Employee’s death but not for any other reason (including no acceleration upon a Change in Control), except for accelerations expressly permitted under Treasury Regulation § 1.409A-1 – A-6.
- (C) Any payment that is not triggered by a termination, or is triggered by a termination but would be made more than six months after the termination (without applying this six-month delay rule), or would be payable at a fixed date not tied to termination that is earlier than the expiration of the six-month delay period, shall be unaffected by the six-month delay rule.

(iii) Limit to Application of Six-Month Delay Rule. If the terms of this Agreement or other plan or arrangement or document relating to this Agreement or payments hereunder impose this six-month delay rule in circumstances in which it is not required for compliance with Section 409A, those terms shall not be given effect.

(d) Other Provisions.

(i) Good Reason. Termination for “Good Reason” as defined under Section 6(c) and termination without Cause under the related rules governing constructive termination not for cause are intended to qualify as “involuntary separations” within the meaning of Treasury Regulation § 1.409A-1(n)(2)(i), and shall be so construed and interpreted.

(ii) Non-transferability. No right to any payment or benefit under this Agreement shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by Employee’s creditors or creditors of any of Employee’s beneficiaries.

(iii) No Acceleration. The timing of payments and benefits under the Agreement which constitute a deferral of compensation under Code Section 409A may not be accelerated to occur before the time specified for payment hereunder, except to the extent permitted under Treasury Regulation § 1.409A-3(j)(4) or as otherwise permitted under Code Section 409A without Employee incurring a tax penalty.

(iv) Timing Relating to Release. Other provisions of this Agreement (including this Section 10) notwithstanding, if Employee is obligated to execute and make irrevocable a Release as a condition to receipt of a payment hereunder, the Company will supply to Employee a finalized form of the Release not later than the date of Employee’s termination, or, if later, within five (5) days following notice of termination which must be returned within the time period required by law and must not be revoked by Employee within the applicable time period in order for Employee to satisfy any such condition, such that it becomes legally effective. Employee must sign no earlier than the last day of the Term and tender the Release and make it irrevocable as described above not later than sixty (60) days following Employee’s last day of employment, and if Employee fails or refuses to do so, Employee shall forfeit the right to such termination compensation as would otherwise be due and payable upon execution of such Release. If the severance payments and other entitlements are otherwise subject to Section 409A of the Code as “nonqualified deferred compensation”, they shall begin on the first pay period following the date that is sixty (60) days after Employee’s employment terminates; provided, however, that if such 60 days extends across two calendar years, the payments to Employee shall begin in the second of the calendar years.

(v) Definition of Termination of Employment. For purposes of this Agreement, the term “termination of employment” shall mean a separation from service as defined in Treasury Regulation § 1.409A-1(h); provided, however, that if a date for termination of employment is designated by the Company but Employee has a separation from service prior to such designated date, the designated termination date shall be deemed

the date of termination for any compensation payable under this Agreement that would fully qualify for the short-term deferral exception under Treasury Regulation § 1.409A-1(b)(4) and/or the “two-year/two-times” exclusion from being a deferral of compensation under Treasury Regulation § 1.409A-1(b)(9)(iii) under both circumstances (i.e., assuming the separation from service date was the termination date hereunder or that the designated termination of employment date was the termination date hereunder).

(vi) Continued Medical Coverage. Any continued medical coverage following termination of employment, to the extent provided under Section 6 or any other provision of this Agreement, if and to the extent such medical coverage (or the Company’s contributions or reimbursement of such coverage) represents taxable income to Employee, is intended to qualify as excluded from being a deferral of compensation under Treasury Regulation § 1.409A-1(b)(9)(v)(B), and the rights to such coverage shall be limited to the extent necessary to qualify thereunder.

(vii) References to Other Plans. References in the Agreement to the obligation of the Company to pay amounts under other plans, including Employee’s vested portion of any Magellan deferred compensation or other benefit plan, shall not be construed to modify the timing of payment, which shall be governed by such other plans.

11. Remedies. An actual or threatened violation by Employee of the covenants and obligations set forth in Sections 7, 8 and 9 will cause irreparable harm to the Company and the remedy at law for any such violation will be inadequate. Employee agrees, therefore, that Employer and its direct and indirect controlled subsidiaries or affiliates will be entitled to appropriate equitable relief (and to seek money damages as a result of such breach), including, but not limited to, a temporary restraining order and a preliminary injunction, without the necessity of posting a bond, and hereby consents to the issuance of such injunction and to the ordering of specific performance without the need on the part of the Employer to prove damages or irreparable injury. Employer and Employee consent to and direct any court finding any clause or provision of this Agreement to be unenforceable, in whole or in part, to narrow the scope of such clause or other provision, including without limitation the duration, geographic scope, or character of restrictions of such covenant, provision, or agreement with retroactive effect in order to enforce it to the maximum extent permissible. The existence of any cause of action by Employee against Employer shall not constitute a defense to Employer seeking or being granted entry of a decree for injunctive relief. If Employee fails to comply with the covenants and obligations set forth in Section 7, the restrictive time periods provided for will be extended by one (1) day for each day Employee fails to comply. Employee will also be entitled to seek equitable relief against Employer in connection with enforcement of the covenants and obligations set forth in Sections 7, 8 and 9. Employee and Employer irrevocably and unconditionally (i) agree that any suit, action or other legal proceeding seeking equitable relief for a breach of this Agreement shall be brought in the Court of Chancery of the State of Delaware, or if such court does not have jurisdiction or will not accept jurisdiction, in any state or federal court of general jurisdiction in Delaware; (ii) consent to the exclusive jurisdiction of any such court in any such suit, action or proceeding; (iii) waive any objection which either party may have to the laying of venue of any such suit, action or proceeding in any such Delaware court; (iv) consent to the service of any process, pleadings, notices or other papers in a manner as allowed by Delaware law; and (v) that pursuit or enforcement of any legal or equitable rights will not preclude the party from pursuing any other rights and remedies. The

provisions of Sections 4 through 21 and the Exhibits to this Agreement will survive the termination of the Term of this Agreement.

12. Arbitration. Except for an action for injunctive relief and directly related legal claims as described in Section 11, any disputes or controversies related to Employee's employment with the Company will be settled by arbitration in Delaware in accordance with the rules of the American Arbitration Association relating to the arbitration of employment disputes. The arbitration shall be conducted by a single arbitrator who is either a retired judge from Delaware judiciary or a Delaware attorney who has been in private practice for at least ten (10) years. The determination and findings of such arbitrator will be final and binding on all parties and may be enforced, if necessary, in any court of competent jurisdiction. Except as otherwise prohibited by applicable law as to the particular claim, the costs and expenses of the arbitration shall be evenly split by Employer and Employee and each party shall pay its own attorney's fees and other litigation costs.

y_kEmployee's Initials

13. Notices. Any notice or request required or permitted to be given to any party will be given in writing and, excepting personal delivery, will be given at the address set forth below or at such other address as such party may designate by written notice to the other party to this Agreement:

To Employee: David Haddock
29 Rocky Hill Road
Hadley, MA 01035

To Employer: Magellan Health, Inc.
8621 Robert Fulton Drive
Columbia, MD 21046
Attention: Deputy General Counsel

Each notice given in accordance with this Section will be deemed to have been given, if personally delivered, on the date personally delivered; or, if mailed, on the third day following the day on which it is deposited in the United States mail, certified or registered mail, return receipt requested, with postage prepaid, to the address last given in accordance with this Section.

14. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and should not be construed or interpreted to restrict or modify any of the terms or provisions of this Agreement.

15. Severability. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the Term of this Agreement, such provision will be fully severable and, subject to the authority of a court to narrow provisions of this Agreement as set forth in Section 11, this Agreement and each separate provision will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement will remain in full force

and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. In addition, in lieu of such illegal, invalid or unenforceable provision, there will be added, as a part of this Agreement, a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable (but in no event expanding the scope or length of any restrictions on Employee's activities under this Agreement or imposing any additional obligation on Employee), to the extent such reformation is allowable under applicable law.

16. Governing Law. This Agreement and all issues relating to the validity, interpretation, and performance will be governed by, interpreted, and enforced under the laws of the State of Delaware.

17. Binding Effect. This Agreement hereto will be binding upon and shall inure to the benefit of each party and each party's respective successors, heirs and legal representatives. This Agreement may not be assigned by Employee to any other person or entity but may be assigned by Employer to any subsidiary or affiliate of Employer in connection with an internal reorganization or restructuring of Employer and any of its subsidiaries or affiliates or to any successor to or transferee of all, or substantially all, of the stock or assets of Employer. If Employee should die while any payment, benefit or entitlement is due to him under this Agreement, then such payment, benefit or entitlement shall be paid or provided to his spouse (or if his spouse is not alive, to his estate).

18. Employer Policies, Regulations, and Guidelines for Employees, Clawback Policy. Employer may issue policies, rules, regulations, guidelines, procedures or other material, whether in the form of handbooks, memoranda, or otherwise, relating to its Employees. These materials are general guidelines for Employee's information and will not be construed to alter, modify, or amend this Agreement for any purpose whatsoever. Any payments or other remuneration under this Agreement shall be subject to the Employer's clawback policy or other recapture policies as in effect from time to time, and to any obligations of the Employer to clawback or recapture such payments as are required by applicable law; provided that if the Employer determines that the action, event or omission that gives rise to the clawback or recapture is curable and that allowing cure would not have a negative impact on the Company, Employee shall have fifteen (15) days to cure.

19. Background Check, Drug Screening, Employment Eligibility. This Agreement and Employee's employment hereunder are subject to and conditioned upon: (i) satisfactory completion of a background investigation of Employee by Employer at Employer's expense; (ii) Employee's receipt of a drug screening test conducted in accordance with Employer's customary practice for all new employees, with results acceptable to Employer in accordance with such practice, to be arranged by Employer and Employer at Employer's expense; (iii) Employee completing an Officer's Questionnaire containing answers satisfactory to Employer, and (iv) Employee providing Employer documentation indicating his eligibility to work within the United States pursuant to The Immigration Reform and Control Act of 1986. Employer confirms that as of the date it executes this Agreement, the requirements in clauses (i), (ii) and (iii) have been satisfactorily completed by Employee and are no longer conditions to the effectiveness of this Agreement; provided, however, if Employee has made any false statements misrepresentations with respect to the foregoing items, Employer's confirmation shall be revoked.

20. Indemnification. Employer shall indemnify Employee and hold him harmless to the fullest extent permitted by Delaware law against all cost, expense, liability and loss (including, without limitation, attorneys' fees (including those incurred to enforce Employee's rights under this Section 20), judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Employee, subject to all requirements and conditions of such law, if Employee is made a party, or is threatened to be made a party (including as a witness), to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was an officer, employee or acting in another official capacity for Employer or the Company or is or was serving at the request of Employer as an officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Employee's alleged action in any such capacity. The indemnification obligations under this Section 20 shall remain in effect following Employee's termination of employment with Employer and shall inure to the benefit of Employee's heirs, executors and administrators. Employer shall advance to Employee all reasonable costs and expenses incurred by him in connection with a Proceeding within twenty (20) days after receipt by it of a written request for such advance. Such request shall include an undertaking by Employee to repay the amount of such advance, without interest, if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses. In addition, Employee shall be covered as an insured in respect of Employee's activities as an officer of Employer by the Employer's Directors and Officers liability policy or policies or other comparable policies obtained by Employer to the fullest extent provided under such policy and no less than that provided for any other executive officer of Employer. The rights of Employee under this Section 20 shall be in addition to, and not in lieu of, any other rights Employee may have to be indemnified and advanced expenses or to be covered under any applicable directors' and officers' liability insurance policies and these rights shall apply with respect to any Proceeding without regard to whether it commenced during the Term of this Agreement.

21. Representations. Employer represents and warrants to Employee that (i) the execution, delivery and performance of this Agreement by it has been fully and validly authorized by all necessary corporate action, (ii) the person signing this Agreement on its behalf is duly authorized to do so, and (iii) to its knowledge, the execution, delivery and performance of this Agreement by it does not violate any applicable law, regulation, order, judgment or decree or any agreement, plan or corporate governance document to which it is a party or by which it is bound. Employer and Employee represent and warrant to each other that upon execution and delivery of this Agreement by Employer and Employee, it shall be a valid and binding obligation of Employer and Employee, enforceable against each party in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally. Each party represents that he or it has been represented by counsel in connection with this Agreement.

22. Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties with respect to its subject matter and supersedes all prior agreements and understandings, whether written or oral, relating to its subject matter, unless expressly provided otherwise within this Agreement. No amendment or modification of this Agreement will be valid unless made in writing and signed by each of the parties. No

representations, inducements, or agreements have been made to induce either Employee or Employer to enter into this Agreement, which are not expressly set forth within this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first stated above.

“Employee”	MAGELLAN HEALTH, INC.
	“Employer”
<u>/s/ David Haddock</u>	By: <u>/s/ Kenneth J. Fasola</u>
David Haddock	Name: Kenneth J. Fasola
	Title: Chief Executive Officer

EXHIBIT A
PERFORMANCE SHARE UNIT AGREEMENT

Magellan Health, Inc.
2016 Management Incentive Plan
Notice of Terms of Performance-Based Restricted Stock Units

(Reference No. 2016-[Month of Grant] 2020)

Name of Grantee: [NAME]

Date of Grant: [DATE of GRANT]

Type of Award: Performance-Based Restricted Stock Units (“PSU”), each PSU representing the right to receive on the terms and conditions of the Performance-Based Restricted Stock Unit Agreement between you (as Grantee) and the Company referenced below and the terms and conditions of this Notice, a share of Ordinary Common Stock, par value \$0.01 per share (“Share”), of Magellan Health, Inc. (the “Company”), subject to adjustment thereto as provided in this Notice.

Number of Performance-Based Restricted Stock Units Awarded (“Target PSUs”):

Dividend Equivalent Rights: None.

The terms and conditions of the award are as follows:

1. Vesting Provisions

- (a) General. Subject to your continued employment or other service with the Company or its subsidiaries through [VESTING DATE] (the “Service Date”) (except as otherwise provided herein), the Award shall become vested based upon the Company’s “Relative Total Shareholder Return” in terms of percentile ranking as compared to the Peer Group (as defined in Exhibit A) over the period beginning January 1, 2020 and ending December 31, 2022 (the “Measurement Period”) in accordance with the schedule below:

<u>Relative Total Shareholder Return Ranking over Measurement Period</u> <u>(“TSR Percentile”)</u>	<u>Payout % Level</u>
75th Percentile or Higher	200%
50 th Percentile	100%
25 th Percentile	50%
<25 th Percentile	0%

In the event of a payout percentage level above 100%, you will be awarded additional PSUs so that the total number of PSUs that vest (excluding dividend equivalent PSUs if applicable) and are settled on [SETTLEMENT DATE] equals your Target PSUs multiplied by the payout percentage level. For each percent above the 50th TSR Percentile, the payout percentage will be increased four percent, up to but not exceeding

the maximum payout percent level. In the event of a payout percentage level below 100%, your Target PSUs will be forfeited to the extent necessary to provide that the total number of PSUs that are settled as of the Settlement Date (excluding dividend equivalent PSUs if applicable) equals your Target PSUs multiplied by the payout percentage level. For each percent below the 50th TSR Percentile down to the 25th percentile, the payout percentage will be decreased two percent.

- (b) Payout Limits. In no event shall the number of PSUs settled as of the Settlement Date exceed 200% of the Target PSUs, and if the TSR Percentile achieved is less than the 25th percentile, all of your PSUs will be forfeited.
- (c) Settlement Date. For purposes of this Award, the “Settlement Date” shall be the earlier of (i) [SETTLEMENT DATE], and (ii) the date upon which you vest with respect to 100% of the Target PSUs as provided in paragraph 3.

2. **Termination of Employment.** In the event your employment is terminated prior to the Service Date for any reason other than as provided in paragraph 3 with regard to certain terminations following a Change in Control of the Company, all PSUs granted hereunder shall immediately be forfeited by you and canceled, except as otherwise provided in the Company’s “Retirement Policy Applicable to Employee Long-Term Incentive Awards” or otherwise provided in any employment agreement between you and the Company in effect at the date of your termination.

3. **Change in Control.** This Award shall earlier vest immediately with respect to 100% of the Target PSUs in the event that your service with the Company shall be terminated by the Company without Cause (as defined below), or by you with Good Reason (as defined below), on or prior to and in connection with a Change in Control, or within two years after a Change of Control. For purposes of this Award, the terms “Change in Control,” “Cause” and “Good Reason” shall have the same meanings as provided in any employment agreement between the Company and you in effect at the termination date or the time of the Change in Control (including any terms of substantially comparable significance in any such employment agreement even if not of identical wording) or, if no such employment agreement is in effect at such time or no such meanings are provided in such employment agreement, shall have the meanings ascribed thereto below:

- (1) A “Change in Control” of the Company shall mean the first to occur after the date hereof of any of the following events:
 - a. any “person,” as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), becomes a “beneficial owner,” as such term is used in Rule 13d-3 promulgated under the Exchange Act, of greater than 50% of the Voting Stock (as defined below) of the Company;
 - b. the majority of the Board of Directors of the Company consists of individuals other than “Continuing Directors,” which shall mean the members of the Board on the date hereof, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was supported by a vote of the directors who then comprised the Continuing Directors, shall be considered to be a Continuing Director;
 - c. the Board of Directors of the Company adopts and, if required by law or the certificate of incorporation of the Corporation, the shareholders approve the dissolution of the Company or a plan of liquidation or comparable plan providing for the disposition of all or substantially all of the Company’s assets;

- d. at least 75% of the consolidated assets of the Company (measured using a quantitative analysis determined in good faith by the Board) are disposed of in a single transaction pursuant to a merger, consolidation, share exchange, reorganization or other transaction unless the shareholders of the Company immediately prior to such merger, consolidation, share exchange, reorganization or other transaction beneficially own, directly or indirectly, in substantially the same proportion as they previously owned the Voting Stock or other ownership interests of the Company, 51% or more of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Company; or
 - e. the Company merges or combines with another company and, immediately after the merger or combination, the shareholders of the Company immediately prior to the merger or combination own, directly or indirectly, 50% or less of the Voting Stock of the successor company, provided that in making such determination there shall be excluded from the number of shares of Voting Stock held by such shareholders, but not from the Voting Stock of the successor company, any shares owned by Affiliates of such other company who were not also Affiliates of the Company prior to such merger or combination.
- (2) "Cause" shall mean:
- a. Grantee is convicted of (or pleads guilty or nolo contendere to) a felony or a crime involving moral turpitude;
 - b. Grantee's commission of an act of fraud or dishonesty involving his or her duties on behalf of the Company;
 - c. Grantee's willful failure or refusal to faithfully and diligently perform duties lawfully assigned to Grantee as an officer or employee of the Company or other willful breach of any material term of any employment agreement at the time in effect between the Company and Grantee; or
 - d. Grantee's willful failure or refusal to abide by the Company's policies, rules, procedures or directives, including any material violation of the Company's Code of Ethics.
- (3) "Good Reason" shall mean:
- a. a material reduction in Grantee's salary in effect at the time of a Change in Control, unless such reduction is comparable in degree to the reduction that takes place for all other employees of the Company of comparable rank (for which purpose any person who is an executive officer of the Company (as determined for purposes of the Exchange Act shall be considered of comparable rank) or a material reduction in Grantee's target bonus opportunity for the year in which or any year after the year in which the Change of Control occurs from Grantee's target bonus opportunity for the year in which the Change in Control occurs (if any) as established under any employment agreement Grantee has with the Company or any bonus plan of the Company applicable to Grantee (or, if no such target bonus opportunity has yet been established for Grantee under a bonus plan applicable to Grantee for the year in which the Change of Control has occurred, the target bonus opportunity so established for Grantee for the immediately preceding year (if any)). For purposes of this provision, an action or actions of the Company will be deemed "material" if, individually or in the aggregate, the action or actions result(s) or potentially result(s) in a reduction in compensation in the current year or a future year having a present value to Grantee of at least one and one half percent (1.5%) of Grantee's then current base salary, provided

that Grantee will have a legal right to claim damages for a breach of contract for any action by the Company or event having an effect described under those paragraphs that does not meet this objective materiality test, and actions may be material in a given case at levels less than the specified level.

- b. a material diminution in Grantee's position, duties or responsibilities as in effect at the time of a Change in Control or the assignment to Grantee of duties which are materially inconsistent with such position, duties and authority, unless in either case such change is made with the consent of the Grantee; or
- c. the relocation by more than 50 miles of the offices of the Company which constitute at the time of the Change in Control Grantee's principal location for the performance of his or her services to the Company;

provided that, in each such case, Grantee provides notice to the Company within 90 days that such event or condition constituting Good Reason has arisen, and such event or condition continues uncured for a period of more than 30 days after Grantee gives notice thereof to the Company, and Grantee terminates Service within eighteen months after such event or condition has arisen.

For purposes of the foregoing definitions, (A) "the Company" shall include any entity that succeeds to all or substantially all of the business of the Company, (B) "Affiliate" of a person or other entity shall mean a person or other entity that directly or indirectly controls, is controlled by, or is under common control with the person or other entity specified, and (C) "Voting Stock" shall mean any capital stock of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation and reference to a percentage of Voting Stock shall refer to such percentage of the votes that all such Voting Stock is entitled to cast.

- 4. **Leave of Absence.** Unless otherwise required by law, in the event you have an authorized leave of absence at any time prior to the Service Date which absence extends beyond three full calendar months (including any absence that began before the Grant Date), your PSU payout will be prorated based on the number of full and partial months spent on the active payroll (beginning with the first full calendar month after the Grant Date). Payout for the award will be made at the same time as payment would have been made without regard to any leave of absence and will in all respects be subject to the Company's actual Relative Total Shareholder Return achievement for the full Measurement Period.
- 5. **Settlement of Award.** Shares in settlement of vested PSUs under this Award (or, at the Company's election, cash in lieu thereof) shall be delivered to you on the Settlement Date as further provided in your Performance Based Restricted Stock Unit Agreement with the Company. Settlement and your retention of cash or Shares issued in settlement or the proceeds of a sale of Shares or other benefits resulting from this Award, are subject to the terms of the provisions of the Performance Based Restricted Stock Unit Agreement (without regard to any previous vesting of this Award).
- 6. **Transfer Restrictions.** Shares issued in settlement of this Award shall not be subject to any additional transfer restrictions, other than those provided by your Performance Based Restricted Stock Unit Agreement.

By signing your name below, you acknowledge and agree that this Award is governed by the terms and conditions of the Magellan Health, Inc. 2016 Management Incentive Plan (the “Plan”), or a predecessor plan, and the Performance Based Restricted Stock Unit Agreement, reference number 2016-[GRANT DATE], 2020 (the “Agreement”), both of which are hereby made a part of this document. Capitalized terms used but not defined in this Notice of Performance Based Restricted Stock Units shall have the meaning assigned to them in the Plan and Agreement.

MAGELLAN HEALTH, INC.

Name: Kenneth J. Fasola
Title: Chief Executive Officer

GRANTEE:

Name: David Haddock

Date: _____

Magellan Health, Inc.
Performance Based Restricted Stock Unit
Exhibit A – Calculation of Relative Total Shareholder Return

- “Relative Total Shareholder Return” means the Company’s Total Shareholder Return (“TSR”) relative to the TSR of the Peer Companies. Relative TSR will be determined by ranking the Company and the Peer Companies from highest to lowest according to their respective TSRs. After this ranking, the percentile performance of the Company relative to the Peer Companies will be determined as follows:

$$P = 1 - \frac{R - 1}{N - 1}$$

where: “P” represents the percentile performance which will be rounded, if necessary, to the nearest whole percentile by application of regular rounding.

“N” represents the remaining number of Peer Companies, plus the Company.

“R” represents the Company’s ranking among the Peer Companies.

Example: If there are 24 Peer Companies, and the Company ranked 7th, the performance would be at the 75th percentile: $1 - ((7-1)/(25-1))$.

Relative TSR shall be determined by the Compensation Committee of the Board of Directors of the Company based on the terms set forth in this Exhibit A and in the Compensation Committee’s sole and absolute discretion.

- “TSR” means, for each of the Company and the Peer Companies, the company’s total shareholder return, expressed as a percentage, which will be calculated by dividing (i) the Closing Average Share Value by (ii) the Opening Average Share Value and subtracting one from the quotient.
- “Opening Average Share Value” means the average, over the trading days in the Opening Average Period, of the closing price of a company’s stock multiplied by the Accumulated Shares for each trading day during the Opening Average Period.
- “Opening Average Period” means the 30 trading days beginning as of January 1, 2020.
- “Accumulated Shares” means, for a given trading day, the sum of (i) one (1) share and (ii) a cumulative number of shares of the company’s common stock purchased with dividends declared on a company’s common stock, assuming same day reinvestment of the dividends in the common stock of a company at the closing price on the ex-dividend date, for ex-dividend dates during the Opening Average Period or between the Grant Date and the December 31, 2022, as applicable.
- “Closing Average Share Value” means the average, over the trading days in the Closing Average Period, of the closing price of the company’s stock multiplied by the Accumulated Shares for each trading day during the Closing Average Period.
- “Closing Average Period” means the 30 trading days immediately preceding January 1, 2023.

· “*Peer Companies*” means the S&P Health Care Services Industry Index as of [GRANT DATE], 2020 which currently includes the following companies*:

Acadia Healthcare Co Inc	Cross Country Healthcare Inc	Owens & Minor Inc
Addus HomeCare Corp.	CVS Health Corp.	Patterson Cos Inc
Amedisys Inc	DaVita Inc.	PetIQ, Inc.
AmerisourceBergen Corp	Diplomat Pharmacy Inc	Premier Inc
AMN Healthcare Services Inc	Encompass Health Corp	The Providence Service Corp.
Anthem, Inc.	The Ensign Group, Inc.	Quest Diagnostics Inc
BioScrip, Inc.	HCA Healthcare Inc	R1 RCM, Inc.
BioTelemetry Inc	HealthEquity Inc	RadNet, Inc.
Brookdale Senior Living Inc	Henry Schein Inc	Select Medical Holdings Inc
Cardinal Health Inc	Humana Inc	Tenet Healthcare Corp
Centene Corp	Laboratory Corp of America	Tivity Health, Inc.
Chemed Corp	LHC Group Inc	Triple-S Management Corp
CIGNA Corp	Magellan Health Inc	UnitedHealth Group Inc
Community Health Systems Inc	McKesson Corp	Universal Health Services Inc
CorVel Corp	MEDNAX Inc	US Physical Therapy Inc
Covetrus, Inc.	Molina Healthcare Inc	WellCare Health Plans Inc

* The actual Peer Companies are subject to change and will be updated as of the [GRANT DATE], 2020 grant date based on which companies are part of the S&P Health Care Services Industry Index at that time.

The Peer Companies may be changed as follows:

- (i) In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another Peer Company, the surviving entity shall remain a Peer Company.
- (ii) In the event of a merger of a Peer Company with an entity that is not a Peer Company, or the acquisition or business combination transaction by or with a Peer Company, or with an entity that is not a Peer Company, in each case where the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company.
- (iii) In the event of a merger or acquisition or business combination transaction of a Peer Company by or with an entity that is not a Peer Company, a “going private” transaction involving a Peer Company or the liquidation of a Peer Company, where the Peer Company is not the surviving entity or is otherwise no longer publicly traded, the company shall no longer be a Peer Company.
- (iv) In the event of a bankruptcy of a Peer Company, such company shall remain a Peer Company.
- (v) In the event of a stock distribution from a Peer Company consisting of the shares of a new publicly-traded company (a “spin-off”), the Peer Company shall remain a Peer Company and the stock distribution shall be treated as a dividend from the Peer Company based on the closing price of the shares of the spun-off company on its first day of trading. The performance of the shares of the spun-off company shall not thereafter be tracked for purposes of calculating TSR.
- (vi) For purposes of calculating TSR, the value of any Peer Company shares traded on a foreign exchange will be converted to U.S. dollars.

2016 MANAGEMENT INCENTIVE PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

REFERENCE NUMBER: 2016 – [GRANT DATE], 2020 – **David Haddock**

As of [Grant Date], 2020

1. **GRANT OF PERFORMANCE-BASED RESTRICTED STOCK UNITS.**

(a) **Performance-Based Restricted Stock Units.** On the terms and conditions set forth in this Performance-Based Restricted Stock Unit Agreement (the “Agreement”) and each Notice of Performance-Based Restricted Stock Unit Award referencing this Agreement, Magellan Health, Inc. (the “Company,” as further defined below) grants to the Grantee referred to on the signature page hereof the right to receive on the Settlement Date (as hereinafter defined) the number of shares of Ordinary Common Stock, \$0.01 par value per share, of the Company (“Shares,” as further defined below) equal to the number of “Performance Stock Units” awarded to the Grantee as set forth in the Notice of Performance- Based Restricted Stock Unit Award, subject to adjustment thereto on account of any change that may be made in the Shares as provided by Section 4 below (the “Performance Unit Shares”). Each such Notice of Performance-Based Restricted Stock Unit Award, together with this referenced Agreement, shall be a separate “Performance-Based Restricted Stock Unit” governed by the terms of this Agreement and any such separate Performance-Based Restricted Stock Unit may be referred to herein as the “Performance-Based Restricted Stock Unit,” and, as pertinent, any of multiple Notices of Performance-Based Restricted Stock Unit Award referencing this Agreement may be referred to herein as the “Performance-Based Restricted Stock Unit Award Notice.”

(b) **2016 Management Incentive Plan and Defined Terms.** The Performance-Based Restricted Stock Unit Award is granted under and subject to the terms of the 2016 Management Incentive Plan, as amended and supplemented from time to time (the “Plan”), which is incorporated herein by this reference. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan or the Performance- Based Restricted Stock Unit Award Notice.

(c) **Scope of this Agreement.** This Agreement shall apply both to the Performance- Based Restricted Stock Unit and to any Performance Unit Shares acquired upon the settlement of the Performance-Based Restricted Stock Units. This Agreement references the terms of Sections 7 and 8 of the Employment Agreement (“Non-Compete Agreement”).

2. **VESTING AND SETTLEMENT OF PERFORMANCE-BASED RESTRICTED STOCK UNITS.**

(a) **Vesting.** The Performance-Based Restricted Stock Unit shall vest in whole or in part on the date or dates provided by the Notice of Performance-Based Restricted Stock Unit Award, provided that Grantee remains in the Service of the Company or a Related Employer through [VESTING DATE], 2023; it being understood that the Notice of Performance-Based Restricted Stock Unit Award may provide that the Performance-Based Restricted Stock Unit shall vest upon termination of Grantee's Service in such circumstances as are provided in the Notice of Performance-Based Restricted Stock Unit Award (subject to Section 2(e) below).

(b) **Settlement in Shares.** Subject to the following provisions of this Section 2, the Company shall settle the Performance-Based Restricted Stock Unit, to the extent it has vested, on the Settlement Date set forth in the Notice of Performance-Based Restricted Stock Unit Award (the "Settlement Date"), by the delivery to Grantee of the number of Performance Unit Shares equal to the number of Performance-Based Restricted Stock Units so vested. Subject to subsection 2(e) below, in settlement of the Performance-Based Restricted Stock Unit, the Company shall cause to be issued on the Settlement Date or as soon as practicable thereafter (but not more than five business days) an appropriate certificate or certificates for the Performance Unit Shares, registered in the name of the Grantee (or, at the direction of the Grantee, in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship or as tenants in the entirety); provided, however, that such Performance Unit Shares shall be subject to such restrictions on transfer or other restrictions as are provided by the Performance-Based Restricted Stock Unit Award Notice and the certificates so issued may bear a legend reflecting such restrictions and any restrictions applicable in accordance with subsections 2(g) and 3(c) below.

(c) **Alternative Settlement in Cash.** In lieu of settlement of the Performance-Based Restricted Stock Unit in Performance Unit Shares, the Committee may in its sole discretion elect to settle all or a portion of the Performance-Based Restricted Stock Unit by a cash payment equal to the Fair Market Value as of the Settlement Date of the Performance Unit Shares that would otherwise have been issued under this Agreement. Such payment may be made by good check of the Company issued in accordance with its normal payroll practices or such other means as are acceptable to the Company

(d) **Withholding Requirements.** The Company may withhold any tax (or other governmental obligation) the Company is required to withhold as a result of the grant of the Performance-Based Restricted Stock Unit and/or the issuance of Performance Unit Shares (or cash in lieu of Performance Unit Shares) in settlement of a Performance-Based Restricted Stock Unit and, as a condition to the grant of the Performance-Based Restricted Stock Unit or issuance of the Performance Unit Shares in settlement thereof, the Grantee shall make arrangements satisfactory to the Company to enable it to satisfy all such withholding requirements.

(e) Injurious Conduct.

- (i) In the event that the Grantee has engaged in Injurious Conduct (as defined in Section 2(e)(ii)(A) below) during Grantee's Service or during the Restricted Period (as defined in Section 2(e)(ii)(B) below) following termination of Grantee's Service, then the following forfeitures and related terms will apply to the Award and the Performance Unit Shares and related benefits (including Dividend Equivalents and/or dividends), as authorized by Plan Section 12 and other applicable provisions of the Plan:
 - (A) No Performance Unit Shares shall be issued to Grantee in connection with the settlement of the Award after such determination (even if the Award is fully vested) nor shall any other benefit thereafter accrue to the Grantee under this Agreement (including by reason of the lapse of any restriction on transfer or other restriction then applicable to Performance Unit Shares that have been issued).
 - (B) The unsettled Award shall be forfeited and shall terminate and any Performance Unit Shares subject to any such restrictions shall be forfeited.
 - (C) As authorized by the Plan (including Sections 12(a) and (b)), any benefits realized by Grantee as a result of the Award, if the Award vested during the three-year period prior to the time such Injurious Conduct occurred (or, if longer than three years, the period equal to the Restricted Period), including benefits resulting from the lapse of any restrictions on Shares issued as a result thereof and Dividend Equivalents relating to the Award and dividends relating to the such Shares, shall be forfeited by Grantee and Grantee shall pay over to the Company any Shares received by Grantee in connection with the Award, if still owned by Grantee, or the cash value of such Shares (such value to be measured as of the date of the cash payment by Grantee hereunder), together with any cash amount received by Grantee as related Award benefits (without discount or interest; for clarity, taxes previously withheld will be deemed to have been received by Grantee).
- (ii) The forfeitures and related terms of Section 2(e)(i) are subject to the following:
 - (A) For purposes of this Agreement, "Injurious Conduct" means an event as specified in Plan Section 12(a)(i) or a violation by Grantee of any material provision of Grantee's Non-Compete Agreement with the Company.
 - (B) For purposes of this Agreement, the "Restricted Period" means the length of the period during which Grantee remains bound by non-competition and/or non-solicitation covenants following termination of Grantee's Service under Grantee's Non-Compete Agreement.
 - (C) The terms of this Section 2 are intended to modify and supersede certain terms of Plan Section 12, including modifying the definition of "Injurious Conduct"

and modifying the post-termination periods in which forfeitures may occur and during which (under Plan Section 12(c)) the Committee shall determine whether Injurious Conduct has occurred and any resulting forfeitures, and therefore the terms of this Section 2 control to the extent the terms differ from Plan Section 12. The forfeitures or related terms of this Section 2 may be waived or limited by the terms of any agreement executed by the Company with the approval of the Committee.

- (D) In the case of Section 2(e)(i)(A) and (B), such forfeitures and related terms will not apply to the Award if the settlement of the Award has been deferred at the election of the Grantee and if the Award was fully vested for a period of at least three years or, if longer, a period at least equal to the Restricted Period before the date such Injurious Conduct occurred; in such case, the Company is not excused from settling, completing delivery of or removing any legend restricting the transfer of the Award or Shares and any related Dividend Equivalent Rights or dividends.
- (E) Any forfeitures hereunder, based on the Committee's determination that Grantee has engaged in Injurious Conduct during Grantee's Service or during the Restricted Period, and the terms of this Section 2 shall not relieve Grantee of any other liability he or she may have to the Company or a Related Employer as a result of engaging in the Injurious Conduct, including any right of the Company or any Related Employer to injunctive or other equitable relief.

(f) **Transfer Restrictions On Performance Unit Shares.** Subject to subsection 2(d) above and subsections 2(g) and 3(c) below, unless otherwise provided by the Performance- Based Restricted Stock Unit Award Notice or another agreement between Grantee and the Company, upon the acquisition of Performance Unit Shares pursuant to the settlement of a Performance-Based Restricted Stock Unit Award, Grantee shall be free to dispose of the Performance Unit Shares so acquired in any manner and at any time.

(g) **Securities Law Restrictions On Issuance of Performance Unit Shares.** Unless a registration statement under the Securities Act permitting the sale and delivery of Performance Unit Shares upon settlement of the Performance-Based Restricted Stock Unit Award is in effect on the Settlement Date, the Company shall not be required to issue Performance Unit Shares upon such settlement, except as otherwise provided in this subsection. The Company shall use its commercially reasonable efforts to register under the Securities Act sufficient Performance Unit Shares to permit delivery to Grantee of all Performance Unit Shares that may be acquired by Grantee upon the settlement of the Performance-Based Restricted Stock Unit Award; provided, however, that the Company shall only be so required to register the Performance Unit Shares on Form S-8 under the Securities Act (or any successor form). Notwithstanding the foregoing, the Company shall, if Grantee has given the Company at least 90 days' notice requesting the Company to register in accordance with the foregoing provisions of this subsection the Performance Unit Shares that may then be acquired by Grantee upon settlement of the Performance-Based Restricted Stock Unit Award and the Company has failed to do so, issue Performance Unit Shares to Grantee

upon settlement of the Performance-Based Restricted Stock Unit Award without registration thereof under the Securities Act if (i) Grantee represents, effective on the date of such issuance, in writing in a form acceptable to the Company (A) that such Performance Unit Shares are being acquired for investment and not with a present view to distribution, (B) Grantee understands that the Performance Unit Shares have not been registered under the Securities Act and cannot be sold or otherwise Transferred unless a registration statement under the Securities Act is in effect with respect thereto or the Company has received an opinion of counsel, satisfactory to it, to the effect that such registration is not required, (C) that Grantee has, alone or together with any qualified advisor, such knowledge and experience in financial and business matters as is necessary to evaluate the risks of an investment in the Performance Unit Shares, is acquiring the Performance Unit Shares based on an independent evaluation of the long-term prospects of an investment in the Performance Unit Shares and has been furnished with such financial and other information regarding the Company as the Grantee has requested for purposes of making such evaluation, and (D) Grantee is able to bear the economic risk of an investment in the Performance Unit Shares subject to such restrictions on Transfer and (ii) if the Company determines that under the circumstances issuing the Performance Unit Shares pursuant to such settlement of the Performance-Based Restricted Stock Unit Award is lawful; provided, however, that the Company may require, as a condition of such issuance of Performance Unit Shares, that Grantee execute and deliver to it such other certificates, agreements and other instruments as in the judgment of the Company, upon advice of counsel, are necessary or appropriate to assure that the Performance Unit Shares are issued to Grantee in accordance with the Securities Act and any other applicable securities law and may require that any certificates representing Performance Unit Shares so issued bear any restrictive legend appropriate for such purpose. In addition, even if a registration statement under the Securities Act permitting the delivery of Performance Unit Shares upon settlement of the Performance-Based Restricted Stock Unit Award is in effect at the Settlement Date, the Company may suspend the issuance of Performance Unit Shares pursuant to the settlement of all Performance-Based Restricted Stock Unit Awards issued under the Plan for such period of time as in the judgment of the Company, upon advice of counsel, is necessary in order for the Company to come into compliance with all the reporting requirements applicable to the Company pursuant to Section 13(a) of the Exchange Act or to otherwise avoid in connection with the issuance of the Performance Unit Shares under such registration statement a violation of Sections 10, 11 or 12 of the Securities Act. If the Company suspends the issuance of Performance Unit Shares pursuant to the settlement of Performance-Based Restricted Stock Unit Awards issued under the Plan, the Company shall give prompt written notice thereof to the Grantee (but the failure of the Company to give such notice shall not prevent the Company from suspending the issuance of Performance Unit Shares as permitted hereby) and, at such time as such period of suspension ends, shall give prompt written notice thereof to Grantee. Notwithstanding that the Company in accordance with this subsection may not be able to issue Performance Unit Shares in settlement of a Performance-Based Restricted Stock Unit, the Company shall not be required to settle a Performance-Based Restricted Stock Unit in cash, but may do so if it elects in its discretion to do so, as provided by subsection 2(c) above.

(h) **Special Distribution Rules to Comply with Code Section 409A.** In the event that any Performance-Based Restricted Stock Units constitute a “deferral of compensation” under Section 409A of the Internal Revenue Code (the “Code”), the timing of settlement of such

Performance-Based Restricted Stock Units (hereinafter defined as “409A RSUs”) will be subject to applicable limitations under Code Section 409A and Section 19(a) of the Plan, including the following restrictions on settlement:

(i) The “six-month delay rule.” The six-month delay rule will apply to 409A RSUs if these four conditions are met:

- (A) The Grantee has a “separation from service” (within the meaning of Treasury Regulation § 1.409A-1(h));
- (B) A distribution of Shares is triggered by the separation from service (but not due to death);
- (C) The Grantee is a “key employee” (as defined in Code Section 416(i) without regard to paragraph (5) thereof). The Company will determine status of “key employees” annually, under administrative procedures applicable to all plans and arrangements subject to Code Section 409A; and
- (D) The Company’s stock is publicly traded on an established securities market or otherwise.

If it applies, the six-month delay rule will delay a distribution in settlement of 409A RSUs triggered by the Grantee’s separation from service where the distribution otherwise would be within six months after the separation.

- (a) Any delayed payment shall be made on the date six months after the Grantee’s separation from service.
- (b) During the six-month delay period, accelerated distribution will be permitted in the event of the Grantee’s death and for no other reason (including no acceleration upon a Change in Control), except for the limited exceptions permitted under the Code Section 409A regulations.
- (c) Any payment that is not triggered by a separation from service, or triggered by a separation from service but which would be made more than six months after separation (without applying this six-month delay rule), shall be unaffected by the six-month delay rule. Each payment in a series of installments would be treated as a separate payment for this purpose. If the terms of a 409A RSU agreement impose this six-month delay rule in circumstances in which it is not required for compliance with Code Section 409A, those terms shall not be given effect.

(ii) Change in Control Rule.

- a. If any distribution of 409A RSUs would be triggered by a Change in Control, such distribution will be made only if, in connection with the

Change in Control, there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company as defined in Treasury Regulation § 1.409A-3(i)(5) (a "409A Change in Control").

- b. In this case, distribution of the 409A RSUs shall occur not later than five business days after (i) the occurrence of a 409A Change in Control occurring at the time of or following the Change in Control or (ii) upon occurrence of the Change in Control occurring within 90 days after the 409A Change in Control, but only if the occurrence of the Change in Control is non-discretionary and objectively determinable at the time of the 409A Change in Control (in this case, the Grantee shall have no influence on when during such 90-day period the settlement shall occur).
- c. Upon a Change in Control during the six-month delay period, no accelerated distribution applies (even if the events involve a 409A Change in Control) to a distribution delayed by application of the six- month delay rule.

(iii) Separation from Service.

- (A) Any distribution in settlement of 409A RSUs that is triggered by a termination of employment will occur only at such time as the participant has had a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h), regardless of whether any other event might be viewed as a termination of employment by the Company for any other purpose.
- (B) In particular, if a Grantee switches to part-time employment or becomes a consultant in connection with a termination of employment, whether the event will be deemed a termination of employment for purposes of 409A RSUs will be determined in accordance with Treasury Regulation § 1.409A-1(h).

(iv) Other Restrictions.

- (A) The settlement of 409A RSUs may not be accelerated by the Company except to the extent permitted under Code Section 409A.
- (B) Any restriction imposed on RSUs under these 409A Compliance Rules or imposed on RSUs under the terms of other documents solely to ensure compliance with Code Section 409A shall not be applied to RSUs that are not 409A RSUs except to the extent necessary to preserve the status of such RSUs as not 409A RSUs. If any mandatory term required for 409A RSUs or non-409A RSUs to avoid tax penalties under Code Section 409A is not otherwise explicitly provided under this document

(v) Any other applicable provisions of Plan Section 19(a) will apply to such Performance-Based Restricted Stock Units.

3. **TRANSFER OF PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD OR PERFORMANCE UNIT SHARES.**

(a) **Transfers Generally Prohibited.** Except as otherwise provided by the Performance-Based Restricted Stock Unit Award Notice or otherwise permitted by the Plan or in the case of a transfer permitted by subsection 3(b) below, the Performance-Based Restricted Stock Unit Award may be settled only during the Grantee's lifetime and only by the issuance of Performance Unit Shares (or a cash payment in lieu thereof where permitted by the Performance-Based Restricted Stock Unit Award Notice) to Grantee. Except as otherwise provided in subsection 3(b) below, the Performance-Based Restricted Stock Unit Award and the rights and privileges conferred by the Performance-Based Restricted Stock Unit Award shall not be sold or otherwise Transferred.

(b) **Certain Transfers Permitted.** Notwithstanding the foregoing provisions of this Section 3, the Performance-Based Restricted Stock Unit Award may be Transferred (i) in the event of the Grantee's death, by will or the laws of descent and distribution or by a written beneficiary designation accepted by the Company, (ii) by operation of law in connection with a merger, consolidation, recapitalization, reclassification or exchange of Shares, reorganization or similar transaction involving the Company and affecting the Shares generally or (iii) with the approval of the Committee, to a member of Grantee's family, or a trust primarily for the benefit of Grantee and/or one or more members of Grantee's family, or to a corporation, partnership or other entity primarily for the benefit of Grantee and/or one or more such family members and/or trusts or (iv) with the approval of the Committee, in another estate or personal financial planning transaction; provided, however, that in any such case the Performance-Based Restricted Stock Unit Award so Transferred and, upon issuance of Performance Unit Shares in settlement thereof, the Performance Unit Shares issued to the Transferee shall remain subject in the hands of the Transferee to the restrictions on Transfer provided hereby and all other terms hereof, including the terms of subsection 2(c) above. The foregoing notwithstanding, if RSUs constitute deferrals of compensation for purposes of Code Section 409A, RSUs and any related right of Grantee shall not be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Grantee or his or her beneficiary, except as permitted under Code Section 409A and regulations and guidance thereunder.

(c) **Fiduciary, Securities Law and Officer Restrictions.** As an employee, officer and/or director of the Company, Grantee may be subject to restrictions on his or her ability to sell or otherwise Transfer Performance Unit Shares by reason of being a fiduciary for the Company or by reason of federal or state securities laws and/or the policies regarding transactions in securities of the Company from time to time adopted by the Company and applicable to Grantee in connection therewith. Nothing contained herein shall relieve Grantee

of any restriction on sale or other Transfer of Performance Unit Shares provided thereby and any other restrictions of sale or other Transfer of Performance Unit Shares provided herein (including in a Performance-Based Restricted Stock Unit Award Notice or in the Plan) shall be in addition to and not in lieu of any other restrictions provided thereby. Pursuant to the Company's Equity Ownership Policy currently in effect and as may be amended from time to time, certain officers of the Company are currently, or may in the future be, subject to restrictions on sales or transfers of Performance Unit Shares and other equity rights issued by the Company. If Grantee is at any time subject to such Equity Ownership Policy, sale or transfer of Grantees' Performance Unit Shares (other than any sale to pay any taxes due upon vesting and/or delivery of the Performance Unit Shares) shall be restricted as provided in such Equity Ownership Policy.

4. **ADJUSTMENT OF SHARES.**

(a) **Adjustment Generally.** If while the Performance-Based Restricted Stock Unit remains in effect there shall be any change in the outstanding Shares of the class which are to be issued upon settlement of the Performance-Based Restricted Stock Unit, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, reverse stock split, combination of shares, exchange of shares for other securities or other like change in the outstanding Shares, or any spin-off, split-off, dividend in kind or other extraordinary dividend or other distribution in respect of such outstanding Shares or other extraordinary change in the capital structure of the Company, an adjustment shall be made to the terms of the Performance-Based Restricted Stock Unit so that the Performance-Based Restricted Stock Unit shall thereafter be ultimately settled, otherwise on the same terms and conditions as provided by the Performance-Based Restricted Stock Unit Award Notice, this Agreement and the Plan, for such securities, cash and/or other property as would have been received in respect of the Shares that would have been issued upon settlement of the Performance-Based Restricted Stock Unit had the Performance-Based Restricted Stock Unit been settled in full immediately prior to such change or distribution (whether or not the Performance-Based Restricted Stock Unit was then fully vested) or, if and to the extent the Committee determines that so adjusting the consideration to be received upon settlement of the Performance-Based Restricted Stock Unit, in whole or in part, is not practicable, the Committee shall equitably modify the consideration to be received in respect of the settlement of the Performance-Based Restricted Stock Unit or other pertinent terms and conditions of the Performance-Based Restricted Stock Unit as provided by subsection 4(b) below. Such an adjustment shall be made successively each time any such change in the outstanding Shares of the class which may be received upon settlement of the Performance-Based Restricted Stock Unit or extraordinary distribution in respect of such outstanding Shares or extraordinary change in the capital structure of the Company shall occur.

(b) **Modification Of Performance-Based Restricted Stock Unit.** In the event any change in the outstanding Shares of the class which may be received upon settlement of the Performance-Based Restricted Stock Unit or extraordinary distribution in respect of such outstanding Shares or extraordinary change in the capital structure of the Company described in subsection 4(a) above occurs, or in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Grantee in respect of a Performance-Based Restricted

Stock Unit or otherwise as a participant in the Plan or which otherwise warrants equitable adjustment to the terms and conditions of the Performance-Based Restricted Stock Unit because such event or circumstances interferes with the intended operation of the Plan (including the intended tax consequences of Awards) occurs, then the Committee shall adjust the number and kind of Performance Unit Shares and/or other securities and/or cash or other property that may be issued or delivered upon the settlement of the Performance-Based Restricted Stock Unit and/or adjust the other terms and conditions of the Performance-Based Restricted Stock Unit as the Committee in its discretion determines to be equitable in order to prevent dilution or enlargement of the Grantee's rights in respect of the Performance-Based Restricted Stock Unit as such existed before such event. Appropriate adjustments shall likewise be made by the Committee in other terms and conditions of the Performance-Based Restricted Stock Unit to reflect equitably such changes in circumstances, including modifications of performance targets and changes in the length of performance periods relating to the vesting of the Performance-Based Restricted Stock Unit or any restrictions on Performance Unit Shares.

(c) **Modifications To Comply With Section 409A.** To the extent applicable, this Agreement (including any related Notice of Restricted Stock Award) shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or guidance that may be issued after the date on which a Performance-Based Restricted Stock Unit was awarded. Without limiting the authority of the Committee under subsection 4(b) above to make modifications to the Performance-Based Restricted Stock Unit by reason of changes in law or circumstances that would result in any substantial dilution or enlargement of the rights granted to, or available for, Grantee in respect of a Performance-Based Restricted Stock Unit or otherwise as a participant in the Plan or which otherwise warrants equitable adjustment to the terms and conditions of the Performance-Based Restricted Stock Unit because such event interferes with the operation of the Plan, and notwithstanding any provision of this Agreement to the contrary, in the event that the Committee or an authorized officer of the Company determines that any amounts will be immediately taxable to the Participant under Section 409A of the Code and related Department of Treasury guidance (or subject the Grantee to a penalty tax) in connection with the grant or vesting of the Performance-Based Restricted Stock Unit or any other provision of the Performance-Based Restricted Stock Unit Award Notice or this Agreement or the Plan, the Company may (a) adopt such amendments to the Performance-Based Restricted Stock Unit, including amendments to this Agreement (having prospective or retroactive effect), that the Committee or authorized officer determines to be necessary or appropriate to preserve the intended tax treatment of the Performance-Based Restricted Stock Unit and/or (b) take such other actions as the Committee or authorized officer determines to be necessary or appropriate to comply with the requirements of Section 409A of the Code and related Department of Treasury guidance, including such Department of Treasury guidance and other interpretive materials as may be issued after the date on which such Performance-Based Restricted Stock Unit was awarded, but only to the extent permitted under Code Section 409A and regulations and guidance thereunder.

5. **MISCELLANEOUS PROVISIONS.**

(a) **Rights as a Shareholder.** Neither the Grantee nor the Grantee's personal representative or permitted Transferee shall have any rights as a shareholder with respect to any Performance Unit Shares until the Grantee or his or her personal representative or permitted Transferee becomes entitled to receive such Performance Unit Shares pursuant to this Agreement, the Plan and the applicable Performance-Based Restricted Stock Unit Award Notice, and any such right shall also be subject to subsections 2(g) and 3(c) above.

(b) **Tenure.** Nothing in the Performance-Based Restricted Stock Unit Award Notice, this Agreement or in the Plan shall confer upon the Grantee any right to continue in the Company's Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Employer) or of the Grantee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) **Notification.** Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery to the President, Treasurer, General Counsel, Secretary or any Assistant Secretary of the Company or five Business Days upon deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid addressed to the Company. A notice shall be addressed to the Company at its principal executive office, marked to the attention of the Corporate Secretary, and to the Grantee at the address that he or she most recently provided to the Company.

(d) **Entire Agreement.** This Agreement, any related Performance-Based Restricted Stock Unit Award Notice, the Plan and the Employment Agreement constitute the entire contract between the parties hereto with regard to the subject matter hereof and supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(e) **Waiver.** No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

(f) **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Grantee, the Grantee's personal representatives, heirs, legatees and other permitted Transferees, assigns and the legal representatives, heirs and legatees of the Grantee's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

(g) **Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

6. **DEFINITIONS.**

- (a) **“Code”** shall mean the Internal Revenue Code of 1986, as amended and as the same may be amended from time to time, and the regulations promulgated thereunder.
- (b) **“Company”** shall mean Magellan Health, Inc., a Delaware corporation, and any successor thereto.
- (c) **“Exchange Act”** shall mean the Securities Exchange Act of 1934, as amended and as the same may be amended from time to time, and any successor statute, and the rules and regulations promulgated thereunder.
- (d) **“Securities Act”** shall mean the Securities Act of 1933, as amended and as the same may be amended from time to time, and any successor statute, and the rules and regulations promulgated thereunder.
- (e) **“Share”** shall mean a share of Ordinary Common Stock, \$0.01 par value per share, of the Company, as the same may generally be exchanged for or changed into any other share of capital stock or other security of the Company or any other company in connection with a transaction referred to in Section 4 above (and in the event of any such successive exchange or change, any security resulting from any such successive exchange or change).
- (f) **“Transfer”** shall mean, with respect to any Performance-Based Restricted Stock Unit or any Unit Share, any sale, assignment, transfer, alienation, conveyance, gift, bequest by will or under intestacy laws, pledge, lien encumbrance or other disposition, with or without consideration, of all or part of such Performance-Based Restricted Stock Unit or any Unit Share, or of any beneficial interest therein, now or hereafter owned by the Grantee, including by execution, attachments, levy or similar process.

In consideration of the foregoing and intending to be legally bound hereby, the Company and the Grantee named below have executed this Agreement as of the date first above written.

MAGELLAN HEALTH, INC.

Name: Kenneth J. Fasola
Title: Chief Executive Officer

GRANTEE:

Name: David Haddock

Date:

Address for Notice:

29 Rocky Hill Road
Hadley, MA 01035

EXHIBIT B
RESTRICTED STOCK UNIT AGREEMENT

2016 MANAGEMENT INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

(REFERENCE NO. 2016-[GRANT DATE], 2020)

Name of Grantee: David Haddock

Date of Grant: [GRANT DATE]

Type of Award: Restricted Stock Units, each Restricted Stock Unit representing the right to receive on the terms and conditions of the Restricted Stock Unit Agreement between Grantee and the Company referenced below and the terms and conditions of this notice a share of Ordinary Common Stock, par value \$0.01 per share ("Share"), of Magellan Health, Inc. (the "Company"), subject to adjustment thereto as provided in such Restricted Stock Unit Agreement (a "Unit Share"), or at the election of the Company a cash payment in lieu thereof.

**Total Number of
Restricted Stock Units
Awarded:**

Restricted Stock Units.

Vesting:

This Award shall vest in accordance with the vesting schedule set forth below, provided that the Grantee's Service with the Company, a Subsidiary or a Parent company has not terminated prior to the vesting date. In the event Grantee's employment is terminated prior to vesting of the Award for any reason other than as provided below with regard to certain terminations following a Change in Control of the Company, the Award granted hereunder shall immediately be forfeited by and canceled, except as otherwise provided in the Company's "Retirement Policy Applicable to Employee Long-Term Incentive Awards" or otherwise provided in any employment agreement between the Grantee and the Company in effect at the date of termination of employment.

Vesting Date	Vesting Percentage
1st anniversary of the Date of Grant ([GRANT DATE], 2021)	33.4%
2nd anniversary of the Date of Grant ([GRANT DATE], 2022)	66.7% (i.e., an additional 33.3%)
3rd anniversary of the Date of Grant ([GRANT DATE], 2023)	100% (i.e., an additional 33.3%)

This Restricted Stock Unit shall earlier vest immediately with respect to 100% of the Unit Shares subject hereto in the event, after the date hereof, a Change in Control of the Company (as defined below) shall have occurred and within the period of eighteen months (or such other period as is provided by Grantee's employment agreement, if any, in effect at the time of the Change of Control) following occurrence of the Change in Control, Grantee's Service with the Company shall be terminated by the Company without Cause (as defined below) or by the Grantee with Good Reason (as defined

below), provided that the Grantee's Service with the Company has not previously terminated after the date hereof for any other reason. For purposes of this Restricted Stock Unit, the terms "Change in Control," "Cause" and "Good Reason" shall have the same meanings as provided in any employment agreement between the Company and Grantee in effect at the time of the Change in Control (including any terms of substantially comparable significance in any such employment agreement even if not of identical wording) or, if no such employment agreement is in effect at such time or no such meanings are provided in such employment agreement, shall have the meanings ascribed thereto below:

- (4) A "Change in Control" of the Company shall mean the first to occur after the date hereof of any of the following events:
- a. any "person," as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), becomes a "beneficial owner," as such term is used in Rule 13d-3 promulgated under the Exchange Act, of greater than 50% of the Voting Stock (as defined below) of the Company;
 - b. the majority of the Board of Directors of the Company consists of individuals other than "Continuing Directors," which shall mean the members of the Board on the date hereof, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was supported by a vote of the directors who then comprised the Continuing Directors, shall be considered to be a Continuing Director;
 - c. the Board of Directors of the Company adopts and, if required by law or the certificate of incorporation of the Corporation, the shareholders approve the dissolution of the Company or a plan of liquidation or comparable plan providing for the disposition of all or substantially all of the Company's assets;
 - d. at least 75% of the consolidated assets of the Company (measured using a quantitative analysis determined in good faith by the Board) are disposed of in a single transaction pursuant to a merger, consolidation, share exchange, reorganization or other transaction unless the shareholders of the Company immediately prior to such merger, consolidation, share exchange, reorganization or other transaction beneficially own, directly or indirectly, in substantially the same proportion as they previously owned the Voting Stock or other ownership interests of the Company, 51% or more of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Company; or
 - e. the Company merges or combines with another company and, immediately after the merger or combination, the shareholders of the Company immediately prior to the merger or combination own, directly or indirectly, 50% or less of the Voting Stock of the successor company, provided that in making such determination there shall be excluded from the number of shares of Voting Stock held by such shareholders, but not from the Voting Stock of

the successor company, any shares owned by Affiliates of such other company who were not also Affiliates of the Company prior to such merger or combination.

(5) “Cause” shall mean:

- a. Grantee is convicted of (or pleads guilty or nolo contendere to) a felony or a crime involving moral turpitude;
- b. Grantee’s commission of an act of fraud or dishonesty involving his or her duties on behalf of the Company;
- c. Grantee’s willful failure or refusal to faithfully and diligently perform duties lawfully assigned to Grantee as an officer or employee of the Company or other willful breach of any material term of any employment agreement at the time in effect between the Company and Grantee; or
- d. Grantee’s willful failure or refusal to abide by the Company’s policies, rules, procedures or directives, including any material violation of the Company’s Code of Ethics.

(6) “Good Reason” shall mean:

- a. a material reduction in Grantee’s salary in effect at the time of a Change in Control, unless such reduction is comparable in degree to the reduction that takes place for all other employees of the Company of comparable rank (for which purpose any person who is an executive officer of the Company (as determined for purposes of the Exchange Act) shall be considered of comparable rank) or a material reduction in Grantee’s target bonus opportunity for the year in which or any year after the year in which the Change of Control occurs from Grantee’s target bonus opportunity for the year in which the Change in Control occurs (if any) as established under any employment agreement Grantee has with the Company or any bonus plan of the Company applicable to Grantee (or, if no such target bonus opportunity has yet been established for Grantee under a bonus plan applicable to Grantee for the year in which the Change of Control has occurred, the target bonus opportunity so established for Grantee for the immediately preceding year (if any)). For purposes of this provision, an action or actions of the Company will be deemed "material" if, individually or in the aggregate, the action or actions result(s) or potentially result(s) in a reduction in compensation in the current year or a future year having a present value to Grantee of at least one and one half percent (1.5%) of Grantee’s then current base salary, provided that Grantee will have a legal right to claim damages for a breach of contract for any action by the Company or event having an effect described under those paragraphs that does not meet this objective

materiality test, and actions may be material in a given case at levels less than the specified level.

- b. a material diminution in Grantee's position, duties or responsibilities as in effect at the time of a Change in Control or the assignment to Grantee of duties which are materially inconsistent with such position, duties and authority, unless in either case such change is made with the consent of the Grantee; or
- c. the relocation by more than 50 miles of the offices of the Company which constitute at the time of the Change in Control Grantee's principal location for the performance of his or her services to the Company;

provided that, in each such case, Grantee provides notice to the Company within 90 days that such event or condition constituting Good Reason has arisen, and such event or condition continues uncured for a period of more than 30 days after Grantee gives notice thereof to the Company, and Grantee terminates Service within eighteen months after such event or condition has arisen.

For purposes of the foregoing definitions, (A) "the Company" shall include any entity that succeeds to all or substantially all of the business of the Company, (B) "Affiliate" of a person or other entity shall mean a person or other entity that directly or indirectly controls, is controlled by, or is under common control with the person or other entity specified, and (C) "Voting Stock" shall mean any capital stock of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation and reference to a percentage of Voting Stock shall refer to such percentage of the votes that all such Voting Stock is entitled to cast.

Settlement of Award: Unit Shares in settlement of this Award (or, at the Company's election, cash in lieu thereof) shall be delivered to Grantee on the Vesting Date (such date, the "Settlement Date") as further provided in Grantee's Restricted Stock Unit Agreement with the Company.

Dividend Equivalent Rights: NONE.

Transfer Restrictions: Unit Shares issued in settlement of this Award shall not be subject to any additional transfer restrictions, other than those provided by Grantee's Restricted Stock Unit Agreement.

By signing your name below, you acknowledge and agree that this Award is governed by the terms and conditions of the Magellan Health, Inc. 2016 Management Incentive Plan (“Plan”), or a predecessor plan, and the Restricted Stock Unit Agreement, reference number 2016-[GRANT DATE], 2020 (“Agreement”), both of which are hereby made a part of this document. Capitalized terms used but not defined in this Notice of Restricted Stock Unit Award shall have the meanings assigned to them in the Plan and Agreement.

MAGELLAN HEALTH, INC.

Name: Kenneth J. Fasola
Title: Chief Executive Officer

GRANTEE:

Name: David Haddock

Date

2016 MANAGEMENT INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

REFERENCE NUMBER: 2016- [GRANT DATE], 2020 – **David Haddock**

As of [GRANT DATE], 2020

1. **GRANT OF RESTRICTED STOCK UNITS.**

(a) **Restricted Stock Units.** On the terms and conditions set forth in this Restricted Stock Unit Agreement (the “Agreement”) and each Notice of Restricted Stock Unit Award referencing this Agreement, Magellan Health, Inc. (the “Company,” as further defined below) grants to the Grantee referred to on the signature page hereof the right to receive on the Settlement Date (as hereinafter defined) the number of shares of Ordinary Common Stock, \$0.01 par value per share, of the Company (“Shares,” as further defined below) equal to the number of “Stock Units” awarded to the Grantee as set forth in the Notice of Restricted Stock Unit Award, subject to adjustment thereto on account of any change that may be made in the Shares as provided by Section 4 below (the “Unit Shares”). Each such Notice of Restricted Stock Unit Award, together with this referenced Agreement, shall be a separate “Restricted Stock Unit” governed by the terms of this Agreement and any such separate Restricted Stock Unit may be referred to herein as the “Restricted Stock Unit,” and, as pertinent, any of multiple Notices of Restricted Stock Unit Award referencing this Agreement may be referred to herein as the “Restricted Stock Unit Award Notice.”

(b) **2016 Management Incentive Plan and Defined Terms.** The Restricted Stock Unit Award is granted under and subject to the terms of the 2016 Management Incentive Plan, or a predecessor plan, as amended and supplemented from time to time (the “Plan”), which is incorporated herein by this reference. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

(c) **Scope of this Agreement.** This Agreement shall apply both to the Restricted Stock Unit and to any Unit Shares acquired upon the settlement of the Restricted Stock Units. This Agreement references the terms of the Non-Competition, Non-Solicitation, and Confidentiality Agreement previously executed by Grantee and the Company or a Related Employer (as defined in Plan Section 12(a)(i)) and/or any similar agreement that legally binds Grantee not to compete with or not to solicit employees or customers of the Company or any Related Employer and related covenants (any or all of the foregoing being the “Non-Compete Agreement”).

2. VESTING AND SETTLEMENT OF RESTRICTED STOCK UNITS.

(a) **Vesting.** The Restricted Stock Unit shall vest in whole or in part on the date or dates provided by the Notice of Restricted Stock Unit Award, provided that Grantee remains in the Service of the Company or a Related Employer company at such date; it being understood that the Notice of Restricted Stock Unit Award may provide that the Restricted Stock Unit shall vest upon termination of Grantee's Service in such circumstances as are provided in the Notice of Restricted Stock Unit Award (subject to Section 2(d) below).

(b) **Settlement in Shares.** Subject to following provisions of this Section 2, the Company shall settle the Restricted Stock Unit, to the extent it has vested, on the date on which the Restricted Stock Unit has vested (or, if such date is not a Business Day, the preceding Business Day) by the delivery to Grantee of the number of Unit Shares equal to the number of Restricted Stock Units so vested. The date on which a Restricted Stock Unit is to be settled is herein referred to as the "Settlement Date." Subject to Section 2(b) below, in settlement of the Restricted Stock Unit, the Company shall cause to be issued on the Settlement Date or as soon as practicable thereafter (but not more than five business days) an appropriate certificate or certificates for the Unit Shares, registered in the name of the Grantee (or, at the direction of the Grantee, in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship or as tenants in the entirety); provided, however, that such Unit Shares shall be subject to such restrictions on transfer or other restrictions as are provided by the Restricted Stock Unit Award Notice and the certificates so issued may bear a legend reflecting such restrictions and any restrictions applicable in accordance with Sections 2(g) and 3(c) below.

(c) **Alternative Settlement in Cash.** In lieu of settlement of the Restricted Stock Unit in Unit Shares, the Committee may in its sole discretion elect to settle all or a portion of the Restricted Stock Unit by a cash payment equal to the Fair Market Value as of the Settlement Date of the Unit Shares that would otherwise have been issued under this Agreement. Such payment may be made by good check of the Company issued in accordance with its normal payroll practices or such other means as are acceptable to the Company

(d) **Withholding Requirements.** The Company may withhold any tax (or other governmental obligation) the Company is required to withhold as a result of the grant of the Restricted Stock Unit and/or the issuance of Unit Shares (or cash in lieu of Unit Shares) in settlement of a Restricted Stock Unit and, as a condition to the grant of the Restricted Stock Unit or issuance of the Unit Shares in settlement thereof, the Grantee shall make arrangements satisfactory to the Company to enable it to satisfy all such withholding requirements.

(e) **Injurious Conduct.**

- (i) In the event that the Grantee has engaged in Injurious Conduct (as defined in Section 2(e)(ii)(A) below) during Grantee's Service or during the Restricted Period (as defined in Section 2(e)(ii)(B) below) following termination of Grantee's Service, then the following forfeitures and related terms will apply to the Award and the Unit Shares and related benefits (including Dividend

Equivalents and/or dividends), as authorized by Plan Section 12 and other applicable provisions of the Plan:

- (A) No Unit Shares shall be issued to Grantee in connection with the settlement of the Award after such determination (even if the Award is fully vested) nor shall any other benefit thereafter accrue to the Grantee under this Agreement (including by reason of the lapse of any restriction on transfer or other restriction then applicable to Unit Shares that have been issued).
 - (B) The unsettled Award shall be forfeited and shall terminate and any Unit Shares subject to any such restrictions shall be forfeited.
 - (C) As authorized by the Plan (including Sections 12(a) and (b)), any benefits realized by Grantee as a result of the Award, if the Award vested during the three-year period prior to the time such Injurious Conduct occurred (or, if longer than three years, the period equal to the Restricted Period), including benefits resulting from the lapse of any restrictions on Shares issued as a result thereof and Dividend Equivalents relating to the Award and dividends relating to the such Shares, shall be forfeited by Grantee and Grantee shall pay over to the Company any Shares received by Grantee in connection with the Award, if still owned by Grantee, or the cash value of such Shares (such value to be measured as of the date of the cash payment by Grantee hereunder), together with any cash amount received by Grantee as related Award benefits (without discount or interest; for clarity, taxes previously withheld will be deemed to have been received by Grantee).
- (ii) The forfeitures and related terms of Section 2(e)(i) are subject to the following:
- (A) For purposes of this Agreement, “Injurious Conduct” means an event as specified in Plan Section 12(a)(i) or a violation by Grantee of any material provision of Grantee’s Non-Compete Agreement with the Company or any Related Company or, if Grantee has no Non-Compete Agreement, an event as specified in Plan Section 12(a)(ii).
 - (B) For purposes of this Agreement, the “Restricted Period” means the length of the period during which Grantee remains bound by non-competition and/or non-solicitation covenants following termination of Grantee’s Service under Grantee’s Non-Compete Agreement, except that, if Grantee is not bound by a Non-Compete Agreement, the Restricted Period will be one year.
 - (C) The terms of this Section 2 are intended to modify and supersede certain terms of Plan Section 12, including modifying the definition of “Injurious Conduct” and modifying the post-termination periods in which forfeitures

may occur and during which (under Plan Section 12(c)) the Committee shall determine whether Injurious Conduct has occurred and any resulting forfeitures, and therefore the terms of this Section 2 control to the extent the terms differ from Plan Section 12. The forfeitures or related terms of this Section 2 may be waived or limited by the terms of any agreement executed by the Company with the approval of the Committee.

- (D) In the case of Section 2(e)(i)(A) and (B), such forfeitures and related terms will not apply to the Award if the settlement of the Award has been deferred at the election of the Grantee and if the Award was fully vested for a period of at least three years or, if longer, a period at least equal to the Restricted Period before the date such Injurious Conduct occurred; in such case, the Company is not excused from settling, completing delivery of or removing any legend restricting the transfer of the Award or Shares and any related Dividend Equivalent Rights or dividends.
- (E) Any forfeitures hereunder, based on the Committee's determination that Grantee has engaged in Injurious Conduct during Grantee's Service or during the Restricted Period, and the terms of this Section 2 shall not relieve Grantee of any other liability he or she may have to the Company or a Related Employer as a result of engaging in the Injurious Conduct, including any right of the Company or any Related Employer to injunctive or other equitable relief.

(f) **Transfer Restrictions On Unit Shares.** Subject to Section 2(d) above and Sections 2(g) and 3(c) below, unless otherwise provided by the Restricted Stock Unit Award Notice or another agreement between Grantee and the Company, upon the acquisition of Unit Shares pursuant to the settlement of a Restricted Stock Unit Award, Grantee shall be free to dispose of the Unit Shares so acquired in any manner and at any time.

(g) **Securities Law Restrictions On Issuance of Unit Shares.** Unless a registration statement under the Securities Act permitting the sale and delivery of Unit Shares upon settlement of the Restricted Stock Unit Award is in effect on the Settlement Date, the Company shall not be required to issue Unit Shares upon such settlement, except as otherwise provided in this subsection. The Company shall use its commercially reasonable efforts to register under the Securities Act sufficient Unit Shares to permit delivery to Grantee of all Unit Shares that may be acquired by Grantee upon the settlement of the Restricted Stock Unit Award; provided, however, that the Company shall only be so required to register the Unit Shares on Form S-8 under the Securities Act (or any successor form). Notwithstanding the foregoing, the Company shall, if Grantee has given the Company at least 90 days' notice requesting the Company to register in accordance with the foregoing provisions of this subsection the Unit Shares that may then be acquired by Grantee upon settlement of the Restricted Stock Unit Award and the Company has failed to do so, issue Unit Shares to Grantee upon settlement of the Restricted Stock Unit Award without registration thereof under the Securities Act if (i) Grantee represents, effective on the date of such issuance, in writing in a form acceptable to the Company (A) that such Unit Shares are being acquired for investment and not with a present view to distribution, (B) Grantee understands that the Unit

Shares have not been registered under the Securities Act and cannot be sold or otherwise Transferred unless a registration statement under the Securities Act is in effect with respect thereto or the Company has received an opinion of counsel, satisfactory to it, to the effect that such registration is not required, (C) that Grantee has, alone or together with any qualified advisor, such knowledge and experience in financial and business matters as is necessary to evaluate the risks of an investment in the Unit Shares, is acquiring the Unit Shares based on an independent evaluation of the long-term prospects of an investment in the Unit Shares and has been furnished with such financial and other information regarding the Company as the Grantee has requested for purposes of making such evaluation, and (D) Grantee is able to bear the economic risk of an investment in the Unit Shares subject to such restrictions on Transfer and (ii) if the Company determines that under the circumstances issuing the Unit Shares pursuant to such settlement of the Restricted Stock Unit Award is lawful; provided, however, that the Company may require, as a condition of such issuance of Unit Shares, that Grantee execute and deliver to it such other certificates, agreements and other instruments as in the judgment of the Company, upon advice of counsel, are necessary or appropriate to assure that the Unit Shares are issued to Grantee in accordance with the Securities Act and any other applicable securities law and may require that any certificates representing Unit Shares so issued bear any restrictive legend appropriate for such purpose. In addition, even if a registration statement under the Securities Act permitting the delivery of Unit Shares upon settlement of the Restricted Stock Unit Award is in effect at the Settlement Date, the Company may suspend the issuance of Unit Shares pursuant to the settlement of all Restricted Stock Unit Awards issued under the Plan for such period of time as in the judgment of the Company, upon advice of counsel, is necessary in order for the Company to come into compliance with all the reporting requirements applicable to the Company pursuant to Section 13(a) of the Exchange Act or to otherwise avoid in connection with the issuance of the Unit Shares under such registration statement a violation of Sections 10, 11 or 12 of the Securities Act. If the Company suspends the issuance of Unit Shares pursuant to the settlement of Restricted Stock Unit Awards issued under the Plan, the Company shall give prompt written notice thereof to the Grantee (but the failure of the Company to give such notice shall not prevent the Company from suspending the issuance of Unit Shares as permitted hereby) and, at such time as such period of suspension ends, shall give prompt written notice thereof to Grantee. Notwithstanding that the Company in accordance with this subsection may not be able to issue Unit Shares in settlement of a Restricted Stock Unit, the Company shall not be required to settle a Restricted Stock Unit in cash, but may do so if it elects in its discretion to do so, as provided by Section 2(c) above.

(h) **Special Distribution Rules to Comply with Code Section 409A.** In the event that any Restricted Stock Units constitute a “deferral of compensation” under Section 409A of the Internal Revenue Code (the “Code”), the timing of settlement of such Restricted Stock Units (hereinafter defined as “409A RSUs”) will be subject to applicable limitations under Code Section 409A and Section 19(a) of the Plan, including the following restrictions on settlement:

(i) The “six-month delay rule.” The six-month delay rule will apply to 409A RSUs if these four conditions are met:

- (A) The Grantee has a “separation from service” (within the meaning of Treasury Regulation § 1.409A-1(h));
- (B) A distribution of Shares is triggered by the separation from service (but not due to death);
- (C) The Grantee is a “key employee” (as defined in Code Section 416(i) without regard to paragraph (5) thereof). The Company will determine status of “key employees” annually, under administrative procedures applicable to all plans and arrangements subject to Code Section 409A; and
- (D) The Company’s stock is publicly traded on an established securities market or otherwise.

If it applies, the six-month delay rule will delay a distribution in settlement of 409A RSUs triggered by the Grantee’s separation from service where the distribution otherwise would be within six months after the separation.

- (a) Any delayed payment shall be made on the date six months after the Grantee’s separation from service.
- (b) During the six-month delay period, accelerated distribution will be permitted in the event of the Grantee’s death and for no other reason (including no acceleration upon a Change in Control), except for the limited exceptions permitted under the Code Section 409A regulations.
- (c) Any payment that is not triggered by a separation from service, or triggered by a separation from service but which would be made more than six months after separation (without applying this six-month delay rule), shall be unaffected by the six-month delay rule. Each payment in a series of installments would be treated as a separate payment for this purpose. If the terms of a 409A RSU agreement impose this six-month delay rule in circumstances in which it is not required for compliance with 409A, those terms shall not be given effect.

(ii) Change in Control Rule.

- d. If any distribution of 409A RSUs would be triggered by a Change in Control, such distribution will be made only if, in connection with the Change in Control, there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company as defined in Treasury Regulation § 1.409A-3(i)(5) (a “409A Change in Control”).
- e. In this case, distribution of the 409A RSUs shall occur not later than five business days after (i) the occurrence of a 409A Change in Control

occurring at the time of or following the Change in Control or (ii) upon occurrence of the Change in Control occurring within 90 days after the 409A Change in Control, but only if the occurrence of the Change in Control is non-discretionary and objectively determinable at the time of the 409A Change in Control (in this case, the Grantee shall have no influence on when during such 90-day period the settlement shall occur).

- f. Upon a Change in Control during the six-month delay period, no accelerated distribution applies (even if the events involve a 409A Change in Control) to a distribution delayed by application of the six- month delay rule.

(iii) Separation from Service.

- (A) Any distribution in settlement of 409A RSUs that is triggered by a termination of employment will occur only at such time as the participant has had a “separation from service” within the meaning of Treasury Regulation § 1.409A-1(h), regardless of whether any other event might be viewed as a termination of employment by the Company for any other purpose.
- (B) In particular, if a grantee switches to part-time employment or becomes a consultant in connection with a termination of employment, whether the event will be deemed a termination of employment for purposes of 409A RSUs will be determined in accordance with Treasury Regulation § 1.409A-1(h).

(iv) Other Restrictions.

- (A) The settlement of 409A RSUs may not be accelerated by the Company except to the extent permitted under Code Section 409A.
- (B) Any restriction imposed on RSUs under these 409A Compliance Rules or imposed on RSUs under the terms of other documents solely to ensure compliance with Code Section 409A shall not be applied to RSUs that are not 409A RSUs except to the extent necessary to preserve the status of such RSUs as not 409A RSUs. If any mandatory term required for 409A RSUs or non-409A RSUs to avoid tax penalties under Code Section 409A is not otherwise explicitly provided under this document or other applicable documents, such term is hereby incorporated by reference and fully applicable as though set forth at length herein, and

- (v) Any other applicable provisions of Plan Section 19(a) will apply to such Restricted Stock Units.

3. TRANSFER OF RESTRICTED STOCK UNIT AWARD OR UNIT SHARES

(a) **Transfers Generally Prohibited.** Except as otherwise provided by the Restricted Stock Unit Award Notice or otherwise permitted by the Plan or in the case of a transfer permitted by Section 3(b) below, the Restricted Stock Unit Award may be settled only during the Grantee's lifetime and only by the issuance of Unit Shares (or a cash payment in lieu thereof where permitted by the Restricted Stock Unit Award Notice) to Grantee. Except as otherwise provided in Section 3(b) below, the Restricted Stock Unit Award and the rights and privileges conferred by the Restricted Stock Unit Award shall not be sold or otherwise Transferred.

(b) **Certain Transfers Permitted.** Notwithstanding the foregoing provisions of this Section 3, the Restricted Stock Unit Award may be Transferred (i) in the event of the Grantee's death, by will or the laws of descent and distribution or by a written beneficiary designation accepted by the Company, (ii) by operation of law in connection with a merger, consolidation, recapitalization, reclassification or exchange of Shares, reorganization or similar transaction involving the Company and affecting the Shares generally or (iii) with the approval of the Committee, to a member of Grantee's family, or a trust primarily for the benefit of Grantee and/or one or more members of Grantee's family, or to a corporation, partnership or other entity primarily for the benefit of Grantee and/or one or more such family members and/or trusts or (iv) with the approval of the Committee, in another estate or personal financial planning transaction; provided, however, that in any such case the Restricted Stock Unit Award so Transferred and, upon issuance of Unit Shares in settlement thereof, the Unit Shares issued to the Transferee shall remain subject in the hands of the Transferee to the restrictions on Transfer provided hereby and all other terms hereof, including the terms of Section 2(c) above. The foregoing notwithstanding, if RSUs constitute deferrals of compensation for purposes of Code Section 409A, RSUs and any related right of Grantee shall not be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Grantee or his or her beneficiary, except as permitted under Code Section 409A and regulations and guidance thereunder.

(c) **Fiduciary, Securities Law and Officer Restrictions.** As an employee, officer and/or director of the Company, Grantee may be subject to restrictions on his or her ability to sell or otherwise Transfer Unit Shares by reason of being a fiduciary for the Company or by reason of federal or state securities laws and/or the policies regarding transactions in securities of the Company from time to time adopted by the Company and applicable to Grantee in connection therewith. Nothing contained herein shall relieve Grantee of any restriction on sale or other Transfer of Unit Shares provided thereby and any other restrictions of sale or other Transfer of Unit Shares provided herein (including in a Restricted Stock Unit Award Notice or in the Plan) shall be in addition to and not in lieu of any other restrictions provided thereby. Pursuant to the Company's Equity Ownership Policy currently in effect and as may be amended from time to time, certain officers of the Company are currently, or may in the future be, subject to restrictions on sales or transfers of Unit Shares and other equity rights issued by the Company. If Grantee is at any time subject to such Equity Ownership Policy, sale or transfer of Grantees' Unit Shares shall be restricted as provided in such Equity Ownership Policy.

4. ADJUSTMENT OF SHARES.

(a) **Adjustment Generally.** If while the Restricted Stock Unit remains in effect there shall be any change in the outstanding Shares of the class which are to be issued upon settlement of the Restricted Stock Unit, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, reverse stock split, combination of shares, exchange of shares for other securities or other like change in the outstanding Shares, or any spin-off, split-off, dividend in kind or other extraordinary dividend or other distribution in respect of such outstanding Shares or other extraordinary change in the capital structure of the Company, an adjustment shall be made to the terms of the Restricted Stock Unit so that the Restricted Stock Unit shall thereafter be ultimately settled, otherwise on the same terms and conditions as provided by the Restricted Stock Unit Award Notice, this Agreement and the Plan, for such securities, cash and/or other property as would have been received in respect of the Shares that would have been issued upon settlement of the Restricted Stock Unit had the Restricted Stock Unit been settled in full immediately prior to such change or distribution (whether or not the Restricted Stock Unit was then fully vested) or, if and to the extent the Committee determines that so adjusting the consideration to be received upon settlement of the Restricted Stock Unit, in whole or in part, is not practicable, the Committee shall equitably modify the consideration to be received in respect of the settlement of the Restricted Stock Unit or other pertinent terms and conditions of the Restricted Stock Unit as provided by Section 4(b) below. Such an adjustment shall be made successively each time any such change in the outstanding Shares of the class which may be received upon settlement of the Restricted Stock Unit or extraordinary distribution in respect of such outstanding Shares or extraordinary change in the capital structure of the Company shall occur.

(b) **Modification Of Restricted Stock Unit.** In the event any change in the outstanding Shares of the class which may be received upon settlement of the Restricted Stock Unit or extraordinary distribution in respect of such outstanding Shares or extraordinary change in the capital structure of the Company described in Section 4(a) above occurs, or in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Grantee in respect of a Restricted Stock Unit or otherwise as a participant in the Plan or which otherwise warrants equitable adjustment to the terms and conditions of the Restricted Stock Unit because such event or circumstances interferes with the intended operation of the Plan (including the intended tax consequences of Awards) occurs, then the Committee shall adjust the number and kind of Unit Shares and/or other securities and/or cash or other property that may be issued or delivered upon the settlement of the Restricted Stock Unit and/or adjust the other terms and conditions of the Restricted Stock Unit as the Committee in its discretion determines to be equitable in order to prevent dilution or enlargement of the Grantee's rights in respect of the Restricted Stock Unit as such existed before such event. Appropriate adjustments shall likewise be made by the Committee in other terms and conditions of the Restricted Stock Unit to reflect equitably such changes in circumstances, including modifications of performance targets and changes in the length of performance periods relating to the vesting of the Restricted Stock Unit or any restrictions on Unit Shares. Notwithstanding the foregoing, no adjustment shall be made which is prohibited by Section 13 of the Plan.

(c) **Modifications To Comply With Section 409A.** To the extent applicable, this Agreement (including any related Notice of Restricted Stock Award) shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or guidance that may be issued after the date on which a Restricted Stock Unit was awarded. Without limiting the authority of the Committee under Section 4(b) above to make modifications to the Restricted Stock Unit by reason of changes in law or circumstances that would result in any substantial dilution or enlargement of the rights granted to, or available for, Grantee in respect of a Restricted Stock Unit or otherwise as a participant in the Plan or which otherwise warrants equitable adjustment to the terms and conditions of the Restricted Stock Unit because such event interferes with the operation of the Plan, and notwithstanding any provision of this Agreement to the contrary, in the event that the Committee or an authorized officer of the Company determines that any amounts will be immediately taxable to the Participant under Section 409A of the Code and related Department of Treasury guidance (or subject the Grantee to a penalty tax) in connection with the grant or vesting of the Restricted Stock Unit or any other provision of the Restricted Stock Unit Award Notice or this Agreement or the Plan, the Company may (a) adopt such amendments to the Restricted Stock Unit, including amendments to this Agreement (having prospective or retroactive effect), that the Committee or authorized officer determines to be necessary or appropriate to preserve the intended tax treatment of the Restricted Stock Unit and/or (b) take such other actions as the Committee or authorized officer determines to be necessary or appropriate to comply with the requirements of Section 409A of the Code and related Department of Treasury guidance, including such Department of Treasury guidance and other interpretive materials as may be issued after the date on which such Restricted Stock Unit was awarded, but only to the extent permitted under Code Section 409A and regulations and guidance thereunder. .

5. MISCELLANEOUS PROVISIONS.

(a) **Rights as a Shareholder.** Neither the Grantee nor the Grantee's personal representative or permitted Transferee shall have any rights as a shareholder with respect to any Unit Shares until the Grantee or his or her personal representative or permitted Transferee becomes entitled to receive such Unit Shares pursuant to this Agreement, the Plan and the applicable Restricted Stock Unit Award Notice, and any such right shall also be subject to Sections 2(g) and 3(c) above.

(b) **Tenure.** Nothing in the Restricted Stock Unit Award Notice, this Agreement or in the Plan shall confer upon the Grantee any right to continue in the Company's Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Employer) or of the Grantee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) **Notification.** Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery to the Treasurer, General Counsel, Secretary or any Assistant Secretary of the Company or five Business Days upon deposit with the United States Postal Service, by registered or certified mail, with

postage and fees prepaid addressed to the Company. A notice shall be addressed to the Company at its principal executive office, marked to the attention of the Corporate Secretary, and to the Grantee at the address that he or she most recently provided to the Company.

(d) **Entire Agreement.** This Agreement, any related Restricted Stock Unit Award Notice and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof and supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(e) **Waiver.** No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

(f) **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Grantee, the Grantee's personal representatives, heirs, legatees and other permitted Transferees, assigns and the legal representatives, heirs and legatees of the Grantee's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

(g) **Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

6. DEFINITIONS.

(a) **"Code"** shall mean the Internal Revenue Code of 1986, as amended and as the same may be amended from time to time, and the regulations promulgated thereunder.

(b) **"Company"** shall mean Magellan Health, Inc., a Delaware corporation, and any successor thereto.

(c) **"Exchange Act"** shall mean the Securities Exchange Act of 1934, as amended and as the same may be amended from time to time, and any successor statute, and the rules and regulations promulgated thereunder.

(d) **"Securities Act"** shall mean the Securities Act of 1933, as amended and as the same may be amended from time to time, and any successor statute, and the rules and regulations promulgated thereunder.

(e) **"Share"** shall mean a share of Ordinary Common Stock, \$0.01 par value per share, of the Company, as the same may generally be exchanged for or changed into any other share of capital stock or other security of the Company or any other company in connection with a transaction referred to in Section 4 above (and in the event of any such successive exchange or change, any security resulting from any such successive exchange or change).

(f) “**Transfer**” shall mean, with respect to any Restricted Stock Unit or any Unit Share, any sale, assignment, transfer, alienation, conveyance, gift, bequest by will or under intestacy laws, pledge, lien encumbrance or other disposition, with or without consideration, of all or part of such Restricted Stock Unit or any Unit Share, or of any beneficial interest therein, now or hereafter owned by the Grantee, including by execution, attachments, levy or similar process.

In consideration of the foregoing and intending to be legally bound hereby, the Company and the Grantee named below have executed this Agreement as of the date first above written.

MAGELLAN HEALTH, INC.

By:

Name: Kenneth J. Fasola

Title: Chief Executive Officer

READ AND ACCEPTED BY GRANTEE:

Signature – David Haddock

Print Name

Address of Grantee: 29 Rocky Hill Road
Hadley, MA 01035

EXHIBIT C
Form of Settlement Agreement and General Release

This letter agreement (the "Letter") outlines the terms of your separation of employment with Magellan Health, Inc. (the "Company"), effective the close of business on _____. In connection with your termination, this Letter will confirm the payments and entitlements due to you pursuant to the Employment Agreement between you and the Company, dated as of _____, 202[X] ("Employment Agreement") and these payments and entitlements (other than the Accrued Amounts as defined in the Employment Agreement) are in addition to any payments you would have received if you had not executed this Letter. The terms are as follows:

I. As a settlement payment, pursuant to Section of the Employment Agreement the Company shall pay or provide to you [list all payments and entitlements under the Employment Agreement], at the times required in the Employment Agreement or the applicable plan or award agreement.

II. The Company and you agree that all payments made hereunder are "wages" for purposes of FICA, FUTA and income tax withholding and such taxes shall be withheld from the payments to be made hereunder. Payments (other than Accrued Amounts) shall be in consideration of both the release of all other claims described below in Paragraph III and your continuing compliance with Sections 7, 8, and 9 of the Employment Agreement. You further agree that you will submit any request for amounts owed as reimbursement for expenses incurred during the course of your employment to _____ within two (2) weeks of your last day of employment. No other sums (contingent or otherwise) shall be paid to you in respect of your employment by the Company, and any such sums (whether or not owed) are hereby expressly waived by you; provided, however, that you (i) may elect to continue your health insurance coverage, as mandated by COBRA, which may continue to the extent required by applicable law, and (ii) shall be entitled to any vested rights you may have under any employee pension, welfare benefit plan or 2016 MIP Plan (as defined in the Employment Agreement) and any applicable award agreement of the Company or its subsidiaries or affiliates. Notwithstanding the foregoing, you shall remain entitled to your rights under Sections 6(e)(ii), 12 and 20 of the Employment Agreement.

III. As a material inducement to the Company to agree to the terms of this Letter and in consideration of the payments to be made by the Company to you, you agree, with full understanding of the contents and legal effect of this Letter and having the right and opportunity to consult with your counsel, to release and discharge the Company, its shareholders, officers, directors, supervisors, managers, members, employees, agents, representatives, attorneys, parent companies, divisions, subsidiaries and affiliates, and all related entities of any kind or nature, and its and their predecessors, successors, heirs, executors, administrators, and assigns (collectively, the "Released Parties") from any and all claims, actions, causes of action, grievances, suits, charges, or complaints of any kind or nature whatsoever, that you ever had or now have, whether fixed or contingent, liquidated or unliquidated, known or unknown, suspected or unsuspected, and whether arising in tort, contract, statute, or equity, before any federal, state, local, or private court, agency, arbitrator, mediator, or other entity, regardless of the relief or remedy. Without limiting the generality of the foregoing, it being the intention of the parties to make this release as broad

and as general as the law permits, this release specifically includes any and all claims arising from any alleged violation by the Released Parties under the Age Discrimination in Employment Act of 1967, as amended; the Fair Labor Standards Act, as amended; Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1866, as amended by the Civil Rights Act of 1991 (42 U.S.C. § 1981); the Rehabilitation Act of 1973, as amended; the Employee Retirement Income Security Act of 1974, as amended; the Americans with Disabilities Act, as amended; the Family and Medical Leave Act, as amended; the Equal Pay Act; the Worker Adjustment and Retraining Notification Act; Executive Order 11246; Executive Order 11141; and other federal, state, and local laws similar to any of them and any other statutory claim, employment or other contract or implied contract claim, or common law claim for wrongful discharge, breach of an implied covenant of good faith and fair dealing, defamation, or invasion of privacy arising out of or involving your employment with the Company, the termination of your employment with the Company, or involving any continuing effects of your employment with the Company or termination of employment with the Company; provided, that you do not waive or release (i) any claims with respect to the right to enforce this Letter, or the Employment Agreement with respect to your rights in the Employment Agreement which survive your termination of employment as set forth in Sections 6(f) and 11 of the Employment Agreement and Paragraph II of this Letter; (ii) any rights to indemnification (and advancement of expenses) and/or coverage under any applicable directors' and officers' insurance policies as set forth in Section 20 of the Employment Agreement or as otherwise provided under the Company's or any subsidiary's or affiliates' corporate documents or their applicable directors' and officers' insurance policies; (iii) your right to receive an award from a Government Agency under its whistleblower program for reporting in good faith a possible violation of law to such Government Agency; (iv) any recovery to which you may be entitled pursuant to applicable workers' compensation and unemployment insurance laws; (v) your right to challenge the validity of this Agreement under the Age Discrimination in Employment Act, or (vi) any right where a waiver is expressly prohibited by law or any right or claim which arising after the date you execute this Letter. For purposes of this Letter, "Government Agency" means the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, or any other self-regulatory organization or any other federal, state or local governmental agency or commission. You further acknowledge that you are aware that statutes exist that render null and void releases and discharges of any claims, rights, demands, liabilities, action and causes of action which are unknown to the releasing or discharging party at the time of execution of the release and discharge. You hereby expressly waive, surrender and agree to forego any protection to which you would otherwise be entitled by virtue of the existence of any such statute in any jurisdiction including, but not limited to, the State of Delaware, with respect to claims released by you herein.

IV. For yourself, your heirs, executors, administrators, successors and assigns, you agree not to bring, file, charge, claim, sue or cause, assist, or permit to be brought, filed, charged or claimed any action, cause of action, or proceeding regarding or in any way related to any of the claims released by you in Paragraph III hereof, and further agree that this Letter is, will constitute and may be pleaded as, a bar to any such claim, action, cause of action or proceeding. If any government agency or court assumes jurisdiction of any charge, complaint, or cause of action covered by this Letter, you will not seek and will not accept any personal equitable or monetary relief in connection with such investigation, civil action, suit or legal proceeding.

V. You acknowledge that this Letter does not limit or interfere with your right, without notice to or authorization of the Company, to communicate and cooperate in good faith with a Government Agency for the purpose of (i) reporting a possible violation of any U.S. federal, state, or local law or regulation, (ii) participating in any investigation or proceeding that may be conducted or managed by any Government Agency, including by providing documents or other information, or (iii) filing a charge or complaint with a Government Agency. Additionally, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (a) in confidence to a federal, state, or local government official, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (c) in court proceedings if you file a lawsuit for retaliation by an employer for reporting a suspected violation of law, or to your attorney in such lawsuit, provided that you must file any document containing the trade secret under seal, and you may not disclose the trade secret, except pursuant to court order. Notwithstanding the foregoing, under no circumstance will you be authorized to make any disclosures as to which the Company may assert protections from disclosure under the attorney-client privilege or the attorney work product doctrine, without prior written consent of the Company's General Counsel or another authorized officer designated by the Company.

VI. From and after the date you execute this Letter, you represent that you have not made, and agree that you will not make, to any third party any disparaging, untrue, or misleading written or oral statements about or relating to the Company or its products or services (or about or relating to any officer, director, or employee of the Company). The Company agrees to instruct its then-current members of the Board of Directors and its then-current executive officers of the Company (as defined in the Securities Exchange Act of 1934, as amended and rules thereunder) not to defame or disparage you in any medium at any time. Notwithstanding the foregoing, any party may make truthful statements to the extent required by applicable law, or any court or governmental or self-regulatory agency. In addition, you may make truthful statements without breaching this Paragraph VI in connection with the exercise of your rights under Paragraph V5 of this Letter or to the extent necessary in connection with any cooperation provided by you pursuant to Paragraph XIII of this Letter.

VII. You acknowledge and agree that you shall continue to be bound by the terms and conditions of the Employment Agreement which continue to apply following termination of your employment, including the protective covenants of Sections 7, 8 and 9.

VIII. If any provision of this Letter is found by a court to be invalid or unenforceable, in whole or in part, then such provision will be construed and/or modified or restricted to the extent and in the manner necessary to render it valid and enforceable, or will be deemed excised from this Letter, and this Letter will 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, so that, once modified, this Letter will be enforceable to the maximum extent permitted by the law in existence at the time of the requested enforcement.

IX. A waiver by the Company or you of a breach of any provision of this Letter by the other party shall not operate or be construed as a waiver or estoppel of any subsequent

breach by the Company or you, as applicable. No waiver shall be valid unless in writing and signed by an authorized officer of the Company and you.

X. A. Unless and until publicly disclosed by the Company or any successor thereto, you agree that you will keep the terms and/or amounts set forth in this Letter completely confidential and will not disclose any information concerning this Letter's terms and amounts to any person other than your attorney, accountant, tax advisor, or immediate family. You understand and agree that the terms of this Letter may be required to be disclosed by the Company under securities or other laws or rules. In addition, you may disclose the terms and/or the amounts set forth in this Letter to the extent required by applicable law, or any court or governmental or self-regulatory agency, in connection with exercising your rights under Paragraph V of this Letter Agreement or in connection with any dispute with respect to the enforcement of the Employment Agreement or this Letter.

B. You represent and certify that you have carefully read and fully understand all of the provisions and effects of this Letter, have knowingly and voluntarily signed this Letter freely and without coercion, and acknowledge that on _____, the Company advised you to consult with an attorney prior to agreeing to the terms of this Letter and further advised you that you had at least forty-five (45) days (until _____) within which to consider the terms of this Letter. You are voluntarily signing this Letter and neither the Company nor its agents, representatives, or attorneys made any representations concerning the terms or effects of this Letter other than those contained in the Letter itself.

C. You acknowledge that you have seven (7) days from the date this Letter is executed by you in which to revoke your acceptance, and this Letter will not be effective or enforceable until such seven (7)-day period has expired.

XI. This Letter sets forth the entire agreement between the parties, and fully supersedes any and all prior agreements or understandings between the parties pertaining to actual or potential claims arising from your employment with the Company or the termination of your employment with the Company (except for claims not released by you in Paragraph III above); provided, however, that all obligations and rights arising under the Employment Agreement, which are incorporated by reference herein or which survive pursuant to Sections 6(f) and 11 of the Employment Agreement, will not be released, will be unaffected hereby and will remain in full force and effect.

XII. If you or your heirs, executors, administrators, successors or assigns (a) challenge the enforceability of this Letter, or (b) file a charge of discrimination, a lawsuit, or a claim of any kind for any matter released by you herein, you or your heirs, executors, administrators, successors or assigns shall be obligated to tender back to the Company all payments made to you or them under this Letter and to indemnify and hold harmless the Company from and against all liability, costs and expenses, including attorneys' fees, arising out of said challenge or action by you, your heirs, executors, administrators, successors or assigns.

XIII. You agree that prior to your last day of employment you are expected to fully assist the Company in the transition of files and projects with which you have been involved, maintaining a professional and supportive position while interacting with employees or vendors.

In connection with any and all claims, disputes, negotiations, investigations, lawsuits or administrative proceedings involving the Company of which you have knowledge and which relate to matters which occurred during your employment with the Company, you agree to make yourself reasonably available, upon reasonable notice from the Company, and without the necessity of subpoena, to provide information or documents, provide declarations or statements to the Company, meet with attorneys or other representatives of the Company, prepare for and give depositions or testimony, and/or otherwise cooperate in the investigation, defense or prosecution of any or all such matters; provided such cooperation is not adverse to your legal interests. The Company agrees to promptly reimburse you for all reasonable expenses occurred by you in connection with any cooperation under this Paragraph XII.

XIV. This Letter may not be altered, amended, or modified except in writing signed by both you and the Company.

XV. This Letter shall be governed by, and construed in accordance with, the laws of the State of Delaware and any court action commenced to enforce this Release shall have as its sole and exclusive venue of the courts of Delaware.

PLEASE READ THIS LETTER AND CAREFULLY CONSIDER ALL OF ITS PROVISIONS BEFORE SIGNING IT. THIS LETTER CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, INCLUDING THOSE UNDER THE FEDERAL AGE DISCRIMINATION IN EMPLOYMENT ACT, AND OTHER FEDERAL, STATE AND LOCAL LAWS PROHIBITING DISCRIMINATION IN EMPLOYMENT, EXCEPT AS OTHERWISE PROVIDED IN THIS RELEASE.

If you have any questions, please call me. Please also call me if you have a change of address or telephone number since the Company will send you a Form W-2 at the end of the year and I may need to contact you with additional benefits information.

Sincerely,

Magellan Health, Inc.

By: _____

Title: _____

Dated: _____

I voluntarily agree and accept the terms of this Letter.

Dated: _____

**MAGELLAN HEALTH, INC.
LIST OF SUBSIDIARIES**

Entity Name:	Jurisdiction of Domicile:
Magellan Pharmacy Services, Inc.	Delaware
<i>Subsidiaries:</i>	
AdvoCare of Tennessee, Inc.	Tennessee
Magellan Method, LLC (f/k/a CDMI, LLC)	Rhode Island
Magellan Administrative Services, LLC	Delaware
Magellan Behavioral Health of New Jersey, LLC	New Jersey
Magellan Behavioral of Michigan, Inc.	Michigan
Magellan Health Services of California, Inc. – Employer Services	California
Magellan Rx Management IPA, Inc.	New York
Magellan Rx Pharmacy, LLC	Delaware
Magellan Rx Pharmacy, LLC	Tennessee
<i>Subsidiary:</i>	
ONCORE Healthcare, LLC	Delaware
Magellan Pharmacy Solutions, Inc.	Delaware
Magellan Rx Management, LLC	Delaware
<i>Subsidiaries:</i>	
VRx, LLC	Utah
4-D Pharmacy Management Systems, LLC	Utah
Veridicus Holdings, LLC	Utah
<i>Subsidiaries:</i>	
VRx Pharmacy, LLC	Utah
Veridicus Consulting, LLC	Utah
Veridicus Rx, LLC	Utah
Alliance Enrollment Technology, LLC	Utah
Veridicus Acquisition, LLC	Utah
Magellan Healthcare, Inc.	Delaware
<i>Subsidiaries:</i>	
Armed Forces Services Corporation	Virginia
Arizona Biodyne, Inc.	Arizona
Aurelia Health, LLC	Arizona
<i>Subsidiaries:</i>	
Michael B. Bayless & Associates, LLC	Arizona
Justin M. Bayless and Associates, LLC	Arizona
Continuum Behavioral Healthcare Corporation	Delaware
Cobalt Therapeutics, LLC	Delaware

Subsidiary:

Cobalt Software, LLC	Delaware
Granite Alliance Insurance Company	Utah
MBC of America, Inc.	Delaware

Subsidiary:

Empire Community Delivery Systems, LLC	New York
Magellan Behavioral Health of Connecticut, LLC	Connecticut
Magellan Choices for Families, LLC	Nebraska
Magellan Complete Care, Inc.	Delaware
Magellan Complete Care of Louisiana, Inc.	Louisiana
Magellan Complete Care of Nebraska, Inc.	Nebraska
Magellan Complete Care of Pennsylvania, Inc.	Pennsylvania
Magellan Complete Care of Texas, Inc.	Texas
Magellan Healthcare Provider Group, Inc.	Maryland
Magellan Medicaid Administration, Inc.	Virginia

Subsidiaries:

FHC, Inc.	Canada
Provider Synergies, LLC	Ohio
Human Affairs International of California	California
Magellan Behavioral Health of Florida, Inc.	Florida
Magellan Behavioral Health of Nebraska, Inc.	Nebraska
Magellan Behavioral Health Systems, LLC	Utah
Magellan Health QIO, LLC	Nebraska
Magellan Health Services of Arizona, Inc.	Arizona
Magellan Health Services of New Mexico, Inc.	New Mexico
HealthPeaksMD, LLC (f/k/a Magnet, LLC)	Delaware
Merit Health Insurance Company	Illinois
Magellan Life Insurance Company	Delaware
Magellan of Idaho, LLC	Idaho
Magellan of Ohio, Inc.	Ohio
U.S. IPA Providers, Inc.	New York
Merit Behavioral Care Corporation	Delaware

Subsidiaries:

Magellan HRSC, Inc.	Ohio
Magellan Behavioral Health of Pennsylvania, Inc.	Pennsylvania
Continuum Behavioral Care, LLC	Rhode Island
Magellan Providers of Texas, Inc.	Texas
MBC of North Carolina, LLC	North Carolina
Magellan Behavioral Care of Iowa, Inc.	Iowa
PPC Group, Inc.	Delaware
P.P.C., Inc.	Missouri
National Imaging Associates, Inc.	Delaware

Subsidiaries:

Accountable Cardiac Care of Mississippi, LLC	Mississippi
NIA IPA of New York, Inc.	New York
National Imaging Associates of Pennsylvania, LLC	Pennsylvania
National Imaging of CA, Inc.	California
NIA Iowa, Inc.	Iowa
NIA/Magellan Specialty Management, Inc.	Delaware
Magellan Capital, Inc.	Delaware
Magellan Financial Capital, Inc.	Nevada

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement Number 333-225572 on Form S-8 pertaining to the 2014 Employee Stock Purchase Plan of Magellan Health, Inc.
- (2) Registration Statement Number 333-212753 on Form S-8 pertaining to the 2016 Management Incentive Plan of Magellan Health, Inc.
- (3) Registration Statement Number 333-196497 on Form S-8 pertaining to the 2014 Employee Stock Purchase Plan of Magellan Health Services, Inc.
- (4) Registration Statement Number 333-174314 on Form S-8 pertaining to the 2011 Management Incentive Plan of Magellan Health Services, Inc.
- (5) Registration Statement Number 333-151059 on Form S-8 pertaining to the 2008 Management Incentive Plan of Magellan Health Services, Inc.

of our reports dated February 26, 2021, with respect to the consolidated financial statements of Magellan Health, Inc., and the effectiveness of internal control over financial reporting of Magellan Health, Inc., included in this Annual Report (Form 10-K) of Magellan Health, Inc. for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Baltimore, Maryland
February 26, 2021

CERTIFICATIONS

I, Kenneth J. Fasola, certify that:

1. I have reviewed this annual report on Form 10-K of Magellan Health, Inc.;
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.

/s/ KENNETH J. FASOLA

Kenneth J. Fasola
Chief Executive Officer

Date: February 26, 2021

CERTIFICATIONS

I, David P. Bourdon, certify that:

1. I have reviewed this annual report on Form 10-K of Magellan Health, Inc.;
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.

/s/ DAVID P. BOURDON

David P. Bourdon
Chief Financial Officer

Date: February 26, 2021

**Certification Required by Rule 13a-14(b) and 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Kenneth J. Fasola, as Chief Executive Officer of Magellan Health, Inc. (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

- (1) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2020 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KENNETH J. FASOLA

Kenneth J. Fasola

Chief Executive Officer

Date: February 26, 2021

**Certification Required by Rule 13a-14(b) and 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

I, David P. Bourdon, as Chief Financial Officer of Magellan Health, Inc. (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

- (1) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2020 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID P. BOURDON

David P. Bourdon

Chief Financial Officer

Date: February 26, 2021



March 25, 2024

To Whom it May Concern:

We certify that the entities and assets related to Magellan Health, Inc.'s pharmacy business, Magellan Rx (including Magellan Rx Management, LLC; Magellan Medicaid Administration, LLC; and Magellan Pharmacy Solutions, Inc.), were included in Centene's consolidated operations and financial statements from the time Centene acquired Magellan Health on January 4, 2022, until they were acquired by Prime Therapeutics LLC, on December 2, 2022.

Sincerely,

A handwritten signature in black ink, appearing to read "Randy Kilper", written over a horizontal line.

Randy Kilper
VP, Controller
Magellan Health, Inc.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

or

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

For the transition period from to

Commission file number: 001-31826

Centene Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

42-1406317

(I.R.S. Employer Identification Number)

7700 Forsyth Boulevard

St. Louis,

(Address of principal executive offices)

Missouri

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

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 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 ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statement of the registrant included in the filing reflect the correction of an error to the previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b) ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the last reported sale price of the common stock on the New York Stock Exchange on June 30, 2022, was \$49.2 billion.

As of February 17, 2023, the registrant had 551,264,559 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2023 annual meeting of stockholders are incorporated by reference in Part III, Items 10, 11, 12, 13 and 14.

CENTENE CORPORATION
ANNUAL REPORT ON FORM 10-K
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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, value creation strategy, competition, 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 1. "Business," Part I, Item 1A "Risk Factors," Part I, Item 3. "Legal Proceedings," and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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 our ability to reprocur our contracts and grow organically;
 - the timing and extent of benefits from our value creation strategy, including the possibility that the benefits received may be lower than expected, may not occur, or will not be realized within the expected time periods;
 - 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;
 - the risk that the election of new directors, changes in senior management, and any inability to retain key personnel may create uncertainty or negatively impact our ability to execute quickly and effectively;
 - 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;
 - increased healthcare costs;
 - inflation;
 - changes in economic, political, or 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;
 - tax matters;
 - disasters or major epidemics;
-

- changes in expected contract start dates;
- provider, state, federal, foreign, and other contract changes and timing of regulatory approval of contracts;
- the expiration, suspension, or termination of our contracts with federal or state governments (including, but not limited to, Medicaid, Medicare, TRICARE, or other customers);
- the difficulty of predicting the timing or outcome of legal or regulatory proceedings or matters, including, but not limited to, our ability to resolve claims and/or allegations made by states with regard to past practices, including at Centene Pharmacy Services (formerly Envolve Pharmacy Solutions, Inc. (Envolve)), as our pharmacy benefits manager (PBM) subsidiary, within the reserve estimate we previously recorded and on other 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 privacy or data security incidents;
- the exertion of management's time and our resources, and other expenses incurred and business changes required in connection with complying with 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, and accretion for acquisitions or dispositions;
- restrictions and limitations in connection with our indebtedness;
- a downgrade of the credit rating of our indebtedness;
- the availability of debt and equity financing on terms that are favorable to us; and
- foreign currency fluctuations.

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, 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.

SUMMARY OF RISK FACTORS

Our business is subject to numerous risks and uncertainties that you should be aware of in evaluating our business, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks include, but are not limited to, the following, all of which are more fully described in Part 1, Item 1A "Risk Factors". This summary should be read in conjunction with the Risk Factors section and should not be relied upon as an exhaustive summary of the material risks facing our business.

- Failure to accurately estimate and price our medical expenses or effectively manage our medical costs or related administrative costs could have a material adverse effect on our business;
 - Our Medicare programs are subject to a variety of unique risks that could adversely impact our financial results;
 - Risk-adjustment payment systems make our revenue and results of operations more difficult to estimate and could result in retroactive adjustments that have a material adverse effect on our business;
 - Any failure to adequately price products offered or any reduction in products offered for Medicare Advantage and in the Health Insurance Marketplace may have a material adverse effect on our business;
 - We derive a portion of our cash flow and gross margin from our prescription drug plan (PDP) operations, for which we submit annual bids for participation. The results of our bids could have a material adverse effect on our business;
 - Our encounter data may be inaccurate or incomplete, which could have a material adverse effect on our business and ability to bid for, and continue to participate in, certain programs;
 - If we are not successful in procuring new government contracts or renewing existing government contracts, or if we receive an adverse finding or review resulting from an audit or investigation, our business may be adversely affected;
 - Our business could be materially adversely affected by the effects of widespread public health pandemics, such as COVID-19;
 - Ineffectiveness of state-operated systems and subcontractors could adversely affect our business;
 - Execution of our value creation strategy may create disruptions in our business;
 - If state regulators do not approve payments of dividends and distributions by our subsidiaries to us, we may not have sufficient funds to implement our business strategy;
 - We derive a significant portion of our premium revenues from operations in a number of states, and our business could be materially affected by a decrease in premium revenues or profitability in any one of those states;
 - Competition may limit our ability to increase penetration of the markets that we serve;
 - If we are unable to maintain relationships with our provider networks, our profitability may be harmed;
 - If we or our third-party vendors are unable to integrate and manage information systems effectively, our operations could be disrupted;
 - A failure in or breach of our operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber-attacks, could have a material adverse effect on our business;
 - We may be unable to attract, retain or effectively manage the succession of key personnel;
 - An impairment charge with respect to our real estate portfolio, recorded goodwill, and intangible assets could have a material impact on our results of operations;
 - Reductions in funding, changes to eligibility requirements for government-sponsored healthcare programs in which we participate, and any inability on our part to effectively adapt to changes to these programs could have a material adverse effect on our business;
 - Significant changes or judicial challenges to the ACA could materially and adversely affect our business;
 - Our business activities are highly regulated and new laws or regulations or changes in existing laws or regulations or their enforcement or application could force us to change how we operate and could harm our business;
 - Our pharmacy services face regulatory and other risks and uncertainties which could materially and adversely affect our business;
 - We have been and may from time to time become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management and could adversely affect our business;
 - If we fail to comply with applicable privacy, security, and data laws, regulations, and standards, including with respect to third-party service providers that utilize sensitive personal information on our behalf, our business could be materially and adversely affected;
 - If we fail to comply with the extensive federal and state fraud, waste and abuse laws, our business could be materially and adversely affected;
 - We might be adversely impacted by tax legislation or challenges to our tax positions;
 - Our investment portfolio may suffer losses which could materially and adversely affect our results of operations or liquidity;
-

- Adverse credit market conditions may have a material adverse effect on our liquidity or our ability to obtain credit on acceptable terms;
 - We have substantial indebtedness outstanding and may incur additional indebtedness in the future. Such indebtedness could reduce our agility and may adversely affect our financial condition;
 - Phasing out of London Interbank Offered Rate (LIBOR) may increase our interest expense or affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, which may adversely affect our financial condition;
 - Mergers and acquisitions may not perform as expected and we may not realize the savings expected from divestitures, which may cause the market price of our common stock to decline;
 - We may be unable to successfully integrate our existing business with acquired businesses and realize the anticipated benefits of such acquisitions; and
 - Our business and results of operations may be materially adversely affected if we fail to manage and complete divestitures.
-

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 presentation of this additional non-GAAP financial information 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 information that excludes amortization of acquired intangible assets and 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):

	Year Ended December 31,		
	2022	2021	2020
GAAP net earnings attributable to Centene	\$ 1,202	\$ 1,347	\$ 1,808
Amortization of acquired intangible assets	817	770	719
Acquisition and divestiture related expenses	213	185	602
Other adjustments ⁽¹⁾	1,540	1,275	29
Income tax effects of adjustments ⁽²⁾	(410)	(537)	(262)
Adjusted net earnings	<u>\$ 3,362</u>	<u>\$ 3,040</u>	<u>\$ 2,896</u>
GAAP diluted earnings per share (EPS) attributable to Centene	\$ 2.07	\$ 2.28	\$ 3.12
Amortization of acquired intangible assets	1.40	1.31	1.24
Acquisition and divestiture related expenses	0.36	0.31	1.04
Other adjustments ⁽¹⁾	2.65	2.16	0.05
Income tax effects of adjustments ⁽²⁾	(0.70)	(0.91)	(0.45)
Adjusted Diluted EPS	<u>\$ 5.78</u>	<u>\$ 5.15</u>	<u>\$ 5.00</u>

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

2022:

(a) real estate impairments of \$1,642 million, or \$2.82 per share (\$2.08 after-tax); PANTHERx Rare (PANTHERx) divestiture gain of \$490 million, or \$0.84 per share (\$0.65 after-tax); impairments of assets associated with the divestitures of our Spanish and Central European, Centurion, and HealthSmart businesses of \$458 million, or \$0.78 per share (\$0.60 after-tax); Magellan Rx divestiture gain of \$269 million, or \$0.46 per share (\$0.17 after-tax); Health Net Federal Services asset impairment of \$233 million, or \$0.40 per share (\$0.39 after-tax); gain on debt extinguishment of \$27 million, or \$0.04 per share (\$0.03 after-tax); increase to the previously reported gain on the divestiture of U.S. Medical Management (USMM) due to the finalization of working capital adjustments of \$13 million, or \$0.02 per share (\$0.02 after-tax); and costs related to the PBM legal settlement of \$6 million, or \$0.01 per share (\$0.00 after-tax).

2021:

(b) PBM legal settlement expense of \$1,264 million, or \$2.14 per share (\$1.76 after-tax); gain related to the acquisition of the remaining 60% interest of Circle Health of \$309 million, or \$0.52 per share (\$0.52 after-tax); impairment of our equity method investment in RxAdvance of \$229 million, or \$0.39 per share (\$0.32 after-tax); gain related to the divestiture of USMM of \$150 million, or \$0.25 per share (\$0.23 after-tax); debt extinguishment costs of \$125 million, or \$0.21 per share (\$0.16 after-tax); reduction to the previously reported gain on divestiture of certain products of our Illinois health plan of \$62 million, or \$0.10 per share (\$0.08 after-tax); and severance costs due to a restructuring of \$54 million, or \$0.09 per share (\$0.06 after-tax).

2020:

(c) gain related to the divestiture of certain products of our Illinois health plan of \$104 million, or \$0.18 per share (\$0.10 after-tax); impairment of \$72 million, or \$0.12 per share (\$0.10 after-tax); and debt extinguishment costs of \$61 million, or \$0.11 per share (\$0.07 after-tax).

⁽²⁾ The income tax effects of adjustments are based on the effective income tax rates applicable to each adjustment. In addition, the year ended December 31, 2022, includes tax expense of \$107 million, or \$0.18 per share, related to the Magellan Specialty Health divestiture and a \$15 million, or \$0.03 per share, tax benefit related to the RxAdvance impairment.

	Year Ended December 31,		
	2022	2021	2020
GAAP selling, general and administrative expenses	\$ 11,589	\$ 9,601	\$ 9,380
Less:			
Acquisition and divestiture related expenses	202	157	580
Restructuring costs	—	54	—
Costs related to the PBM legal settlement	6	14	—
Real estate optimization	15	—	—
Adjusted selling, general and administrative expenses	<u>\$ 11,366</u>	<u>\$ 9,376</u>	<u>\$ 8,800</u>

Note: Beginning in 2022, we have included a separate line item for depreciation expense on the Consolidated Statements of Operations, which was previously included in selling, general and administrative (SG&A) expenses. Prior period SG&A expenses have been conformed to the current presentation.

PART I

Item 1. *Business*

OVERVIEW

Our Purpose

Transforming the health of the community, one person at a time.



Focus on the Individual

Empowering people to create and maintain lifelong healthy habits



Whole Health

Delivering a full spectrum of care from physical health to emotional wellness



Active Local Involvement

Helping our neighbors create stronger, healthier communities

Who We Are

Our mission as a leading healthcare enterprise is to help people live healthier lives, with an established expertise in lower-income and medically complex populations. We provide access to high-quality healthcare, innovative programs, and a wide range of health solutions that help families and individuals get well, stay well, and be well. We believe that our local approach enables us to provide accessible, quality, culturally sensitive healthcare coverage to our communities.

We have a competitive advantage being on the ground, enabling us to establish strong relationships with our partners and providing us with first-hand knowledge, which enables us to provide the best possible care to our members. We have a commitment to the communities and people we serve to transform their health at the local level.

Our value creation efforts, initiated in mid-2021, are the foundation of our long-term strategy, focused on making strategic decisions and investments to create additional value in the short-term and to seek opportunities that position the organization for long-term strength, profitability, growth, and innovation. In addition to creating shareholder value, this plan is an ongoing effort to modernize and improve how we work in order to propel our organization to new levels of success and elevate the member and provider experiences.

During 2022, we operated in two segments: Managed Care and Specialty Services. Our Managed Care segment provided health plan coverage to individuals through government subsidized and commercial programs. Our Specialty Services segment included companies offering diversified healthcare services and products to our Managed Care segment and other external customers. For the year ended December 31, 2022, our Managed Care and Specialty Services segments accounted for 93% and 7%, respectively, of our total external revenues. Our membership totaled 27.1 million as of December 31, 2022. For the year ended December 31, 2022, our total revenues and net earnings attributable to Centene were \$144.5 billion and \$1.2 billion, respectively, and our total cash flow from operations was \$6.3 billion.

In early 2023, and in conjunction with our updated strategic plan, executive leadership realignment, and corresponding 2023 divestitures, we have revised the way we manage the business, evaluate performance, and allocate resources, resulting in an updated segment structure comprised of (1) a Medicaid segment, (2) a Medicare segment, (3) a Commercial segment and (4) an Other segment. We will begin reporting under this new segment structure in 2023.

Our initial health plan commenced operations in Wisconsin in 1984. We were organized in Wisconsin in 1993 as a holding company for our initial health plan and reincorporated in Delaware in 2001. Our stock is publicly traded on the New York Stock Exchange under the ticker symbol "CNC."

INDUSTRY

We provide a full spectrum of managed healthcare products and services, primarily through Medicaid, Medicare, and commercial products.

Medicaid

Medicaid is the largest publicly funded program in the United States and provides health insurance to low-income families and individuals with disabilities. Medicaid is funded jointly by federal and state governments, with the majority of funding provided by the federal government and administered by the states. Each state establishes its own eligibility standards, benefit packages, payment rates, and program administration within federal standards. As a result, there are 56 Medicaid programs - one for each U.S. state, each U.S. territory, and the District of Columbia. Eligibility is based on a combination of household income and assets, often determined by an income level relative to the federal poverty level. Many states have selected Medicaid managed care as a means of delivering quality healthcare and controlling costs.

Medicaid helps meet the needs of various populations through the following products and programs:

- The Temporary Assistance for Needy Families (TANF) program covers low-income families with children.
- Medicaid Expansion covers all individuals under age 65 with incomes up to 138% of the federal poverty level, subject to each states' election. The federal government pays 90% of the costs for Medicaid Expansion coverage for these beneficiaries.
- The Aged, Blind, or Disabled (ABD) program covers low-income individuals with chronic physical disabilities or behavioral health impairments. ABD beneficiaries represent a growing portion of all Medicaid recipients and typically utilize more services as a result of their more complicated health status.
- The Children's Health Insurance Program (CHIP) helps to expand coverage primarily to children whose families earn too much to qualify for Medicaid, yet not enough to afford private health insurance. Historically, children have represented the largest eligibility group. Costs are primarily composed of pediatrics and family care, which tend to be more predictable than those associated with other healthcare issues predominantly affecting the adult population.
- Long-Term Services and Supports (LTSS) is a Medicaid product that covers Institutional/Residential Care (Nursing and Intermediate Care Facilities) and Home and Community Based Services (HCBS) for beneficiaries requiring assistance with their activities of daily living. The largest groups receiving LTSS, by spending, are older individuals and individuals with physical disabilities, followed by individuals with intellectual and developmental disabilities, those with serious mental illness and/or serious emotional disturbance, and other populations. States are increasingly turning to managed care as a solution to provide coordinated, holistic care to their LTSS beneficiaries.
- The majority of children in foster care qualify for Medicaid. The federal government has enacted legislation establishing requirements for state child welfare agencies related to the health and well-being of children in foster care, including the provision of grants and technical assistance to enable states to meet these needs and make explicit connections with Medicaid. In addition, under the ACA, former foster care children are eligible for Medicaid until the age of 26, provided that they turned 18 while in foster care and were enrolled in Medicaid at that time.
- A portion of Medicaid beneficiaries are dual-eligible, low-income seniors and people with disabilities who are enrolled in both Medicaid and Medicare. According to the CMS, there were approximately 11.6 million dual-eligible enrollees in 2021. These members may receive assistance from Medicaid for benefits, such as nursing home care, HCBS, and/or assistance with Medicare premiums and cost-sharing depending on their income level. Dual-eligibles use more services due to their tendency to have more chronic health issues. We serve dual-eligibles primarily through our ABD, LTSS, Medicare-Medicaid Plan (MMP), and Medicare Advantage Dual Eligible Special Needs Plan (DSNP) lines of business.

While Medicaid programs have directed funds to many individuals who cannot afford or otherwise maintain health insurance coverage, they did not initially address the inefficient and costly manner in which the Medicaid population tends to access healthcare. Medicaid recipients in non-managed care programs typically have not sought preventive care or routine treatment for chronic conditions, such as asthma and diabetes. Rather, they have sought healthcare in hospital emergency departments, which is typically more expensive. As a result, many states without managed care programs have found that the costs of providing Medicaid benefits have increased while the medical outcomes for the recipients remained unsatisfactory.

Accordingly, in an effort to improve quality of care and lower costs, the majority of states have mandated that their Medicaid recipients enroll in managed care plans and are considering moving to a mandated managed care approach for additional populations and products. CMS estimates the total Medicaid market will grow from \$700 billion in 2021 to \$1.1 trillion by 2029. Medicaid spending is estimated to have increased by 5.7% in 2022 and is projected to increase at an average annual rate of 5.6% between 2021 and 2030. Based on these trends, we believe a significant market opportunity exists for managed care organizations (MCOs) with operations and programs focused on the distinct socio-economic, cultural, and healthcare needs of the uninsured population and the Medicaid populations.

We are the largest Medicaid health insurer in the country, serving 16 million Medicaid recipients in 29 states as of December 31, 2022.

Medicare

Medicare is the federal health insurance program for people ages 65 and over, which was expanded to cover people under 65 with certain disabilities and people with end-stage renal disease requiring dialysis or kidney transplant. Medicare consists of four parts, labeled A through D. Part A provides hospitalization benefits financed largely through Social Security taxes and requires beneficiaries to pay out-of-pocket deductibles and coinsurance. Part B provides benefits for medically necessary services and supplies including outpatient care, physician services, and home health care. Parts A and B are referred to as Original Medicare.

As an alternative to Original Medicare, beneficiaries may elect to receive their Medicare benefits through Part C, also known as Medicare Advantage. Under Medicare Advantage, MCOs contract with CMS to provide services directly to Medicare beneficiaries as well as through employer and union groups. MCOs typically receive fixed monthly premium per member from CMS that varies based upon the county in which the member resides, demographic factors of the member such as age, gender, and institutionalized status, and the health status of the member. Any benefits that are not covered by Medicare may result in an additional monthly premium charged to the enrollee or through portions of payments received from CMS that may be allocated to these benefits, according to CMS regulations and guidance.

CMS estimates the total Medicare market will grow from \$865 billion in 2021 to \$1.5 trillion by 2029. Medicare spending is estimated to have increased 7.5% in fiscal 2022 and is projected to increase at an average annual rate of 7.2% between 2021 and 2030. More than half of Medicare eligible members in 2022 were not enrolled in a Medicare Advantage product, representing a notable market opportunity.

As of December 31, 2022, we served 1.5 million Medicare Advantage members across 36 states, primarily under the brand name WellCare, with the highest concentration of lower-income, medically complex members compared to our competitors.

Medicare Prescription Drug Plan

Medicare prescription drug coverage, or Medicare Part D, is a voluntary benefit for Medicare beneficiaries. The Medicare Part D prescription drug benefit is supported by risk sharing with the federal government through risk corridors designed to limit the losses and gains of the participating drug plans and by providing reinsurance for catastrophic drug costs. The government subsidy is based on the national weighted average monthly bid for this coverage, adjusted for risk factor payments. Additional subsidies are provided for dually-eligible beneficiaries and specified low-income beneficiaries.

MCOs contract with CMS to serve as plan sponsors offering stand-alone Medicare Part D PDPs to Medicare-eligible beneficiaries. PDPs offer national in-network prescription drug coverage, including a preferred pharmacy network, subject to limitations in certain circumstances. Unless CMS is notified of non-renewal and the non-renewal is effectuated by not filing a bid on the first Monday in June, Medicare Advantage and PDP contracts with CMS are renewed for successive one-year terms each September. Should CMS decide not to renew a contract, CMS must notify MCOs on or before August 1, and the plan would be terminated effective December 31 of that year.

We offer stand-alone PDPs in 50 states and the District of Columbia, serving 4.2 million members as of December 31, 2022.

Commercial

The ACA created the Health Insurance Marketplace, which is a key component of the ACA and provide an opportunity for individuals and families to obtain health insurance. States have the option of operating their own Marketplace or partnering with the federal government. States choosing neither option default to a federally-facilitated Marketplace. Access to the Marketplace is limited to U.S. citizens and legal immigrants. Insurers are required to offer a minimum level of benefits with coverage that varies based on premiums and out-of-pocket costs.

Premium subsidies, extended through 2025, are provided to individuals and families without access to other coverage and with incomes above 100% of the federal poverty level to make coverage more affordable. Consumers who qualify for subsidies may choose how much of the tax credit to apply to their premiums each month, up to the maximum amount for which they are eligible. The amount of subsidy an enrollee may receive depends on household income and the cost of the second lowest cost silver plan available to enrollees in their local area.

We also offer commercial healthcare products to individuals through large and small employer groups. We offer plans with differing benefit designs and varying levels of co-payments at different premium rates. These plans are offered generally through contracts with participating network physicians, hospitals, and other providers. Coverage typically is subject to copays and can be subject to deductibles and coinsurance. As our commercial members reach their deductibles and out-of-pocket maximums, our medical costs rise, creating seasonality in the business with a higher percentage of earnings in the first half of the year.

We are the largest Marketplace carrier, serving 2.1 million members across 27 states as of December 31, 2022, under the brand name Ambetter Health.

OUR COMPETITIVE STRENGTHS

Our approach is based on the following key competitive strengths:

- *Expertise in Government-Sponsored Programs.* For more than 35 years, we have developed a specialized services expertise that has helped us establish and maintain relationships with members, providers, and our government customers. Our products are tailored to achieve savings for our government customers and are designed to enable our providers to deliver high-quality care to members. Complex populations represent a larger share of our Medicaid portfolio, more than any other payer in the country. As states increasingly look to a managed model for these populations, we believe we will be seen as a must-have partner.
- *Localized Approach with Centralized Support Infrastructure.* We take a localized approach to delivering healthcare. This approach enables us to facilitate member access to high-quality, culturally sensitive healthcare services. Our product designs are tailored to the unique populations in each community and address community-specific challenges through outreach, education, transportation, and other member support activities. We complement this localized approach with a centralized infrastructure. We believe this combined approach enables a culture that protects local agility and innovation while delivering scaled efficiency.
- *Financial Strength and Scale.* We are the largest Medicaid health insurer and Marketplace carrier in the country and our growing Medicare product has the highest concentration of lower-income, medically complex members. In 2022, we had \$144.5 billion in revenue and \$6.3 billion in operating cash flow. Our strong operating performance, size, and scale allow us to continue to invest in our businesses through technology, strategic acquisitions, and key resources that support our business and enable us to navigate the changing healthcare landscape.
- *Data-Driven Innovation.* Our rich, local data amassed over decades allows us to curate networks of community partners and community resources, identify low-cost, sustainable interventions tailored to our unique populations, and guide high-impact investments into the community. We are investing in scalable innovation and transformation to harness our data. In this way, our data will enable us to transform the health of our communities long-term and deliver value to both members and shareholders.

MANAGED CARE

Benefits to Customers

We feel that our ability to establish and maintain a leadership position in the markets we serve results primarily from our demonstrated success in providing quality care while reducing and managing costs, and from our specialized programs with state governments.

The following are among the benefits we provide to our government partners, providers, and members:

- *Accurate and timely claims payments.* We are committed to ensuring that our information systems and claims payment systems meet or exceed state requirements. We continuously improve our claims processing strategies, expertise, configuration, and tools to achieve operational excellence, including timely payments to our providers.
- *Care management for complex populations.* Through our experience with Medicaid populations and long-time presence in states with experience in long-term care for children and adolescents in the foster care system, we have developed care management, service coordination, and crisis prevention/response programs that improve healthcare outcomes through decreasing preventable emergency department utilization and improving access to primary care and behavioral health intervention. This experience has led to sole source and specialized contracts in Florida, Illinois, Missouri, Texas, and Washington.
- *Commitment to quality and improved health outcomes.* We have implemented programs to encourage effective and transparent collaboration between the member and their provider. We demonstrate this through obtaining health plan accreditations, such as National Committee for Quality Assurance (NCQA), which is a critical step in demonstrating the effectiveness of our structure and processes, clinical quality, and member satisfaction. Additionally, we have launched a multi-year plan to build and improve quality across the enterprise with a strong focus on enhanced patient experience and access to care, which lays the foundation for strong Medicare Star ratings in the future.
- *Community-specific healthcare programs and a focus on addressing health equity.* Our expertise in government-sponsored programs has helped us establish and maintain strong relationships with our constituent communities of members, providers, and federal and state governments. We provide access to services through local providers and staff that focus on the cultural norms of their individual communities. To that end, systems and procedures have been designed to address community-specific challenges, including but not limited to, food insecurity, housing instability, employment, and access to transportation, which contribute to health disparities among underserved and vulnerable populations. We remain focused on identifying and removing social barriers to health in the communities we serve.
- *Data-driven approach to improve health outcomes.* We have employed an investment strategy designed to increase our capability to collect and analyze data and insights. We gather data from multiple sources including medical, vision, and behavioral health claims and encounter data, pharmacy data, dental vendor claims, and authorization data. We use this data to track utilization trends, identify health disparities, monitor quality of care, and evaluate the effectiveness of our programs. Through these analyses, we identify and implement interventions that improve health outcomes, advance health equity and population health, and ensure members receive timely and appropriate services. The value and accuracy in the data we collect is important in demonstrating an auditable program for federal and state agencies.
- *Member programs and services.* Our comprehensive set of programs and services help members achieve whole-person health while supporting the overall goals of the government program. Covered healthcare benefits vary from customer to customer but cover a wide range of services, including transportation assistance, provision of durable medical equipment, behavioral health and substance use disorder services, 24-hour nurse advice line, social work services, and telehealth services.
- *Value-based arrangements.* Our health plans offer a combination of value-based contracting models, including quality incentives and risk arrangements, that address the continuum of whole-person care. We believe value-based collaboration with providers leads to improved health outcomes, reduced costs, and better member and provider experiences.

Providers

For each of our service areas, we establish a provider network consisting of primary and specialty care physicians, hospitals, and ancillary providers. Our network of primary care physicians is a critical component of care delivery, cost optimization, and the attraction and retention of new members. Primary care physicians include family and general practitioners, pediatricians, internal medicine physicians, obstetricians, and gynecologists. Specialty care physicians provide medical care to members generally upon referral by primary care physicians. Specialty care physicians include a wide array of provider types including, but not limited to, orthopedic surgeons, cardiologists, and otolaryngologists. When necessary, we also contract with third-party providers on a negotiated fee arrangement for physical therapy, home healthcare, diagnostic laboratory tests, x-ray examinations, transportation, ambulance services, and durable medical equipment.

Our health plans facilitate access to healthcare services for our members primarily through contracts with our providers. Our contracts with primary and specialty care physicians and hospitals are usually for a term of one to three years and renew automatically for successive one-year terms, but generally are subject to termination by either party upon prior written notice. In the absence of a contract, we typically pay providers at applicable state or federal reimbursement levels, depending on the product (e.g., Medicaid or Medicare). We pay providers under a variety of methods, including fee-for-service, capitation arrangements, and value-based arrangements.

- Under our fee-for-service contracts with providers, we pay a negotiated fee for covered services. This model is characterized as having no financial risk for the provider.
- Under our capitated contracts, providers can be paid a set amount for their services as outlined in their respective provider agreements. A provider group's financial instability or failure to pay secondary providers for services rendered could lead secondary providers to demand payment from us, even though we have made our regular capitated payments to the provider group. Depending on state law and the regulatory environment, it may be necessary for us to pay such claims.
- Under value-based arrangements, providers can be paid under either a capitated or fee-for-service model. The arrangement, however, contains provisions for additional payments to the providers or reimbursement from the providers based on their performance in cost and quality measures. We are committed to value-based contracting, up and downside risk, assigning members to the highest quality providers and capitation. This is done in complete partnership with our providers to increase quality outcomes and overall member satisfaction. We anticipate our membership in up and downside risk arrangements will continue to grow.

The continuum of value-based contracting includes the following models: pay-for-performance, shared savings, shared risk, and full risk. We often start our provider relationships in a pay-for-performance model, in which providers are reimbursed for the fair market value of services provided. Providers benefit from this model as it gives complete transparency and clarity on actions that earn incentives.

We then transition to a risk-sharing model, in which providers are reimbursed based on the total cost of care. As we advance along this continuum, it strengthens our partnerships with our providers, enabling the delivery of high-quality care. We believe having the strongest provider partners who know how to operate well in a value-based model and who can help us drive positive outcomes for our members and good member experience is more important than owning providers, which occurs on an exception basis.

We work with physicians to help them operate efficiently by providing actionable financial and utilization information, physician and patient educational programs, and disease and population health management programs. Our programs are also designed to help physicians coordinate care rendered by other providers.

We believe our local and collaborative approach with physicians and other providers gives us a competitive advantage in entering new markets. Our physicians serve on local committees that assist us in implementing preventive care programs, optimizing costs, and improving the overall quality of care delivered to our members, while also simplifying the administrative burdens on our providers. This approach has enabled us to strengthen our provider networks through improved physician recruitment and retention which, in turn, has helped to increase our membership base.

The following are among the services we provide to support physicians:

- *Provider Engagement Performance Tools and Processes* lead to measurable improvements in quality and health outcomes, healthcare costs, and member satisfaction. High-quality provider support and service levels are important as our key customers are increasingly using performance-based measures to select and pay health plans. We have a suite of network performance tools for use by physicians and other providers which monitor the outcomes and care gaps of their individual patient panels. We meet with the providers to review their performance issues and recommend strategies for improvements in their patient panel outcomes. Our tools also allow the physician and others to see where they stand within their value-based contract.
- *Our Integrated Care Model* is member-centric and managed by one care manager assigned to a member who looks at the care for the member in a holistic manner. This single care manager will coordinate all care for that member including behavioral health, medical health, and home-based primary care in accordance with an individualized, integrated care plan. This care manager also coordinates meetings with the member's integrated care team to assess and alter the care plan as needed. This results in better clinical outcomes and improved member satisfaction.
- *The Provider Portal* delivers claims and eligibility research, prior authorizations, member panels, care gaps, patient analytics, and provider analytics to contracted providers to drive provider engagement and improve patient outcomes. Data and reporting are delivered via a secure, user-friendly web-based provider portal. This is provided through our suite of technology platforms.

Our contracted physicians also benefit from several of the services offered to our members and population health management programs, which assist physicians in managing their patients with chronic diseases.

Quality Management

Quality management represents an integral part of our organization's foundation. Ensuring we continue advancing our mission of achieving better health outcomes for our members has led to recent investments in key initiatives involving people, processes, technology, and partner management.

Through these initiatives, we have:

- brought in key talent to the Company with a focus on individuals who have been successful in driving improvement in other organizations and increased staffing in critical customer-facing areas;
- centralized the oversight of quality programs, including the implementation of real-time operational dashboards, tracking numerous quality key performance metrics;
- invested in new technology to enhance our access to clinical data around gaps in care, committed to integrating our numerous quality platforms into a single unified workflow, and developed advanced analytics to orchestrate pivotal member engagement and increase positive clinical outcomes and satisfaction in the care being delivered to our members; and
- taken steps to strengthen relationships with providers to improve the quality of care for our members; specifically, we are increasing our value-based provider engagements as those enhanced partnerships have proven to drive higher quality care and continue to promote local physician participation in quality improvement through physician committees chaired by local physician leaders, which ensures clinical oversight and is critical to the success of clinical quality improvement programs.

We believe these initiatives will improve the member's overall health and healthcare experience and help us achieve strong Medicare Star ratings.

CMS developed the Medicare Advantage Five-Star Quality Rating System to help consumers choose among competing plans, awarding between 1.0 and 5.0 stars to Medicare Advantage plans based on performance in certain measures of quality. The parent organization Star rating is used for new Medicare Advantage contracts while existing contracts follow their individual Star ratings to determine bonus payments.

Plans receive additional Medicare revenue related to the achievement of higher Star ratings that can be used to offer more attractive benefit packages to members and/or achieve higher profit margins. In addition, plans with Star ratings of 5.0 are eligible for year-round open enrollment, whereas plans with lower Star ratings have more restrictions on enrollment criteria and timing. Part C or Part D Medicare plans with Star ratings of less than three stars for three consecutive years are denoted as "low performing" plans on the CMS website and in the CMS "Medicare and You" handbook. In addition, CMS could exercise its authority to terminate the Medicare Advantage and PDP contracts for plans rated below three stars for three consecutive years. As a result, plans that achieve higher Star ratings may have a competitive advantage over plans with lower Star ratings.

As further validation of our quality objectives, we pursue accreditation by independent organizations that have been established to promote healthcare quality. NCQA Health Plan Accreditation programs provide unbiased, third-party reviews to verify and publicly report results on specific quality care metrics. We pursue and achieve accreditation in the majority of states where we currently have health plan operations. We also verify the credentials and backgrounds of our partner providers using standards supported by NCQA to ensure the quality of our networks.

Accreditation is only one measure of our ability to provide access to quality care for our members. State and market Healthcare Effectiveness Data and Information Set reporting constitutes the core of the information base that drives our clinical quality performance efforts. This reporting is monitored by health plan quality improvement committees and our corporate population health management and quality improvement teams.

We remain committed to our quality initiatives and continue to focus on investments that we expect to translate into value over the next few years.

SPECIALTY SERVICES

Our specialty companies provide a variety of products and services to deliver integrated healthcare to our members and other organizations.

- *Behavioral Health.* Magellan Health Inc. (Magellan) provides carve-out management services for behavioral health and employee assistance plans. These services are provided through Magellan's comprehensive network of medical and behavioral health professionals, clinics, hospitals, skilled nursing facilities, home care agencies, and ancillary service providers.
- *Clinical Healthcare.* Community Medical Group (CMG) provides clinical healthcare, encompassing primary care, access to certain specialty services, and a suite of social and other support services. CMG operates in Florida through an at-risk primary care provider model, focusing on clinical and social care for at-risk beneficiaries. Additionally, Bayless Integrated Healthcare provides outpatient primary care and behavioral healthcare services.
- *Data Analytics.* Apixio offers, among other solutions, artificial intelligence technology that performs retrospective chart reviews for more accurate risk score submission to CMS. Apixio provides services to third-party customers as well as our health plans. Interpreta uses its analytics engine to provide real-time insights to providers, care managers, and payers in the areas of member prioritization, quality management, and risk adjustment. These businesses continue to digitize the administration of healthcare and accelerate innovation and modernization across the enterprise.
- *Federal Services.* Health Net Federal Services has a Managed Support Contract in the West Region for the Department of Defense (DoD) TRICARE program. We provide administrative services to Military Health System eligible beneficiaries, which includes eligible active duty service members and their families, retired service members and their families, survivors of retired service members, and qualified former spouses. Our current contract for health care delivery services is in place through early 2024. In December 2022, the DoD announced that the TRICARE Managed Care Support Contracts commencing in 2024 were not awarded to Health Net Federal Services.

- *Pharmacy Solutions.* Utilizing innovative, flexible solutions and customized care management, we offer traditional pharmacy clinical and administrative services as well as comprehensive specialized pharmacy benefit services through our specialty pharmacy business, AcariaHealth. Our programs offer progressive services that are specifically designed to improve quality of care while containing costs. Services that we provide include drug utilization review, formulary and rebate management, patient and physician interventions, and prior authorization services and analytics. AcariaHealth offers specialized care management services for complex diseases and enhances the patient care offering through collaboration with providers and the capture of relevant data to measure patient outcomes. We have historically provided comprehensive PBM services, however, we have transitioned substantially all of our PBM business to a third party as of January 1, 2023. We continue to provide pharmacy benefit administration for state Medicaid and other government-sponsored programs through Centene Pharmacy Services.
- *Vision and Dental Services.* Enroll Benefit Options coordinates benefits beyond traditional medical benefits to offer fully integrated vision and dental health services. Our vision benefit program administers routine and medical surgical eye care benefits through a contracted national network of eye care providers. Through the dental benefit, we are dedicated to improving oral health through a contracted network of dental healthcare providers.

We currently have NCQA accreditation and/or URAC accreditation for several of our specialty services companies.

CORPORATE COMPLIANCE

Our Ethics and Compliance program assists the organization in developing effective internal controls that promote the prevention and detection of fraud, waste and abuse and the resolution of instances of conduct that do not conform to federal and state law, private payor healthcare program requirements, or our ethics and business policies. Responsibilities also include the ongoing maintenance of our privacy program and oversight of the Health Insurance Portability and Accountability Act (HIPAA) as they pertain to us and our business units from a compliance, business, and technical perspective.

Three standards by which corporate compliance programs in the healthcare industry are measured are the Federal Organizational Sentencing Guidelines, the CMS Chapter Guidance, and the Compliance Program Guidance series issued by the Department of Health and Human Services' Office of the Inspector General. Our program contains each of the seven elements suggested by these authorities.

These key components are:

- written standards of conduct;
- designation of compliance officers and compliance committees;
- effective training and education;
- effective lines for reporting and communication;
- enforcement of standards through well-publicized disciplinary guidelines and actions;
- internal monitoring and auditing; and
- prompt response to detected offenses and development of corrective action plans.

The goal of our program is to build a culture of integrity, ethics, and compliance, which is assessed periodically to measure engagement and effectiveness. Our Corporate Compliance intranet site, accessible to all employees, contains our Compliance Program description, our Business Ethics and Code of Conduct Policy, and resources for employees to report concerns or ask questions. If needed, employees have access to the contact information for our Board of Directors' Audit and Compliance Committee Chairman to report concerns. Our Ethics and Compliance Helpline is a toll-free number and web-based reporting tool operated by a third-party independent of the Company and allows employees or other persons to anonymously report suspected incidents of misconduct, fraud, waste, abuse, or other compliance violations, concerns, or questions. Furthermore, our Board of Directors' Audit and Compliance Committee reviews ethics and compliance reports quarterly.

ENVIRONMENTAL, SOCIAL, HEALTH, GOVERNANCE AND CORPORATE RESPONSIBILITY

Our steadfast commitment to the environment, the health and social well-being of our communities, and our culture of sound and ethical corporate governance extends far beyond individual programs or initiatives. Through the delivery of high-quality healthcare to at-risk populations, our responsibilities to members, stakeholders, and our planet serve as a living expression of our purpose – transforming the health of communities, one person at a time. Continued focus on environmental, social, and governance (ESG) matters remains foundational to supporting our strategy and long-term value creation. The services and value we provide to improve the lives of our members are essential to our business model. Our focus on the whole health of our members by delivering a full spectrum of care, including continually enhanced social determinants of health services, has allowed us to become a national leader in healthcare. These themes are core to our Environmental, Social, Health, and Governance (ESHG) Strategic Framework (the Framework), which highlights our commitment to healthy individuals and healthy communities and builds upon our long history of identifying and removing barriers to health. Implementation of the Framework is overseen by the Board of Directors Governance Committee and ESHG initiatives throughout the organization are driven by a cross-functional network comprised of executive representatives.

Annually, we issue an ESHG Report to the Community to communicate the value of our ESHG efforts, a Task Force on Climate-related Financial Disclosures (TCFD) Index report outlining our governance structure, strategy, risks, opportunities, and metrics and target-setting related to managing climate change, and a Sustainability Accounting Standards Board (SASB) index report aligned with the SASB Managed Care standard, providing sustainability disclosures to our stakeholders. The Framework enables us to align our business strategy and long-term planning with our initiatives and commitments to protect our planet, serve our communities, cultivate healthier lives, and live our values. Interested parties can find our ESG / ESHG-related reports within the Investors section of our website, the URL of which is <https://investors.centene.com/esg>. *Please note: Nothing on our website, including our ESG / ESHG reports or sections thereof, shall be deemed incorporated by reference into this Annual Report.*

COMPETITION

We operate in a highly competitive environment in an industry subject to ongoing significant changes, including business consolidations, new strategic alliances, market pressures, and regulatory and legislative reform both at the federal and state level. This includes, but is not limited to, the federal and state healthcare reform legislation described under the heading "Regulation." In addition, changes to the political environment may drive additional changes to the competitive landscape.

We compete with other MCOs and specialty companies to acquire and retain state, county, federal, and commercial contracts. In addition, competitors could include technology companies, new joint ventures, financial services firms, consulting firms, and other non-traditional competitors. Before granting a contract, state and federal government agencies consider many competitive factors. These factors include quality of care, financial condition, stability and resources, and established or scalable infrastructure with a demonstrated ability to deliver services and establish comprehensive provider networks.

We also compete to enroll new members and retain existing members. People who wish to enroll in a managed healthcare plan or to change healthcare plans typically choose a plan based on the quality of care and services offered, ease of access to services, a specific provider being part of the network, and the availability of supplemental benefits. We believe that the principal competitive features affecting our ability to retain and increase membership include the range and prices of benefit plans offered, size and quality of provider network, quality of service, responsiveness to customer demands, financial stability, comprehensiveness of coverage, diversity of product offerings, market presence, and reputation.

We also compete with other MCOs in establishing provider networks. When contracting with various health plans, we believe that providers consider existing and potential member volume, reimbursement rates, population health management programs, speed of reimbursement, and administrative service capabilities. See "Risk Factors - ***Competition may limit our ability to increase penetration of the markets that we serve.***"

The relative importance of each of the aforementioned competitive factors and the identity of our key competitors varies by market, including by geography and by product. We believe that we compete effectively against other healthcare industry participants.

REGULATION

Our operations are comprehensively regulated at the local, state, and federal levels. Government regulation of the provision of healthcare products and services is a changing area of law that varies from jurisdiction to jurisdiction. States have implemented National Association of Insurance Commissioners (NAIC) model regulations, requiring governance practices and risk and solvency assessment reporting. States have adopted these or similar measures to enhance regulations relating to corporate governance and internal controls of health maintenance organizations (HMOs) and insurance companies. We are required to maintain a risk management framework and file reports with state insurance regulators.

Regulatory agencies have substantial discretion to issue regulations and interpret and enforce laws and rules. Changes in the regulatory environment and applicable laws and rules also may occur periodically, including in connection with changes in political party or administration at the state and federal levels. The ultimate content, timing, or effect of any potential future legislation enacted under the new administration remains uncertain.

Our regulated subsidiaries are licensed to operate as HMOs, preferred provider organizations (PPOs), third party administrators, utilization review organizations, pharmacies, direct care providers, and/or insurance companies in their respective states. In each of the jurisdictions in which we operate, we are regulated by the relevant health and/or human services departments, departments of insurance, boards of pharmacy and other healthcare providers, and departments of health that oversee the activities of MCOs and health plans providing or arranging to provide services to enrollees.

The process for obtaining authorization to operate as a MCO, health insurance plan, prescription drug plan, pharmacy, or provider organization is complex and requires us to demonstrate to the regulators the adequacy of the health plan's organizational structure, financial resources, utilization review, quality assurance programs, proper billing, complaint procedures, and an adequate provider network and procedures for covering emergency medical conditions. For example, under both state MCO statutes and insurance laws, our health plan subsidiaries, as well as our applicable specialty companies, must comply with minimum statutory capital and other financial solvency requirements, such as deposit and surplus requirements. Insurance regulations may also require prior state approval of acquisitions of other MCO businesses and the payment of dividends, as well as notice for loans or the transfer of funds. Our subsidiaries are also subject to periodic state and federal reporting requirements. In addition, each health plan and individual healthcare provider must meet criteria to secure the approval of state regulatory authorities before implementing certain operational changes, including, without limitation, changes to existing offerings, the development of new product offerings, certain organizational restructurings, and, in some states, the expansion of service areas.

States have adopted a number of regulations that may affect our business and results of operations. These regulations in certain states include:

- premium taxes or similar assessments imposed on us;
- stringent prompt payment laws requiring us to pay claims within a specified period of time;
- disclosure requirements regarding provider fee schedules and coding procedures; and
- programs to monitor and supervise the activities and financial solvency of provider groups.

We are regulated as an insurance holding company and are subject to the insurance holding company acts of the states in which our insurance company and HMO subsidiaries are domiciled. These acts contain certain reporting requirements as well as restrictions on transactions between an insurer or HMO and its affiliates. These holding company laws and regulations generally require insurance companies and HMOs within an insurance holding company system to register with the insurance department of each state where they are domiciled and to file with those states' insurance departments reports describing the capital structure, ownership, financial condition, intercompany transactions, and general business operations. In addition, depending on the size and nature of the transaction, various notice and reporting requirements generally apply to transactions between insurance companies and HMOs and their affiliates within an insurance holding company structure. Some insurance holding company laws and regulations require prior regulatory approval or, in certain circumstances, prior notice of certain material intercompany transfers of assets as well as certain transactions between insurance companies, HMOs, their parent holding companies, and affiliates. Among other provisions, state insurance and HMO laws may restrict the ability of our regulated subsidiaries to pay dividends.

Additionally, the holding company regulations of the states in which our subsidiaries are domiciled restrict the ability of any person to obtain control of an insurance company or HMO without prior regulatory approval. Under those statutes, without such approval or an exemption, no person may acquire any voting security of an insurance holding company that controls an insurance company or HMO, or merge with such a holding company, if as a result of such transaction such person would "control" the insurance holding company. "Control" is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a company and is presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of a company.

PPO regulation also varies by state and covers all or most of the subject areas referred to above.

Our pharmacies must be licensed to do business as pharmacies in the states in which they are located. Our pharmacies must also register with the U.S. Drug Enforcement Administration and individual state controlled substance authorities to dispense controlled substances. In many of the states where our pharmacies deliver pharmaceuticals, there are laws and regulations that require out-of-state mail order pharmacies to register with that state's board of pharmacy or similar regulatory body. These states generally permit the pharmacy to follow the laws of the state in which the mail order pharmacy is located, although some states require that we also comply with certain laws in that state.

Our healthcare providers must be licensed to practice medicine and do business as care providers in the state in which they are located. In addition, they must be in good standing with the applicable medical board, board of nursing, or other applicable entity. Furthermore, they must not be excluded from participation at either the state or federal levels. Our facilities are periodically reviewed by state departments of health and other regulatory agencies to ensure the environment is safe to provide care.

Federal law has also implemented other health programs that are partially funded by the federal government, such as Medicaid and Medicare programs. Our Medicaid programs are regulated and administered by various state regulatory bodies. Federal funding remains critical to the viability of these programs. Federal law permits the federal government to oversee and, in some cases, to enact, regulations and other requirements that must be followed by states with respect to these programs. Medicaid is administered at the federal level by CMS. Comprehensive legislation, specifically Title XVIII of the Social Security Act, governs our Medicare program. In addition, our Medicare contracts are subject to regulation by CMS. CMS has the right to audit Medicare contractors and the healthcare providers and administrative contractors who provide certain services on their behalf to determine the quality of care being rendered and the degree of compliance with CMS contracts and regulations.

The ACA transformed the U.S. healthcare system through a series of complex initiatives. Some of the ACA's most significant provisions include the imposition of significant fees, assessments, and taxes, the establishment of federally-facilitated and state-based Health Insurance Marketplaces where individuals and small groups may purchase health coverage; the implementation of certain premium stabilization programs designed to apportion risk amongst insurers; and optional Medicaid Expansion. State and federal regulators have continued to provide additional guidance and specificity to the ACA, and we continue to monitor this new information and evaluate its potential impact on our business. For a further discussion of the ACA, see "**Risk Factors - Significant changes or judicial challenges to the ACA could materially and adversely affect our results of operations, financial condition, and cash flows.**"

We must also comply with laws and regulations related to the award, administration, and performance of U.S. Government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business. For example, money laundering is a method of attempting to conceal the origins of money gained through illegal activity and is itself a crime that can result in substantial criminal and civil sanctions including fines and imprisonment. To ensure compliance with anti-money laundering laws and regulations, it is our policy to conduct business only with legitimate customers and counterparties whose funds are derived from legitimate commercial activity. In addition, as a result of our international operations, we are subject to the U.S. Foreign Corrupt Practices Act (FCPA) and similar worldwide anti-corruption laws, including the U.K. Bribery Act of 2010, which generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. A violation of specific laws and regulations by us and/or our agents could result in, among other things, the imposition of fines and penalties on us, changes to our business practices, the termination of our contracts, or debarment from bidding on contracts.

State and Federal Businesses; Contracts

In addition to being a licensed insurance company or HMO, in order to be a Medicaid MCO in each of the states in which we operate, we generally must operate under a contract with the state's Medicaid agency. States generally either use a formal proposal process, reviewing a number of bidders, or award individual contracts to qualified applicants that apply for entry to the program. Under these state Medicaid program contracts, we receive monthly payments based on specified capitation rates determined on an actuarial basis. These rates differ by membership category and by state depending on the specific benefits and policies adopted by each state. In addition, several of our Medicaid contracts require us to maintain Medicare Advantage special needs plans, which are regulated by CMS, for dual-eligible individuals within the state.

We provide Medicare Advantage, PDPs, DSNPs, and MMPs which are provided under contracts with CMS and subject to federal regulation regarding the award, administration, and performance of such contracts. CMS also has the right to audit our performance to determine our compliance with these contracts, as well as other CMS regulations and the quality of care we provide to Medicare beneficiaries under these contracts.

As of December 31, 2022, we operated in 27 states under federally-facilitated Marketplace contracts with CMS and state-based exchanges. We operate under a contract with the Arkansas Department of Human Services Division of Medical Services and the Arkansas Insurance Department to participate in the Medicaid expansion model that Arkansas has adopted (referred to as Arkansas Works).

Our government contracts include government-sponsored managed care and administrative services contracts through the TRICARE program and certain other healthcare-related government contracts.

Our state and federal contracts and the regulatory provisions applicable to us generally set forth requirements for operating, including provisions relating to:

- eligibility, enrollment, and dis-enrollment processes;
- covered services;
- eligible providers;
- subcontractors;
- record-keeping and record retention;
- periodic financial and informational reporting;
- quality assurance;
- accreditation;
- health education and wellness and prevention programs;
- timeliness of claims payment;
- financial standards;
- safeguarding of member information;
- fraud, waste and abuse detection and reporting;
- grievance procedures; and
- organization and administrative systems.

A health plan or individual health insurance provider's compliance with these requirements is subject to monitoring by state regulators and by CMS. A health plan is also subject to periodic comprehensive quality assurance evaluations by a third-party reviewing organization and generally by the insurance department of the jurisdiction that licenses the health plan. A health plan or individual health insurance provider must also submit reports to various regulatory agencies, including quarterly and annual statutory financial statements and utilization reports.

Our health plans operate through individual state contracts, generally with an initial term of one to five years. The contracts often have renewal or extension terms or are renewable through the state's repurchase process. The contracts generally are subject to termination for cause, an event of default, or lack of funding, among other things.

Our federally-facilitated Marketplace contracts and state-based exchanges are renewable on an annual basis.

Privacy Regulations

We are subject to various international, federal, state, and local laws and rules regarding the use, security, and disclosure of protected health information, personal information, and other categories of confidential or legally protected data that our businesses handle. Such laws and rules include, without limitation, HIPAA, the Federal Trade Commission Act, the Gramm-Leach-Bliley Financial Modernization Act of 1999 (Gramm-Leach-Bliley Act), the General Data Protection Regulation, and state privacy and security laws such as the California Confidentiality of Medical Information Act and the California Online Privacy Protection Act. Privacy and security laws and regulations often change due to new or amended legislation, regulations, or administrative interpretation. A variety of state and federal regulators enforce these laws, including but not limited to the U.S. Department of Health and Human Services (HHS), the Federal Trade Commission, state attorneys general, and other state regulators.

HIPAA is designed to improve the portability and continuity of health insurance coverage, simplify the administration of health insurance through standard transactions and ensure the privacy and security of individual health information. Among the requirements of HIPAA are the Administrative Simplification provisions which include: standards for processing health insurance claims and related transactions (Transactions Standards); requirements for protecting the privacy and limiting the use and disclosure of medical records and other personal health information (Privacy Rule); and standards and specifications for safeguarding personal health information which is maintained, stored or transmitted in electronic format (Security Rule). The Health Information Technology for Economic and Clinical Health (HITECH) Act amended certain provisions of HIPAA and enhanced data security obligations for covered entities and their business associates. HITECH also mandated individual notifications in instances of a data breach, provided enhanced penalties for HIPAA violations, and granted enforcement authority to states' Attorneys General in addition to the HHS Office for Civil Rights. The HIPAA Omnibus Rule further enhanced the changes under the HITECH Acts and the Genetic Information Nondiscrimination Act of 2008 which clarified that genetic information is protected under HIPAA and prohibits most health plans from using or disclosing genetic information for underwriting purposes. These regulations also establish significant criminal penalties and civil sanctions for non-compliance. The preemption provisions of HIPAA provide that the federal standards will not preempt state laws that are more stringent than the related federal requirements.

The Privacy and Security Rules and HITECH/Omnibus enhancements established requirements to protect the privacy of medical records and safeguard personal health information maintained and used by healthcare providers, health plans, healthcare clearinghouses, and their business associates.

The Security Rule requires healthcare providers, health plans, healthcare clearinghouses, and their business associates to implement administrative, physical, and technical safeguards to ensure the privacy and confidentiality of health information electronically stored, maintained, or transmitted. The HITECH Act and Omnibus Rule enhanced a federal requirement for notification when the security of protected health information is breached. In addition, there are state laws that have been adopted to provide for, among other things, private rights of action for breaches of data security and mandatory notification to persons whose identifiable information is obtained without authorization.

The requirements of the Transactions Standards apply to certain healthcare related transactions conducted using "electronic media." Since "electronic media" is defined broadly to include "transmissions that are physically moved from one location to another using portable data, magnetic tape, disk or compact disk media," many communications are considered to be electronically transmitted. Under HIPAA, health plans and providers are required to have the capacity to accept and send all covered transactions in a standardized electronic format. Penalties can be imposed for failure to comply with these requirements. The transaction standards were modified in October 2015 with the implementation of the ICD-10 coding system.

In addition, we process and maintain personal card data, particularly in connection with our Marketplace business. As a result, we must maintain compliance with the Payment Card Industry Data Security Standard, which is a multifaceted security standard intended to optimize the security of credit, debit, and cash card transactions and protect cardholders against misuse of their personal information.

Other Fraud, Waste and Abuse Laws

Investigating and prosecuting healthcare fraud, waste and abuse continues to be a top priority for state and federal law enforcement entities. The focus of these efforts has been directed at Medicare, Medicaid, Health Insurance Marketplace, and commercial products. The fraud, waste and abuse laws include the federal False Claims Act, which prohibits the known filing of a false claim or the known use of false statements to obtain payment from the federal government. Many states have false claim act statutes that closely resemble the federal False Claims Act. Additional fraud, waste and abuse prohibitions include a wide range of operating activities, such as kickbacks or other inducements for the referral of members or coverage of products (such as prescription drugs) by a plan, billing for unnecessary medical services by a provider, improper marketing and violation of patient privacy rights. The laws and regulations relating to fraud, waste and abuse and the requirements applicable to health plans, PDPs, and providers participating in these programs are complex and change regularly. Compliance with these laws may require substantial resources. We are constantly looking for ways to improve our fraud, waste and abuse detection methods. While we have both prospective and retrospective processes to identify abusive patterns and fraudulent billing, we continue to increase our capabilities to proactively detect inappropriate billing prior to payment.

HUMAN CAPITAL RESOURCES

As the pace of change, complexity, and uncertainty in the broader environment accelerates, we continue our strong investment in creating a purpose-driven culture. We intentionally attract, develop, and retain top talent who have diverse voices and experiences, passion, and vision well-positioned to help us transform the health of communities for those we serve. Our entrepreneurial and mission-driven workforce is anchored by a steadfast commitment to a diverse, equitable, inclusive, and safe workplace. Our employees are further enabled through robust talent development programs and supported by competitive compensation, benefits, and health and well-being programs. Finally, our workforce is emboldened by their alignment with our purpose, values, and strategy through meaningful connections between our employees and their communities.

As of December 31, 2022, we had approximately 74,300 full-time equivalent (FTE) employees.

In our most recent Shaping Centene Employee Engagement pulse survey, 88% of employees reported strong engagement. Based on their responses, we surpassed the 75th percentile of Fortune 100 benchmark companies (benchmark data from 2019-2021) in a number of areas, including but not limited to the Company's commitment to and people leaders' support of diversity, equity and inclusion in the workplace, and having a clear understanding of our mission and values, as measured in our annual DEI Index, People Leader Effectiveness, Culture, and Employee Engagement surveys.

Workforce Culture and Compensation and Benefits

We maintain the health and well-being of our employees as one of the main driving factors of business decisions. We offer benefits to our employees to help them achieve optimum work-life balance and meet their needs and the needs of their families.

Based on feedback from our employees, we have adopted a modern work environment, including remote and hybrid work arrangements utilized by the majority of our employees. We believe that work flexibility empowers our employees to do their best work in the way they work best. With a largely remote workforce, we are intentional in our efforts to foster a collaborative, inclusive, and engaging work environment. We create meaningful "moments that matter," including monthly forums for people leaders, weekly communications for all employees, virtual all-employee meetings, and employee programming to help amplify multiple perspectives and lived experiences.

Our compensation and benefits programs are market competitive and designed to attract and retain talent. Our overall compensation philosophy is to pay for performance by linking the achievement of both Company and individual goals to total compensation. In addition to base pay, these programs may include annual bonuses, stock awards, an employee stock purchase plan, and a 401(k) plan. Our benefits cover various aspects of an employee's life, including medical, dental, and vision insurance, short- and long-term disability, supplemental accidental death and dismemberment and life insurance, wellness programs, flexible spending accounts, parental leave, and caregiver leave. We recently updated our parental leave to six weeks of fully compensated time for caregivers with an additional eight weeks for mothers, providing up to 14 weeks of fully compensated maternity leave. We also offer vacation, paid personal and sick time, paid company holidays, an employee assistance program, tuition reimbursement/educational assistance, and adoption reimbursement. In addition, we offer paid community volunteer time to encourage our employees to participate in individual and work-related volunteer programs and support the communities in which we serve.

Diversity, Equity and Inclusion

We believe that a diverse workforce and an equitable, inclusive environment enable competitive advantage and fuel improved service, innovation, and performance with all stakeholders. Our talent advisors, in partnership with hiring leaders, work to nurture a pipeline that connects us to a diverse workforce. Each of our talent advisors receives training to become Certified Diversity Recruiters and participate in the Association of Talent Acquisition Professionals Diversity, Equity and Inclusion (DEI) Excellence Program.

We have a wide range of programs focused on early identification and accelerated development of diverse talent, including our Employee Inclusion Groups (EIGs), which are key drivers of our culture. These voluntary, employee-led groups provide professional and leadership opportunities for women, military veterans and their families, individuals with disabilities and caregivers of individuals with disabilities, LGBTQIA+, and multicultural employees. EIGs support the attraction, development, and retention of talent at all levels, contribute to community engagement initiatives, and support business innovation and corporate best practices. Today, there are over 15,000 employees participating in our EIGs.

Our DEI strategy extends beyond the workforce and emphasizes supplier diversity, community engagement, and stakeholder collaboration. As a company committed to advancing whole health in communities, we recognize that economic inclusion is vital to positive health outcomes. Accordingly, we invest and partner with organizations that share our mission and values, with a focus on small businesses that provide employment opportunities to our member population.

Our Diversity, Equity & Inclusion Annual Report, which includes detailed information regarding our Human Capital programs and initiatives, can be found within the Investors section of our website at <https://www.centene.com/who-we-are/corporate-facts-reports.html>. *Please note: Nothing on our website, including our Diversity, Equity and Inclusion Report or sections thereof, shall be deemed incorporated by reference into this Annual Report.*

Talent Development

Through our robust talent infrastructure, we continue working to deepen and prepare our diverse talent bench and workforce, which is instrumental to our Value Creation Plan and business strategy. We are committed to developing a workforce who can thrive in the evolving world of work, enabling our organization to further accelerate growth, inclusivity, and innovation. Through Centene University, we have designed learning and development at scale, using new digital tools, real-time virtual learnings, and customized leadership development programs, accessible to all employees, in a modern learning environment.

Additionally, a refreshed new leader development program, LEAD, was launched in 2022, to support newly promoted or hired people leaders. This 10-week program helps accelerate culture immersion and upskill leaders to lead in a modern era of hybrid work and continuous change. We also strategically identify talent to participate in leading external professional development programs designed for women and people of color.

In addition to building new workforce skills, we utilize our ongoing enterprise talent reviews, succession planning, career development planning, and comprehensive workforce analytics to provide insights to senior leaders to inform actions and drive intentional talent results through our People Plans, the integrated human capital component of our annual operating plans.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table sets forth information regarding our executive officers, including their ages, at February 17, 2023:

Name	Age	Position
Sarah M. London	42	Chief Executive Officer
Andrew L. Asher	54	Executive Vice President, Chief Financial Officer
Katie N. Casso	41	Senior Vice President, Corporate Controller and Chief Accounting Officer
Kenneth J. Fasola	63	President
Christopher A. Koster	58	Executive Vice President, Secretary and General Counsel
James E. Murray	69	Executive Vice President, Chief Operating Officer

Sarah M. London. Ms. London has served as our Chief Executive Officer since March 2022. From September 2021 to March 2022, she served as Vice Chairman. She served as President, Centene Health Care Enterprises and Executive Vice President, Advanced Technology from March 2021 to September 2021. From September 2020 to February 2021, she served as Senior Vice President, Technology Innovation and Modernization. Prior to joining Centene, she served as both Senior Principal and Partner for Optum Ventures from May 2018 to March 2020 and Chief Product Officer of Optum from March 2016 to May 2018.

Andrew L. Asher. Mr. Asher has served as our Executive Vice President, Chief Financial Officer since May 2021. From January 2020 to May 2021, he served as Executive Vice President, Specialty. Prior to joining Centene, he served as the Chief Financial Officer of WellCare from November 2014 to January 2020.

Katie N. Casso. Ms. Casso has served as our Senior Vice President, Corporate Controller and Chief Accounting Officer since April 2021. From January 2016 to March 2021, she served as Vice President, Assistant Controller.

Kenneth J. Fasola. Mr. Fasola has served as our President since December 2022. From January 2022 to December 2022, he served as Executive Vice President, Health Care Enterprises. Mr. Fasola joined Centene upon the acquisition of Magellan Health in January 2022, where he served as the Chief Executive Officer since November 2019. From April 2019 to November 2019, he served as Chief Growth Officer of Ancillary and Individual Health Services at United Healthcare. From October 2010 to April 2019, he served as Chairman, President and Chief Executive Officer of HealthMarkets, Inc.

Christopher A. Koster. Mr. Koster has served as our Executive Vice President, Secretary and General Counsel since December 2021. From February 2020 to December 2021, he served as Senior Vice President, Secretary and General Counsel. From February 2017 to February 2020, he served as Senior Vice President, Corporate Services. Prior to joining Centene, Mr. Koster served as Missouri Attorney General for eight years.

James E. Murray. Mr. Murray has served as our Executive Vice President, Chief Operating Officer since December 2022. From January 2022 to December 2022, he served as Executive Vice President, Chief Transformation Officer. Mr. Murray joined Centene upon the acquisition of Magellan Health in January 2022, where he had served as the President and Chief Operating Officer since January 2020. During 2019, he served as President of PrimeWest Health. From 2017 to 2019, he served as Chief Executive Officer of LifeCare Health Partners.

Available Information

We are subject to the reporting and information requirements of the Securities Exchange Act of 1934, as amended (Exchange Act) and, as a result, we file periodic reports and other information with the Securities and Exchange Commission, or SEC. We make these filings available on our website free of charge, the URL of which is <https://www.centene.com>, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains a website (<https://www.sec.gov>) that contains our annual, quarterly, and current reports and other information we file electronically with the SEC. Stockholders may obtain a copy of this Annual Report on Form 10-K, without charge, by writing: Investor Relations, Centene Corporation, 7700 Forsyth Boulevard, St. Louis, MO 63105. *Please note: Information on our website does not constitute part of this Annual Report on Form 10-K.*

Item 1A. Risk Factors.

You should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. You should also refer to the other information in this filing, including our consolidated financial statements and related notes. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect our Company.

Risks Relating to Our Business

Failure to accurately estimate and price our medical expenses or effectively manage our medical costs or related administrative costs could have a material adverse effect on our results of operations, financial condition, and cash flows.

Our profitability depends to a significant degree on our ability to estimate and effectively manage expenses related to health benefits through, among other things, our ability to contract favorably with hospitals, physicians, and other healthcare providers. For example, our government-sponsored health programs revenue is often based on bids submitted before the start of the initial contract year. If our actual medical expenses exceed our estimates, our health benefits ratio (HBR), or our expenses related to medical services as a percentage of premium revenues, would increase and our profits would decline. Because of the narrow margins of our health plan business, relatively small changes in our HBR can create significant changes in our financial results. Changes in healthcare regulations and practices, the level of utilization of healthcare services, out-of-network utilization and pricing, hospital and pharmaceutical costs, unexpected events, such as disasters, the effects of climate change, major epidemics, pandemics, or newly emergent diseases (such as COVID-19), new medical technologies, new pharmaceutical compounds, increases in provider fraud, and other external factors, including general economic conditions such as inflation and unemployment levels, are generally beyond our control and could reduce our ability to accurately predict and effectively control the costs of providing health benefits. Also, member behavior could continue to be influenced by the uncertainty surrounding the ACA, including potential further legal challenges to the ACA or potential changes in premium subsidies.

Our medical expenses include claims reported but not paid, estimates for claims incurred but not reported (IBNR), and estimates for the costs necessary to process unpaid claims at the end of each period. Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and payment information as well as inpatient acuity information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expenses in the period in which the changes are identified. Given the uncertainties inherent in such estimates, there can be no assurance that our medical claims liability estimate will be adequate, and any adjustments to the estimate may unfavorably impact our results of operations and may be material.

Additionally, when we commence operations in a new state or region or launch a new product, we have limited information with which to estimate our medical claims liability. For a period of time after the inception of the new business, we base our estimates on government-provided historical actuarial data and limited actual incurred and received claims and inpatient acuity information. The addition of new categories of eligible individuals, as well as evolving Health Insurance Marketplace plans, may pose difficulty in estimating our medical claims liability.

From time to time in the past, our actual results have varied from our estimates, particularly in times of significant changes in the number of our members. If it is determined that our estimates are significantly different than actual results, our results of operations and financial condition could be adversely affected. In addition, if there is a significant delay in our receipt of premiums, our business operations, cash flows, or earnings could be negatively impacted.

Our Medicare programs are subject to a variety of unique risks that could adversely impact our financial results.

If we fail to design and maintain programs that are attractive to Medicare participants; if our Medicare operations are subject to negative outcomes from program audits, sanctions, penalties or other actions; if we do not submit adequate bids in our existing markets or any expansion markets; if our existing contracts are modified or terminated; or if we fail to maintain or improve our quality Star ratings, our current Medicare business and our ability to expand our Medicare operations could be materially and adversely affected, negatively impacting our financial performance. For example, the achievement of Star ratings of 4-star or higher qualifies Medicare Advantage plans for premium bonuses. For rating year 2023, only 3% of our total December 31, 2022 Medicare Advantage membership is in a plan that received an overall rating of 4.0 stars or higher.

Despite our operational efforts to improve our Star ratings, there can be no assurances that we will be successful in improving our Star ratings in future years. Our quality bonus and rebates may continue to be negatively impacted and the attractiveness of our Medicare Advantage plans may be reduced if we are unable to improve these ratings.

There are also specific additional risks under Title XVIII, Part D of the Social Security Act associated with our provision of Medicare Part D prescription drug benefits as part of our Medicare Advantage plan offerings. These risks include potential uncollectibility of receivables, inadequacy of pricing assumptions, inability to receive and process information and increased pharmaceutical costs, as well as the underlying seasonality of this business, and extended settlement periods for claims submissions. Our failure to comply with Part D program requirements can result in financial and/or operational sanctions on our Part D products, as well as on our Medicare Advantage products that offer no prescription drug coverage.

Risk-adjustment payment systems make our revenue and results of operations more difficult to estimate and could result in retroactive adjustments that have a material adverse effect on our results of operations, financial condition, and cash flows.

Most of our government customers employ risk-adjustment models to determine the premium amount they pay for each member. This model pays more for members with predictably higher costs according to the health status of each beneficiary enrolled. Premium payments are generally established at fixed intervals according to the contract terms and then adjusted on a retroactive basis. We reassess the estimates of the risk adjustment settlements each reporting period and any resulting adjustments are made to premium revenue. In addition, revisions by our government customers to the risk-adjustment models have reduced and may continue to reduce our premium revenue.

As a result of the variability of certain factors that determine estimates for risk-adjusted premiums, including plan risk scores, the actual amount of retroactive payments could be materially more or less than our estimates. Consequently, our estimate of our plans' risk scores for any period, and any resulting change in our accrual of premium revenues related thereto, could have a material adverse effect on our results of operations, financial condition, and cash flows. The data provided to our government customers to determine the risk score are subject to audit by them even after the annual settlements occur. These audits may result in the refund of premiums to the government customer previously received by us, which could be significant and would reduce our premium revenue in the year that repayment is required.

Government customers have performed and continue to perform audits of selected plans to validate the provider coding practices under the risk adjustment model used to calculate the premium paid for each member. In 2023, CMS announced the removal of the fee-for-service adjuster from the risk adjustment data validation audit methodology beginning for audit year 2018, which could increase our audit error scores. We anticipate that CMS will continue to conduct audits of our Medicare contracts and contract years on an on-going basis. An audit may result in the refund of premiums to CMS. It is likely that a payment adjustment could occur as a result of these audits; and any such adjustment could have a material adverse effect on our results of operations, financial condition, and cash flows.

Any failure to adequately price products offered or any reduction in products offered for Medicare Advantage and in the Health Insurance Marketplace may have a material adverse effect on our results of operations, financial condition, and cash flows.

In the Health Insurance Marketplace, we may be adversely impacted by being selected by individuals who have higher acuity levels than those individuals who selected us in the past and healthy individuals may decide to opt out of the pool altogether. In addition, the risk adjustment provisions of the ACA established to apportion risk amongst insurers may not be effective in appropriately mitigating the financial risks related to the Health Insurance Marketplace product, are subject to a high degree of estimation and variability and are affected by our members' acuity relative to the membership acuity of other insurers. Further, changes in the competitive market for both Health Insurance Marketplace and the Medicare Advantage products over time, changes to member eligibility in the program design or changes in the financial incentives of individuals and competitors to participate in such products may make pricing difficult to predict. For example, competitors may introduce pricing, or broker incentives that we may not be able to match, which may adversely affect our ability to compete effectively. Competitors may also choose to exit the market altogether or otherwise suffer financial difficulty, which could adversely impact the pool of potential insured, or require us to increase premium rates. Any significant variation from our expectations regarding acuity, enrollment levels, adverse selection, out-of-network costs, or other assumptions utilized in setting adequate premium rates could have a material adverse effect on our results of operations, financial condition, and cash flows for both our Health Insurance Marketplace and Medicare Advantage products.

We derive a portion of our cash flow and gross margin from our PDP operations, for which we submit annual bids for participation. The results of our bids could have a material adverse effect on our results of operations, financial condition, and cash flows.

A significant portion of our PDP membership is obtained from the auto-assignment of beneficiaries in CMS-designated regions where our PDP premium bids are below benchmarks of other plans' bids. In general, our premium bids are based on assumptions regarding PDP membership, utilization, drug costs, drug rebates, and other factors for each region. Our 2023 PDP bids resulted in 34 of the 34 CMS regions in which we were below the benchmarks, consistent with our 2022 PDP bids.

If our future Part D premium bids are not below the CMS benchmarks, we risk losing PDP members who were previously assigned to us and we may not have additional PDP members auto-assigned to us, which could materially reduce our revenue and profits.

Our encounter data may be inaccurate or incomplete, which could have a material adverse effect on our results of operations, financial condition, and cash flows and ability to bid for, and continue to participate in, certain programs.

Our contracts require the submission of complete and correct encounter data. The accurate and timely reporting of encounter data is increasingly important to the success of our programs because more states are using encounter data to determine compliance with performance standards and to set premium rates. We have expended and may continue to expend additional effort and incur significant additional costs to collect or correct inaccurate or incomplete encounter data and have been and continue to be, exposed to operating sanctions and financial fines and penalties for noncompliance. In some instances, our government clients have established retroactive requirements for the encounter data we must submit. There also may be periods of time in which we are unable to meet existing requirements. In either case, it may be prohibitively expensive or impossible for us to collect or reconstruct this historical data.

We may experience challenges in obtaining complete and accurate encounter data, due to difficulties with providers and third-party vendors submitting claims in a timely fashion in the proper format, and with state agencies in coordinating such submissions. As states increase their reliance on encounter data, these difficulties could adversely affect the premium rates we receive and how membership is assigned to us and subject us to financial penalties, which could have a material adverse effect on our results of operations, financial condition, cash flows and our ability to bid for, and continue to participate in, certain programs.

If we are not successful in procuring new government contracts or renewing existing government contracts, or if we receive an adverse finding or review resulting from an audit or investigation, our business may be adversely affected.

A substantial portion of our business relates to the provision of managed care programs and selected services to individuals receiving benefits under governmental assistance or entitlement programs. We provide these and other healthcare services under contracts with government entities in the areas in which we operate. Our government contracts are generally intended to run for a fixed number of years and may be extended for an additional specified number of years if the contracting entity or its agent elects to do so. Initial bids for these contracts and initial implementation of these contracts can have substantial start up costs, and may ultimately be unsuccessful. For example, in order to obtain a certificate of authority in most jurisdictions, we must first establish a provider network, have systems in place, and demonstrate our ability to administer a state contract and process claims. Once a new contract is awarded, we may experience delays in operational start dates. As a result of these factors, start-up operations may decrease our profitability, or we may not grow as quickly as we anticipated.

When our contracts with government entities expire, they may be opened for bidding by competing healthcare providers, and there is no guarantee that our contracts will be renewed or extended. Competitors may buy their way into the market by submitting bids with lower pricing. Even if our responsive bids are successful, the bids may be based upon assumptions or other factors which could result in the contracts being less profitable than we had anticipated. Further, our government contracts contain certain provisions regarding eligibility, enrollment and dis-enrollment processes for covered services, eligible providers, periodic financial and informational reporting, quality assurance, timeliness of claims payment, compliance with contract terms and law, and agreement to maintain a Medicare plan in the state and financial standards, among other things, and are subject to cancellation if we fail to perform in accordance with the standards set by regulatory agencies. For example, our subsidiary, Health Net of California, was selected by the California Department of Health Care Services (DHCS) for direct Medicaid contracts in 10 counties, including Los Angeles (in which a portion will be subcontracted). The contracts are anticipated to begin in January 2024.

We are also subject to various reviews, audits, and investigations, as well as self-reporting requirements, to verify our compliance with the terms of our contracts with various governmental agencies, as well as compliance with applicable laws and regulations. Any non-compliance with our government contracts, adverse review, audit, or investigation, could result in, among other things: cancellation of our contracts; refunding of amounts we have been paid pursuant to our contracts; imposition of fines, penalties, and other sanctions on us; loss of our right to participate in various programs; increased difficulty in selling our products and services; loss of one or more of our licenses; lowered quality Star ratings; harm to our reputation; or required changes to the way we do business. For example, several states have made claims related to services previously provided by Envoke, which historically provided PBM and specialty pharmacy services, including among other things, (i) seeking payment for services already reimbursed, (ii) not accurately disclosing to the true cost of the PBM services and (iii) inflating dispensing fees for prescription drugs. For additional information, see Note 18. Contingencies to the consolidated financial statements included in Part II of this Annual Report on Form 10-K. Additional claims, reviews, or investigations may still be brought by other states, the federal government, or shareholder litigants, and there is no guarantee we will have the ability to settle such claims with other states within the reserve estimate we have recorded and on other acceptable terms, or at all. In addition, under government procurement regulations and practices, a negative determination resulting from a government audit of our business practices could result in a contractor being fined, debarred, and/or suspended from being able to bid on, or be awarded, new government contracts for a period of time.

If any of our government contracts are terminated, not renewed, renewed on less favorable terms, or not renewed on a timely basis, or if we receive an adverse finding or review resulting from an audit or investigation, our business and reputation may be adversely impacted, our goodwill could be impaired and our financial condition, results of operations, or cash flows may be materially affected.

We contract with independent third-party vendors and service providers who provide services to us and our subsidiaries or to whom we delegate selected functions. Violations of, or noncompliance with, laws and regulations governing our business by such third parties, or governing our dealings with such parties, could, among other things, subject us to additional audits, reviews, investigations, self-reporting requirements, and other adverse effects.

Our business could be materially adversely affected by the effects of widespread public health pandemics, such as COVID-19.

Public health pandemics or widespread outbreaks of contagious diseases, such as COVID-19, could materially adversely impact our business. Our business has been affected by the spread of COVID-19, and the extent to which COVID-19 continues to impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Factors that may determine the severity of the impact include the duration and scale of the outbreak, new information which may emerge concerning the severity of COVID-19 (including new strains or variants, which may be more contagious, more severe or less responsive to treatment or vaccines), the costs of prevention and treatment of COVID-19 and the potential that we will not receive government reimbursement of additional expenses incurred by our members who contract or require testing for COVID-19 or who experience other health impacts as a result of the pandemic, employee retention, mobility, productivity and utilization of leave and other benefits, financial and other impacts on the healthcare provider community, disruptions or delays in the supply chain for testing and treatment supplies, protective equipment and other products and services, and the actions to contain COVID-19 or address its impact (including laws, regulations and emergency orders, such as stay at home orders, physical distancing requirements, forced business closures and vaccine requirements or mandates and directives related to the timing and scope of vaccine distribution), among other factors. In addition, increased utilization patterns (including deferred demand) have had, and may continue to have, an impact on our business as members' pattern of seeking healthcare fluctuates. Additionally, the spread of COVID-19 has previously caused disruption and volatility in the global capital markets, and future disruptions could adversely impact our access to capital. Finally, the impact of the above items on our government partners could result in program changes or delays or reduced capitation payments to us. We cannot at this time predict the ultimate impact of the COVID-19 pandemic, but it could have a material adverse effect on our business, including our financial condition, results of operations and cash flows.

Ineffectiveness of state-operated systems and subcontractors could adversely affect our business.

A number of our health plans rely on other state-operated systems or subcontractors to qualify, solicit, educate, and assign eligible members into managed care plans. The effectiveness of these state operations and subcontractors can have a material effect on a health plan's enrollment in a particular month or over an extended period. When a state implements either new programs to determine eligibility or new processes to assign or enroll eligible members into health plans, or when it chooses new subcontractors, or has not adequately maintained systems, there is an increased potential for an unanticipated impact on the overall number of members assigned to managed care plans.

Execution of our value creation strategy may create disruptions in our business.

Our value creation strategy requires the successful execution of operational initiatives and change management, which may not occur. These initiatives include contracting with new third-party vendors and are subject to a variety of risks including, without limitation: significant initial investment with the anticipated financial or quality benefits not being realized or not at the levels or on the timing anticipated; delays or challenges in execution; diversion of management's time and attention; our inability to effectively manage significant organizational change negatively impacting our corporate culture; inability of third parties to successfully comply with the terms, transition deadlines, and service levels stated forth in the contracts, and unexpected costs in the completion of initiatives, including as a result of unexpected factors or events.

If we are unable to effectively execute our value creation strategy, our future growth may suffer, and our results of operations could be harmed.

If state regulators do not approve payments of dividends and distributions by our subsidiaries to us, we may not have sufficient funds to implement our business strategy.

We principally operate through our health plan subsidiaries. As part of normal operations, we may make requests for dividends and distributions from our subsidiaries to fund our operations. In addition to state corporate law limitations, these subsidiaries are subject to more stringent state insurance and HMO laws and regulations that limit the amount of dividends and distributions that can be paid to us without prior approval of, or notification to, state regulators. If these regulators were to deny or delay our subsidiaries' requests to pay dividends, the funds available to us would be limited, which could harm our ability to implement our business strategy.

We derive a significant portion of our premium revenues from operations in a number of states, and our results of operations, financial condition, or cash flows could be materially affected by a decrease in premium revenues or profitability in any one of those states.

Operations in a number of states have accounted for a significant portion of our premium revenues to date. If we were unable to continue to operate in any of those states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenues and profitability to change suddenly and unexpectedly depending on legislative or other governmental or regulatory actions and decisions, economic conditions, and similar factors in those states. Government entities in states we currently serve may open the bidding for their Medicaid or other healthcare programs to other health insurers through a request for proposal process. For example, our subsidiary, Health Net of California, was selected by the California DHCS for direct Medicaid contracts in 10 counties, including Los Angeles (in which a portion will be subcontracted). The contracts are anticipated to begin in January 2024. Reductions in our service area or services provided in any of the states in which we operate could harm our business.

Competition may limit our ability to increase penetration of the markets that we serve.

We compete for members principally on the basis of size and quality of provider networks, the design and cost of benefits provided, and quality of service. We compete with numerous types of competitors, including other health plans and traditional state Medicaid programs that reimburse providers as care is provided, as well as technology companies, new joint ventures, financial services firms, consulting firms, and other non-traditional competitors. In addition, the administration of the ACA has the potential to shift the competitive landscape in our segment.

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

If we are unable to maintain relationships with our provider networks, our profitability may be harmed.

Our profitability depends, in large part, upon our ability to contract at competitive prices with hospitals, physicians, and other healthcare providers. Our provider arrangements with our primary care physicians, specialists, and hospitals generally may be canceled by either party without cause upon 90 to 120 days prior written notice. We cannot provide any assurance that we will be able to continue to renew our existing contracts or enter into new contracts on a timely basis or under favorable terms enabling us to service our members profitably. Healthcare providers with whom we contract may not properly manage the costs of, and access to services, be able to provide effective telehealth services, maintain financial solvency, or avoid disputes with other providers. Any of these events could have a material adverse effect on the provision of services to our members and our operations.

In any particular market, physicians and other healthcare providers could refuse to contract, demand higher payments, or take other actions that could result in higher medical costs or difficulty in meeting regulatory or accreditation requirements, among other things. In some markets, certain healthcare providers, particularly hospitals, physician/hospital organizations, or multi-specialty physician groups, may have significant market positions or near monopolies that could result in diminished bargaining power on our part. In addition, accountable care organizations, practice management companies, which aggregate physician practices for administrative efficiency and marketing leverage, and other organizational structures that physicians, hospitals, and other healthcare providers choose may change the way in which these providers interact with us and may change the competitive landscape. Such organizations or groups of healthcare providers may compete directly with us, which could adversely affect our operations, and our results of operations, financial condition, and cash flows by impacting our relationships with these providers or affecting the way that we price our products and estimate our costs, which might require us to incur costs to change our operations. Provider networks may consolidate or be acquired by our direct competitors, resulting in a reduction in the competitive environment. In addition, if these providers refuse to contract with us, use their market position to negotiate contracts unfavorable to us, or place us at a competitive disadvantage, our ability to market products or to be profitable in those areas could be materially and adversely affected.

From time to time, healthcare providers assert or threaten to assert claims seeking to terminate non-cancelable agreements due to alleged actions or inactions by us. If we are unable to retain our current provider contract terms or enter into new provider contracts timely or on favorable terms, our profitability may be harmed. In addition, from time to time, we may be subject to class action or other lawsuits by healthcare providers with respect to claim payment procedures or similar matters. For example, our wholly owned subsidiary, Health Net Life Insurance Company (HNL), is and may continue to be subject to such disputes with respect to HNL's payment levels in connection with the processing of out-of-network provider reimbursement claims for the provision of certain substance abuse related services. HNL expects to vigorously defend its claims payment practices. Nevertheless, in the event HNL receives an adverse finding in any related legal proceeding or from a regulator or is otherwise required to reimburse providers for these claims at rates that are higher than expected or for claims HNL otherwise believes are unallowable, our financial condition and results of operations may be materially adversely affected. In addition, regardless of whether any such lawsuits brought against us are successful or have merit, they will still be time-consuming and costly and could distract our management's attention. As a result, under such circumstances, we may incur significant expenses and may be unable to operate our business effectively.

If we or our third-party vendors are unable to integrate and manage information systems effectively, our operations could be disrupted.

Our operations and our value creation strategy depend significantly on effective information systems. The information gathered and processed by information systems assists us in, among other things, monitoring utilization and other cost factors, processing provider claims, and providing data to our regulators. Our healthcare providers also depend upon our information systems for membership verifications, claims status, and other information. Our information systems and applications require continual maintenance, upgrading, and enhancement to meet our operational needs and regulatory requirements. We regularly upgrade and expand our information systems' capabilities. If we or our third-party vendors experience difficulties with the transition to or from information systems or do not appropriately integrate, maintain, enhance, or expand information systems, we could suffer, among other things, operational disruptions, loss of existing members and providers, and difficulty in attracting new members and providers, complaints, regulatory problems and increases in administrative expenses. In addition, our or our third-party vendors' ability to integrate and manage information systems may be impaired as the result of events outside our control, including acts of nature, such as earthquakes or fires, or acts of terrorists, which may include cyber-attacks by terrorists or other governmental or non-governmental actors. In addition, we may from time to time obtain significant portions of our systems-related or other services or facilities from independent third parties, which may make our operations vulnerable if such third parties fail to perform adequately.

A failure in or breach of our operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber-attacks, could have a material adverse effect on our business.

Information security risks have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct our operations, and the increased sophistication and activities of organized crime, hackers, terrorists, and other external parties, including foreign state agents. Our operations rely on the secure processing, transmission, and storage of confidential, proprietary, and other information in our computer systems and networks as well as those of third parties with which we do business.

Security breaches may arise from external or internal threats. External breaches include hacking personal information for financial gain, attempting to cause harm or interruption to our operations, or intending to obtain competitive information. We experience attempted external hacking or malicious attacks on a regular basis. We maintain a rigorous system of prevention and detection controls through our security programs; however, our prevention and detection controls may not prevent or identify all such attacks on a timely basis, or at all. Internal breaches may result from inappropriate security access to confidential information by rogue employees, consultants, or third-party service providers. Any security breach involving the misappropriation, loss, or other unauthorized disclosure or use of confidential member information, financial data, competitively sensitive information, or other proprietary data, whether by us or a third party, could have a material adverse effect on our business reputation, financial condition, cash flows, or results of operations.

We may be unable to attract, retain or effectively manage the succession of key personnel.

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. We may be adversely impacted if we are unable to adequately plan for the succession of our executives and senior management. While we have succession plans in place for members of our executive and senior management team, these plans do not guarantee that the services of our executive and senior management team will continue to be available to us. Our ability to replace any departed members of our executive and senior management team or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in the Managed Care and Specialty Services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain, or motivate these personnel. Further, the increased availability of hybrid or remote working arrangements has expanded the pool of companies that can compete for our employees and employment candidates. Our recently adopted modern work environment, including remote and hybrid work arrangements which is utilized by the majority of our employees, may present operational, cybersecurity and workplace culture challenges. If we are unable to attract, retain and effectively manage the succession plans for key personnel, executives, and senior management, our business and financial condition, results of operations or cash flows could be harmed.

An impairment charge with respect to our real estate portfolio, recorded goodwill, and intangible assets could have a material impact on our results of operations.

Changes in business strategy, divestitures, government regulations, or economic or market conditions and non-renewal of government contracts have resulted and may result in impairments of our real estate portfolio, goodwill, and other intangible assets at any time in the future. In connection with our real estate optimization initiative, divestitures and the DoD's December 2022 announcement to not award Health Net Federal Services a TRICARE Managed Care Support Contract, we have recorded a total of \$2.3 billion in impairment charges during the year ended December 31, 2022. We anticipate additional future charges of approximately \$60 million related to real estate optimization. For additional information, see Note 7. *Goodwill and Intangible Assets* to the consolidated financial statements included in Part II of this Annual Report on Form 10-K. We may have additional impairment charges in connection with our periodic evaluation of our goodwill and intangible assets. Our judgments regarding the existence of impairment indicators are based on, among other things, legal factors, contract terms, market conditions, and operational performance. If an event or events occur that would cause us to revise our estimates and assumptions used in analyzing the value of our goodwill and other intangible assets, such revision could result in a non-cash impairment charge that could have a material impact on our results of operations in the period in which the impairment occurs.

Risks Relating to Regulatory and Legal Matters

Reductions in funding, changes to eligibility requirements for government-sponsored healthcare programs in which we participate, and any inability on our part to effectively adapt to changes to these programs could have a material adverse effect on our results of operations, financial condition, and cash flows.

The majority of our revenues come from government subsidized healthcare programs including Medicaid, Medicare, TRICARE, CHIP, LTSS, ABD, Foster Care, and Health Insurance Marketplace premiums. Changes in these programs could change the number of persons enrolled in or eligible for these programs and increase our administrative and healthcare costs under these programs. For example, we currently expect Medicaid eligibility redeterminations, which have been suspended as a result of COVID-19, to begin on April 1, 2023, which we expect to significantly reduce our membership in our Medicaid programs. We may not be able to offset the loss of this membership by increased enrollment in our Health Insurance Marketplace products. Maintaining current eligibility levels could cause states to reduce reimbursement or reduce benefits in order for states to afford to maintain eligibility levels. If any state in which we operate were to decrease premiums paid to us or pay us less than the amount necessary to keep pace with our cost trends, it could have a material adverse effect on our results of operations, financial condition, and cash flows.

Under most of these programs, the base premium rate paid for each program differs, depending on a combination of factors such as defined upper payment limits, a member's health status, age, gender, county or region, and benefit mix. Since Medicaid was created in 1965, the federal government and the states have shared the costs for this program, with the federal share currently averaging approximately 60%. We are therefore exposed to risks associated with federal and state government contracting or participating in programs involving a government payor, including but not limited to the general ability of the federal and/or state governments to terminate or modify contracts with them, in whole or in part, without prior notice, for convenience or for default based on performance; potential regulatory or legislative action that may materially modify amounts owed; our dependence upon Congressional or legislative appropriation and allotment of funds and the impact that delays in government payments could have on our operating cash flow and liquidity; and other regulatory, legislative or judicial actions that may have an impact on the operations of government subsidized healthcare programs including ongoing litigation involving the ACA. For example, future levels of funding and premium rates may be affected by continuing government efforts to contain healthcare costs and may further be affected by state and federal budgetary constraints. Governments periodically consider reducing or reallocating the amount of money they spend for Medicaid, Medicare, TRICARE, CHIP, LTSS, ABD, and Foster Care. Furthermore, Medicare remains subject to the automatic spending reductions imposed by the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012 (sequestration), subject to a 2% cap, which was extended by the Bipartisan Budget Act of 2019 through 2029. The Coronavirus Aid, Relief, and Economic Security Act of 2020 temporarily suspended the Medicare sequestration for the period of May 1, 2020 through December 31, 2020, while also extending the mandatory sequestration policy by an additional one year, through 2030. The Bipartisan-Bicameral Omnibus COVID Relief Deal passed in December 2020 further extended the suspension of the Medicare sequestration until March 31, 2021, and the Protecting Medicare and American Farmers from Sequester Cuts Act passed in December 2021 extended the sequester through March 31, 2022 and adjusted the sequester to 1% for the period between April 1, 2022 and June 30, 2022.

In addition, reductions in defense spending could have an adverse impact on certain government programs in which we currently participate by, among other things, terminating or materially changing such programs, or by decreasing or delaying payments made under such programs. Adverse economic conditions may put pressures on state budgets as tax and other state revenues decrease while the population that is eligible to participate in these programs remains steady or increases, creating more need for funding. We anticipate this will require government agencies to find funding alternatives, which may result in reductions in funding for programs, contraction of covered benefits, and limited or no premium rate increases or premium rate decreases. A reduction (or less than expected increase), a protracted delay, or a change in allocation methodology in government funding for these programs, as well as termination of one or more contracts for the convenience of the government, may materially and adversely affect our results of operations, financial condition, and cash flows.

As has been widely reported, the United States Treasury Secretary has stated that the federal government may not be able to meet its debt payments in the relatively near future unless the federal debt ceiling is raised. If legislation increasing the debt ceiling is not enacted and the debt ceiling is reached, the federal government may stop or delay making payments on its obligations, or if another federal government shutdown were to occur for a prolonged period of time, federal government payment obligations, including its obligations under Medicaid, Medicare, TRICARE, CHIP, LTSS, ABD, Foster Care, and the Health Insurance Marketplace, may be delayed. Similarly, if state government shutdowns were to occur, state payment obligations may be delayed. If the federal or state governments fail to make payments under these programs on a timely basis, our business could suffer, and our financial condition, results of operations, or cash flows may be materially affected.

Payments from government payors may be delayed in the future, which, if extended for any significant period of time, could have a material adverse effect on our results of operations, financial condition, cash flows or liquidity. In addition, delays in obtaining, or failure to obtain or maintain, governmental approvals, or moratoria imposed by regulatory authorities, could adversely affect our revenues or membership, increase costs or adversely affect our ability to bring new products to market as forecasted. Other changes to our government programs could affect our willingness or ability to participate in any of these programs or otherwise have a material adverse effect on our business, financial condition, or results of operations.

Significant changes or judicial challenges to the ACA could materially and adversely affect our results of operations, financial condition, and cash flows.

The enactment of the ACA in March 2010 transformed the U.S. healthcare delivery system through a series of complex initiatives; however, the ACA has faced, and continues to face, administrative, judicial and legislative challenges to repeal or change certain of its significant provisions. Changes to portions or the entirety of the ACA, as well as judicial interpretations in response to constitutional and other legal challenges, as well as the uncertainty generated by such actual or potential challenges, could materially and adversely affect our business and financial condition, results of operations or cash flows. The ultimate content, timing, or effect of any potential future legislation or litigation and the outcome of other lawsuits cannot be predicted.

Among the most significant of the ACA's provisions was the establishment of the Health Insurance Marketplace for individuals and small employers to purchase health insurance coverage that included a minimum level of benefits and restrictions on coverage limitations and premium rates, as well as the expansion of Medicaid coverage to all individuals under age 65 with incomes up to 138% of the federal poverty level beginning January 1, 2014, subject to each state's election. The HHS additionally indicated that it would consider a limited number of premium assistance demonstration proposals from states that want to privatize Medicaid expansion. Several states in which we operate have obtained Section 1115 waivers to implement the ACA's Medicaid expansion in ways that extend beyond the flexibility provided by the federal law, with additional states pursuing Section 1115 waivers regarding eligibility criteria, benefits, and cost-sharing, and provider payments across their Medicaid programs. Litigation challenging Section 1115 waiver activity for both new and previously approved waivers is expected to continue both through administrative actions and the courts.

There have been significant efforts from the previous administration to repeal or amend certain provisions of the ACA through changes in regulations. Such initiatives included repeal of the individual mandate effective in 2019, as well as easing the regulatory restrictions placed on short-term health plans and association health plans (AHPs), which plans often provide fewer benefits than the traditional ACA insurance benefits.

Additionally, the U.S. Department of Labor issued a final rule on June 19, 2018, which expanded flexibility regarding the regulation and formation of AHPs provided by small employer groups and associations. On June 13, 2019, the HHS, the U.S. Department of Labor, and the U.S. Treasury issued a final rule allowing employers of all sizes that do not offer a group coverage plan to fund a new kind of health reimbursement arrangement (HRA), known as an individual coverage HRA (ICHRA). Beginning January 1, 2020, employees became able to use employer-funded ICHRAs to buy individual-market insurance, including insurance purchased on the public exchanges formed under the ACA.

It remains uncertain whether or when the current administration will propose changes to restrict these insurance plan options that are not required to meet ACA requirements, and what the impact of such potential changes may be.

The constitutionality of the ACA itself continues to face judicial challenge. The ultimate content, timing or effect of any potential future legislation or litigation and the outcome of other lawsuits cannot be predicted and may be delayed as a result of court closures and reduced court dockets as a result of the COVID-19 pandemic.

In contrast to previous executive and legislative efforts to restrict or limit certain provisions of the ACA, the American Rescue Act, enacted on March 11, 2021, contained provisions aimed at leveraging Medicaid and the Health Insurance Marketplace to expand health insurance coverage and affordability to consumers. The American Rescue Act authorized an additional \$1.9 trillion in federal spending to address the COVID-19 public health emergency (PHE), and contained several provisions designed to increase coverage of certain healthcare services, expand eligibility and benefits, incentivize state Medicaid expansion, and adjust federal financing for state Medicaid programs, the ultimate impact of which remain uncertain. The American Rescue Act enhanced eligibility for the advance premium tax credit for certain enrollees in the Health Insurance Marketplace. The Inflation Reduction Act, enacted on August 16, 2022, extended the enhanced eligibility for the advance premium tax credit for Marketplace members through the 2025 tax year.

These changes and other potential changes involving the functioning of the Health Insurance Marketplace as a result of additional new legislation, regulation, executive action, or litigation, including those related to extending enrollment periods, increasing eligibility in the program design, changing the eligibility and amount of the advanced premium tax credit and expanding navigator services, could impact our business and results of operations adversely or in other ways that we do not currently anticipate.

Our business activities are highly regulated and new laws or regulations or changes in existing laws or regulations or their enforcement or application could force us to change how we operate and could harm our business.

Our business is extensively regulated by the states in which we operate and by the federal government. In addition, the managed care industry has received negative publicity that has led to increased legislation, regulation, review of industry practices, and private litigation in the commercial sector. Such negative publicity may adversely affect our stock price and damage our reputation in various markets.

In each of the jurisdictions in which we operate, we are regulated by the relevant insurance, health, and/or human services or government departments that oversee the activities of MCOs providing or arranging to provide services to Medicaid, Medicare, Health Insurance Marketplace enrollees, or other beneficiaries. For example, our health plan subsidiaries, as well as our applicable specialty companies, must comply with minimum statutory capital and other financial solvency requirements, such as deposit and surplus requirements.

The frequent enactment of, changes to, or interpretations of laws and regulations could, among other things: force us to restructure our relationships with providers within our network; require us to implement additional or different programs and systems; restrict revenue and enrollment growth; increase our healthcare and administrative costs; impose additional capital and surplus requirements; and increase or change our liability to members in the event of malpractice by our contracted providers. In addition, changes in political party, or administrations at the state or federal level in the United States or internationally may change the attitude towards healthcare programs and result in changes to the existing legislative or regulatory environment.

Additionally, the taxes and fees paid to federal, state, local, and international governments may increase due to several factors, including: enactment of, changes to, or interpretations of tax laws and regulations, audits by governmental authorities, geographic expansions into higher taxing jurisdictions and the effect of expansions into international markets.

We are often required to maintain a minimum HBR or share profits in excess of certain levels, which may be retroactive. In certain circumstances, our plans have returned premiums back to the states, enrollees, or other beneficiaries in the event profits exceed established levels or HBR does not meet the minimum requirement. The amount of premium returned may include transparent pharmacy pricing and rebate initiatives. Other states may require us to meet certain performance and quality metrics in order to maintain our contract or receive additional or full contractual revenue.

The governmental healthcare programs in which we participate are subject to the satisfaction of certain regulations and performance standards. Regulators require numerous steps for continued implementation of the ACA, including the promulgation of a substantial number of potentially more onerous federal regulations. If we fail to effectively implement or appropriately adjust our operational and strategic initiatives with respect to the implementation of healthcare reform, or do not do so as effectively as our competitors, our results of operations may be materially adversely affected. For example, under the ACA, Congress authorized CMS and the states to implement managed care demonstration programs to serve dually eligible beneficiaries to improve the coordination of their care. Participation in these demonstration programs is subject to CMS approval and the satisfaction of conditions to participation, including meeting certain performance requirements. Our inability to improve or maintain adequate quality scores and Star ratings to meet government performance requirements or to match the performance of our competitors could result in limitations to our participation in or exclusion from these or other government programs. Specifically, several of our Medicaid contracts require us to maintain a Medicare health plan.

In April 2016, CMS issued final regulations that revised existing Medicaid managed care rules by establishing a minimum medical loss ratio standard for Medicaid of 85% and strengthening provisions related to network adequacy and access to care, enrollment and disenrollment protections, beneficiary support information, continued service during beneficiary appeals, and delivery system and payment reform initiatives, among others. On November 13, 2020, CMS finalized revisions to the Medicaid managed care regulations, many of which became effective in December 2020. While not a wholesale revision of the 2016 regulations, the November 2020 final rule adopted changes in areas including network adequacy, beneficiary protections, quality oversight, and the establishment of capitation rates and payment policies. Although we strive to comply with all existing regulations and to meet performance standards applicable to our business, failure to meet these requirements could result in financial fines and penalties. Also, states or other governmental entities may carve out certain services and benefits from the government programs in which we participate, or they may not allow us to continue to participate in their government programs, or we may fail to win procurements to participate in such programs, either of which could materially and adversely affect our results of operations, financial condition, and cash flows.

In addition, as a result of the expansion of our businesses and operations conducted in foreign countries, we face political, economic, legal, compliance, regulatory, operational, and other risks and exposures that are unique and vary by jurisdiction. These foreign regulatory requirements with respect to, among other items, environmental, tax, licensing, intellectual property, privacy, data protection, investment, capital, management control, labor relations, and fraud and corruption regulations are different than those faced by our domestic businesses. In addition, we are subject to U.S. laws that regulate the conduct and activities of U.S.-based businesses operating abroad, such as the FCPA. Any failure to comply with laws and regulations governing our conduct outside the United States or to successfully navigate international regulatory regimes that apply to us could adversely affect our ability to market our products and services, which may have a material adverse effect on our business, financial condition, and results of operations.

Our pharmacy services face regulatory and other risks and uncertainties which could materially and adversely affect our results of operations, financial condition, and cash flows.

Our Centene Pharmacy Services (formerly Envolve Pharmacy Solutions) product historically provided PBM services and continues to provide pharmacy benefits administration and specialty pharmacy services. We have transitioned substantially all of our PBM business to a third party as of January 1, 2023. These businesses are subject to federal and state laws and regulations that, among other requirements, govern the relationships of the business with pharmaceutical manufacturers, physicians, pharmacies, customers, and consumers. For example, several states have made claims related to services provided by Envolve including among other things, (i) seeking payment for services already reimbursed, (ii) not accurately disclosing the true cost of the PBM services, and (iii) inflating dispensing fees for prescription drugs. For additional information, see Note 18. *Contingencies* to the consolidated financial statements included in Part II of this Annual Report on Form 10-K. Additional claims, reviews, or investigations may still be brought by other states, the federal government, or shareholder litigants.

We also conduct business as a mail order pharmacy and specialty pharmacy, which subjects these businesses to extensive federal, state, and local laws and regulations. In addition, federal and state legislatures and regulators regularly consider new regulations for the industry that could materially and adversely affect current industry practices, including the receipt or disclosure of rebates from pharmaceutical companies, the development and use of formularies, and the use of average wholesale prices.

Our specialty pharmacy businesses would be materially and adversely affected by an inability to contract on favorable terms with pharmaceutical manufacturers and other suppliers, including with respect to the structuring of rebates and pricing of new specialty and generic drugs. In addition, our specialty pharmacy businesses could face potential claims in connection with purported errors by our mail order or specialty pharmacies, including in connection with the risks inherent in the authorization, compounding, packaging, and distribution of pharmaceuticals and other healthcare products. Disruptions at any of our mail order or specialty pharmacies due to an event that is beyond our control could affect our ability to process and dispense prescriptions in a timely manner and could materially and adversely affect our results of operations, financial condition, and cash flows.

We have been and may from time to time become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management and could adversely affect our business.

From time to time, we are a defendant in lawsuits and regulatory actions and are subject to investigations relating to our business, including, without limitation, medical malpractice claims, claims by members alleging failure to pay for or provide healthcare, claims related to non-payment or insufficient payments for out-of-network services, claims related to network adequacy, claims alleging bad faith, investigations regarding our submission of risk adjuster claims, putative securities class actions, protests and appeals related to Medicaid procurement awards, cybersecurity issues, including those related to our or our third-party vendors' information systems; employment-related disputes, including wage and hour claims, submissions to state agencies related to payments or state false claims acts and claims related to the imposition of new taxes, including but not limited to claims that may have retroactive application. For example, several states have made claims related to services previously provided by Envolve, which historically provided PBM and specialty pharmacy services, including among other things, (i) seeking payment for services already reimbursed, (ii) not accurately disclosing the true cost of the PBM services and (iii) inflating dispensing fees for prescription drugs. For additional information, see Note 18. *Contingencies* to the consolidated financial statements included in Part II of this Annual Report on Form 10-K. Additional claims, reviews, or investigations may be brought by other states, the federal government, or shareholder litigants, and there is no guarantee we will have the ability to settle such claims with other states within the reserve estimate we have recorded, on other acceptable terms, or at all. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are costly and time-consuming and require significant attention from our management, and could therefore have a material adverse effect on our business and financial condition, results of operations, or cash flows.

If we fail to comply with applicable privacy, security, and data laws, regulations, and standards, including with respect to third-party service providers that utilize sensitive personal information on our behalf, our business, reputation, results of operations, financial condition, and cash flows could be materially and adversely affected.

As part of our normal operations, we collect, process, and retain confidential member information. We are subject to various federal, state, and international laws, regulations, rules, and contractual requirements regarding the use and disclosure of confidential member information, including the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the HITECH Act of 2009, the Gramm-Leach-Bliley Act, and the General Data Protection Regulation, which require us to protect the privacy of medical records and safeguard personal health information we maintain and use. Certain of our businesses are also subject to the Payment Card Industry Data Security Standard, which is a multifaceted security standard that is designed to protect credit card account data as mandated by payment card industry entities. Despite our best attempts to maintain adherence to information privacy and security best practices, as well as compliance with applicable laws, rules, and contractual requirements, our facilities and systems, and those of our third-party service providers may be vulnerable to privacy or security breaches, acts of vandalism or theft, malware or other forms of cyber-attack, misplaced or lost data including paper or electronic media, programming and/or human errors or other similar events. In the past, we have had data breaches resulting in disclosure of confidential or protected health information that have not resulted in any material financial loss or penalty to date. For example, in 2021, we learned that Accellion, a third-party data transfer provider with whom we contract, had a system vulnerability that resulted in unauthorized access to certain sensitive data of our customers, including protected health information, as well as unauthorized access to the data of several of Accellion's other clients. This incident led to putative class action lawsuits that were filed against us and our subsidiaries, Health Net, LLC, Health Net of California, Inc., Health Net Life Insurance Company, Health Net Community Solutions, Inc., and California Health & Wellness, and Accellion on behalf of the affected customers. To date, this incident has not had, and we do not believe that this incident is likely to have a material adverse effect on our business, reputation, results of operations, financial condition, and cash flows. However, there can be no assurance that this incident and other privacy or security breaches will not require us to expend significant resources to remediate any damage, interrupt our operations and damage our business or reputation, subject us to state, federal, or international agency review, and result in enforcement actions, material fines and penalties, litigation or other actions which could have a material adverse effect on our business, reputation, results of operations, financial condition, and cash flows.

In addition, HIPAA broadened the scope of fraud, waste and abuse laws applicable to healthcare companies and established enforcement mechanisms to combat fraud, waste and abuse, including civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of protected health information. The HITECH Act expanded the scope of these provisions by mandating individual notification in instances of breaches of protected health information, providing enhanced penalties for HIPAA violations, and granting enforcement authority to states' Attorneys General in addition to the HHS Office for Civil Rights. It is possible that Congress may enact additional legislation in the future to increase the amount or application of penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules.

If we fail to comply with the extensive federal and state fraud, waste and abuse laws, our business, reputation, results of operations, financial condition, and cash flows could be materially and adversely affected.

We, along with other companies involved in public healthcare programs, have been, and from time to time are, the subject of federal and state fraud, waste and abuse investigations. The regulations and contractual requirements applicable to participants in these public sector programs are complex and subject to change. Violations of fraud, waste and abuse laws applicable to us could result in civil monetary penalties, criminal fines and imprisonment, and/or exclusion from participation in Medicaid, Medicare, TRICARE, and other federal healthcare programs and federally funded state health programs. Fraud, waste and abuse prohibitions encompass a wide range of activities, including kickbacks for referral of members, incorrect and unsubstantiated billing or billing for unnecessary medical services, improper marketing, and violations of patient privacy rights. These fraud, waste and abuse laws include the federal False Claims Act, which prohibits the known filing of a false claim or the known use of false statements to obtain payment from the federal government, and the federal anti-kickback statute, which prohibits the payment or receipt of remuneration to induce referrals or recommendations of healthcare items or services. Many states have fraud, waste and abuse laws, including false claim act and anti-kickback statutes that closely resemble the federal False Claims Act and the federal anti-kickback statute. In addition, the Deficit Reduction Act of 2005 encouraged states to enact state-versions of the federal False Claims Act that establish liability to the state for false and fraudulent Medicaid claims and that provide for, among other things, claims to be filed by *qui tam* relators (private parties acting on the government's behalf). Federal and state governments have made investigating and prosecuting healthcare fraud, waste and abuse a priority. In the event we fail to comply with the extensive federal and state fraud, waste and abuse laws, our business, reputation, results of operations, financial condition, and cash flows could be materially and adversely affected.

We might be adversely impacted by tax legislation or challenges to our tax positions.

We are subject to the tax laws in the U.S. at the federal, state, and local government levels and to the tax laws of other jurisdictions in which we operate. Tax laws might change in ways that adversely affect our tax positions, effective tax rate, and cash flow. In August 2022, the U.S. federal government enacted the Inflation Reduction Act, which imposed a 15% corporate minimum tax on certain large corporations and a 1% tax on share repurchases after December 31, 2022. The tax laws are extremely complex and subject to varying interpretations. We are subject to tax examinations in various jurisdictions that might assess additional tax liabilities against us. Our tax reporting positions might be challenged by relevant tax authorities, we might incur significant expense in our efforts to defend those challenges, and we might be unsuccessful in those efforts. Developments in examinations and challenges might materially change our provision for taxes in the affected periods and might differ materially from our historical tax accruals. Any of these risks might have a material adverse impact on our business, results of operations, financial condition, and cash flows.

Risks Relating to Conditions in the Financial Markets and Economy

Our investment portfolio may suffer losses which could materially and adversely affect our results of operations or liquidity.

We maintain a significant investment portfolio of cash equivalents and short-term and long-term investments in a variety of securities, which are subject to general credit, liquidity, market, and interest rate risks and will decline in value if interest rates increase or one of the issuers' credit ratings is reduced. As a result, we may experience a reduction in value or loss of our investments, which may have an adverse effect on our results of operations, liquidity, and financial condition.

Adverse credit market conditions may have a material adverse effect on our liquidity or our ability to obtain credit on acceptable terms.

In the past, the securities and credit markets have experienced extreme volatility and disruption. The availability of credit, from virtually all types of lenders, has at times been restricted. In the event we need access to additional capital to pay our operating expenses, fund subsidiary surplus requirements, make payments on or refinance our indebtedness, pay capital expenditures, or fund acquisitions, our ability to obtain such capital may be limited and the cost of any such capital may be significant, particularly if we are unable to access our existing revolving credit facility.

Our access to additional financing will depend on a variety of factors such as prevailing economic and credit market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, and perceptions of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If one or any combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain sufficient additional financing on favorable terms, within an acceptable time, or at all.

We have substantial indebtedness outstanding and may incur additional indebtedness in the future. Such indebtedness could reduce our agility and may adversely affect our financial condition.

As of December 31, 2022, we had consolidated indebtedness of \$18.0 billion. We may further increase or refinance our indebtedness in the future.

This may have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs.

Among other things, our revolving credit facility and term loan facility (collectively, the Company Credit Facility) and the indentures governing our notes require us to comply with various covenants that impose restrictions on our operations, including our ability to incur additional indebtedness, create liens, pay dividends, make certain investments or other restricted payments, sell or otherwise dispose of substantially all of our assets and engage in other activities. Our Company Credit Facility also requires us to comply with a maximum debt to EBITDA ratio and a minimum fixed charge coverage ratio. These restrictive covenants could limit our ability to pursue our business strategies. In addition, any failure by us to comply with these restrictive covenants could result in an event of default under our Company Credit Facility and, in some circumstances, under the indentures governing our notes, which, in any case, could have a material adverse effect on our financial condition.

Phasing out of LIBOR may increase our interest expense or affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, which may adversely affect our financial condition.

As of December 31, 2022, borrowings under our Company Credit Facility bear interest based upon various reference rates, including LIBOR. LIBOR is expected to transition to Secured Overnight Financing Rate (SOFR), a new index calculated by short-term repurchase agreements backed by treasury securities, on or about June 30, 2023. We believe that our credit agreement allows SOFR to be used as the new reference rate upon LIBOR's discontinuance. However, our interest expense could increase and our available cash flow for general corporate requirements may be adversely affected. Additionally, the phase-out of LIBOR may cause disruption in the overall financial markets and other reforms could have an adverse impact on the market for, or value of, any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

Risks Associated with Mergers, Acquisitions, and Divestitures

Mergers and acquisitions may not perform as expected and we may not realize the savings expected from divestitures, which may cause the market price of our common stock to decline.

The market price of our common stock is generally subject to volatility, and there can be no assurances regarding the level or stability of our share price at any time. The market price of our common stock may decline as a result of acquisitions and divestitures if, among other things, we are unable to achieve the expected cost and revenue synergies or growth in earnings, the operational cost savings estimates are not realized as rapidly or to the extent anticipated, the transaction costs related to the acquisitions or divestitures are greater than expected or if any financing related to the transactions is on unfavorable terms. The market price also may decline if we do not achieve the perceived benefits of the acquisitions and divestitures as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the acquisitions and divestitures on our financial condition, results of operations, or cash flows is not consistent with the expectations of financial or industry analysts.

We may be unable to successfully integrate our existing business with acquired businesses and realize the anticipated benefits of such acquisitions.

We may acquire health plans participating in government-sponsored healthcare programs and specialty services businesses, contract rights, and related assets of other health plans both in our existing service areas and in new markets and start-up operations in new markets or new products in existing markets. Although we review the records of companies or businesses we plan to acquire, it is possible that we could assume unanticipated liabilities or adverse operating conditions. In addition, the success of acquisitions we make will depend, in part, on our ability to successfully combine the existing business of Centene with such acquired businesses and realize the anticipated benefits, including synergies, cost savings, growth in earnings, innovation, and operational efficiencies, from the combinations. If we are unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully or at all, or may take longer to realize than expected and the value of our common stock may be harmed.

The integration of acquired businesses with our existing business is a complex, costly, and time-consuming process. The integration may result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls as a result of the devotion of management's attention to the integration;
- managing a larger company;
- maintaining employee morale and retaining key management and other employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications, and other systems;
- unanticipated changes in federal or state laws or regulations, including the ACA and any regulations enacted thereunder;
- unforeseen expenses or delays associated with the acquisition and/or integration;
- achieving actual cost savings at the anticipated levels; and
- decreases in premiums paid under government-sponsored healthcare programs by any state in which we operate.

Many of these factors will be outside of our control and any one of them could result in delays, increased costs, decreases in the amount of expected revenues, and diversion of management's time and energy, which could materially affect our financial condition, results of operations, and cash flows. Our ability to successfully manage the expanded business following any given acquisition will depend, in part, upon management's ability to design and implement strategic initiatives that address not only the integration of two independent stand-alone companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity. There can be no assurances that we will be successful in managing our expanded operations as a result of acquisitions or that we will realize the expected growth in earnings, operating efficiencies, cost savings, and other benefits.

Our business and results of operations may be materially adversely affected if we fail to manage and complete divestitures.

We regularly evaluate our portfolio to determine whether an asset or business is still consistent with our business strategy or whether there may be a more advantaged owner for that asset or business. When we decide to sell assets or a business, we may encounter difficulty finding buyers or alternative exit strategies, which could delay the achievement of our business strategy. Further, divestitures may be delayed due to failure to obtain required approvals on a timely basis, if at all, from governmental authorities, or may become more difficult to execute due to conditions placed upon approval that could, among other things, delay or prevent us from completing a transaction, or otherwise restrict our ability to realize the expected financial or strategic goals of a transaction. We might have financial exposure in a divested business, such as through minority equity ownership, financial or performance guarantees, indemnities, or other obligations, such that conditions outside of our control might negate the expected benefits of the disposition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own our corporate office headquarters buildings and land located in St. Louis, Missouri, which is used by each of our reportable segments. We generally lease space in the states where our health plans, specialty companies, and claims processing facilities operate. We are required by various insurance and regulatory authorities to have offices in the service areas where we provide benefits.

In connection with the adoption of a more modern, flexible work environment, we undertook a real estate optimization initiative to evaluate future real estate needs and downsize our real estate footprint for owned and leased properties. As a result of this evaluation, we substantially changed the use or abandoned various properties and recognized an impairment charge for the year ended December 31, 2022.

We believe our current facilities are adequate to meet our operational needs for the foreseeable future.

Item 3. Legal Proceedings

A description of the legal proceedings to which we and our subsidiaries are a party is contained in Note 18. *Contingencies* to the consolidated financial statements included in Part II of this Annual Report on Form 10-K, and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Common Stock

Our common stock has been traded and quoted on the New York Stock Exchange (NYSE) under the symbol "CNC" since October 16, 2003.

Stockholders

As of February 17, 2023, there were 1,036 holders of record of our common stock.

Issuer Purchases of Equity Securities

In 2022, our Board of Directors authorized increases to the Company's existing stock repurchase program, including \$3.0 billion in June 2022 and an additional \$2.0 billion in December 2022. With these increases, the Company is authorized to repurchase up to \$6.0 billion.

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 our discretion as part of our capital allocation strategy, and may be based upon general market conditions and the prevailing price and trading volumes of our common stock. No duration has been placed on the repurchase program. We reserve the right to discontinue the repurchase program at any time.

Issuer Purchases of Equity Securities Fourth Quarter 2022 (Shares in thousands)

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	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) ⁽²⁾
October 1, 2022 - October 31, 2022 ⁽³⁾	3,842	\$ 69.25	3,840	\$ 2,150
November 1, 2022 - November 30, 2022	12,105	83.05	12,095	1,146
December 1, 2022 - December 31, 2022	4,306	84.04	4,046	2,806
Total	20,253	\$ 80.64	19,981	\$ 2,806

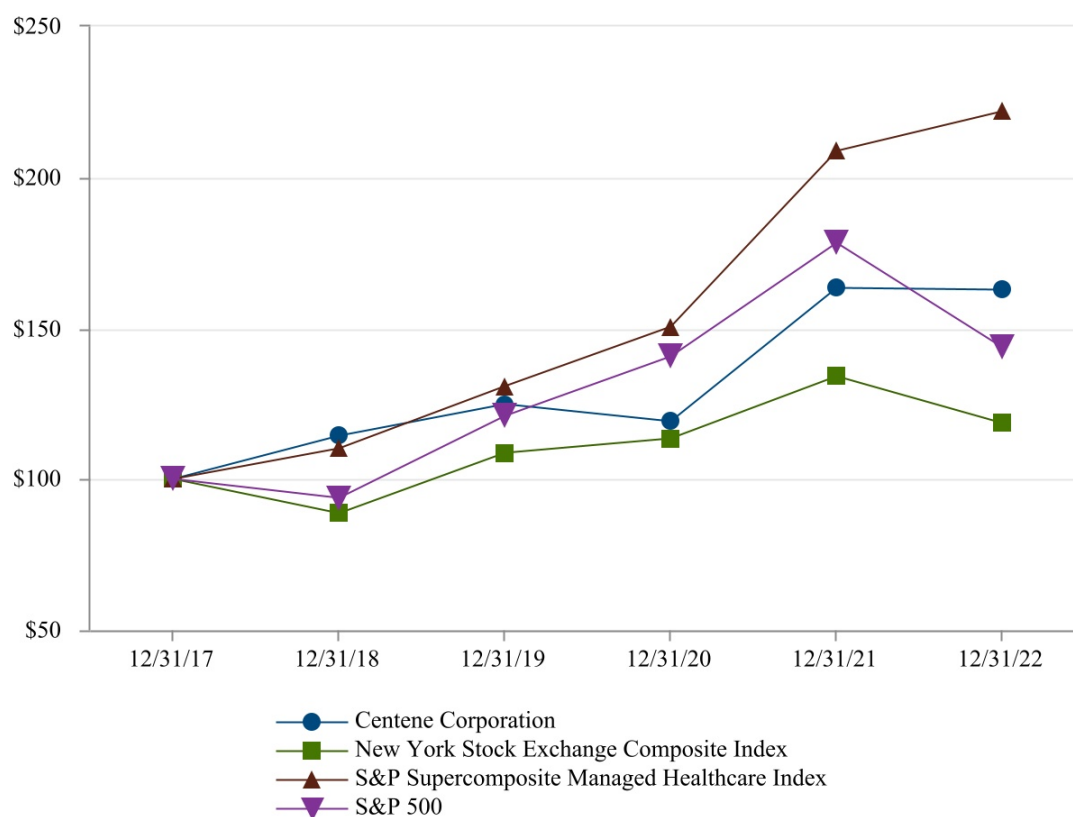
⁽¹⁾ Shares purchased through a publicly announced plan or program and shares relinquished to the Company by certain employees for payment of taxes or option cost upon vesting of restricted stock units or option exercise.

⁽²⁾ In December 2022, the Company's Board of Directors authorized an additional \$2.0 billion increase to the stock repurchase program. A remaining amount of approximately \$2.8 billion is available under the program as of December 31, 2022.

⁽³⁾ Includes 3.0 million shares delivered through an accelerated share repurchase (ASR) initiated in July 2022, which was settled based on the volume-weighted average price (VWAP) over the term of the agreement, less a discount, of \$86.21. See Note 12. *Stockholders' Equity* for additional information.

Stock Performance Graph

The graph below compares the cumulative total stockholder return on our common stock for the period from December 31, 2017 to December 31, 2022, with the cumulative total return of the New York Stock Exchange Composite Index, the Standard & Poor's Supercomposite Managed Healthcare Index and the Standard & Poor's 500 over the same period. Standard & Poor's 500 is included because our common stock is within the index. The graph assumes an investment of \$100 on December 31, 2017 in our common stock (at the last reported sale price on such day), the New York Stock Exchange Composite Index, the Standard & Poor's Supercomposite Managed Healthcare Index, and the Standard & Poor's 500 and assumes the reinvestment of any dividends.



	December 31,					
	2017	2018	2019	2020	2021	2022
Centene Corporation	\$ 100.00	\$ 114.29	\$ 124.64	\$ 119.01	\$ 163.36	\$ 162.59
New York Stock Exchange Composite Index	100.00	88.80	108.62	113.40	134.00	118.55
S&P Supercomposite Managed Healthcare Index	100.00	110.28	130.84	150.30	208.61	221.73
S&P 500	100.00	93.76	120.84	140.49	178.27	143.61
Centene Corporation closing stock price	\$ 50.44	\$ 57.65	\$ 62.87	\$ 60.03	\$ 82.40	\$ 82.01
Centene Corporation annual stockholder return	78.5 %	14.3 %	9.1 %	(4.5)%	37.3 %	(0.5)%

In accordance with the rules of the SEC, the information contained in the Stock Performance Graph on this page shall not be deemed to be "soliciting material," or to be "filed" with the SEC or subject to the SEC's Regulation 14A, or to the liabilities of Section 18 of the Exchange Act, except to the extent that Centene specifically requests that the information be treated as soliciting material or specifically incorporates it by reference into a document filed under the Securities Act, or the Exchange Act.

Item 6. *Reserved.*

ITEM 7. 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, including those set forth under Part I, Item 1A. "Risk Factors" of this Form 10-K. The following discussion and analysis does not include certain items related to the year ended December 31, 2020, including year-to-year comparisons between the year ended December 31, 2021 and the year ended December 31, 2020. For a comparison of our results of operations for the fiscal years ended December 31, 2021 and December 31, 2020, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 22, 2022.

EXECUTIVE OVERVIEW

Mission

We are a leading healthcare enterprise, committed to helping people live healthier lives, with an established expertise in lower-income and medically complex populations. We provide access to high-quality healthcare, innovative programs, and a wide range of health solutions that help families and individuals get well, stay well, and be well. We believe that our local approach enables us to provide accessible, quality, culturally sensitive healthcare coverage to our communities.

We feel we have a competitive advantage being on the ground, enabling us to establish strong relationships with our partners and providing us with first-hand knowledge, which allows us to provide the best possible care to our members. We have a commitment to the communities and people we serve to transform their health at the local level. In 2022, when members of the Uvalde, Texas community faced unbelievable tragedy, we showed up to help serve their short-term needs and have since made an investment in a multipurpose community center in the city through our charitable foundation, just one example of our mission in action.

Our record of organic growth and strategic acquisitions has given us the size, scale, and privilege of providing local high-quality and affordable health care to more than 27 million Americans. As of December 31, 2022, we were the largest Medicaid health insurer in the country, serving 16 million Medicaid recipients in 29 states. We were the largest Marketplace carrier, serving 2.1 million members across 27 states, and served 1.5 million Medicare members across 36 states, with the highest concentration of lower-income, medically complex members.

While we are transforming our operating model to take advantage of our national scale, our commitment to remain local in the communities we serve will not change.

General

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.

Value Creation Plan

We established our Value Creation Plan to drive margin expansion by leveraging our scale and generating sustainable, profitable growth. In addition to creating shareholder value, this plan is an ongoing effort to modernize and improve how we work in order to propel our organization to new levels of success and elevate the member and provider experiences. The three major pillars of the Value Creation Plan are: SG&A expense savings, gross margin expansion, and strategic capital management.

As part of our Value Creation Plan, we are assessing our portfolio and are focused on making strategic decisions and investments to create additional value in the short-term and to seek opportunities that position the organization for long-term strength, profitability, growth, and innovation. We continue to move forward with our value creation initiatives including the streamlining of certain operations, such as key call centers and utilization management, and have begun early-stage platform consolidations. Building on that foundation, we intend to drive sustainable, profitable growth and long-term value to our members and shareholders.

During 2022, we completed the following key milestones in our Value Creation Plan:

- Initiated a reduction of our real estate footprint following a strategic review of our real estate portfolio resulting in a \$1.6 billion impairment related to leased and owned real estate and related fixed assets. This represents an approximate 70% decrease in domestic leased space and is expected to result in annualized lease expense savings of more than \$200 million.
- Signed a multi-year contract with Express Scripts, Inc. to provide our pharmacy benefit services, commencing in 2024. The new pharmacy benefits management (PBM) contract is expected to drive significant value in 2024 and beyond.
- Completed the divestitures of PANTHERx Rare (PANTHERx), our Spanish and Central European businesses, and Magellan Rx.
- Completed \$3.0 billion of common stock repurchases, \$318 million of senior note repurchases, repaid our \$180 million construction loan, and repaid over \$100 million in revolver and term loan borrowings. Common stock and debt repurchases were funded primarily through proceeds from divestitures and free cash flow generated from operations.

In addition, in January 2023, we completed the divestitures of Magellan Specialty Health, Centurion, and HealthSmart.

Segments Update

In early 2023, and in conjunction with our updated strategic plan, executive leadership realignment, and corresponding 2023 divestitures, we have revised the way we manage the business, evaluate performance, and allocate resources, resulting in an updated segment structure comprised of (1) a Medicaid segment, (2) a Medicare segment, (3) a Commercial segment and (4) an Other segment. We will begin reporting under this new segment structure in 2023.

Acquisitions and Divestitures

In January 2022, we acquired all of the issued and outstanding shares of Magellan Health, Inc. (Magellan). Total consideration for the acquisition was \$2.5 billion, consisting of \$2.4 billion in cash and \$60 million related to the fair value of replacement equity awards associated with pre-combination service.

In connection with our portfolio review and strategic plan to exit the PBM business, during 2022 we divested PANTHERx and Magellan Rx. We completed the divestiture of PANTHERx in July 2022 for \$1.4 billion and recognized a gain of \$490 million, or \$382 million after-tax. In December 2022, we completed the divestiture of Magellan Rx for \$1.3 billion and recognized a gain of \$269 million, or \$99 million after-tax.

Additionally, as part of our review of strategic alternatives for our international portfolio, in November 2022 we divested our ownership stakes in our Spanish and Central European businesses and as a result recorded an impairment charge of \$163 million, or \$140 million after-tax.

The above-noted acquisitions and divestitures are significant drivers of the year-over-year variances discussed throughout this section.

In January 2023, we completed the divestitures of Magellan Specialty Health, Centurion, our prison healthcare business, and HealthSmart, our third party health plan administration business.

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), the American Rescue Plan Act (ARPA), enacted in March 2021, contained provisions aimed at leveraging Medicaid and the Health Insurance Marketplace to expand health insurance coverage and affordability to consumers. The ARPA authorized an additional \$1.9 trillion in federal spending to address the COVID-19 public health emergency (PHE), and contained several provisions designed to increase coverage of certain healthcare services, expand eligibility and benefits, incentivize state Medicaid expansion, and adjust federal financing for state Medicaid programs, the ultimate impact of which remain uncertain.

The ARPA initially enhanced eligibility for the advance premium tax credit for enrollees in the Health Insurance Marketplace, which was extended through the 2025 tax year by the Inflation Reduction Act, enacted in August 2022.

In October 2022, the Treasury Department issued a final rule to address the family glitch in the ACA, which relates to determining who is eligible for premium subsidies. We see this as a significant step in making Marketplace more affordable for working families.

The COVID-19 pandemic has impacted and may continue to affect our business. 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 PHE. As a result, since the onset of the PHE, our Medicaid membership has increased by 3.2 million members (excluding the new North Carolina and Missouri membership). 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, states can begin Medicaid disenrollments on April 1, 2023. All pending redeterminations must be initiated within 12 months, by March 31, 2024, and be concluded by May 31, 2024. 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 capture those transitioning coverage through redeterminations. We remain agile in working with our state partners and are prepared to support our members and promote continuity of coverage when redeterminations resume. Although Medicaid continuous coverage requirements were decoupled from the PHE, we are working to prepare for other provisions still tied to the end of the PHE including COVID costs and coverage requirements, various other payment structures, and electronic prescribing of controlled substances.

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 sponsors and our members. While healthcare experts maintain a focus on personalized healthcare technology, we continue to make strategic decisions to accelerate the development of new software platforms and analytical capabilities. We continue to believe we have both the capacity and capability to successfully navigate industry changes to the benefit of our members, customers, and shareholders.

For additional information regarding regulatory trends and uncertainties, see Part I, Item 1 "*Business - Regulation*" and Item 1A, "*Risk Factors*."

2022 Highlights

Our financial performance for 2022 is summarized as follows:

- Year-end membership of 27.1 million, an increase of 1.2 million members, or 5% over 2021.
- Total revenues of \$144.5 billion, representing 15% growth year-over-year.
- Premium and service revenues of \$135.5 billion, representing 15% growth year-over-year.
- HBR of 87.7% for 2022, compared to 87.8% for 2021.
- SG&A expense ratio of 8.6% for 2022, compared to 8.1% for 2021.
- Adjusted SG&A expense ratio of 8.4% for 2022, compared to 7.9% for 2021.
- Diluted earnings per share (EPS) of \$2.07 for 2022, compared to \$2.28 for 2021.
- Adjusted diluted EPS of \$5.78 for 2022, compared to \$5.15 for 2021.
- Operating cash flows of \$6.3 billion, or 5.2 times net earnings, for 2022.

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

	Year Ended December 31,	
	2022	2021
GAAP diluted EPS attributable to Centene	\$ 2.07	\$ 2.28
Amortization of acquired intangible assets	1.40	1.31
Acquisition and divestiture related expenses	0.36	0.31
Other adjustments ⁽¹⁾	2.65	2.16
Income tax effects of adjustments ⁽²⁾	(0.70)	(0.91)
Adjusted Diluted EPS	\$ 5.78	\$ 5.15

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

2022:

(a) real estate impairments of \$1,642 million, or \$2.82 per share (\$2.08 after-tax); PANTHERx divestiture gain of \$490 million, or \$0.84 per share (\$0.65 after-tax); impairments of assets associated with the divestitures of our Spanish and Central European, Centurion, and HealthSmart businesses of \$458 million, or \$0.78 per share (\$0.60 after-tax); Magellan Rx divestiture gain of \$269 million, or \$0.46 per share (\$0.17 after-tax); Health Net Federal Services asset impairment of \$233 million, or \$0.40 per share (\$0.39 after-tax); gain on debt extinguishment of \$27 million, or \$0.04 per share (\$0.03 after-tax); increase to the previously reported gain on the divestiture of U.S. Medical Management (USMM) due to the finalization of working capital adjustments of \$13 million, or \$0.02 per share (\$0.02 after-tax); and costs related to the PBM legal settlement of \$6 million, or \$0.01 per share (\$0.00 after-tax).

2021:

(b) PBM legal settlement expense of \$1,264 million, or \$2.14 per share (\$1.76 after-tax); gain related to the acquisition of the remaining 60% interest of Circle Health of \$309 million, or \$0.52 per share (\$0.52 after-tax); impairment of our equity method investment in RxAdvance of \$229 million, or \$0.39 per share (\$0.32 after-tax); gain related to the divestiture of USMM of \$150 million, or \$0.25 per share (\$0.23 after-tax); debt extinguishment costs of \$125 million, or \$0.21 per share (\$0.16 after-tax); reduction to the previously reported gain on divestiture of certain products of our Illinois health plan of \$62 million, or \$0.10 per share (\$0.08 after-tax); and severance costs due to a restructuring of \$54 million, or \$0.09 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. In addition, the year ended December 31, 2022, includes tax expense of \$107 million, or \$0.18 per share, related to the Magellan Specialty Health divestiture and a \$15 million, or \$0.03 per share, tax benefit related to the RxAdvance impairment.

Current and Future Operating Drivers

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

Medicaid

- In October 2022, the state of Ohio removed pharmacy services in connection with the state's transition from managed care to a single PBM.
- In July 2022, our subsidiary, Home State Health, commenced the MO HealthNet Managed Care General Plan and Specialty Plan contracts. Under the General Plan, Home State Health continues to serve multiple MO HealthNet programs including Children's Health Insurance members and the state's newly implemented Medicaid expansion population, across all regions of Missouri. Additionally, as the sole provider of the newly awarded Specialty Plan, Home State Health now serves approximately 52,100 foster children and children receiving adoption subsidy assistance.
- In January 2022, the state of California carved out pharmacy services in connection with the state's transition of pharmacy services from managed care to fee-for-service.
- In July 2021, we began operating under two new statewide contracts in Hawaii to continue administering covered services to eligible Medicaid and Children's Health Insurance Program (CHIP) members for medically necessary medical, behavioral health, and long-term services and support and to continue administering services through the Community Care Services program in partnership with the Hawaii Department of Human Services' Med-QUEST Division.
- In July 2021, our subsidiary, WellCare of North Carolina, commenced operations under a new statewide contract in North Carolina providing Medicaid managed care services. In addition, we also began operating under a new contract to provide Medicaid managed care services in three regions in North Carolina through our provider-led North Carolina joint venture, Carolina Complete Health.
- Beginning in 2020, the federal government issued a PHE which suspended Medicaid eligibility redeterminations. The ongoing suspensions, which have been extended to April 2023, have driven increased membership.

Medicare

- In 2022, we experienced strong Medicare membership growth as a result of the 2022 annual enrollment period. We introduced WellCare into three new states, as well as expanded coverage to 327 new counties across existing states. We now serve members in 36 states across the country in 1,575 counties. We were negatively impacted by the decrease in the number of our Medicare members in a 4.0 star or above plan for the 2021 rating year (2022 revenue year).

Commercial

- In 2022, our Health Insurance Marketplace product, Ambetter Health, was introduced into five new states, as well as expanded coverage to 274 new counties across 13 existing states. During 2022, we served Marketplace members in 27 states across the country in 1,480 counties. Additionally, we introduced three new Ambetter Health product offerings to address the growing needs of our members: Ambetter Value, Ambetter Select, and Ambetter Virtual Access.

Specialty and Other

- In December 2022, we completed the divestiture of Magellan Rx, which was part of the Magellan business acquired in January 2022.
- In November 2022, we completed the divestiture of our ownership stakes in our Spanish and Central European businesses, including Ribera Salud, Torrejón Salud, and Pro Diagnostics Group.
- In July 2022, we completed the divestiture of PANTHERx.
- In January 2022, we acquired all of the issued and outstanding shares of Magellan.

- In December 2021, we sold a majority stake in USMM, our physician home health business.
- In July 2021, we acquired the remaining interest in our equity method investment in Circle Health, one of the U.K.'s largest independent operators of hospitals.

We expect the following items to impact our future results of operations:

Medicaid

- In February 2023, our subsidiary, Buckeye Health Plan, commenced the Medicaid contract awarded by the Ohio Department of Medicaid to continue servicing members with quality healthcare, coordinated services, and benefits.
- In January 2023, our subsidiary, Delaware First Health, commenced its contract for the statewide Medicaid managed care programs.
- In January 2023, our subsidiary, Louisiana Healthcare Connections, commenced the Medicaid contract awarded by the Louisiana Department of Health to continue administering quality, integrated healthcare services to members across the state.
- In January 2023, our subsidiary, Managed Health Services, commenced the contract awarded by the Indiana Department of Administration to continue serving Hoosier Healthwise and Health Indiana Plan members with Medicaid and Medicaid alternative managed care and care coordination services.
- In December 2022, our subsidiary, Health Net of California, was selected by the California Department of Health Care Services for direct Medicaid contracts in 10 counties, including Los Angeles (in which a portion will be subcontracted). The contracts are anticipated to begin in January 2024.
- In September 2022, our subsidiary, Nebraska Total Care, was awarded the Nebraska Department of Health and Human Services statewide Medicaid managed care contract. Under the new contract, Nebraska Total Care will continue serving the state's Medicaid Managed Care Program, known as Heritage Health. The new contract term is five years and includes the option for two, one-year renewals. The contract is anticipated to begin in January 2024, subject to the resolution of third-party protests.
- In September 2022, our subsidiary, Superior HealthPlan (Superior), was awarded a new, six-year contract 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. The contract is anticipated to begin in September 2023.
- 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 2023, subject to the resolution of third-party protests.
- In August 2021, our subsidiaries, Carolina Complete Health and WellCare of North Carolina, were selected to coordinate physical and/or other health services with Local Management Entities/Managed Care Organizations under the state's new Tailored Plans. The Tailored Plans, which are expected to launch in April 2023, are integrated health plans designed for individuals with significant behavioral health needs and intellectual/developmental disabilities.
- We expect Medicaid eligibility redeterminations to begin in April 2023 and extend over a 14-month period, concluding in May 2024. In addition to delinking the Medicaid continuous enrollment provision from the PHE, the year-end spending bill also outlines key coverage expansion provisions, including CHIP coverage. The provision requires states to provide 12 months of continuous coverage for children under Medicaid and CHIP effective January of 2024 and made the state option to extend coverage for postpartum women for up to 12 months permanent.

Medicare

- In October 2022, the Centers for Medicare and Medicaid Services (CMS) published updated Medicare Star quality ratings for the 2023 rating year, which impacts the 2024 revenue year. The decrease in Star quality ratings is driven by the expiration of certain disaster relief provisions as well as deterioration in select metrics. Over the past year, our leadership team launched a multi-year plan to build and improve quality across the enterprise with a strong focus on enhanced patient experience and access to care. We expect to begin to see the results of these efforts with the 2024 rating year (2025 revenue year).

Commercial

- In January 2023, our Health Insurance Marketplace product, Ambetter Health, expanded into Alabama and extended its footprint by more than 60 counties across 12 existing states. In total, the Marketplace plan is available in more than 1,500 counties across 28 states.

Specialty and Other

- In January 2023, we completed the divestitures of Magellan Specialty Health, Centurion, our prison healthcare business, and HealthSmart, our third party health plan administration business.
- In December 2022, the Department of Defense (DoD) announced that the TRICARE Managed Care Support Contracts were not awarded to our subsidiary, Health Net Federal Services. Our current contract for health care delivery services is in place through early 2024.
- We continue to execute on Value Creation Plan initiatives including the award of the new PBM contract commencing in 2024, portfolio review, real estate optimization, stock and debt repurchases, along with an ongoing focus on quality improvement actions. We expect these actions will drive future margin expansion, create shareholder value, and improve the experience for our members and providers.

MEMBERSHIP

From December 31, 2021 to December 31, 2022, we increased our managed care membership by 1.2 million, or 5%. The following table sets forth our membership by line of business:

	December 31,	
	2022	2021
Traditional Medicaid ⁽¹⁾	14,264,800	13,328,400
High Acuity Medicaid ⁽²⁾	1,710,000	1,686,100
Total Medicaid ⁽⁴⁾	15,974,800	15,014,500
Commercial Marketplace	2,076,100	2,140,500
Commercial Group	441,100	462,100
Total Commercial	2,517,200	2,602,600
Medicare ^{(3) (4)}	1,511,100	1,252,200
Medicare PDP	4,226,000	4,070,500
Total at-risk membership	24,229,100	22,939,800
TRICARE eligibles	2,832,300	2,874,700
Total	27,061,400	25,814,500

⁽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.

⁽⁴⁾ Medicaid and Medicare membership includes 1,291,300 and 1,178,000 dual-eligible beneficiaries for the periods ending December 31, 2022, and December 31, 2021, respectively.

RESULTS OF OPERATIONS

The following discussion and analysis is based on our Consolidated Statements of Operations, which reflect our results of operations for years ended December 31, 2022 and 2021, respectively, prepared in accordance with generally accepted accounting principles in the United States (GAAP) (\$ in millions, except per share data in dollars):

	2022	2021	% Change 2021-2022
Premium	\$ 127,131	\$ 112,319	13 %
Service	8,348	5,664	47 %
Premium and service revenues	135,479	117,983	15 %
Premium tax	9,068	7,999	13 %
Total revenues	144,547	125,982	15 %
Medical costs	111,529	98,602	13 %
Cost of services	7,032	4,894	44 %
Selling, general and administrative expenses	11,589	9,601	21 %
Depreciation expense	614	565	9 %
Amortization of acquired intangible assets	817	770	6 %
Premium tax expense	9,330	8,287	13 %
Impairment	2,318	229	n.m.
Legal settlement	—	1,250	n.m.
Earnings from operations	1,318	1,784	(26)%
Investment and other income	1,279	819	56 %
Debt extinguishment	30	(125)	n.m.
Interest expense	(665)	(665)	— %
Earnings before income tax expense	1,962	1,813	8 %
Income tax expense	760	477	59 %
Net earnings	1,202	1,336	(10)%
Loss attributable to noncontrolling interests	—	11	n.m.
Net earnings attributable to Centene Corporation	\$ 1,202	\$ 1,347	(11)%
Diluted earnings per common share attributable to Centene Corporation	\$ 2.07	\$ 2.28	(9)%

n.m.: not meaningful

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Total Revenues

The following table sets forth supplemental revenue information for the year ended December 31, (\$ in millions):

	2022	2021	% Change 2021-2022
Medicaid	\$ 93,157	\$ 84,139	11 %
Commercial	17,380	16,956	3 %
Medicare ⁽¹⁾	22,484	17,512	28 %
Other	11,526	7,375	56 %
Total Revenues	<u>\$ 144,547</u>	<u>\$ 125,982</u>	<u>15 %</u>

⁽¹⁾ Medicare includes Medicare Advantage, Medicare Supplement, and Medicare prescription drug plan (PDP).

Total revenues increased 15% in the year ended December 31, 2022, over the corresponding period in 2021, primarily due to Medicaid membership growth resulting from the ongoing suspension of eligibility redeterminations, membership growth in the Medicare business, our acquisition of Magellan, and the commencement of our contracts in North Carolina in mid-2021.

Operating Expenses

Medical Costs

The HBR for the year ended December 31, 2022 was 87.7%, compared to 87.8% in 2021. The HBR for 2022 was positively impacted by disciplined Marketplace pricing and 2021 risk adjustment recorded in 2022, partially offset by a return to more normalized Medicaid utilization and higher flu costs compared to 2021. Additionally, 2021 was negatively impacted by unfavorable 2020 risk adjustment.

Cost of Services

Cost of services increased by \$2.1 billion in the year ended December 31, 2022, compared to the corresponding period in 2021, driven by the acquisition of Magellan. The cost of service ratio for the year ended December 31, 2022 was 84.2%, compared to 86.4% in 2021. The decrease in the cost of service ratio was driven by recent acquisitions and divestitures.

Selling, General & Administrative Expenses

The SG&A expense ratio was 8.6% for the year ended December 31, 2022, compared to 8.1% for the year ended December 31, 2021. The Adjusted SG&A expense ratio was 8.4% for the year ended December 31, 2022, compared to 7.9% for the year ended December 31, 2021. The increases were due to the additions of the Magellan and Circle Health businesses, which operate at higher SG&A ratios due to the nature of their respective businesses. Increases were also driven by costs associated with Medicare marketing, including annual enrollment, value creation investment spending, and variable compensation. These impacts were partially offset by the leveraging of expenses over higher revenues as a result of increased membership.

Impairment

During the year ended December 31, 2022, we recorded total impairment charges of \$2.3 billion primarily driven by \$1.6 billion associated with our ongoing real estate optimization initiative, consisting of leased and owned real estate assets and related fixed assets. Additionally, we recorded impairment charges associated with the divestitures of our Spanish and Central European, Centurion, and HealthSmart businesses of \$458 million. We also recorded a \$233 million impairment charge related to Health Net Federal Services business as a result of the DoD's December 2022 announcement to not award Health Net Federal Services a TRICARE Managed Care Support Contract.

During the year ended December 31, 2021, we recorded a \$229 million impairment of our equity method investment in RxAdvance, a pharmacy benefit manager.

Legal Settlement

During the second quarter of 2021, we recorded a legal settlement reserve estimate of \$1.25 billion (inclusive of the states with which we have reached no-fault agreements) related to services previously provided by Envolve Pharmacy Solutions, Inc. (Envolve), which historically provided PBM and specialty pharmacy services, essentially during 2017 and 2018.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the year ended December 31, (\$ in millions):

	2022	2021
Investment and other income	\$ 1,279	\$ 819
Debt extinguishment	30	(125)
Interest expense	(665)	(665)
Other income (expense), net	\$ 644	\$ 29

Investment and other income. Investment and other income increased by \$460 million for the year ended December 31, 2022 compared to 2021, driven by the \$490 million PANTHERx divestiture gain, the \$269 million Magellan Rx divestiture gain, and higher interest rates on larger investment balances. The 2021 investment income was driven by the gain related to the acquisition of the remaining 60% interest of Circle Health of \$309 million and the gain related to the divestiture of USMM of \$150 million.

Debt extinguishment. In 2022, we repurchased \$95 million of our 4.25% Senior Notes due 2027 and \$223 million of our 4.625% Senior Notes due 2029 through our senior note debt repurchase program, resulting in a pre-tax gain on extinguishment of \$14 million. Additionally, we recognized a \$13 million pre-tax gain on the extinguishment of debt related to the refinancing of debt for our Circle Health subsidiary. The 2022 debt extinguishment also includes an immaterial gain related to the redemption of Magellan's outstanding Senior Notes in January 2022.

In 2021, we redeemed all of our outstanding 5.375% Senior Notes due 2026 and all WellCare Health Plans, Inc.'s outstanding 5.375% Senior Notes due 2026, including all premiums and accrued interest. We recognized a pre-tax loss on extinguishment of \$79 million, including the call premium, the write-off of the unamortized premium and debt issuance costs, and expenses related to the redemptions. Additionally, we tendered or redeemed all of our outstanding \$2.2 billion 4.75% Senior Notes, due 2025, and recognized a pre-tax loss on extinguishment of approximately \$46 million. The loss includes the call premium and the write-off of unamortized premium and debt issuance costs.

Interest expense. Interest expense for the year ended December 31, 2022 was \$665 million compared to \$665 million for the corresponding period in 2021.

Income Tax Expense

For the year ended December 31, 2022, we recorded an income tax expense of \$760 million on pre-tax earnings of \$2.0 billion, or an effective tax rate of 38.8%. The effective tax rate for the year ended December 31, 2022 is driven by the tax effects of pending and completed divestitures and impairments associated with our ongoing portfolio review, including the Magellan Rx divestiture gain, the non-deductible impairment of our Health Net Federal Services business, and tax impacts related to the reclassification of the Magellan Specialty Health business to held for sale. For the year ended December 31, 2021, we recorded income tax expense of \$477 million on pre-tax earnings of \$1.8 billion, or an effective tax rate of 26.3%, which reflects the non-taxable gain related to the acquisition of the remaining 60% interest in Circle Health, the partial non-deductibility of the legal settlement reserve, and the gain on the sale of our majority stake in USMM.

Segment Results

The following table summarizes our consolidated operating results by segment for the year ended December 31, (\$ in millions):

	2022	2021	% Change 2021-2022
Total Revenues			
Managed Care	\$ 135,063	\$ 120,125	12 %
Specialty Services	22,765	18,652	22 %
Eliminations	(13,281)	(12,795)	4 %
Consolidated Total	<u>\$ 144,547</u>	<u>\$ 125,982</u>	<u>15 %</u>
Earnings from Operations			
Managed Care	\$ 1,913	\$ 1,789	7 %
Specialty Services	(595)	(5)	n.m.
Consolidated Total	<u>\$ 1,318</u>	<u>\$ 1,784</u>	<u>(26)%</u>

n.m.: not meaningful

Managed Care

Total revenues increased 12% in the year ended December 31, 2022, compared to the corresponding period in 2021, driven by organic Medicaid growth, primarily due to the ongoing suspension of eligibility redeterminations, membership growth in the Medicare business, and the commencement of our contracts in North Carolina. Earnings from operations increased \$124 million between years primarily as a result of Medicaid and Medicare membership growth, favorable Marketplace 2021 risk adjustment recorded in 2022, and lower traditional utilization in the Marketplace business, partially offset by the \$1.6 billion pre-tax real estate impairment. Additionally, 2021 was negatively impacted by the PBM legal settlement expense of \$1.25 billion and higher utilization in the Marketplace business in 2021.

Specialty Services

Total revenues increased 22% in the year ended December 31, 2022, compared to the corresponding period in 2021, resulting primarily from our acquisition of Magellan, increased services associated with membership growth in the Managed Care segment, and new contracts in our correctional business. Earnings from operations decreased \$590 million between years, primarily due to divestitures and impairments. The decrease was partially offset by favorable Magellan operations and the prior year impairment of our equity method investment in RxAdvance.

LIQUIDITY AND CAPITAL RESOURCES

The following table is a condensed schedule of cash flows used in the discussion of liquidity and capital resources (\$ in millions):

	Year Ended December 31,	
	2022	2021
Net cash provided by operating activities	\$ 6,261	\$ 4,205
Net cash (used in) investing activities	(2,921)	(3,299)
Net cash (used in) provided by financing activities	(4,197)	1,362
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(11)	(11)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	\$ (868)	\$ 2,257

Cash Flows Provided by Operating Activities

Normal operations are funded primarily through operating cash flows and borrowings under our Revolving Credit Facility. In 2022, operating activities provided cash of \$6.3 billion, or 5.2 times net earnings, compared to \$4.2 billion in 2021. Cash flows provided by operations in 2022 were driven by net earnings before the non-cash real estate and divestiture related impairment charges and an increase in medical claims liabilities driven by the timing of claims payments.

Cash flows provided by operations in 2021 were due to net earnings before the legal settlement reserve, an increase in state risk sharing mechanism payables, partially offset by risk adjustment and minimum medical loss ratio (MLR) payments for the Health Insurance Marketplace 2020 plan year.

Cash Flows Used in Investing Activities

Investing activities used cash of \$2.9 billion for the year ended December 31, 2022 and \$3.3 billion in 2021. Cash flows used in investing activities in 2022 primarily consisted of net additions to the investment portfolio of our regulated subsidiaries and our acquisition of Magellan, partially offset by our PANTHERx and Magellan Rx divestiture proceeds.

We spent \$1.0 billion and \$910 million in the years ended December 31, 2022 and 2021, respectively, on capital expenditures for system enhancements, market growth, and our corporate and regional buildings.

As of December 31, 2022, our investment portfolio consisted primarily of fixed-income securities with a weighted average duration of 3.4 years. We had unregulated cash and investments of \$1.4 billion at December 31, 2022. The majority of the excess unregulated cash and cash equivalents was utilized in January 2023 to complete planned pass-through payments. At December 31, 2021 we had unregulated cash and investments of \$3.4 billion, which was substantially reduced in January 2022 to fund the Magellan acquisition. Unregulated cash and investments include private equity investments and company owned life insurance contracts.

Cash flows used in investing activities in 2021 primarily consisted of the net additions to the investment portfolio of our regulated subsidiaries (including transfers from cash and cash equivalents to long-term investments), acquisition and divestiture activity primarily related to the acquisition of the remaining 60% interest of Circle Health, and capital expenditures, offset by proceeds received related to the sale of our majority interest in USMM.

Cash Flows (Used in) Provided by Financing Activities

Financing activities used cash of \$4.2 billion in the year ended December 31, 2022, compared to providing cash of \$1.4 billion in the comparable period in 2021. Financing activities in 2022 were driven by stock repurchases of \$3.0 billion, the redemption of Magellan's outstanding debt of \$535 million assumed in the transaction using Magellan's cash on hand, senior note debt repurchases of \$318 million, and the repayment of our construction loan. In 2021, financing activities were driven by increased borrowings offset by debt repayments.

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 2022, in preparation for the closing of divestitures as well as planning for the future, the Company's Board of Directors authorized up to a total of \$6.0 billion of repurchases under the program.

In 2022, we repurchased a total of 35.7 million shares for \$3.0 billion through our stock repurchase program, primarily funded through divestiture proceeds. A portion of the repurchases were completed through an accelerated share repurchase (ASR) agreement, which was executed in July 2022. At inception, we received an initial delivery of approximately 8.6 million shares representing 80% of the \$1.0 billion notional amount. In October 2022, an additional 3.0 million shares were delivered upon settlement based upon the volume-weighted average price (VWAP) over the term of the agreement, less a discount. In total, 11.6 million shares were purchased through the \$1.0 billion ASR.

We have approximately \$2.8 billion remaining under the stock repurchase program as of December 31, 2022. No duration has been placed on the repurchase program. We reserve the right to discontinue the repurchase program at any time. Refer to Note 12. *Stockholders' Equity* for further information on stock repurchases.

As of December 31, 2022, 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 limited restrictive covenants. As of December 31, 2022, 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 new \$1.0 billion senior note debt repurchase program. During 2022, we repurchased \$318 million of our par value senior notes for \$300 million. As of December 31, 2022, there was \$700 million available under the senior note debt repurchase program. Refer to Note 10. *Debt* for further information regarding the issuance and redemption of senior notes.

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 December 31, 2022, we had \$58 million of borrowings outstanding under our Revolving Credit Facility, \$2.2 billion of borrowings outstanding under our Term Loan Facility, and we were in compliance with all covenants. As of December 31, 2022, there were no limitations on the availability of our Revolving Credit Facility as a result of the debt to EBITDA ratio.

In October 2017, we executed a \$200 million non-recourse construction loan to fund the expansion of our corporate headquarters. In December 2022, we paid off the outstanding balance of the construction loan.

We had outstanding letters of credit of \$217 million as of December 31, 2022, which were not part of our Revolving Credit Facility. The letters of credit bore weighted interest of 0.6% as of December 31, 2022. In addition, we had outstanding surety bonds of \$1.3 billion as of December 31, 2022.

At December 31, 2022, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 42.7%, compared to 41.2% at December 31, 2021. The debt to capital ratio increase was driven by stock repurchases in 2022. We utilize the debt to capital ratio as a measure, among others, of our leverage and financial flexibility.

At December 31, 2022, we had working capital, defined as current assets less current liabilities, of \$1.7 billion, compared to \$2.7 billion at December 31, 2021. Working capital was substantially reduced in January 2022 upon the closing of the Magellan acquisition for the purchase price payment and corresponding closing costs. We manage our short-term and long-term investments with the goal of ensuring that a sufficient portion is held in investments that are highly liquid and can be sold to fund short-term requirements as needed.

During the years ended December 31, 2022 and 2021, we received dividends of \$1.6 billion and \$2.5 billion, respectively, from our regulated subsidiaries.

2023 Expectations

During 2023, we expect to receive net dividends of approximately \$2.1 billion from our regulated subsidiaries and expect to spend approximately \$845 million in capital expenditures primarily associated with system enhancements.

We have material debt, short-term medical claims, lease, and contingencies obligations. Refer to Note 10. *Debt*, Note 8. *Medical Claims Liability*, Note 11. *Leases*, and Note 18. *Contingencies*, respectively, for further information.

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. In addition, from time to time we may elect to raise additional funds for these 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 evaluate strategic actions in connection with our Value Creation Plan, targeting 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.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our operations are conducted through our subsidiaries. As managed care organizations (MCOs), 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.

As of December 31, 2022, our subsidiaries had aggregate statutory capital and surplus of \$16.4 billion, compared with the required minimum aggregate statutory capital and surplus requirements of \$8.0 billion. During the year ended December 31, 2022, we received dividends of \$1.6 billion from and made \$729 million of capital contributions to our regulated subsidiaries. For our subsidiaries that file with the National Association of Insurance Commissioners (NAIC), we estimate our Risk Based Capital (RBC) percentage to be in excess of 350% of the Authorized Control Level.

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 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 risk-based capital requirements for insurance companies, MCOs, and other entities bearing risk for healthcare coverage. As of December 31, 2022, each of our health plans was in compliance with the risk-based capital 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. As of December 31, 2022, the amount of capital and surplus or net worth that was unavailable for the payment of dividends or return of capital to us was \$8.0 billion in the aggregate.

RECENT ACCOUNTING PRONOUNCEMENTS

For this information, refer to Note 2. *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements, included herein.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with GAAP. Our significant accounting policies are more fully described in Note 2. *Summary of Significant Accounting Policies*, to our consolidated financial statements included elsewhere herein. Our accounting policies regarding intangible assets, medical claims liability, and revenue recognition are particularly important to the portrayal of our financial condition and results of operations and require the application of significant judgment by our management. As a result, they are subject to an inherent degree of uncertainty. We have reviewed these critical accounting policies and related disclosures with the Audit and Compliance Committee of our Board of Directors.

Goodwill and Intangible Assets

We have made several acquisitions that have resulted in our recording of intangible assets. These intangible assets primarily consist of purchased contract rights and customer relationships, provider contracts, trade names, developed technologies, and goodwill. Key assumptions used in the valuation of these intangible assets include, but are not limited to, member attrition rates, contract renewal probabilities, revenue growth rates, expectations of profitability, and discount and royalty rates. We allocate the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of consideration transferred over the fair value of the net assets acquired is recorded as goodwill. Goodwill is generally attributable to the value of the synergies between the combined companies and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. At December 31, 2022, we had \$18.8 billion of goodwill and \$6.9 billion of other intangible assets.

Intangible assets are amortized using the straight-line method over the following periods:

Intangible Asset	Amortization Period
Purchased contract rights and customer relationships	3 - 21 years
Provider contracts	4 - 15 years
Trade names	7 - 20 years
Developed technologies	2 - 7 years

Our management evaluates whether events or circumstances have occurred that may affect the estimated useful life or the recoverability of the remaining balance of goodwill and other identifiable intangible assets. If the events or circumstances indicate that the remaining balance of the intangible asset or goodwill may be impaired, the potential impairment will be measured based upon the difference between the carrying amount of the intangible asset or goodwill and the fair value of such asset. Our management must make assumptions and estimates, such as the discount factor, future utility, and other internal and external factors, in determining the estimated fair values. While we believe these assumptions and estimates are appropriate, other assumptions and estimates could be applied and might produce significantly different results.

Goodwill is reviewed annually during the fourth quarter for impairment. In addition, an impairment analysis of intangible assets would be performed based on other factors. These factors include significant changes in membership, financial performance, state funding, medical contracts, and provider networks and contracts.

If a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. We first assess qualitative factors to determine if a quantitative impairment test is necessary. We generally do not calculate the fair value of a reporting unit unless we determine, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. However, in certain circumstances, such as recent acquisitions, we may elect to perform a quantitative assessment without first assessing qualitative factors.

We do not believe any of our reporting units are currently at risk for impairment. However, as part of our Value Creation Plan, we are completing a portfolio review and may identify changes in strategic focus, which could result in future impairments of goodwill or intangibles based on market indicators at that time.

Medical Claims Liability

Our medical claims liability includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported (IBNR), and estimates for the costs necessary to process unpaid claims at the end of each period. We estimate our medical claims 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.

Actuarial Standards of Practice generally require that the medical claims liability estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. The claims amounts ultimately settled will most likely be different than the estimate that satisfies the Actuarial Standards of Practice. We include in our IBNR an estimate for medical claims liability under moderately adverse conditions which represents the risk of adverse deviation of the estimates in our actuarial method of reserving.

We use our judgment to determine the assumptions to be used in the calculation of the required estimates. The assumptions we consider when estimating IBNR include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to fee schedules, and the incidence of high dollar or catastrophic claims.

We apply various estimation methods depending on the claim type and the period for which claims are being estimated. For more recent periods, incurred non-inpatient claims are estimated based on historical per member per month claims experience adjusted for known factors. Incurred hospital inpatient claims are estimated based on known inpatient utilization data and prior claims experience adjusted for known factors. For older periods, we utilize an estimated completion factor based on our historical experience to develop IBNR estimates. The completion factor is an actuarial estimate of the percentage of claims that have been received or adjudicated as of the end of a reporting period relative to the estimate of the total ultimate incurred costs for that same period. When we commence operations in a new state or region, we have limited information with which to estimate our medical claims liability. See "Risk Factors - ***Failure to accurately estimate and price our medical expenses or effectively manage our medical costs or related administrative costs could have a material adverse effect on our results of operations, financial condition, and cash flows.***" These approaches are consistently applied to each period presented.

Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as additional claims receipts and payment information becomes available. As more complete claims information becomes available, we adjust the amount of the estimates and include the changes in estimates in medical costs in the period in which the changes are identified. In every reporting period, our operating results include the effects of more completely developed medical claims liability estimates associated with previously reported periods. We consistently apply our reserving methodology from period to period. As additional information becomes known to us, we adjust our actuarial models accordingly to establish medical claims liability estimates.

The paid and received completion factors, claims per member per month, and per diem cost trend factors are the most significant factors affecting the IBNR estimate. The following table illustrates the sensitivity of these factors and the estimated potential impact on our operating results caused by changes in these factors based on December 31, 2022 data:

Completion Factors: ⁽¹⁾		Cost Trend Factors: ⁽²⁾	
(Decrease) Increase in Factors	Increase (Decrease) in Medical Claims Liabilities (In millions)	(Decrease) Increase in Factors	Increase (Decrease) in Medical Claims Liabilities (In millions)
(1.00)%	\$ 1,077	(1.00)%	\$ (208)
(0.75)	804	(0.75)	(156)
(0.50)	533	(0.50)	(104)
(0.25)	265	(0.25)	(52)
0.25	(263)	0.25	52
0.50	(524)	0.50	104
0.75	(782)	0.75	156
1.00	(1,038)	1.00	208

⁽¹⁾ Reflects estimated potential changes in medical claims liability caused by changes in completion factors.

⁽²⁾ Reflects estimated potential changes in medical claims liability caused by changes in cost trend factors for the most recent periods.

While we believe our estimates are appropriate, it is possible future events could require us to make significant adjustments for revisions to these estimates. For example, a 1% increase or decrease in our estimated medical claims liability would have affected net earnings by \$103 million for the year ended December 31, 2022, excluding the effect of any return of premium, risk corridor, or minimum MLR programs. The estimates are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our providers, and information available from other outside sources.

The change in medical claims liability is summarized as follows (in millions):

	Year Ended December 31,		
	2022	2021	2020
Balance, January 1,	\$ 14,243	\$ 12,438	\$ 7,473
Less: reinsurance recoverable	23	23	20
Balance, January 1, net	14,220	12,415	7,453
Acquisitions	105	—	3,856
Incurred related to:			
Current year	112,896	100,385	86,765
Prior years	(1,367)	(1,783)	(501)
Total incurred	111,529	98,602	86,264
Paid related to:			
Current year	97,799	87,427	78,838
Prior years	11,336	9,370	6,320
Total paid	109,135	96,797	85,158
Balance, December 31, net	16,719	14,220	12,415
Plus: reinsurance recoverable	26	23	23
Balance, December 31,	\$ 16,745	\$ 14,243	\$ 12,438
Days in claims payable ⁽¹⁾	54	52	51

⁽¹⁾ Days in claims payable is a calculation of medical claims liability at the end of the period divided by average expense per calendar day for the fourth quarter of each year.

Medical claims are usually paid within a few months of the member receiving service from the physician or other healthcare provider. As a result, the liability generally is described as having a "short-tail," which causes less than 5% of our medical claims liability as of the end of any given year to be outstanding the following year. We believe that substantially all the development of the estimate of medical claims liability as of December 31, 2022 will be known by the end of 2023.

Changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions. Additionally, as a result of minimum HBR and other return of premium programs, approximately \$198 million, \$492 million, and \$86 million of the "Incurred related to: Prior years" was recorded as a reduction to premium revenues in 2022, 2021, and 2020, respectively. Further, claims processing initiatives yielded increased claim payment recoveries and coordination of benefits related to prior year dates of service. Changes in medical utilization and cost trends and the effect of population health management initiatives may also contribute to changes in medical claim liability estimates. While we have evidence that population health management initiatives are effective on a case by case basis, these initiatives primarily focus on events and behaviors prior to the incurrence of the medical event and generation of a claim. Accordingly, any change in behavior, leveling of care, or coordination of treatment occurs prior to claim generation and as a result, the costs prior to the population health management initiative are not known by us. Additionally, certain population health management initiatives are focused on member and provider education with the intent of influencing behavior to appropriately align the medical services provided with the member's acuity. In these cases, determining whether the population health management initiative changed the behavior cannot be determined. Because of the complexity of our business, the number of states in which we operate, and the volume of claims that we process, we are unable to practically quantify the impact of these initiatives on our changes in estimates of IBNR.

The following are examples of population health management initiatives that may have contributed to the favorable development through lower medical utilization and cost trends:

- Appropriate leveling of care for neonatal intensive care unit hospital admissions, other inpatient hospital admissions, and observation admissions, in accordance with InterQual or other evidence-based criteria or clinical policy.
- Management of our pre-authorization list, monitoring for over utilized services, and stringent review of durable medical equipment and injectables.
- Emergency department programs designed to collaboratively work with hospitals and members to steer non-emergent care to a more appropriate and cost effective setting (through patient education, on-site alternative urgent care settings, etc.).
- Increased emphasis on care management and clinical rounding where nurse or social worker care managers assist selected high-risk members with the coordination of healthcare services in order to meet a patient's specific healthcare needs.
- Incorporation of disease management, which is a comprehensive, multidisciplinary, collaborative approach to chronic illnesses such as asthma.
- Prenatal and infant health programs.

Revenue Recognition

Our health plans generate revenues primarily from premiums received from the states in which we operate health plans, premiums received from our members and CMS for our Medicare product, and premiums from members of our commercial health plans. In addition to member premium payments, our Marketplace contracts also generate revenues from subsidies received from CMS. We generally receive a fixed premium per member per month pursuant to our contracts and recognize premium revenues during the period in which we are obligated to provide services to our members at the amount reasonably estimable. In some instances, our base premiums are subject to an adjustment, in the form of a risk score or risk adjustment, based on the acuity of our membership. Generally, the risk score or risk adjustment is determined by the state or CMS analyzing submissions of processed claims and medical record data to determine the acuity of our membership, often relative to the respective program's membership. We estimate the amount of risk score and risk adjustment based upon the processed claims and medical record data submitted and expected to be submitted to CMS and record revenues on a risk adjusted basis. Some contracts allow for additional premiums related to certain supplemental services provided such as maternity deliveries.

Our contracts with states may require us to maintain a minimum HBR or may require us to share cost-savings in excess of certain levels. In certain circumstances, including commercial plans, our plans may be required to return premium to the state or policyholders in the event costs are below established levels. We estimate the effect of these programs and recognize reductions in revenue in the current period. Other states may require us to meet certain performance and quality metrics in order to receive additional or full contractual revenue. For performance-based contracts, we do not recognize revenue subject to refund until data is sufficient to measure performance.

Revenues are recorded based on membership and eligibility data provided by the states or CMS, which is adjusted on a monthly basis by the states or CMS for retroactive additions or deletions to membership data. These eligibility adjustments are estimated monthly and subsequent adjustments are made in the period known. We continuously review and update those estimates as new information becomes available. It is possible that new information could require us to make additional adjustments, which could be significant, to these estimates.

Our Medicare Advantage contracts are with CMS. CMS deploys a risk adjustment model which apportions premiums paid to all health plans according to health severity and certain demographic factors. The CMS risk adjustment model pays more for members whose medical history would indicate that they are expected to have higher medical costs. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient, physician treatment settings as well as prescription drug events. We and the healthcare providers collect, compile and submit the necessary and available diagnosis data to CMS within prescribed deadlines. We estimate risk adjustment revenues based upon the diagnosis data submitted and expected to be submitted to CMS and record revenues on a risk adjusted basis.

For qualifying low-income prescription drug benefit members, CMS pays for some, or all, of the member's monthly premium. We receive certain Part D prospective subsidy payments from CMS for these members as a fixed monthly per member amount, based on the estimated costs of providing prescription drug benefits over the plan year, as reflected in our bids. Approximately nine to ten months subsequent to the end of the plan year, or later in the case of the coverage gap discount subsidy, a settlement payment is made between CMS and our plans based on the difference between the prospective payments and actual claims experience.

Our specialty services generate revenues under contracts with state and federal programs, healthcare organizations, and other commercial organizations, as well as from our own subsidiaries. Revenues are recognized when the related services are provided or as ratably earned over the covered period of services. For performance-based measures in our contracts, revenue is recognized as data sufficient to measure performance is available. We recognize revenue related to administrative services under the TRICARE government-sponsored Managed Care Support Contract for the DoD's TRICARE program on a straight-line basis over the option period, when the fees become fixed and determinable. The TRICARE contract includes various performance-based measures. For each of the measures, an estimate of the amount that has been earned is made at each interim date, and revenue is recognized accordingly.

Some states enact premium taxes, similar assessments, and provider pass-through payments, collectively premium taxes, and these taxes are recorded as a separate component of both revenues and operating expenses. Additionally, our insurance subsidiaries were previously subject to the ACA annual health insurer fee (HIF). Beginning in 2021, the HIF was permanently repealed. This revenue was recorded as premium tax and health insurer fee revenue in the Consolidated Statements of Operations. For certain products, premium taxes, state assessments, and the HIF are not pass-through payments and are recorded as premium revenue and premium tax expense or health insurer fee expense in the Consolidated Statements of Operations.

Some states require state directed payments that have minimal risk, but are administered as a premium adjustment. These payments are recorded as premium revenue and medical costs at close to a 100% HBR. In many instances, we have little visibility to the timing of these payments until they are paid by the state.

ITEM 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Market risk represents the risk of loss that may impact our financial condition due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates.

INVESTMENTS AND DEBT

As of December 31, 2022, we had short-term investments of \$2.3 billion and long-term investments of \$15.9 billion, including restricted deposits of \$1.2 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, equity securities, and private equity investments and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states' requirements, these investments are classified as long-term regardless of the contractual maturity date. 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 December 31, 2022, the fair value of our fixed income investments would decrease by approximately \$583 million. Declines in interest rates over time will reduce our investment income. The Company does not hold or issue any derivative instruments for trading or speculative purposes.

For a discussion of the interest rate risk that our investments are subject to, see "Risk Factors - *Our investment portfolio may suffer losses which could materially and adversely affect our results of operations or liquidity.*"

Item 8. Financial Statements and Supplementary Data**Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors
Centene Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Centene Corporation and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive earnings (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 21, 2023 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit and compliance committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the estimated medical claims liability

As discussed in Note 2 to the consolidated financial statements, the Company's medical claims liability includes claims reported but not yet paid, estimates for claims incurred but not reported, and estimates for the costs necessary to process unpaid claims. As discussed in Note 8 to the consolidated financial statements, the balance at December 31, 2022 was \$16,745 million.

We identified the evaluation of the estimated medical claims liability as a critical audit matter. The Company estimates its medical claims liability using actuarial methods. Specialized skills were required to evaluate these actuarial methods, which include analyzing historical claims data in order to estimate the medical claims liability. The medical claims liability included an estimate for medical claims developing under moderately adverse conditions, which represents the risk of adverse deviation in the Company's actuarial methods of reserving, which required auditor judgment to evaluate.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the critical audit matter. This included controls over the Company's process to evaluate the estimate of the medical claims liability. We involved actuarial professionals with specialized skills and knowledge who evaluated the actuarial methods used by the Company to estimate the medical claims liability. With the assistance of the actuarial professionals, we challenged the Company's estimate of the medical claims liability, including the effects of moderately adverse conditions, by developing an independent estimate for certain health plans using the Company's medical claims data, and relative range. We assessed the potential for management bias by evaluating the Company's position and movement within the actuarial professionals' relative range.

Evaluation of the estimated Affordable Care Act risk adjustment accruals

As discussed in Note 2 to the consolidated financial statements, the Affordable Care Act (ACA) established a permanent risk adjustment program. This program transfers funds from qualified individual and small group insurance plans with below average risk scores to those insurance plans with above average risk scores within each state. The final settlement of the December 31, 2022 ACA risk adjustment accruals is scheduled to be determined by the Centers for Medicare and Medicaid Services (CMS) in June 2023, based on data submitted by insurance companies through April 2023. As discussed in Note 9, the Company recorded an estimated asset and liability (the ACA risk adjustment accruals) of \$838 million, and \$780 million, respectively at December 31, 2022.

We identified the evaluation of the estimated ACA risk adjustment accruals as a critical audit matter. Specialized skills and a higher degree of auditor judgment were required to evaluate the Company's estimates. The Company's estimates are based on its analysis of member data, claims data, and projections of claims data expected to be submitted by the Company, and other insurance plans, to CMS for settlement.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process to develop the estimated ACA risk adjustment accruals. We involved actuarial professionals with specialized skills and knowledge who assisted in evaluating the Company's methodology used in estimating the ACA risk adjustment accruals for consistency with the federally developed risk adjustment methodology. Additionally, the actuarial professionals assisted in evaluating the projections of claims data utilized to estimate the ACA risk adjustment accruals, and assessed the methodologies utilized by the Company for consistency with industry practice. We assessed the Company's process to estimate the ACA risk adjustment accruals, in order to consider the potential for management bias, by performing a retrospective review of the prior period ACA risk adjustment accruals and assessing the consistency of those estimated balances with the subsequent settlement.

/s/ KPMG LLP

We have served as the Company's auditor since 2005.

St. Louis, Missouri
February 21, 2023

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,074	\$ 13,118
Premium and trade receivables	13,272	12,238
Short-term investments	2,321	1,539
Other current assets	2,461	1,602
Total current assets	30,128	28,497
Long-term investments	14,684	14,043
Restricted deposits	1,217	1,068
Property, software and equipment, net	2,432	3,391
Goodwill	18,812	19,771
Intangible assets, net	6,911	7,824
Other long-term assets	2,686	3,781
Total assets	<u>\$ 76,870</u>	<u>\$ 78,375</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liability	\$ 16,745	\$ 14,243
Accounts payable and accrued expenses	9,525	8,493
Return of premium payable	1,634	2,328
Unearned revenue	478	434
Current portion of long-term debt	82	267
Total current liabilities	28,464	25,765
Long-term debt	17,938	18,571
Deferred tax liability	615	1,407
Other long-term liabilities	5,616	5,610
Total liabilities	52,633	51,353
Commitments and contingencies		
Redeemable noncontrolling interests	56	82
Stockholders' equity:		
Preferred stock, \$0.001 par value; authorized 10,000 shares; no shares issued or outstanding at December 31, 2022 and December 31, 2021	—	—
Common stock, \$0.001 par value; authorized 800,000 shares; 607,847 issued and 550,754 outstanding at December 31, 2022, and 602,704 issued and 582,479 outstanding at December 31, 2021	1	1
Additional paid-in capital	20,060	19,672
Accumulated other comprehensive earnings (loss)	(1,132)	77
Retained earnings	9,341	8,139
Treasury stock, at cost (57,093 and 20,225 shares, respectively)	(4,213)	(1,094)
Total Centene stockholders' equity	24,057	26,795
Nonredeemable noncontrolling interest	124	145
Total stockholders' equity	24,181	26,940
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 76,870</u>	<u>\$ 78,375</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)

	Year Ended December 31,		
	2022	2021	2020
Revenues:			
Premium	\$ 127,131	\$ 112,319	\$ 100,055
Service	8,348	5,664	3,745
Premium and service revenues	135,479	117,983	103,800
Premium tax and health insurer fee	9,068	7,999	7,315
Total revenues	144,547	125,982	111,115
Expenses:			
Medical costs	111,529	98,602	86,264
Cost of services	7,032	4,894	3,303
Selling, general and administrative expenses	11,589	9,601	9,380
Depreciation expense	614	565	487
Amortization of acquired intangible assets	817	770	719
Premium tax expense	9,330	8,287	6,332
Health insurer fee expense	—	—	1,476
Impairment	2,318	229	72
Legal settlement	—	1,250	—
Total operating expenses	143,229	124,198	108,033
Earnings from operations	1,318	1,784	3,082
Other income (expense):			
Investment and other income	1,279	819	480
Debt extinguishment	30	(125)	(61)
Interest expense	(665)	(665)	(728)
Earnings before income tax	1,962	1,813	2,773
Income tax expense	760	477	979
Net earnings	1,202	1,336	1,794
Loss attributable to noncontrolling interests	—	11	14
Net earnings attributable to Centene Corporation	\$ 1,202	\$ 1,347	\$ 1,808
Net earnings per common share attributable to Centene Corporation:			
Basic earnings per common share	\$ 2.09	\$ 2.31	\$ 3.17
Diluted earnings per common share	\$ 2.07	\$ 2.28	\$ 3.12
Weighted average number of common shares outstanding:			
Basic	575,191	582,832	570,722
Diluted	582,040	590,516	579,135

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)

	Year Ended December 31,		
	2022	2021	2020
Net earnings	\$ 1,202	\$ 1,336	\$ 1,794
Change in unrealized gain (loss) on investments	(1,475)	(296)	251
Change in unrealized gain (loss) on investments, tax effect	349	75	(60)
Change in unrealized gain (loss) on investments, net of tax	(1,126)	(221)	191
Reclassification adjustment, net of tax	11	(20)	(3)
Foreign currency translation adjustments, net of tax	(94)	(19)	15
Other comprehensive earnings (loss)	(1,209)	(260)	203
Comprehensive earnings (loss)	(7)	1,076	1,997
Comprehensive loss attributable to noncontrolling interests	—	11	14
Comprehensive earnings (loss) attributable to Centene Corporation	\$ (7)	\$ 1,087	\$ 2,011

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)

	Centene Stockholders' Equity								
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Treasury Stock		Noncontrolling Interest	Total
	\$0.001 Par Value Shares	Amt				\$0.001 Par Value Shares	Amt		
Balance, December 31, 2019	421,508	\$ —	\$ 7,647	\$ 134	\$ 4,984	6,460	\$ (214)	\$ 108	\$ 12,659
Net earnings (loss)	—	—	—	—	1,808	—	—	(24)	1,784
Other comprehensive earnings, net of \$60 tax	—	—	—	203	—	—	—	—	203
Common stock issued for acquisitions	171,225	1	11,526	—	—	—	—	—	11,527
Common stock issued for employee benefit plans	5,923	—	29	—	—	—	—	—	29
Common stock repurchases	(407)	—	(24)	—	—	10,310	(602)	—	(626)
Stock compensation expense	—	—	281	—	—	—	—	—	281
Contribution from noncontrolling interest	—	—	—	—	—	—	—	28	28
Balance, December 31, 2020	598,249	\$ 1	\$ 19,459	\$ 337	\$ 6,792	16,770	\$ (816)	\$ 112	\$ 25,885
Net earnings (loss)	—	—	—	—	1,347	—	—	(21)	1,326
Other comprehensive loss, net of \$(75) tax	—	—	—	(260)	—	—	—	—	(260)
Common stock issued for employee benefit plans	4,781	—	38	—	—	—	—	—	38
Common stock repurchases	(326)	—	(19)	—	—	3,455	(278)	—	(297)
Stock compensation expense	—	—	203	—	—	—	—	—	203
Contribution from noncontrolling interest	—	—	—	—	—	—	—	46	46
Divestiture of noncontrolling interest	—	—	(9)	—	—	—	—	5	(4)
Acquisition resulting in noncontrolling interest	—	—	—	—	—	—	—	3	3
Balance, December 31, 2021	602,704	\$ 1	\$ 19,672	\$ 77	\$ 8,139	20,225	\$ (1,094)	\$ 145	\$ 26,940
Net earnings (loss)	—	—	—	—	1,202	—	—	(13)	1,189
Other comprehensive loss, net of \$349 tax	—	—	—	(1,209)	—	—	—	—	(1,209)
Common stock issued for employee benefit plans	5,143	—	71	—	—	—	—	—	71
Fair value of unvested equity awards in connection with acquisition	—	—	60	—	—	—	—	—	60
Common stock repurchases	—	—	23	—	—	36,868	(3,119)	—	(3,096)
Stock compensation expense	—	—	234	—	—	—	—	—	234
Reclassification to non-redeemable	—	—	—	—	—	—	—	17	17
Divestiture of noncontrolling interest	—	—	—	—	—	—	—	(14)	(14)
Dividend to noncontrolling interest	—	—	—	—	—	—	—	(10)	(10)
Purchase of noncontrolling interest	—	—	—	—	—	—	—	(1)	(1)
Balance, December 31, 2022	607,847	\$ 1	\$ 20,060	\$ (1,132)	\$ 9,341	57,093	\$ (4,213)	\$ 124	\$ 24,181

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

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

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net earnings	\$ 1,202	\$ 1,336	\$ 1,794
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	1,553	1,476	1,259
Stock compensation expense	234	203	281
Impairment	2,318	229	72
(Gain) loss on debt extinguishment	(25)	125	57
(Gain) on acquisition	(2)	(309)	—
Deferred income taxes	(631)	(132)	(51)
(Gain) on divestitures	(772)	(88)	(104)
Loss on disposal of equipment	221	12	5
Other adjustments, net	(31)	(23)	(5)
Changes in assets and liabilities			
Premium and trade receivables	(1,627)	(2,453)	(52)
Other assets	128	(99)	(30)
Medical claims liabilities	2,397	1,802	1,117
Unearned revenue	31	(109)	(528)
Accounts payable and accrued expenses	421	1,141	585
Other long-term liabilities	842	1,093	1,078
Other operating activities, net	2	1	25
Net cash provided by operating activities	6,261	4,205	5,503
Cash flows from investing activities:			
Capital expenditures	(1,004)	(910)	(869)
Purchases of investments	(6,736)	(7,400)	(7,402)
Sales and maturities of investments	3,802	5,458	4,921
Acquisitions, net of cash acquired	(1,460)	(534)	(4,049)
Divestiture proceeds, net of divested cash	2,477	68	466
Other investing activities, net	—	19	(22)
Net cash (used in) investing activities	(2,921)	(3,299)	(6,955)
Cash flows from financing activities:			
Proceeds from long-term debt	360	9,267	5,107
Payments and repurchases of long-term debt	(1,490)	(7,434)	(4,067)
Common stock repurchases	(3,096)	(297)	(626)
Proceeds from common stock issuances	70	35	28
Payments for debt extinguishment	(14)	(157)	(81)
Debt issuance costs	—	(72)	(120)
Other financing activities, net	(27)	20	19
Net cash (used in) provided by financing activities	(4,197)	1,362	260
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(11)	(11)	18
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(868)	2,257	(1,174)
Cash and cash equivalents reclassified (to) from held for sale	(16)	—	—
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of period	13,214	10,957	12,131
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 12,330	\$ 13,214	\$ 10,957
Supplemental disclosures of cash flow information:			
Interest paid	\$ 657	\$ 658	\$ 725
Income taxes paid	\$ 1,222	\$ 678	\$ 1,191
Equity issued in connection with acquisitions	\$ 60	\$ —	\$ 11,526
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:			
	2022	2021	2020
Cash and cash equivalents	\$ 12,074	\$ 13,118	\$ 10,800
Restricted cash and cash equivalents, included in restricted deposits	256	96	157
Total cash, cash equivalents, and restricted cash and cash equivalents	\$ 12,330	\$ 13,214	\$ 10,957

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

1. Organization and Operations

Centene Corporation, or the Company, is a leading healthcare enterprise, committed to helping people live healthier lives, with an established expertise in lower-income and medically complex populations. The Company provides access to high-quality healthcare, innovative programs, and a wide range of health solutions that help families and individuals get well, stay well, and be well. During 2022, the Company operated in two segments: Managed Care and Specialty Services. The Managed Care segment provided health plan coverage to individuals through government subsidized programs, including Medicaid, the Children's Health Insurance Program (CHIP), Long-Term Services and Supports (LTSS), Foster Care, Medicare-Medicaid Plans (MMP), which cover beneficiaries who are dually eligible for Medicaid and Medicare, the Supplemental Security Income Program, also known as the Aged, Blind, or Disabled Program (ABD), Medicare (including Medicare Prescription Drug Plans), and the Health Insurance Marketplace. The Company also offered a variety of individual, small group, and large group commercial healthcare products, both to employers and directly to members in the Managed Care segment. The Specialty Services segment consisted of the Company's specialty companies offering auxiliary healthcare services and products to state programs, correctional facilities, healthcare organizations, employer groups, and other commercial organizations, as well as to the Company's own subsidiaries. The Specialty Services segment also included the government contracts business, including the Company's government-sponsored Managed Care Support Contract with the U.S. Department of Defense (DoD) under the TRICARE program and other healthcare related government contracts.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Centene Corporation and all majority owned subsidiaries and subsidiaries over which the Company exercises the power and control to direct activities significantly impacting financial performance. All material intercompany balances and transactions have been eliminated.

Certain amounts in the consolidated financial statements and notes have been reclassified to conform to the 2022 presentation. Beginning in 2022, the Company has included a separate line item for depreciation expense on the Consolidated Statement of Operations, which was previously included in selling, general and administrative (SG&A) expenses. Prior period SG&A expense ratios have also been conformed to the current presentation. These reclassifications have no effect on net earnings, cash flow, or stockholders' equity as previously reported.

On January 2022, the Company acquired all of the issued and outstanding shares of Magellan Health, Inc. (Magellan). The acquisition was accounted for as a business combination. Additionally, during 2022 the Company completed the divestitures of PANTHERx Rare (PANTHERx), its Spanish and Central European businesses, and Magellan Rx. See Note 3. *Acquisitions and Divestitures* for further details.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as the operating environment changes. The Company evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluation, as considered necessary. Actual results could differ from those estimates.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting. The Company allocates the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of consideration transferred over the fair value of the net assets acquired is recorded as goodwill. Goodwill is generally attributable to the value of the synergies between the combined companies and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset.

The Company uses its best estimates and assumptions to value assets acquired and liabilities assumed at the acquisition date; however, these estimates are sometimes preliminary and, in some instances, all information required to value the assets acquired and liabilities assumed may not be available or final as of the end of a reporting period subsequent to the business combination. If the accounting for the business combination is incomplete, provisional amounts are recorded. The provisional amounts are updated during the period determined, up to one year from the acquisition date. The Company includes the results of operations of acquired businesses in the Company's consolidated results prospectively from the date of acquisition.

Acquisition related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred.

Cash and Cash Equivalents

Investments with original maturities of three months or less are considered to be cash equivalents. Cash equivalents consist of money market funds, bank certificates of deposit, and savings accounts.

The Company maintains amounts on deposit with various financial institutions, which may exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions, and the Company has not experienced any losses on such deposits.

Investments

Short-term investments include securities with maturities greater than three months to one year. Long-term investments include securities with maturities greater than one year.

Short-term and long-term investments are generally classified as available-for-sale and are carried at fair value. Certain equity investments are recorded using the fair value or equity method. The Company monitors the difference between the carrying value and fair value of its available-for-sale debt investments and whether declines in fair value are credit related. Unrealized gains and losses on debt investments available-for-sale are excluded from earnings and reported in accumulated other comprehensive earnings (loss), a separate component of stockholders' equity, net of income tax effects. If a loss is deemed to be credit related, the Company recognizes an allowance through earnings. 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 through investment and other income. Premiums and discounts are amortized or accreted over the life of the related security using the effective interest method. To calculate realized gains and losses on the sale of investments, the Company uses the specific amortized cost of each investment sold. Realized gains and losses are recorded in investment and other income.

The Company uses the equity method to account for investments in entities that it does not control but has the ability to exercise significant influence over operating and financial policies. Generally, under the equity method, original investments in these entities are recorded at cost and subsequently adjusted by the Company's share of equity in income or losses after the date of acquisition as well as capital contributions to and distributions from these companies.

Restricted Deposits

Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. These investments are classified as long-term, regardless of the contractual maturity date, due to the nature of the states' requirements. The Company is required to annually adjust the amount of the deposit pledged to certain states.

Fair Value Measurements

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. Fair values are disclosed for all financial instruments, whether or not such values are recognized in the Consolidated Balance Sheets. Management obtains quoted market prices and other observable inputs for these disclosures. The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, premium and trade receivables, medical claims liability, accounts payable and accrued expenses, unearned revenue, and certain other current assets and liabilities are carried at cost, which approximates fair value because of their short-term nature.

The following methods and assumptions were used to estimate the fair value of each financial instrument:

- Available-for-sale investments and restricted deposits: The carrying amount is stated at fair value, based on quoted market prices, where available. For securities not actively traded, fair values were estimated using values obtained from independent pricing services or quoted market prices of comparable instruments.
- Senior unsecured notes: Estimated based on third-party quoted market prices for the same or similar issues.
- Variable rate debt: The carrying amount of the Company's floating rate debt approximates fair value since the interest rates adjust based on market rate adjustments.
- Foreign currency swap: Estimated based on Great British Pound to US Dollar foreign exchange rates.
- Contingent consideration: Estimated based on expected achievement of metrics included in the acquisition agreement considering circumstances that exist as of the acquisition date.

Property, Software and Equipment

Property, software and equipment are stated at cost less accumulated depreciation. Computer hardware and software includes certain costs incurred in the development of internal-use software, including external direct costs of materials and services and payroll costs of employees devoted to specific software development. Depreciation is calculated principally by the straight-line method over estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the shorter of the expected useful life or the remaining term of the lease. Property, software and equipment are depreciated over the following periods:

Fixed Asset	Depreciation Period
Buildings and improvements	5 - 40 years
Computer hardware and software	3 - 5 years
Furniture and equipment	3 - 10 years
Land improvements	10 - 20 years
Leasehold improvements	1 - 20 years

The carrying amounts of all long-lived assets are evaluated to determine if adjustment to the depreciation and amortization period or to the unamortized balance is warranted. Such evaluation is based principally on the expected utilization of the long-lived assets.

The Company retains fully depreciated assets in property and accumulated depreciation accounts until it removes them from service. In the case of sale, retirement, or disposal, the asset cost and related accumulated depreciation balance is removed from the respective account, and the resulting net amount, less any proceeds, is included as a component of earnings from operations in the Consolidated Statements of Operations.

Goodwill and Intangible Assets

Intangible assets represent assets acquired in purchase transactions and consist primarily of purchased contract rights and customer relationships, provider contracts, trade names, developed technologies, and goodwill. Intangible assets are amortized using the straight-line method over the following periods:

Intangible Asset	Amortization Period
Purchased contract rights and customer relationships	3 - 21 years
Provider contracts	4 - 15 years
Trade names	7 - 20 years
Developed technologies	2 - 7 years

The Company tests for impairment of intangible assets, as well as long-lived assets, whenever events or changes in circumstances indicate that the carrying value of an asset or asset group (hereinafter referred to as "asset group") may not be recoverable by comparing the sum of the estimated undiscounted future cash flows expected to result from use of the asset group and its eventual disposition to the carrying value. Such factors include, but are not limited to, significant changes in membership, state funding, state contracts, and provider networks and contracts. If the sum of the estimated undiscounted future cash flows is less than the carrying value, an impairment determination is required. The amount of impairment is calculated by subtracting the fair value of the asset group from the carrying value of the asset group. An impairment charge, if any, is recognized within earnings from operations.

The Company tests goodwill for impairment using a fair value approach. The Company is required to test for impairment at least annually, absent a triggering event, which could include a significant decline in operating performance that would require an impairment assessment. Absent any impairment indicators, the Company performs its goodwill impairment testing during the fourth quarter of each year. The Company recognizes an impairment charge for any amount by which the carrying amount of goodwill exceeds its fair value.

The Company first assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. The Company generally does not calculate the fair value of a reporting unit unless it determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount.

If the quantitative test is deemed necessary, the Company determines an appropriate valuation technique to estimate a reporting unit's fair value as of the testing date. The Company utilizes either the income approach or the market approach, whichever is most appropriate for the respective reporting unit. The income approach is based on an internally developed discounted cash flow model that includes many assumptions related to future growth rates, discount factors, future tax rates, and other various assumptions. The market approach is based on financial multiples of comparable companies derived from current market data. The Company then compares the fair value of the reporting unit calculated using the income approach or market approach with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds fair value. The impairment charge is limited to the total amount of goodwill allocated to the reporting unit. Changes in economic and operating conditions impacting assumptions used in the Company's analyses could result in goodwill impairment in future periods.

Medical Claims Liability

Medical claims liability includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. The Company estimates its medical claims 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.

Actuarial Standards of Practice generally require that the medical claims liability estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. In many situations, the claims amounts ultimately settled will be different than the estimate that satisfies the Actuarial Standards of Practice. The Company includes in its IBNR an estimate for medical claims liability under moderately adverse conditions which represents the risk of adverse deviation of the estimates in its actuarial method of reserving.

The Company uses its judgment to determine the assumptions to be used in the calculation of the required estimates. The assumptions it considers when estimating IBNR include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza or COVID-19, provider contract changes, changes to fee schedules, and the incidence of high-dollar or catastrophic claims.

The Company's development of the medical claims liability estimate is a continuous process which it monitors and refines on a monthly basis as additional claims receipts and payment information becomes available. As more complete claims information becomes available, the Company adjusts the amount of the estimates, and includes the changes in estimates in medical costs in the period in which the changes are identified. In every reporting period, the operating results include the effects of more completely developed medical claims liability estimates associated with previously reported periods. The Company consistently applies its reserving methodology from period to period. As additional information becomes known, it adjusts the actuarial model accordingly to establish medical claims liability estimates.

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.

Revenue Recognition

The Company's health plans generate revenues primarily from premiums received from the states in which it operates health plans, premiums received from its members and the Centers for Medicare and Medicaid Services (CMS) for its Medicare product, and premiums from members of its commercial health plans. In addition to member premium payments, its Marketplace contracts also generate revenues from subsidies received from CMS. The Company generally receives a fixed premium per member per month pursuant to its contracts and recognizes premium revenues during the period in which it is obligated to provide services to its members at the amount reasonably estimable. In some instances, the Company's base premiums are subject to an adjustment factor, in the form of a risk score or risk adjustment, based on the acuity of its membership. Generally, the risk score or risk adjustment is determined by the state or CMS analyzing submissions of processed claims and medical record data to determine the acuity of the Company's membership, often relative to the respective program's membership. The Company estimates the amount of risk score and risk adjustment based upon the processed claims and medical record data submitted and expected to be submitted to CMS and records revenues on a risk adjusted basis. Some contracts allow for additional premiums related to certain supplemental services provided such as maternity deliveries.

The Company's contracts with states may require it to maintain a minimum health benefits ratio (HBR) or may require it to share cost-savings in excess of certain levels. In certain circumstances, including commercial plans, its plans may be required to return premium to the state or policyholders in the event costs are below established levels. The Company estimates the effect of these programs and recognizes reductions in revenue in the current period. Other states may require us to meet certain performance and quality metrics in order to receive additional or full contractual revenue. For performance-based contracts, the Company does not recognize revenue subject to refund until data is sufficient to measure performance.

Revenues are recorded based on membership and eligibility data provided by the states or CMS, which is adjusted on a monthly basis by the states or CMS for retroactive additions or deletions to membership data. These eligibility adjustments are estimated monthly and subsequent adjustments are made in the period known. The Company reviews and updates those estimates as new information becomes available. It is possible that new information could require us to make additional adjustments, which could be significant, to these estimates.

The Company's Medicare Advantage contracts are with CMS. CMS deploys a risk adjustment model which apportions premiums paid to all health plans according to health severity and certain demographic factors. The CMS risk adjustment model pays more for members whose medical history would indicate that they are expected to have higher medical costs. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient, physician treatment settings as well as prescription drug events. The Company and the healthcare providers collect, compile, and submit the necessary and available diagnosis data to CMS within prescribed deadlines. The Company estimates risk adjustment revenues based upon the diagnosis data submitted and expected to be submitted to CMS and records revenues on a risk adjusted basis.

For qualifying low-income prescription drug benefit members, CMS pays for some, or all, of the member's monthly premium. The Company receives certain Part D prospective subsidy payments from CMS for these members as a fixed monthly per member amount, based on the estimated costs of providing prescription drug benefits over the plan year, as reflected in its bids. Approximately nine to ten months subsequent to the end of the plan year, or later in the case of the coverage gap discount subsidy, a settlement payment is made between CMS and the Company's plans based on the difference between the prospective payments and actual claims experience.

The Company's specialty services generate revenues under contracts with state and federal programs, healthcare organizations, and other commercial organizations, as well as from its own subsidiaries. Revenues are recognized when the related services are provided, when inventory is shipped, or as ratably earned over the covered period of services. The Company recognizes revenue related to administrative services under the TRICARE government-sponsored Managed Care Support Contract for the DoD's TRICARE program on a straight-line basis over the option period, when the fees become fixed and determinable. The TRICARE contract includes various performance-based measures. For each of the measures, an estimate of the amount that has been earned is made at each interim date, and revenue is recognized accordingly.

Some states enact premium taxes, similar assessments, and provider pass-through payments, collectively premium taxes, and these taxes are recorded as a separate component of both revenues and operating expenses. Additionally, the Company's insurance subsidiaries were previously subject to the Affordable Care Act (ACA) annual health insurer fee (HIF). Beginning in 2021, the HIF was permanently repealed. This revenue was recorded as premium tax and health insurer fee revenue in the Consolidated Statements of Operations. For certain products, premium taxes, state assessments, and the HIF are not pass-through payments and are recorded as premium revenue and premium tax expense or health insurer fee expense in the Consolidated Statements of Operations.

Some states require state directed payments that have minimal risk, but are administered as a premium adjustment. These payments are recorded as premium revenue and medical costs at close to a 100% HBR. In many instances, the Company has little visibility to the timing of these payments until they are paid by the state.

Affordable Care Act

The ACA established risk spreading premium stabilization programs as well as minimum medical loss ratio (MLR) and cost sharing reductions (CSRs). The Company's accounting policies for the programs are as follows:

Risk Adjustment

The permanent risk adjustment program established by the ACA transfers funds from qualified individual and small group insurance plans with below average risk scores to those plans with above average risk scores within each state. The Company estimates the receivable or payable under the risk adjustment program based on its estimated risk score compared to the state average risk score. The Company may record a receivable or payable as an adjustment to premium revenues to reflect the year-to-date impact of the risk adjustment based on its best estimate. The Company refines its estimate as new information becomes available.

Minimum Medical Loss Ratio

Additionally, the ACA established a minimum MLR for the Health Insurance Marketplace. The risk adjustment program described above is taken into consideration to determine if the Company's estimated annual medical costs are less than the minimum MLR and require an adjustment to premium revenues to meet the minimum MLR.

Cost Sharing Reductions

The ACA directs issuers to reduce the Company's members' cost sharing for essential health benefits for individuals with Federal Poverty Levels (FPLs) between 100% and 250% who are enrolled in a silver tier product; eliminate cost sharing for Indians/Alaska Natives with a FPL less than 300% and eliminate cost sharing for Indians/Alaska Natives regardless of FPL when services are provided by an Indian Health Service. In order to compensate issuers for reduced cost sharing provided to enrollees, CMS pays an advance CSR payment to the Company each month based on the Company's certification data provided at the time of the qualified health plan application. In October 2017, the Trump Administration issued an executive order that immediately ceased payments of CSRs to issuers, and beginning in 2018 premium rates for Health Insurance Marketplace were set without factoring in the cost sharing subsidy payments from the federal government.

Premium and Trade Receivables and Unearned Revenue

Premium and service revenues collected in advance are recorded as unearned revenue. For performance-based contracts, the Company does not recognize revenue subject to refund until data is sufficient to measure performance. Premiums and service revenues due to the Company are recorded as premium and trade receivables and are recorded net of an allowance based on historical trends and management's judgment on the collectability of these accounts. As the Company generally receives payments during the month in which services are provided, the allowance is typically not significant in comparison to total revenues and does not have a material impact on the presentation of the financial condition or results of operations. Amounts receivable under federal contracts are comprised primarily of contractually defined billings, accrued contract incentives under the terms of the contract, and amounts related to change orders for services not originally specified in the contract.

Activity in the allowance for uncollectible accounts is summarized below (\$ in millions):

	Year Ended December 31,		
	2022	2021	2020
Balance, January 1	\$ 139	\$ 243	\$ 157
Amounts charged to expense	70	62	121
Recoveries	—	(43)	—
Write-offs of uncollectible receivables	(79)	(123)	(35)
Balance, December 31	<u>\$ 130</u>	<u>\$ 139</u>	<u>\$ 243</u>

Significant Customers

The Company receives the majority of its revenues under contracts or subcontracts with state Medicaid managed care programs. Customers where the aggregate annual contract revenues exceeded 10% of total annual revenues included the state of New York, where the percentage of the Company's total revenue was 10% and 11% for the years ended December 31, 2021 and 2020. None of the Company's customers exceeded 10% of total annual revenues for the year ended December 31, 2022.

Other Income (Expense)

Other income (expense) consists routinely of investment income, interest expense, and equity method earnings from investments. Investment income is derived from the Company's cash, cash equivalents, restricted deposits and investments. Interest expense relates to borrowings under the senior notes, credit facilities, mortgage and construction loans, and capital leases. Further, other income (expense) includes gains or losses on sales of investments, divestitures, and acquisitions as well as debt extinguishment costs.

Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law or tax rates is recognized in income in the period that includes the enactment date.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. In determining if a deductible temporary difference or net operating loss can be realized, the Company considers future reversals of existing taxable temporary differences, future taxable income, taxable income in prior carryback periods, and tax planning strategies.

Contingencies

The Company accrues for loss contingencies associated with outstanding litigation, claims, and assessments for which it has determined it is probable that a loss contingency exists and the amount of loss can be reasonably estimated. The Company expenses professional fees associated with litigation claims and assessments as incurred.

Stock Based Compensation

Stock based compensation expense is recognized at grant date fair value over the period during which an employee is required to provide service in exchange for the award. Excess tax benefits related to stock compensation are presented as a cash inflow from operating activities. The Company accounts for forfeitures when they occur.

Foreign Currency Translation

The Company is exposed to foreign currency exchange risk through its international subsidiaries whose functional currencies include the Euro and Great British Pound. The assets and liabilities of the Company's subsidiaries are translated into United States dollars at the balance sheet date. The Company translates its proportionate share of earnings using average rates during the year. The resulting foreign currency translation adjustments are recorded as a separate component of accumulated other comprehensive earnings (loss).

Recent Accounting Guidance Not Yet Adopted

The Company has determined that there are no recently issued accounting pronouncements that will have a material impact on its consolidated financial condition, results of operations, or cash flows.

3. Acquisitions and Divestitures

Magellan Acquisition

On January 4, 2022, the Company acquired all of the issued and outstanding shares of Magellan. Total consideration for the acquisition was \$2,491 million, consisting of \$2,431 million in cash and \$60 million related to the fair value of replacement equity awards associated with pre-combination service. The purchase price has been adjusted to reflect the net effective settlement of preexisting relationships between the Company and Magellan of \$70 million. The Company recognized \$106 million of acquisition related expenses related to Magellan for the year ended December 31, 2022.

The Magellan acquisition was accounted for as a business combination using the acquisition method of accounting that requires assets acquired and liabilities assumed to be recognized at fair value as of the acquisition date. The valuation of all assets acquired and liabilities assumed was finalized in the fourth quarter of 2022.

The Company's allocation of the fair value of assets acquired and liabilities assumed as of the acquisition date of January 4, 2022 is as follows (\$ in millions):

Assets acquired and liabilities assumed		
Cash and cash equivalents	\$	995
Premium and related receivables		791
Short-term investments		144
Other current assets		145
Long-term investments		43
Restricted deposits		7
Property, software and equipment		72
Intangible assets ⁽¹⁾		889
Other long-term assets		50
Total assets acquired		3,136
Medical claims liability		194
Accounts payable and accrued expenses		495
Return of premium payable		53
Unearned revenue		8
Current portion of long-term debt		5
Long-term debt ⁽²⁾		542
Deferred tax liabilities ⁽³⁾		157
Other long-term liabilities		64
Total liabilities assumed		1,518
Mezzanine equity		32
Total identifiable net assets		1,586
Goodwill ⁽⁴⁾		905
Total assets acquired and liabilities assumed	\$	2,491

Significant fair value adjustments are noted as follows:

⁽¹⁾ The identifiable intangible assets acquired are to be measured at fair value as of the completion of the acquisition. The fair value of intangible assets is determined primarily using variations of the income approach, which is based on the present value of the future after-tax cash flows attributable to each identified intangible asset. Other valuation methods, including the market approach and cost approach, were also considered in estimating the fair value. The identifiable intangible assets include purchased contract rights, provider contracts, developed technologies, and trade names. The Company has estimated the fair value of intangible assets to be \$889 million with a weighted average life of 12 years.

The fair values and weighted average useful lives for identifiable intangible assets acquired are as follows:

	Fair Value	Weighted Average Useful Life in Years
Purchased contract rights	\$ 581	13
Provider contracts	120	15
Developed technologies	101	5
Trade names	87	17
Total intangible assets acquired	<u>\$ 889</u>	<u>12</u>

⁽²⁾ Debt is required to be measured at fair value under the acquisition method of accounting. The fair value of Magellan's Senior Notes and Credit Agreement assumed in the acquisition was \$535 million. In January 2022, the Company paid off Magellan's debt acquired in the transaction using Magellan's cash on hand.

⁽³⁾ The deferred tax liabilities are presented net of \$102 million of deferred tax assets.

⁽⁴⁾ The acquisition resulted in \$905 million of goodwill primarily related to synergies expected from the acquisition and the assembled workforce of Magellan. All of the goodwill was assigned to the Specialty segment. The majority of the goodwill is not deductible for income tax purposes.

PANTHERx Rare Divestiture

On July 14, 2022, the Company completed the divestiture of PANTHERx for \$1,373 million. The Company recognized a gain of \$490 million, or \$382 million after-tax, which is included in investment and other income on the Consolidated Statements of Operations.

Spanish and Central European Divestiture

On November 16, 2022, as part of the Company's review of strategic alternatives for its international portfolio, the Company completed the divestiture of its ownership stakes in its Spanish and Central European businesses, including Ribera Salud, Torrejón Salud, and Pro Diagnostics Group.

In 2022, the Company recorded an impairment charge primarily related to intangible assets and goodwill associated with the divestiture of \$163 million, or \$140 million after-tax.

Magellan Rx Divestiture

On December 2, 2022, the Company completed the divestiture of Magellan Rx for \$1,337 million. The Company recognized a gain of \$269 million, or \$99 million after-tax, which is included in investment and other income on the Consolidated Statements of Operations and is subject to a final working capital adjustment.

Magellan Specialty Health Divestiture

On November 17, 2022, the Company signed a definitive agreement to divest Magellan Specialty Health. As of December 31, 2022, the assets and liabilities of Magellan Specialty Health were considered held for sale, resulting in \$645 million of assets held for sale in other current assets and \$87 million of liabilities held for sale in accounts payable and accrued expenses on the Consolidated Balance Sheet. The majority of the of held for sale assets were previously reported as goodwill and intangible assets.

On January 20, 2023, the Company completed the divestiture for approximately \$646 million in cash and stock, including an estimated working capital adjustment. The Company estimates that it will recognize an initial pre-tax gain of approximately \$85 million to \$95 million. The Company could also receive up to an additional \$150 million in cash and stock in 2024 based on certain 2023 performance metrics. The Company will recognize the appropriate amount of contingent consideration related to the \$150 million when realized or realizable.

Centurion Divestiture

On January 10, 2023, the Company signed and closed a definitive agreement to divest Centurion, its prison healthcare business. As of December 31, 2022, the assets and liabilities of Centurion were considered held for sale resulting in \$236 million of assets held for sale in other current assets and \$198 million of liabilities held for sale in accounts payable and accrued expenses on the Consolidated Balance Sheet. The majority of the held for sale assets were previously reported as premium and trade receivables. The majority of the liabilities were previously reported as medical claims liability and accounts payable and accrued liabilities.

During the fourth quarter of 2022, the Company recorded an impairment charge related to goodwill and other current assets associated with the divestiture of \$259 million, or \$181 million after-tax.

HealthSmart Divestiture

On November 1, 2022, the Company signed a definitive agreement to divest HealthSmart, its third party health plan administration business. The divestiture was completed on January 5, 2023. As of December 31, 2022, the assets and liabilities of HealthSmart were considered held for sale resulting in \$66 million of assets held for sale in other current assets and \$34 million of liabilities held for sale in accounts payable and accrued expenses on the Consolidated Balance Sheet. The majority of the held for sale assets were previously reported as cash and cash equivalents, premium and trade receivables, and goodwill.

During the fourth quarter of 2022, the Company recorded an impairment charge related to goodwill associated with the divestiture of \$36 million, or \$27 million after-tax.

4. 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):

	December 31, 2022				December 31, 2021			
	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	\$ 695	\$ —	\$ (16)	\$ 679	\$ 642	\$ —	\$ (2)	\$ 640
Corporate securities	10,127	12	(778)	9,361	8,145	130	(75)	8,200
Restricted certificates of deposit	4	—	—	4	4	—	—	4
Restricted cash equivalents	256	—	—	256	96	—	—	96
Short-term time deposits	204	—	—	204	109	—	—	109
Municipal securities	4,055	6	(280)	3,781	3,398	85	(15)	3,468
Asset-backed securities	1,396	—	(70)	1,326	1,308	5	(5)	1,308
Residential mortgage-backed securities	1,165	2	(121)	1,046	850	10	(7)	853
Commercial mortgage-backed securities	961	—	(99)	862	870	13	(10)	873
Equity securities ⁽¹⁾	5	—	—	5	326	—	—	326
Private equity investments	529	—	—	529	587	—	—	587
Life insurance contracts	169	—	—	169	186	—	—	186
Total	<u>\$ 19,566</u>	<u>\$ 20</u>	<u>\$ (1,364)</u>	<u>\$ 18,222</u>	<u>\$ 16,521</u>	<u>\$ 243</u>	<u>\$ (114)</u>	<u>\$ 16,650</u>

⁽¹⁾ Investments in equity securities as of December 31, 2021 primarily consisted of exchange traded funds in fixed income securities.

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. 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 December 31, 2022, 98% of the Company's investments in rated securities carry an investment grade rating by nationally recognized statistical rating organizations. At December 31, 2022, 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 \$132 million and \$96 million at December 31, 2022 and 2021, respectively, and is included in other current assets on the Consolidated Balance Sheet.

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 AAA and a weighted average duration of 4 years at December 31, 2022.

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):

	December 31, 2022				December 31, 2021			
	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	\$ (5)	\$ 342	\$ (11)	\$ 184	\$ (2)	\$ 598	\$ —	\$ 3
Corporate securities	(340)	5,368	(438)	3,400	(66)	4,209	(9)	209
Municipal securities	(142)	2,437	(138)	995	(14)	1,173	(1)	39
Asset-backed securities	(29)	786	(41)	486	(5)	770	—	33
Residential mortgage-backed securities	(55)	629	(66)	352	(7)	472	—	15
Commercial mortgage-backed securities	(49)	513	(50)	330	(8)	380	(2)	32
Total	<u>\$ (620)</u>	<u>\$ 10,075</u>	<u>\$ (744)</u>	<u>\$ 5,747</u>	<u>\$ (102)</u>	<u>\$ 7,602</u>	<u>\$ (12)</u>	<u>\$ 331</u>

As of December 31, 2022, the gross unrealized losses were generated from 6,423 positions out of a total of 6,854 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.

In July 2021, the Company acquired the remaining 60% interest of Circle Health for \$705 million. As a result of the acquisition, the Company recorded a non-cash gain of \$309 million on its original investment in the year ended December 31, 2021. The gain was included in investment and other income on the Consolidated Statement of Operations. Beginning in July 2021, the Company consolidates 100% of Circle Health.

In September 2021, the Company recorded a \$229 million impairment of its equity method investment in RxAdvance, a pharmacy benefit manager. The impairment was the result of the Company's focus on simplification of its pharmacy operations. The impairment was based on the Company's estimate of RxAdvance's future cash flows and other market indicators of fair value.

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

	December 31, 2022				December 31, 2021			
	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	\$ 2,207	\$ 2,179	\$ 534	\$ 532	\$ 1,390	\$ 1,396	\$ 368	\$ 368
One year through five years	7,651	7,147	524	490	6,212	6,294	460	457
Five years through ten years	4,066	3,613	224	195	3,647	3,681	244	243
Greater than ten years	135	129	—	—	73	78	—	—
Asset-backed securities	3,522	3,234	—	—	3,028	3,034	—	—
Total	<u>\$ 17,581</u>	<u>\$ 16,302</u>	<u>\$ 1,282</u>	<u>\$ 1,217</u>	<u>\$ 14,350</u>	<u>\$ 14,483</u>	<u>\$ 1,072</u>	<u>\$ 1,068</u>

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.

5. 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 December 31, 2022, 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	\$ 12,074	\$ —	\$ —	\$ 12,074
Investments:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 366	\$ 5	\$ —	\$ 371
Corporate securities	—	9,328	—	9,328
Municipal securities	—	3,165	—	3,165
Short-term time deposits	—	204	—	204
Asset-backed securities	—	1,326	—	1,326
Residential mortgage-backed securities	—	1,046	—	1,046
Commercial mortgage-backed securities	—	862	—	862
Equity securities	3	2	—	5
Total investments	\$ 369	\$ 15,938	\$ —	\$ 16,307
Restricted deposits:				
Cash and cash equivalents	\$ 256	\$ —	\$ —	\$ 256
U.S. Treasury securities and obligations of U.S. government corporations and agencies	308	—	—	308
Corporate securities	—	33	—	33
Certificates of deposit	—	4	—	4
Municipal securities	—	616	—	616
Total restricted deposits	\$ 564	\$ 653	\$ —	\$ 1,217
Total assets at fair value	\$ 13,007	\$ 16,591	\$ —	\$ 29,598

The following table summarizes fair value measurements by level at December 31, 2021, 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	\$ 13,118	\$ —	\$ —	\$ 13,118
Investments:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 171	\$ —	\$ —	\$ 171
Corporate securities	—	8,170	—	8,170
Municipal securities	—	2,999	—	2,999
Short-term time deposits	—	109	—	109
Asset-backed securities	—	1,308	—	1,308
Residential mortgage-backed securities	—	853	—	853
Commercial mortgage-backed securities	—	873	—	873
Equity securities	324	2	—	326
Total investments	\$ 495	\$ 14,314	\$ —	\$ 14,809
Restricted deposits:				
Cash and cash equivalents	\$ 96	\$ —	\$ —	\$ 96
U.S. Treasury securities and obligations of U.S. government corporations and agencies	469	—	—	469
Corporate securities	—	30	—	30
Certificates of deposit	—	4	—	4
Municipal securities	—	469	—	469
Total restricted deposits	\$ 565	\$ 503	\$ —	\$ 1,068
Other long-term assets:				
Foreign currency swap agreement	\$ —	\$ 15	\$ —	\$ 15
Total assets at fair value	\$ 14,178	\$ 14,832	\$ —	\$ 29,010

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 \$698 million and \$773 million as of December 31, 2022, and December 31, 2021, respectively.

6. Property, Software and Equipment

Property, software and equipment consist of the following (\$ in millions):

	December 31, 2022	December 31, 2021
Computer software	\$ 2,224	\$ 1,825
Building	659	1,116
Computer hardware	604	617
Leasehold improvements	467	732
Furniture and office equipment	366	753
Land	178	248
Property, software and equipment, at cost	4,498	5,291
Less: accumulated depreciation	(2,066)	(1,900)
Property, software and equipment, net	\$ 2,432	\$ 3,391

Depreciation expense for the years ended December 31, 2022, 2021, and 2020 was \$614 million, \$565 million, and \$487 million, respectively.

During the second quarter of 2022, in connection with the adoption of a more modern, flexible work environment, the Company undertook a real estate optimization initiative to evaluate future real estate needs and downsize its real estate footprint for owned and leased properties. As a result of this evaluation, the Company substantially changed the use or abandoned various properties and assessed for impairment. The Company engaged a third-party real estate specialist to determine the fair value of its owned properties. The valuation primarily considered comparable properties in each market as well as future cash flows.

As a result of the optimization, the Company recognized impairment charges related to owned real estate of \$808 million for the year ended December 31, 2022. The Company also recognized impairment on fixed assets related to leased real estate of \$242 million for the year ended December 31, 2022. These impairments are primarily related to the Managed Care segment. The remainder of the \$1,627 million charge relates to right-of-use (ROU) asset impairments, which is included within other long-term assets on the Consolidated Balance Sheet, refer to Note 11. *Leases*.

7. Goodwill and Intangible Assets

The following table summarizes the changes in goodwill by operating segment (\$ in millions):

	Managed Care	Specialty Services	Total
Balance, December 31, 2020	\$ 16,974	\$ 1,678	\$ 18,652
Acquisition and purchase accounting adjustments	1,139	29	1,168
Divestitures	—	(24)	(24)
Reallocation	250	(250)	—
Translation impact	(25)	—	(25)
Balance, December 31, 2021	18,338	1,433	19,771
Acquisition and purchase accounting adjustments	172	905	1,077
Divestitures	—	(1,533)	(1,533)
Reallocation	4	(4)	—
Impairments	(66)	(304)	(370)
Translation impact	(133)	—	(133)
Balance, December 31, 2022	\$ 18,315	\$ 497	\$ 18,812

The decrease in the Specialty Services segment goodwill in 2022 was primarily driven by the ongoing portfolio review divestiture related activity during the year as discussed in Note 3. *Acquisitions and Divestitures*. In 2022, divestiture related reductions to goodwill included the completed divestitures of PANTHERx and Magellan Rx, as well as goodwill reclassified to other current assets associated with the divestiture of Magellan Specialty Health, which was considered held for sale as of December 31, 2022. The acquired goodwill in 2022 represents goodwill associated with the Magellan acquisition.

The Company's Specialty Services segment impairments in 2022 was primarily the result of the impairment of Federal Services business, which included \$216 million of goodwill, in conjunction with the December 2022 announcement from the DoD that the Company was not awarded a TRICARE Managed Care Support Contract. The Managed Care segment impairment was the result of the divestiture of the Spanish and Central European businesses.

The majority of the increase in the Managed Care segment goodwill in 2021 was related to the acquisition of the remaining 60% interest in Circle Health.

Intangible assets at December 31, consist of the following (\$ in millions):

	2022	2021	Weighted Average Life in Years	
			2022	2021
Purchased contract rights and customer relationships	\$ 7,850	\$ 8,068	13.4	13.5
Trade names	983	1,107	15.4	13.3
Provider contracts	612	492	14.0	13.8
Developed technologies	390	369	5.3	5.4
Intangible assets	9,835	10,036	13.4	13.2
Less accumulated amortization:				
Purchased contract rights and customer relationships	(2,193)	(1,642)		
Trade names	(263)	(206)		
Provider contracts	(183)	(139)		
Developed technologies	(285)	(225)		
Total accumulated amortization	(2,924)	(2,212)		
Intangible assets, net	\$ 6,911	\$ 7,824		

As described above, the decrease in intangible assets in 2022 was primarily driven by divestiture related activity, which included related impairments, during the year as discussed with goodwill above and in Note 3. *Acquisitions and Divestitures*.

Amortization expense was \$817 million, \$770 million, and \$719 million for the years ended December 31, 2022, 2021, and 2020, respectively. Estimated total amortization expense related to the December 31, 2022 intangible assets for each of the five succeeding fiscal years is as follows (\$ in millions):

	Estimated Total Amortization Expense
2023	\$ 723
2024	707
2025	706
2026	689
2027	678

8. Medical Claims Liability

The following table summarizes the change in medical claims liability (\$ in millions):

	Year Ended December 31,		
	2022	2021	2020
Balance, January 1	\$ 14,243	\$ 12,438	\$ 7,473
Less: reinsurance recoverable	23	23	20
Balance, January 1, net	14,220	12,415	7,453
Acquisitions and divestitures	105	—	3,856
Incurred related to:			
Current year	112,896	100,385	86,765
Prior years	(1,367)	(1,783)	(501)
Total incurred	111,529	98,602	86,264
Paid related to:			
Current year	97,799	87,427	78,838
Prior years	11,336	9,370	6,320
Total paid	109,135	96,797	85,158
Balance, December 31, net	16,719	14,220	12,415
Plus: reinsurance recoverable	26	23	23
Balance, December 31	<u>\$ 16,745</u>	<u>\$ 14,243</u>	<u>\$ 12,438</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. The impact from COVID-19 on healthcare utilization and medical claims submission patterns provided increased estimation uncertainty on the IBNR liability. Additionally, as a result of minimum HBR and other return of premium programs, the Company recorded approximately \$198 million, \$492 million, and \$86 million of the "Incurred related to: Prior years" as a reduction to premium revenues in 2022, 2021, and 2020, respectively. Further, claims processing initiatives yielded increased claim payment recoveries and coordination of benefits related to prior year dates of service.

Changes in medical utilization and cost trends and the effect of population health management initiatives may also contribute to changes in medical claim liability estimates. While the Company has evidence that population health management initiatives are effective on a case by case basis, population health management initiatives primarily focus on events and behaviors prior to the incurrence of the medical event and generation of a claim. Accordingly, any change in behavior, leveling of care, or coordination of treatment occurs prior to claim generation and as a result, the costs prior to the population health management initiative are not known by the Company. Additionally, certain population health management initiatives are focused on member and provider education with the intent of influencing behavior to appropriately align the medical services provided with the member's acuity. In these cases, determining whether the population health management initiative changed the behavior cannot be determined. Because of the complexity of its business, the number of states in which it operates, and the volume of claims that it processes, the Company is unable to practically quantify the impact of these initiatives on its changes in estimates of IBNR.

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.

The Specialty Services segment has an insignificant amount of medical claims liability and, therefore, disclosures related to medical claims liabilities have been aggregated and are presented on a consolidated basis.

Information about incurred and paid claims development as of December 31, 2022 is included in the table below. The claims development information for all periods preceding the most recent reporting period is considered required supplementary information. Incurred and paid claims development as of December 31, 2022 is as follows (\$ in millions):

Cumulative Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					
For the Year Ended December 31,					
Claim Year	2020 (unaudited)		2021 (unaudited)		2022
2020	\$	88,206	\$	86,502	\$ 86,433
2021				100,385	99,087
2022					112,896
Total incurred claims				\$	298,416
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					
For the Year Ended December 31,					
Claim Year	2020 (unaudited)		2021 (unaudited)		2022
2020	\$	76,722	\$	85,593	\$ 86,021
2021				87,427	98,024
2022					97,799
Total payment of incurred claims					281,844
All outstanding liabilities prior to 2020, net of reinsurance					147
Medical claims liability, net of reinsurance				\$	16,719

Incurred claims and allocated claim adjustment expenses, net of reinsurance, total IBNR plus expected development on reported claims and cumulative claims data as of December 31, 2022 are included in the following table. For claims frequency information summarized below, a claim is defined as the financial settlement of a single medical event in which remuneration was paid to the servicing provider. 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. Information is summarized as follows (in millions):

December 31, 2022				
	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance	Total IBNR Plus Expected Development on Reported Claims	Cumulative Paid Claims	
2020	\$ 86,433	\$ —	568.8	
2021	99,087	273	623.2	
2022	112,896	11,081	608.1	

9. Affordable Care Act

The ACA established risk spreading premium stabilization programs as well as a minimum annual MLR and cost sharing reductions.

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

	December 31, 2022	December 31, 2021
Risk adjustment receivable	\$ 838	\$ 522
Risk adjustment payable	(780)	(536)
Minimum medical loss ratio	(103)	(196)
Cost sharing reduction receivable	—	69
Cost sharing reduction payable	(99)	(42)

In June 2022, CMS announced the final risk adjustment transfers for the 2021 benefit year. As a result of the announcement, the Company increased its risk adjustment net receivables by \$403 million from December 31, 2021. After consideration of minimum MLR and other related impacts, the net pre-tax benefit recognized was approximately \$368 million for the year ended December 31, 2022.

10. Debt

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

	December 31, 2022	December 31, 2021
\$2,500 million 4.25% Senior Notes, due December 15, 2027	\$ 2,393	\$ 2,484
\$2,300 million 2.45% Senior Notes, due July 15, 2028	2,303	2,304
\$3,500 million 4.625% Senior Notes, due December 15, 2029	3,277	3,500
\$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	15,673	15,988
Term loan credit facility	2,183	2,195
Revolving credit agreement	58	149
Construction loan payable	—	184
Finance leases and other	253	493
Debt issuance costs	(147)	(171)
Total debt	18,020	18,838
Less: current portion	(82)	(267)
Long-term debt	<u>\$ 17,938</u>	<u>\$ 18,571</u>

Of the Company's total debt, approximately 13% is variable rate debt. Approximately 12% uses the London Interbank Offered Rate (LIBOR) as a reference rate pursuant to the terms of the Company Credit Facility and approximately 1% uses the Sterling Overnight Index Average (SONIA) as a reference rate. The Company believes that the credit agreement will allow Secured Overnight Financing Rate (SOFR) to be used as the new reference rate upon LIBOR's discontinuance. The debt agreements that may be impacted by the discontinuation of LIBOR have provisions included that are sufficient for the Company to transition from the existing LIBOR rates to the prevailing successor market rates as necessary. The document governing the Company Credit Facility includes provisions to convert from LIBOR to SOFR at the time LIBOR ceases to be published.

Senior Notes

2022

In connection with the Magellan acquisition in January 2022, the Company paid off Magellan's debt of \$535 million acquired in the transaction using Magellan's cash on hand. Specifically, the Company redeemed Magellan's existing outstanding 4.4% Senior Notes due 2024 and paid off the existing Credit Agreement. The Company recognized an immaterial net pre-tax gain on extinguishment including related fees and expenses and the write-off of the unamortized premium.

During 2022, the Company utilized a portion of the proceeds from the PANTHERx divestiture to repurchase \$95 million of its par value Senior Notes due 2027 and \$223 million of its par value Senior Notes due 2029 through the Company's senior note debt repurchase program. The Company recognized a \$14 million gain on the redemptions of the notes.

2021

In February 2021, the Company issued \$2,200 million 2.50% Senior Notes due 2031 (the 2031 Notes). In conjunction with the 2031 Notes offering, the Company completed a tender offer (the Tender Offer) to purchase for cash, subject to certain conditions, any and all of the outstanding aggregate principal amount of the \$2,200 million 4.75% Senior Notes due 2025 (the 2025 Notes). The Company used the net proceeds from the 2031 Notes, together with available cash on hand, to fund the purchase price for the 2025 Notes accepted for purchase in the Tender Offer (approximately 36% of the aggregate principal amount outstanding) and used the remaining proceeds to redeem any of the 2025 Notes that remained outstanding following the Tender Offer, including all premiums and accrued interest. The Company recognized a pre-tax loss on extinguishment of \$46 million on the redemption of the 2025 Notes, including the call premium, the write-off of the unamortized premium and debt issuance costs, and expenses related to the redemption.

In July 2021, the Company issued \$1,800 million 2.45% Senior Notes due 2028 (the 2028 Notes). The Company used the net proceeds from the offering of the 2028 Notes to finance a portion of the cash consideration payable in connection with the acquisition of Magellan Health Inc., which closed in January 2022, and to pay related fees and expenses.

In August 2021, the Company issued \$1,800 million aggregate principal amount of Senior Notes which included \$500 million aggregate principal amount of additional 2028 Notes at a premium to yield 2.31% and \$1,300 million aggregate principal amount of new 2.625% Senior Notes due 2031. The Company used the net proceeds of the offering, together with cash on hand and term loan facility borrowings, to redeem all of its outstanding 5.375% Senior Notes due 2026 and WellCare Health Plans, Inc.'s outstanding 5.375% Senior Notes due 2026 (together the 2026 Notes), including all premiums and accrued interest. The Company recognized a pre-tax loss on extinguishment of \$79 million on the redemptions of the 2026 Notes, including the call premium, the write-off of the unamortized premium and debt issuance costs, and expenses related to the redemptions.

The indentures governing the senior notes listed in the table above contain restrictive covenants of Centene Corporation. At December 31, 2022, the Company was in compliance with all covenants.

Foreign Currency Swap

In order to manage the foreign exchange risk associated with an intercompany note receivable related to the Circle Health acquisition, the Company entered into a foreign currency swap agreement for a notional amount of \$705 million, to purchase £509 million. The swap agreement was formally designated and qualified as a fair value hedge. All gains and losses due to changes in the fair value of the foreign currency swap completely offset changes in the remeasurement of the intercompany note receivable within investment and other income in the Consolidated Statement of Operations, resulting in no net impact to the Consolidated Statement of Operations.

The fair value of the swap agreement as of December 31, 2021 was \$15 million, which was recorded in other current assets in the Consolidated Balance Sheet. The offsetting changes in fair value of the foreign currency swap and the remeasurement on the underlying intercompany note receivable were both recognized in investment and other income in the Consolidated Statements of Operations. The Company does not hold or issue any derivative instruments for trading or speculative purposes.

On March 31, 2022, the foreign currency swap settled in connection with its expiration, and the Company received cash proceeds of \$35 million. The Company does not hold or issue any derivative instruments for trading or speculative purposes.

Circle Health Debt Refinancing

In May 2022, the Company refinanced certain debt agreements for its Circle Health subsidiary with a new £250 million credit facility maturing in May 2025. The Company recognized a \$13 million pre-tax gain on the extinguishment of the existing debt. As of December 31, 2022, £160 million was drawn on the facility, which is included within Finance leases and other in the table above. The new facility is guaranteed by the Company and has similar borrowing rates and covenants to the Company's Revolving Credit Agreement, except it uses the SONIA as the reference rate for the interest rate payable.

Revolving Credit Facility and Term Loan Credit Facility

In August 2021, the Company amended and restated its existing credit agreement to, among other things, (i) extend the various maturities under the existing Credit Agreement until 2026, (ii) increase the aggregate principal amount of the U.S. dollar unsecured term loan facility under the existing Credit Agreement from \$1,450 million to \$2,200 million, (iii) increase the maximum total net leverage ratio permitted under the total debt to EBITDA financial covenant from 3.5 to 1.0 to 4.0 to 1.0, (iv) reduce the applicable margin with respect to borrowings to between 1.50% to 1.125%, based on the total debt to EBITDA ratio and type of borrowing and (v) include scheduled amortization payments with respect to the term loan facility equal to 0% for the first year following closing, 2.5% for the second year following closing and 5% thereafter until maturity.

The Company has (i) unsecured \$2,000 million multi-currency revolving credit facility (the Revolving Credit Facility), which includes a \$300 million sub-limit for letters of credit and a \$200 million sub-limit for swingline loans and (ii) a \$2,200 million unsecured delayed-draw term loan facility (the Term Loan Facility, and, together with the Revolving Credit Facility, the Company Credit Facility). Borrowings under the Revolving Credit Facility bear interest, at the Company's option, at LIBOR, EURIBOR, CDOR, BBR, or base rates plus, in each case, an applicable margin between 1.50% to 1.125%, based on the total debt to EBITDA ratio and type of borrowing. Borrowings under the Term Loan Facility bear interest, at the Company's option, at LIBOR or base rates plus, in each case, an applicable margin based on the total debt to EBITDA ratio. The Company has an uncommitted option to increase its Company Credit Facility by an additional \$500 million plus certain additional amounts based on its total debt to EBITDA ratio. The Company believes that the credit agreement will allow SOFR to be used as the new reference rate upon LIBOR's discontinuance.

The Company Credit Facility contains financial covenants including maintenance of a minimum fixed charge coverage ratio and a restriction on the Company's maximum total debt to EBITDA ratio not to exceed 4.0 to 1.0. It also contains certain non-financial covenants including: limitations on incurrence of additional indebtedness; restrictions on incurrence of liens; restrictions on dividends and other restricted payments; restrictions on investments, mergers, consolidations, and asset sales; and limitations on transactions with affiliates. As of December 31, 2022, the Company was in compliance with all financial and non-financial covenants under the Company Credit Facility.

As of December 31, 2022, the Company had \$58 million of borrowings outstanding under the Revolving Credit Facility, with a weighted average interest rate of 4.80%.

The Revolving Credit Facility and the Term Loan Facility will mature on August 16, 2026.

Construction Loan

In October 2017, the Company executed a \$200 million non-recourse construction loan to fund the expansion of the Company's corporate headquarters. Until final completion of the project, which occurred in July 2021, the loan bore interest based on the one month LIBOR plus 2.70%, which reduced to LIBOR plus 2.00% at the time construction completed. The agreement contains financial and non-financial covenants similar to those contained in the Company Credit Facility. The Company guaranteed completion of the construction project associated with the loan.

In April 2022, the Company extended the term of the loan for an additional one year. The extension reduced interest on the loan to SOFR plus 1.85% and matures in April 2023. In December 2022, the Company paid off the outstanding balance of the construction loan.

Senior Note Debt Repurchase Program

In June 2022, the Company's Board of Directors authorized a new \$1,000 million senior note debt repurchase program in preparation for future debt reductions as part of the Company's strategic value creation initiatives. During the year ended December 31, 2022, the Company repurchased \$318 million of its par value senior notes, as described above, for \$300 million.

As of December 31, 2022, there was \$700 million available under the senior note debt repurchase program.

Letters of Credit & Surety Bonds

The Company had outstanding letters of credit of \$217 million as of December 31, 2022, which were not part of the Revolving Credit Facility. The letters of credit bore interest at 0.6% as of December 31, 2022. The Company had outstanding surety bonds of \$1,292 million as of December 31, 2022.

Aggregate maturities for the Company's debt for the years ending December 31, are as follows (\$ in millions):

	Aggregate Maturities
2023	\$ 82
2024	122
2025	313
2026	1,963
2027	2,413
Thereafter	13,286
Total	<u>\$ 18,179</u>

The fair value of outstanding debt was approximately \$15,791 million and \$19,256 million at December 31, 2022 and 2021, respectively.

11. Leases

The Company records ROU assets and lease liabilities for non-cancelable operating leases primarily for real estate and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Expense related to leases is recorded on a straight-line basis over the lease term, including rent holidays. The Company recognized operating lease expense of \$429 million and \$390 million during the years ended December 31, 2022 and 2021, respectively.

The Company considers the existence of options to extend or terminate leases in its analysis of the lease term for the purposes of measuring its ROU assets and lease liabilities. The renewal options are not included in the measurement of the ROU assets and lease liabilities unless the Company is reasonably certain to exercise the optional renewal periods.

The following table sets forth the ROU assets and lease liabilities (\$ in millions):

	December 31, 2022	December 31, 2021
Assets		
ROU assets (recorded within other long-term assets)	\$ 2,554	\$ 3,566
Liabilities		
Short-term (recorded within accounts payable and accrued expenses)	\$ 180	\$ 204
Long-term (recorded within other long-term liabilities)	3,133	3,619
Total lease liabilities	<u>\$ 3,313</u>	<u>\$ 3,823</u>

Cash paid for amounts included in the measurement of lease liabilities, recorded as operating cash flows in the Consolidated Statements of Cash Flows, was \$440 million and \$385 million during the years ended December 31, 2022 and 2021, respectively. New operating leases commenced resulting in the recognition of ROU assets and lease liabilities of \$60 million and \$177 million during the years ended December 31, 2022 and 2021, respectively. In connection with the acquisition of Magellan in January 2022, the Company acquired \$30 million of ROU assets and lease liabilities. As of December 31, 2022, the Company had additional operating leases that have not yet commenced of \$8 million. These operating leases will commence in 2023 with lease terms ranging from one to eight years.

As part of the real estate optimization initiative as described in Note 6. *Property, Software and Equipment*, the Company vacated and abandoned various domestic leased properties. As a result, the Company assessed the ROU assets for impairment. The Company engaged a third-party real estate specialist to determine the recoverability of the leased properties. The valuation primarily considered comparable leased properties in each market and the assessment of potential future rental income that could be generated by the ROU assets.

As a result of the optimization, the Company recognized \$577 million of ROU asset impairments in the year ended December 31, 2022, primarily related to the Managed Care segment. The remainder of the \$1,627 million charge was recorded within Property, Software and Equipment, refer to Note 6. *Property, Software and Equipment*.

The weighted average remaining lease term of the Company's operating leases was 20.5 and 21.1 years as of December 31, 2022 and 2021, respectively. The lease liabilities reflect a weighted average discount rate of 5.7% and 5.7% as of December 31, 2022 and 2021, respectively.

Lease payments over the next five years and thereafter are as follows (\$ in millions):

	Lease Payments
2023	\$ 343
2024	350
2025	325
2026	302
2027	287
Thereafter	4,633
Total lease payments	6,240
Less: imputed interest	(2,927)
Total lease liabilities	\$ 3,313

12. Stockholders' Equity

Share Repurchases

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. In 2022, in preparation for the closing of divestitures as well as planning for the future, the Company's Board of Directors authorized increases under the program including \$3,000 million in June 2022 and an additional \$2,000 million in December 2022. With these increases, the Company is authorized to repurchase up to \$6,000 million.

During the third quarter of 2022, the Company entered into an accelerated share repurchase (ASR) agreement with Bank of America to purchase \$1,000 million of the Company's common stock in aggregate under the Company's stock repurchase program. In July 2022, 8.6 million shares were delivered to the Company, representing 80% of the notional amount under the ASR. In October 2022, an additional 3.0 million shares were delivered upon settlement of the ASR based upon the volume-weighted average price (VWAP) over the term of the agreement, less a discount, of \$86.21. In total, 11.6 million shares were purchased through the \$1,000 million ASR. In addition, the Company purchased additional shares throughout the year through open market repurchases, including repurchase plans designed to comply with Rule 10b5-1.

Share repurchases in 2022, 2021, and 2020 were primarily funded through divestiture proceeds. The following represents the Company's share repurchase activity (\$ in millions, shares in thousands):

	Year Ended December 31,					
	2022		2021		2020	
	Shares	Cost	Shares	Cost	Shares	Cost
Share buybacks	35,655	\$ 2,994	2,402	\$ 200	8,672	\$ 500
Income tax withholding	1,213	102	1,379	97	2,045	126
Total share repurchases	36,868	\$ 3,096	3,781	\$ 297	10,717	\$ 626

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, except for the vesting of certain shares assumed in connection with the WellCare acquisition in 2020 and 2021, which were withheld rather than repurchased. Although these shares are not issued, they are treated as common stock repurchases as they reduce the number of shares that would have been issued upon vesting. Shares withheld were 326 thousand shares at an aggregate cost of \$19 million, and 407 thousand at an aggregate cost of \$24 million, for the years ended December 31, 2021 and 2020, respectively. No shares were withheld under this method in 2022.

As of December 31, 2022, the Company had a remaining amount of \$2,806 million available under the Company's stock repurchase program. No duration has been placed on the repurchase program. The Company reserves the right to discontinue the repurchase program at any time.

Shares Issued for Acquisition

In January 2020, the Company issued 171 million shares of Centene common stock with a fair value of \$11,431 million and paid \$6,079 million in cash in exchange for all the outstanding shares of WellCare common stock. In addition, the Company recorded \$95 million related to the fair value of replacement equity awards associated with pre-combination service.

13. Statutory Capital Requirements and Dividend Restrictions

Various state laws require Centene's regulated subsidiaries to maintain minimum capital levels specified by each state and restrict the amount of dividends that may be paid without prior regulatory approval. At December 31, 2022 and 2021, Centene's subsidiaries had aggregate statutory capital and surplus of \$16,436 million and \$14,039 million, respectively, compared with the required minimum aggregate statutory capital and surplus of \$7,979 million and \$6,706 million, respectively. As of December 31, 2022, the amount of capital and surplus or net worth that was unavailable for the payment of dividends or return of capital to the Company was \$7,979 million in the aggregate.

14. Income Taxes

The consolidated income tax expense consists of the following (\$ in millions):

	Year Ended December 31,		
	2022	2021	2020
Current provision			
Federal	\$ 1,144	\$ 507	\$ 959
State and local	261	114	152
International	4	7	4
Total current provision	1,409	628	1,115
Deferred provision	(649)	(151)	(136)
Total income tax expense	\$ 760	\$ 477	\$ 979

The reconciliation of the tax provision at the U.S. federal statutory rate to income tax expense is as follows (\$ in millions):

	Year Ended December 31,		
	2022	2021	2020
Earnings before income tax expense	\$ 1,962	\$ 1,813	\$ 2,773
Loss (earnings) attributable to flow through noncontrolling interest	(6)	2	9
Earnings less noncontrolling interest before income tax expense	1,956	1,815	2,782
Tax provision at the U.S. federal statutory rate	411	381	584
State income taxes, net of federal income tax benefit	50	63	106
Nondeductible compensation	49	40	54
Nondeductible PBM legal settlement	(5)	78	—
Nontaxable divestiture (gains) losses	111	(95)	—
Deferred taxes for investments in subsidiaries	84	—	—
ACA health insurer fee	—	—	316
Audit settlement	—	—	(71)
Valuation allowance	(17)	29	(11)
Nondeductible goodwill	69	—	16
Other, net	8	(19)	(15)
Income tax expense	<u>\$ 760</u>	<u>\$ 477</u>	<u>\$ 979</u>

The Company is required to recognize deferred tax assets and liabilities for consolidated subsidiaries that are determined to be held for sale as of December 31, 2022. The Company established a net deferred tax liability of \$84 million for these investments in subsidiaries.

The tax effects of temporary differences which give rise to deferred tax assets and liabilities are presented below (\$ in millions):

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Medical claims liability	\$ 132	\$ 120
Nondeductible liabilities	202	215
Net operating loss and tax credit carryforwards	341	357
Compensation accruals	96	205
Premium and trade receivables	91	143
Operating lease liability	397	445
Unrealized loss	320	—
Software development costs	209	—
Other	85	112
Deferred tax assets	<u>1,873</u>	<u>1,597</u>
Valuation allowance	(205)	(212)
Net deferred tax assets	<u>\$ 1,668</u>	<u>\$ 1,385</u>
Deferred tax liabilities:		
Goodwill and intangible assets	\$ 1,724	\$ 1,794
Prepaid assets	—	46
Fixed assets	111	409
Right-of-use asset	285	444
Unrealized gain	—	29
Other	163	70
Deferred tax liabilities	<u>2,283</u>	<u>2,792</u>
Net deferred tax liabilities	<u>\$ (615)</u>	<u>\$ (1,407)</u>

The Company had not historically provided for deferred income taxes on the undistributed earnings of foreign subsidiaries as they were considered indefinitely reinvested outside the U.S. During the fourth quarter of 2022, as part of the Company's review of strategic alternatives for its international portfolio, the Company evaluated its assertion regarding its ability and intent to indefinitely reinvest undistributed earnings of the foreign subsidiaries. Upon evaluating the assertion, the Company determined that any historical or future undistributed earnings of foreign subsidiaries are no longer considered to be indefinitely reinvested. There is no deferred tax liability associated with these earnings.

The increase to the unrealized loss deferred tax asset reflects the change in the fair market value of the Company's investment portfolio. Decreases to the fixed assets and ROU asset deferred tax liabilities are primarily related to the impairments recorded as part of the Company's real estate optimization initiative.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. The valuation allowances primarily relate to future tax benefits on certain federal, state, and foreign net operating loss, federal and state capital loss, and tax credit carryforwards.

Federal net operating loss and credit carryforwards of \$69 million expire beginning in 2023 through 2043. State net operating loss and tax credit carryforwards of \$51 million expire beginning in 2023 through 2042, while the remaining \$15 million have indefinite carryforward periods. Substantially all the non-U.S. tax loss carryforwards of \$206 million have indefinite carryforward periods.

The Company maintains a reserve for uncertain tax positions that may be challenged by a tax authority. A rollforward of the beginning and ending amount of uncertain tax positions, exclusive of related interest and penalties, is as follows:

	Year Ended December 31,	
	2022	2021
Gross unrecognized tax benefits, January 1	\$ 355	\$ 354
Gross increases:		
Current year tax positions	52	9
Acquired reserves	7	—
Prior year tax positions	20	12
Gross decreases:		
Settlements	(17)	(13)
Prior year tax positions	(3)	(4)
Statute of limitation lapses	(4)	(3)
Gross unrecognized tax benefits, December 31	<u>\$ 410</u>	<u>\$ 355</u>

As of December 31, 2022, \$303 million of unrecognized tax benefits would impact the Company's effective tax rate in future periods, if recognized.

The table above excludes interest and penalties, net of related tax benefits, which are treated as income tax expense (benefit) under the Company's accounting policy. The Company recognized net interest expense and penalties related to uncertain positions of \$23 million and \$1 million expense for the years ended December 31, 2022 and 2021, respectively. The Company had \$66 million and \$43 million of accrued interest and penalties for uncertain tax positions as of December 31, 2022 and 2021, respectively.

The Company files federal tax returns as well as returns for numerous state and international tax jurisdictions and is engaged in multiple audit proceedings for its state and foreign filings. Generally, no further state or foreign audit activity is expected for years prior to 2015. As of December 31, 2022, the Company's tax returns are under federal examination for the tax years 2014 through 2017, only with respect to Internal Revenue Service (IRS) proposed adjustments relating to the Company's claims to the Domestic Production Activities Deduction for these years. The Company has appealed the IRS adjustments and the appeals process is expected to be conducted within the next 12 months. The Company believes it is reasonably possible that its liability for unrecognized tax benefits will decrease by approximately \$124 million within the next 12 months if the Company reaches a satisfactory agreement with the IRS during the appeals process and an additional \$3 million decrease as a result of the expiration of statutes of limitations and projected audit settlements in certain jurisdictions.

15. Stock Incentive Plans

The Company's stock incentive plans allow for the granting of restricted stock or restricted stock unit awards and options to purchase common stock. Both incentive stock options and nonqualified stock options can be awarded under the plans. However, an immaterial amount of options were granted, exercised, or outstanding in 2022. The plans have 17 million shares available for future awards.

Compensation expense for stock options and restricted stock unit awards is recognized on a straight-line basis over the vesting period, generally three to five years for stock options and one to three years for restricted stock or restricted stock unit awards. Vesting is accelerated by one year for individuals who qualify under the Company's retirement eligible provisions. The fair value of restricted stock and restricted stock units is determined using the previous day's market close price at the time of grant. The fair value of stock options is determined based on the Black-Scholes option-pricing model. Forfeitures for all stock awards are recognized as they occur. Certain restricted stock unit awards contain performance-based as well as service-based provisions. Certain awards provide for accelerated vesting if there is a change in control as defined in the plans. The total compensation cost that has been charged against income for the stock incentive plans was \$234 million, \$203 million, and \$281 million for the years ended December 31, 2022, 2021, and 2020, respectively. The total income tax benefit recognized in the Statements of Operations for stock-based compensation arrangements was \$48 million, \$35 million, and \$34 million for the years ended December 31, 2022, 2021, and 2020, respectively.

A summary of the Company's non-vested restricted stock and restricted stock unit shares as of December 31, 2022, and changes during the year ended December 31, 2022, is presented below (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Non-vested balance, December 31, 2021	7,142	\$ 65.30
Granted	2,944	84.18
Converted ⁽¹⁾	917	82.65
Vested	(3,553)	67.70
Forfeited	(877)	70.38
Non-vested balance, December 31, 2022	6,573	\$ 74.20

⁽¹⁾ Magellan awards converted in connection with the acquisition.

The total fair value of restricted stock and restricted stock units vested during the years ended December 31, 2022, 2021, and 2020, was \$298 million, \$264 million, and \$364 million, respectively.

As of December 31, 2022, there was \$249 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans; that cost is expected to be recognized over a weighted-average period of 1.8 years.

The Company maintains an employee stock purchase plan and issued 449 thousand shares, 516 thousand shares, and 487 thousand shares in 2022, 2021, and 2020, respectively.

16. Retirement Plan

Centene has a defined contribution plan which covers substantially all employees who are at least 21 years of age. Under the plan, eligible employees may contribute a percentage of their base salary, subject to certain limitations. Centene may elect to match a portion of the employee's contribution. Company expense related to matching contributions to the plan was \$133 million, \$105 million, and \$91 million during the years ended December 31, 2022, 2021, and 2020, respectively.

17. Commitments

In connection with obtaining regulatory approval of the Magellan Health acquisition, the Company entered into certain undertakings with the Department of Managed Health Care in 2022. These undertakings contain various commitments by the Company effective upon completion of the Magellan Health acquisition. As part of the undertaking, the Company shall contribute \$10 million to the Purchaser Business Group on Health (PBGH) to be paid over a five-year period for initiatives consistent with the Company's mission of implementing and spreading innovative programs and best practices to increase health care value. As a result of the closing of the Magellan acquisition, the \$10 million contribution to PBGH was expensed during 2022. As of December 31, 2022, the Company has paid \$1.5 million.

In connection with obtaining regulatory approval of the Fidelis Care acquisition, the Company entered into certain undertakings with the New York State Department of Health in 2018. These undertakings contain various commitments by the Company effective upon completion of the Fidelis Care acquisition. One of the undertakings includes a \$340 million contribution by the Company to the State of New York to be paid over a five-year period for initiatives consistent with the Company's mission of providing high-quality healthcare to vulnerable populations within New York State. The Company has fulfilled this undertaking as of December 31, 2022.

The Company also committed to certain undertakings with the California Department of Insurance and the California Department of Managed Health Care in connection with obtaining regulatory approval of the Health Net acquisition in 2016. The Health Net commitments related to the undertakings are as follows:

- invest an additional \$30 million through the California Organized Investment Network over the five years following completion of the acquisition; the Company fulfilled this undertaking in 2020;
- build a service center in an economically distressed community in California, investing \$200 million over 10 years and employing at least 300 people, of which the Company has incurred \$109 million through 2022;
- contribute \$65 million to improve enrollee health outcomes, support locally-based consumer assistance programs, and strengthen the healthcare delivery system, of which the Company has contributed \$49 million through 2022 with remaining \$16 million scheduled to be paid equally over 2023 and 2024; and
- invest \$75 million of its investment portfolio in vehicles supporting California's healthcare infrastructure, and the Company fulfilled this undertaking in 2022.

18. Contingencies

Overview

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, submissions to CMS for risk adjustment payments, or 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 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, 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, 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 described below 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. 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, including as described below. Except for the proceedings discussed below, 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.

California

On October 20, 2015, the Company's California subsidiary, Health Net of California, Inc. (Health Net California), was named as a defendant in a California taxpayer action filed in Los Angeles County Superior Court, captioned as Michael D. Myers v. State Board of Equalization, Dave Jones, Insurance Commissioner of the State of California, Betty T. Yee, Controller of the State of California, et al., Los Angeles Superior Court Case No. BS158655. This action is brought under a California statute that permits an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law. Plaintiff contends that Health Net California, a California licensed Health Care Service Plan (HCSP), is an "insurer" for purposes of taxation despite acknowledging it is not an "insurer" under regulatory law. Under California law, "insurers" must pay a gross premiums tax (GPT), calculated as 2.35% on gross premiums. As a licensed HCSP, Health Net California has paid the California Corporate Franchise Tax (CFT), the tax generally paid by California businesses. Plaintiff contends that Health Net California must pay the GPT rather than the CFT. Plaintiff seeks a writ of mandate directing the California taxing agencies to collect the GPT, and seeks an order requiring Health Net California to pay GPT, interest, and penalties for a period dating to eight years prior to the October 2015 filing of the complaint. This lawsuit is being coordinated with similar lawsuits filed against other entities (collectively, Related Actions). In March 2018, the Court overruled the Company's demurrer seeking to dismiss the complaint and denied the Company's motion to strike allegations seeking retroactive relief. In August 2018, the trial court stayed all the Related Actions pending determination of a writ of mandate by the California Court of Appeals in two of the Related Actions. In March 2019, the California Court of Appeals denied the writ of mandate. The defendants in those Related Actions sought review by the California Supreme Court, which declined to review the matter. Upon the return of the matter to the Los Angeles County Superior Court, motions for summary judgment were scheduled. Health Net California's motion for summary judgment was heard by the Court in March 2020. In March 2020, the Court granted Health Net California's motion for summary judgment. In September 2020, the plaintiff appealed the Court's decision. The Company intends to continue its vigorous defense against these claims; however, this matter is subject to many uncertainties, and an adverse outcome in this matter could potentially have a materially adverse impact on the Company's financial condition, results of operations, and cash flows.

Beginning in April 2021, several lawsuits have been filed against the Company and its subsidiaries, alleging that the defendants failed to prevent Health Net members' personal and health data from being exposed in connection with a data breach involving Accellion's File Transfer Appliance. The Company denies any wrongdoing and is seeking indemnification from Accellion for these claims. In December 2021, the plaintiffs in three of the pending actions filed a motion for preliminary approval of a settlement with the Company and its subsidiaries, which, if approved by the court, should resolve most or all of the pending litigation. In addition, claims related to these lawsuits are anticipated to be covered in part by the Company's insurance carrier. As a result, while these matters are subject to many uncertainties, the Company does not believe that an adverse outcome in these matters is likely to have a materially adverse impact on the Company's financial condition, results of operations, and cash flows.

Pharmacy Benefits Management Matters

On March 11, 2021, the State of Ohio filed a civil action against the Company and the Company's subsidiaries, Buckeye Health Plan Community Solutions, Inc. and Envolve, in Franklin County Court of Common Pleas, captioned as Ohio Department of Medicaid, et al. v. Centene Corporation, et al. The complaint alleged breaches of contract with the Ohio Department of Medicaid relating to the provision of PBM services and violations of Ohio law relating to such contracts, including among other things, by (i) seeking payment for services already reimbursed, (ii) not accurately disclosing to the Ohio Department of Medicaid the true cost of the PBM services and (iii) inflating dispensing fees for prescription drugs. The plaintiffs sought an undisclosed sum of money in damages, penalties, and possible termination of the contract with Buckeye Health Plan.

The Company has reached no-fault agreements with the Attorney Generals, including Ohio, to resolve claims and/or allegations made by the states related to services previously provided by Envolve. As a result of the settlement, the Ohio Attorney General's litigation against the Company was dismissed. Additionally, the Company is in discussions to bring final resolution to similar concerns in other affected states. Consistent with those discussions, the Company recorded a reserve estimate of \$1,250 million in the second quarter of 2021 related to this issue, inclusive of the above settlements and rebates that the Company determined in the course of the matter are payable across products. Additional claims, reviews, or investigations relating to the Company's historical PBM business across products may be brought by other states, the federal government, or shareholder litigants, and there is no guarantee the Company will have the ability to settle such claims with other states within the reserve estimate the Company has recorded and on other acceptable terms, or at all. This matter is subject to many uncertainties, and an adverse outcome in this matter could have an adverse impact on the Company's financial condition, results of operations, and cash flows.

19. 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):

	Year Ended December 31,		
	2022	2021	2020
Earnings attributable to Centene Corporation	\$ 1,202	\$ 1,347	\$ 1,808
Shares used in computing per share amounts:			
Weighted average number of common shares outstanding	575,191	582,832	570,722
Common stock equivalents (as determined by applying the treasury stock method)	6,849	7,684	8,413
Weighted average number of common shares and potential dilutive common shares outstanding	582,040	590,516	579,135
Net earnings per common share attributable to Centene Corporation:			
Basic earnings per common share	\$ 2.09	\$ 2.31	\$ 3.17
Diluted earnings per common share	\$ 2.07	\$ 2.28	\$ 3.12

The calculation of diluted earnings per common share for 2022, 2021, and 2020 excludes the impact of 187 thousand shares, 44 thousand shares, and 398 thousand shares, respectively, related to anti-dilutive stock options and restricted stock units.

20. Segment Information

Centene operates in two segments: Managed Care and Specialty Services. The Managed Care segment consists of Centene's health plans, including all of the functions needed to operate them. The Specialty Services segment consists of Centene's specialty companies offering auxiliary healthcare services and products. 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.

In early 2023, and in conjunction with the Company's updated strategic plan, executive leadership realignment, and corresponding 2023 divestitures, the Company has revised the way it manages the business, evaluates performance, and allocates resources, resulting in an updated segment structure comprised of (1) a Medicaid segment, (2) a Medicare segment, (3) a Commercial segment and (4) an Other segment. The Company will begin reporting under this new segment structure in 2023.

The Company does not report total assets by segment since this is not a metric used to allocate resources or evaluate segment performance.

As further discussed in Note 3. *Acquisitions and Divestitures*, as part of the Company's ongoing portfolio review various divestitures were pending or completed during the year ended December 31, 2022. The Spanish and Central European businesses were included in the Managed Care segment. The PANTHERx, Magellan Rx, Magellan Specialty Health, Centurion, and HealthSmart businesses were included in the Specialty Services segment.

Segment information for the year ended December 31, 2022, follows (\$ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Total revenues from external customers	\$ 135,055	\$ 9,492	\$ —	\$ 144,547
Total revenues from internal customers	8	13,273	(13,281)	—
Total revenues	\$ 135,063	\$ 22,765	\$ (13,281)	\$ 144,547
Earnings (loss) from operations	\$ 1,913	\$ (595)	\$ —	\$ 1,318

Segment information for the year ended December 31, 2021, follows (\$ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Total revenues from external customers	\$ 120,119	\$ 5,863	\$ —	\$ 125,982
Total revenues from internal customers	6	12,789	(12,795)	—
Total revenues	\$ 120,125	\$ 18,652	\$ (12,795)	\$ 125,982
Earnings (loss) from operations	\$ 1,789	\$ (5)	\$ —	\$ 1,784

Segment information for the year ended December 31, 2020, follows (\$ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Total revenues from external customers	\$ 106,862	\$ 4,253	\$ —	\$ 111,115
Total revenues from internal customers	5	10,741	(10,746)	—
Total revenues	\$ 106,867	\$ 14,994	\$ (10,746)	\$ 111,115
Earnings from operations	\$ 3,031	\$ 51	\$ —	\$ 3,082

21. Condensed Financial Information of Registrant

Centene Corporation (Parent Company Only)
Condensed Balance Sheets
(In millions, except shares in thousands and per share data in dollars)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12	\$ 9
Short-term investments	—	1
Other current assets	6	738
Total current assets	18	748
Long-term investments	66	128
Investment in subsidiaries	42,306	45,117
Other long-term assets	422	271
Total assets	<u>\$ 42,812</u>	<u>\$ 46,264</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current liabilities	\$ 534	\$ 619
Current portion of long-term debt	69	14
Total current liabilities	603	633
Long-term debt	17,699	18,148
Other long-term liabilities	273	461
Total liabilities	18,575	19,242
Redeemable noncontrolling interest	56	82
Stockholders' equity:		
Preferred stock, \$0.001 par value; authorized 10,000 shares; no shares issued or outstanding at December 31, 2022 and December 31, 2021	—	—
Common stock, \$0.001 par value; authorized 800,000 shares; 607,847 issued and 550,754 outstanding at December 31, 2022, and 602,704 issued and 582,479 outstanding at December 31, 2021	1	1
Additional paid-in capital	20,060	19,672
Accumulated other comprehensive earnings (loss)	(1,132)	77
Retained earnings	9,341	8,139
Treasury stock, at cost (57,093 and 20,225 shares, respectively)	(4,213)	(1,094)
Total Centene stockholders' equity	24,057	26,795
Noncontrolling interest	124	145
Total stockholders' equity	24,181	26,940
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 42,812</u>	<u>\$ 46,264</u>

See notes to condensed financial information of registrant.

Centene Corporation (Parent Company Only)
Condensed Statements of Operations
(In millions, except per share data in dollars)

	Year Ended December 31,		
	2022	2021	2020
Expenses:			
Selling, general and administrative expenses	\$ 21	\$ 9	\$ 13
Contingent consideration	—	—	(1)
Legal settlement	33	1,116	—
Other income (expense):			
Investment and other income	55	38	5
Gain on divestiture	13	118	104
Debt extinguishment	14	(125)	(61)
Interest expense	(643)	(641)	(723)
(Loss) before income taxes	(615)	(1,735)	(687)
Income tax benefit	(208)	(308)	(331)
Net (loss) before equity in subsidiaries	(407)	(1,427)	(356)
Equity in earnings from subsidiaries	1,609	2,763	2,150
Net earnings	1,202	1,336	1,794
Loss attributable to noncontrolling interests	—	11	14
Net earnings attributable to Centene Corporation	<u>\$ 1,202</u>	<u>\$ 1,347</u>	<u>\$ 1,808</u>
Net earnings per common share attributable to Centene Corporation:			
Basic earnings per common share	\$ 2.09	\$ 2.31	\$ 3.17
Diluted earnings per common share	\$ 2.07	\$ 2.28	\$ 3.12

See notes to condensed financial information of registrant.

Centene Corporation (Parent Company Only)
Condensed Statements of Cash Flows
(In millions)

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Dividends from subsidiaries, return on investment	\$ 1,706	\$ 2,194	\$ 739
Payments for legal settlement	(282)	(298)	—
Other operating activities, net	(450)	(582)	(287)
Net cash provided by operating activities	974	1,314	452
Cash flows from investing activities:			
Capital contributions to subsidiaries	(880)	(1,217)	(761)
Purchases of investments	(2)	(723)	(111)
Sales and maturities of investments	—	66	11
Dividends from subsidiaries, return of investment	10	241	87
Investments in acquisitions	(2,431)	(151)	(7,188)
Proceeds from divestitures	—	130	533
Intercompany activities	5,785	(1,709)	1,185
Other investing activities, net	3	—	(12)
Net cash (used in) provided by investing activities	2,485	(3,363)	(6,256)
Cash flows from financing activities:			
Proceeds from common stock issuances	70	35	28
Proceeds from long-term debt	75	9,066	4,870
Payments and repurchases of long-term debt	(491)	(7,207)	(3,875)
Common stock repurchases	(3,096)	(297)	(626)
Payments for debt extinguishment	(14)	(157)	(81)
Debt issuance costs	—	(72)	(120)
Other financing activities, net	—	22	19
Net cash (used in) provided by financing activities	(3,456)	1,390	215
Net increase (decrease) in cash and cash equivalents	3	(659)	(5,589)
Cash and cash equivalents, beginning of period	9	668	6,257
Cash and cash equivalents, end of period	\$ 12	\$ 9	\$ 668

See notes to condensed financial information of registrant.

Notes to Condensed Financial Information of Registrant

Note A - Basis of Presentation and Significant Accounting Policies

The parent company only financial statements should be read in conjunction with Centene Corporation's audited consolidated financial statements and the notes to consolidated financial statements included in this Form 10-K.

The parent company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of the subsidiaries. The parent company's share of net income of its unconsolidated subsidiaries is included in income using the equity method of accounting. Certain unrestricted subsidiaries receive monthly management fees from the Company's restricted subsidiaries. The management and service fees received by its unrestricted subsidiaries are associated with all of the functions required to manage the restricted subsidiaries including but not limited to salaries and wages for all personnel, rent, utilities, population health management, provider contracting, compliance, member services, claims processing, information technology, cash management, finance and accounting, and other services. The management fees are based either on a percentage of the restricted subsidiaries' revenue or a cost basis reimbursement.

Due to the Company's centralized cash management function, cash flows generated by its unrestricted subsidiaries are utilized by the parent company to the extent required, primarily to repay borrowings on the parent company's credit facilities, repurchase the parent company's common stock, make acquisitions, fund capital contributions to subsidiaries, and fund its operations.

Certain amounts presented in the parent company only financial statements are eliminated in the consolidated financial statements of Centene Corporation.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures - Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2022. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls, and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting - Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control - Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective at the reasonable assurance level as of December 31, 2022. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2022, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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 year ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Centene Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Centene Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive earnings (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements), and our report dated February 21, 2023, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

St. Louis, Missouri
February 21, 2023

Item 9B. Other Information

On February 20, 2023, in connection with the appointment of Kenneth Fasola as President of the Company and James E. Murray as Chief Operating Officer of the Company in December 2022, the Company entered into employment agreements with Messrs. Fasola and Murray.

Pursuant to the terms of Mr. Fasola's employment agreement, Mr. Fasola will receive (i) an annual base salary of \$1,100,000, (ii) an annual cash incentive bonus target under the Centene Corporation Short-Term Executive Compensation Plan of 125% of base salary, (iii) long-term equity incentive awards under the Centene Corporation 2012 Stock Incentive Plan, as amended (the "2012 Plan") with amounts and terms determined by the Compensation Committee (with an aggregate grant date value of \$6,025,000 for 2023), (iv) a one-time \$1,000,000 cash award, and (v) cash severance upon a qualifying termination equal to annual base salary, a prorated annual bonus, and continued medical benefits at active employee rates for 12 months.

Pursuant to the terms of Mr. Murray's employment agreement, Mr. Murray will receive (i) an annual base salary of \$750,000, (ii) an annual cash incentive bonus target under the Centene Corporation Short-Term Executive Compensation Plan of 100% of base salary, (iii) long-term equity incentive awards under the 2012 Plan with amounts and terms determined by the Compensation Committee (with an aggregate grant date value of \$4,250,000 for 2023), and (iv) cash severance upon a qualifying termination equal to annual base salary, a prorated annual bonus, and continued medical benefits at active employee rates for 12 months.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable

PART III**Item 10. Directors, Executive Officers and Corporate Governance****(a) Directors of the Registrant**

Information concerning our directors will appear in our Proxy Statement for our 2023 annual meeting of stockholders under "Proposal One: Election of Directors." This portion of the Proxy Statement is incorporated herein by reference.

(b) Information about our Executive Officers

Pursuant to General Instruction G(3) to Form 10-K and the Instruction to Item 401 of Regulation S-K, information regarding our executive officers is provided in Item 1 of Part I of this Annual Report on Form 10-K under the caption "Information about our Executive Officers."

Information concerning our executive officers' compliance with Section 16(a) of the Exchange Act will appear in our Proxy Statement for our 2023 annual meeting of stockholders under "Delinquent Section 16(a) Reports," if applicable.

(c) Corporate Governance

Information concerning certain corporate governance matters, including information concerning our audit committee financial expert and identification of our Audit and Compliance Committee, and our code of ethics will appear in our Proxy Statement for our 2023 annual meeting of stockholders under "Corporate Governance." These portions of our Proxy Statement are incorporated herein by reference.

Item 11. Executive Compensation

Information concerning executive compensation will appear in our Proxy Statement for our 2023 Annual Meeting of Stockholders under "Executive Compensation." Information concerning Compensation and Talent Committee interlocks and insider participation will appear in the Proxy Statement for our 2023 Annual Meeting of Stockholders under "Compensation Committee Interlocks and Insider Participation." These portions of the Proxy Statement are incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information concerning the security ownership of certain beneficial owners and management and our equity compensation plans will appear in our Proxy Statement for our 2023 annual meeting of stockholders under "Beneficial Stock Ownership" and "Equity Compensation Plan Information." These portions of the Proxy Statement are incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information concerning director independence, certain relationships, and related transactions will appear in our Proxy Statement for our 2023 annual meeting of stockholders under "Corporate Governance," "Independence of Directors," and "Related Party Transactions." These portions of our Proxy Statement are incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

Our independent registered public accounting firm is KPMG LLP, St. Louis, MO. The Auditor Firm ID is 185.

Information concerning principal accountant fees and services will appear in our Proxy Statement for our 2023 annual meeting of stockholders under "Proposal Four: Ratification of Appointment of Independent Registered Public Accounting Firm." This portion of our Proxy Statement is incorporated herein by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) Financial Statements and Schedules

The following documents are filed under Item 8 of this report:

1. Financial Statements:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2022 and 2021
Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020
Consolidated Statements of Comprehensive Earnings (Loss) for the years ended December 31, 2022, 2021 and 2020
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022, 2021 and 2020
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020
Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

None.

3. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this filing.

EXHIBIT INDEX

EXHIBIT NUMBER		DESCRIPTION	FILED WITH THIS FORM 10-K	INCORPORATED BY REFERENCE		
				FORM	FILING DATE WITH SEC	EXHIBIT NUMBER
2.1		Agreement and Plan of Merger, dated as of March 26, 2019, by and among Centene Corporation, Wellington Merger Sub I, Inc., Wellington Merger Sub II, Inc., and WellCare Health Plans, Inc.		8-K	March 27, 2019	2.1
2.2	+	Agreement and Plan of Merger, dated as of January 4, 2021, by and among Centene Corporation, Mayflower Merger Sub, Inc. and Magellan Health, Inc.		8-K	January 4, 2021	2.1
3.1		Amended and Restated Certificate of Incorporation of Centene Corporation, dated September 27, 2022		8-K	September 30, 2022	3.1
3.2		Amended and Restated By-laws of Centene Corporation, effective September 27, 2022		8-K	September 30, 2022	3.2
4.1		Description of Securities of the Company	X			
4.2		Indenture, dated as of December 6, 2019, by and between Centene Corporation, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Company's 4.25% Senior Notes due 2027 (including the Form of Global Note attached thereto)		8-K	December 6, 2019	4.2
4.3		Indenture, dated as of December 6, 2019, by and between Centene Corporation, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Company's 4.625% Senior Notes due 2029 (including the Form of Global Note attached thereto)		8-K	December 6, 2019	4.3
4.4		Indenture, dated as of February 13, 2020, by and between Centene Corporation, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Company's 3.375% Senior Notes due 2030 (including the Form of Global Note attached thereto)		8-K	February 13, 2020	4.1
4.5		Base Indenture, dated as of October 7, 2020, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K	October 7, 2020	4.1
4.6		First Supplemental Indenture, dated as of October 7, 2020, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K	October 7, 2020	4.2
4.7		Second Supplemental Indenture, dated as of February 17, 2021, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K	February 17, 2021	4.2
4.8		Third Supplemental Indenture, dated as of July 1, 2021, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K	July 1, 2021	4.2
4.9		Fourth Supplemental Indenture, dated as of August 12, 2021, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K	August 12, 2021	4.4
10.1	*	2002 Employee Stock Purchase Plan, As Amended and Restated		10-Q	July 23, 2019	10.1
10.2	*	Amendment No.1 to the 2002 Employee Stock Purchase Plan, As Amended and Restated		S-8	May 22, 2020	4.2
10.3	*	Centene Corporation 2012 Stock Incentive Plan, as amended		8-K	April 30, 2021	10.1
10.4	*	Amended and Restated Non-Employee Directors Deferred Stock Compensation Plan		10-Q	July 28, 2015	10.1

10.5	*	Amended and Restated Voluntary Nonqualified Deferred Compensation Plan	X		
10.6	*	Centene Corporation 2007 Long-Term Incentive Plan, as Amended		10-K	February 22, 2021 10.6
10.7	*	Centene Corporation Short-Term Executive Compensation Plan		10-K	February 22, 2011 10.12
10.8	*	Executive Employment Agreement between Centene Corporation and Michael F. Neidorff, dated November 8, 2004		8-K	November 9, 2004 10.1
10.8a	*	Amendment No. 1 of Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	October 28, 2008 10.2
10.8b	*	Amendment No. 2 of Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	April 28, 2009 10.2
10.8c	*	Amendment No. 3 of Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	October 23, 2012 10.2
10.8d	*	Amendment No. 4 of Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		8-K	May 16, 2013 10.1
10.8e	*	Amendment No. 5 of Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		8-K	December 14, 2016 10.1
10.8f	*	Amendment No. 6 of Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		8-K	February 4, 2019 10.1
10.8g	*	Amendment No. 7 of Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-K	February 22, 2022 10.8g
10.8h	*	Amendment No. 8 of Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-K	February 22, 2022 10.8h
10.9	*	Form of Executive Severance and Change in Control Agreement		10-Q	October 28, 2008 10.3
10.9a	*	Amendment No. 1 of Form of Executive Severance and Change in Control Agreement		10-Q	October 23, 2012 10.3
10.9b	*	Amendment No. 2 of Form of Executive Severance and Change in Control Agreement		10-Q	April 28, 2015 10.1
10.10	*	Form of Non-statutory Stock Option Agreement (Employees)		10-Q	October 28, 2008 10.5
10.11	*	Form of Non-statutory Stock Option Agreement (Employees) #2		10-K	February 22, 2021 10.11
10.12	*	Form of Non-statutory Stock Option Agreement (Employees) #3		10-K	February 22, 2022 10.12
10.13	*	Form of Non-statutory Stock Option Agreement (Directors)	X		
10.14	*	Form of Restricted Stock Agreement (Directors)	X		
10.15	*	Form of Restricted Stock Unit Agreement #1		10-K	February 21, 2017 10.20
10.16	*	Form of Restricted Stock Unit Agreement #2		8-K	December 21, 2020 10.1
10.17	*	Form of Performance Based Restricted Stock Unit Agreement #1		10-K	February 21, 2017 10.23
10.18	*	Form of Performance Based Restricted Stock Unit Agreement #2		8-K	December 21, 2020 10.2
10.19	*	Form of Long-Term Incentive Plan Agreement		8-K	December 21, 2020 10.3

10.20		Fourth Amended and Restated Credit Agreement, dated as of August 16, 2021, among the Company, Wells Fargo Bank, National Association, as administrative agent, and the lenders and other parties thereto	8-K	August 18, 2021	1.1
10.21		Cooperation Agreement between Centene Corporation and Politan Capital Management LP, dated December 14, 2021	8-K	December 14, 2021	10.1
10.22	*	Executive Employment Agreement between Centene Corporation and Sarah M. London, dated April 27, 2022	10-Q	July 26, 2022	10.1
10.22a	*	Amendment of Executive Employment Agreement between Centene Corporation and Sarah M. London, dated February 20, 2023			X
10.23	*	Executive Employment Agreement between Centene Corporation and Andrew Asher, dated April 28, 2022	10-Q	July 26, 2022	10.3
10.23a	*	Amendment of Executive Employment Agreement between Centene Corporation and Andrew Asher, dated February 20, 2023			X
10.24	*	Executive Employment Agreement between Centene Corporation and Kenneth Fasola, dated February 20, 2023			X
10.25	*	Executive Employment Agreement between Centene Corporation and James E. Murray, dated February 20, 2023			X
10.26	*	Executive Employment Agreement between Centene Corporation and Brent Layton, dated April 27, 2022	10-Q	July 26, 2022	10.2
10.26a	*	Amendment of Executive Employment Agreement between Centene Corporation and Brent Layton dated December 13, 2022	8-K	December 14, 2022	10.1
10.27	*	Transition Services Agreement between Centene Corporation and Kenneth Burdick, dated February 21, 2020	10-K	February 22, 2021	10.25
10.28	*	Transition Agreement between Centene Corporation and Jesse Hunter, dated October 26, 2021	10-K	February 22, 2022	10.30
10.29	*	Magellan Health, Inc. 2016 Management Incentive Plan, effective as of May 18, 2016	DEF14A ¹	April 8, 2016	A
10.30	*	Magellan Health Services, Inc. 2011 Management Incentive Plan, effective as of May 18, 2011	DEF14A ¹	April 8, 2011	A
10.31	*	Executive Officer Cash Severance Policy			X
21		List of subsidiaries			X
23		Consent of Independent Registered Public Accounting Firm incorporated by reference in each prospectus constituting part of the Registration Statements on Form S-8 (File Numbers 333-261993, 333-255735, 333-238597, 333-236036, 333-217634, 333-210376, 333-197737, 333-180976, 333-108467, and 333-90976) and on Form S-3 (File Number 333-238050)			X
31.1		Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)			X
31.2		Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)			X
32.1		Certification Pursuant to 18 U.S.C. Section 1350 (Chief Executive Officer)			X

32.2	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Financial Officer)	X
101	The following materials from the Centene Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2022, 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.	X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X

1 SEC File No. 001-06639

+ Schedules (as similar attachments) have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K.

* Indicates a management contract or compensatory plan or arrangement.

Item 16. *Form 10-K Summary*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 February 21, 2023.

CENTENE CORPORATION

By: /s/ SARAH M. LONDON
Sarah M. London
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities as indicated, as of February 21, 2023.

Signature	Title
<u>/s/ Sarah M. London</u> Sarah M. London	Chief Executive Officer (principal executive officer)
<u>/s/ Andrew L. Asher</u> Andrew L. Asher	Executive Vice President, Chief Financial Officer (principal financial officer)
<u>/s/ Katie N. Casso</u> Katie N. Casso	Senior Vice President, Corporate Controller and Chief Accounting Officer (principal accounting officer)
<u>/s/ Orlando Ayala</u> Orlando Ayala	Director
<u>/s/ Jessica L. Blume</u> Jessica L. Blume	Director
<u>/s/ Kenneth A. Burdick</u> Kenneth A. Burdick	Director
<u>/s/ Christopher J. Coughlin</u> Christopher J. Coughlin	Director
<u>/s/ H. James Dallas</u> H. James Dallas	Director
<u>/s/ Wayne S. DeVeydt</u> Wayne S. DeVeydt	Director
<u>/s/ Fred H. Eppinger</u> Fred H. Eppinger	Director
<u>/s/ Monte E. Ford</u> Monte E. Ford	Director
<u>/s/ Richard A. Gephardt</u> Richard A. Gephardt	Director
<u>/s/ Lori J. Robinson</u> Lori J. Robinson	Director
<u>/s/ Theodore R. Samuels</u> Theodore R. Samuels	Director
<u>/s/ William L. Trubeck</u> William L. Trubeck	Director

DESCRIPTION OF CENTENE COMMON STOCK

Authorized Capital Stock of Centene

The Centene amended and restated certificate of incorporation provides that the total number of shares of capital stock which may be issued by Centene is 810,000,000, consisting of 800,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share.

Voting Rights

The holders of Centene common stock are entitled to one vote on each matter submitted for their vote at any meeting of Centene stockholders for each share of Centene common stock held as of the record date for the meeting, including the election of directors. Holders of Centene common stock do not have cumulative voting rights.

Generally, the affirmative vote of the holders of a majority of the total number of votes cast of Centene capital stock represented at a meeting and entitled to vote on a matter is required in order to approve such matter.

Liquidation Rights

In the event that Centene is liquidated, dissolved or wound up, the holders of Centene common stock will be entitled to share ratably in all assets remaining after the payment of liabilities, subject to any rights of holders of Centene preferred stock prior to distribution.

Dividends

Subject to any preference rights of holders of Centene preferred stock, the holders of Centene common stock are entitled to receive dividends and other distributions in cash, stock or property, if any, declared from time to time by the Centene Board out of legally available funds.

Fully Paid and Non-Assessable

All outstanding shares of Centene common stock are fully paid and non-assessable.

No Preemptive Rights or Conversion Rights

The Centene common stock has no preemptive or conversion rights or other subscription rights.

No Redemption Rights or Sinking Fund

No redemption or sinking fund provisions apply to the Centene common stock.

NYSE Listing

Centene common stock is listed on the NYSE under the symbol "CNC."

Transfer Agent and Registrar

The transfer agent and registrar for the Centene common stock is Broadridge Corporate Issuer Solutions, Inc.

Anti-takeover Provisions

Some of the provisions in the Centene amended and restated certificate of incorporation, the Centene amended and restated by-laws and the General Corporation Law of the State of Delaware ("DGCL") could have the following effects, among others:

- delaying, deferring or preventing a change in control of Centene;
- delaying, deferring or preventing the removal of Centene's existing management or directors;
- deterring potential acquirers from making an offer to the Centene stockholders; and
- limiting the Centene stockholders' opportunity to realize premiums over prevailing market prices of Centene common stock in connection with offers by potential acquirers.

The following is a summary of some of the provisions in the Centene amended and restated certificate of incorporation and the Centene amended and restated by-laws that could have the effects described above. Centene believes that the benefits of increased protection of its potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure Centene outweigh the disadvantages of discouraging takeover or acquisition proposals because negotiation of these proposals could result in an improvement of their terms.

Delaware Business Combination Statute

Centene must comply with Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner or certain other exceptions are met. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to an interested stockholder. An "interested stockholder" includes a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's voting stock. The existence of this provision generally will have an anti-takeover effect for transactions not approved in advance by the Centene Board, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Actions at Meetings of Stockholders; Special Meetings

Centene's amended and restated certificate of incorporation and amended and restated by-laws provide that a special meetings of stockholders may be called at any time by either (i) the Chairman of the Board of Directors, if there be one, (ii) the Chief Executive Officer, (iii) the Board of Directors or (iv) subject to certain terms and conditions, a stockholder, or a group of stockholders, holding at least 10% of the outstanding shares of Centene's common stock. The business transacted at a special meeting shall be limited to the purpose or purposes stated in the notice of the meeting.

Action by Written Consent

Centene's amended and restated certificate of incorporation and amended and restated by-laws require that any action required or permitted to be taken by stockholders at an annual or special meeting may be taken by written consent, but only if such action is taken in accordance with the DGCL and Centene's amended and restated certificate of incorporation and amended and restated by-laws. Any stockholder seeking to have the stockholders take an action by written consent must request that a record date be fixed for such purpose by submitted a written notice signed by stockholders holding at least 10% of the voting power of the shares of capital stock entitled to vote on such action.

Board of Directors

Centene's amended and restated certificate of incorporation and amended and restated by-laws provide that the term of office of all directors serving as of September 27, 2022 will expire at the 2023 annual of meeting of stockholders and each person elected as a director after September 27, 2022, whether to succeed a person whose term of office as a director has expired or to fill any vacancy, will be elected for a term expiring at the next annual meeting of stockholders.

Directors, and Not Stockholders, Fix the Size of the Centene Board

Centene's amended and restated certificate of incorporation and amended and restated by-laws provide that the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Centene Board, but in no event will it consist of less than five nor more than 14 directors.

Board Vacancies to Be Filled by Remaining Directors and Not Stockholders

Under Centene's amended and restated certificate of incorporation and amended and restated by-laws, any vacancy on the Centene Board created by any reason prior to the expiration of the term in which the vacancy occurs will be filled by a majority of the remaining directors, even if less than a quorum. A director elected to fill a vacancy will be elected for the unexpired term of his or her predecessor.

Advance Notice for Stockholder Proposals

Centene's amended and restated by-laws contain provisions requiring that advance notice be delivered to Centene of any business to be brought by a stockholder before an annual meeting and providing for procedures to be followed by Centene stockholders in nominating persons for election to the Centene Board. Ordinarily, the stockholder must give notice not less than 120 days nor more than 150 days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the date of the meeting is not within 30 days before or 70 days after such date, notice by the stockholder must be received no earlier than 120 days prior to such meeting and no later than the later of 70 days prior to the meeting or the 10th day following the day on which public disclosure of the date of the annual meeting was first made by Centene. The notice must include a description of the proposal, the reasons for the proposal, and other specified matters. The Centene Board may reject any proposals that have not followed these procedures.

Limitation on Liability of Directors; Indemnification

Centene's amended and restated certificate of incorporation provides that no director shall be personally liable to Centene or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. If the DGCL is amended hereafter to authorize the further elimination or limitation of the liability of directors, then the liability of directors shall be eliminated or limited to the fullest extent authorized by the DGCL, as so amended. Centene's amended and restated certificate of incorporation further provides that any repeal or modification of this limitation of liability by the Centene stockholders shall not adversely affect any right or protection of a director of Centene existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

Centene's amended and restated certificate of incorporation requires that Centene indemnify its directors and officers to the fullest extent authorized or permitted by law, as now or hereafter in effect, and that such right to indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and personal and legal representatives. Except for proceedings to enforce rights to indemnification, however, Centene shall not be obligated to indemnify in connection with a proceeding (or part thereof) if such director, officer or successor in interest initiated such proceeding (or part thereof) unless such proceeding was authorized or consented to by the Centene Board. The right to indemnification includes the right to be paid the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition. Any repeal or modification by the stockholders of indemnification or advancement rights shall not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of Centene existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

The Centene Board may in its discretion provide rights to indemnification and to the advancement of expenses to employees and agents of Centene similar to those described above.

The inclusion of these provisions in the Centene amended and restated certificate of incorporation and amended and restated by-laws may have the effect of reducing the likelihood of derivative litigation against Centene's directors and may discourage or deter Centene or its stockholders from bringing a lawsuit against Centene's directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited Centene and its stockholders.

General Provisions Related to Centene Preferred Stock

The following is a description of general terms and provisions of the Centene preferred stock. All of the terms of the Centene preferred stock are, or will be contained in Centene's amended and restated certificate of incorporation, or in one or more certificates of designation relating to each series of the preferred stock.

The Centene Board is authorized, without further stockholder approval but subject to applicable rules of the NYSE and any limitations prescribed by law, to issue up to ten million shares of preferred stock from time to time. The Centene Board has the discretion to provide for the issuance of all or any shares of preferred stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the board of directors providing for the issuance of such class or series, including, without limitation, the authority to provide that any such class or series may be:

- subject to redemption at such time or times and at such price or prices;
- entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series;
- entitled to such rights upon the dissolution of Centene or upon any distribution of Centene's assets; or
- convertible into, or exchangeable for, shares of any other class or classes of stock or of any other series of the same or any other class or classes of stock of Centene at such price or prices or at such rates of exchange and with such adjustments as the board may determine.

The purpose of authorizing the Centene Board to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock may provide desirable flexibility in connection with possible acquisitions and other corporate purposes, but could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from acquiring, a majority of Centene's outstanding voting stock.

Certain Effects of Authorized but Unissued Stock

Centene may issue additional shares of common stock or preferred stock without stockholder approval, subject to applicable rules of the NYSE and Delaware law, for a variety of corporate purposes, including future public or private offerings to raise additional capital, corporate acquisitions, and employee benefit plans and equity grants. The existence of unissued and unreserved common and preferred stock may enable Centene to issue shares to persons who are friendly to current management, which could discourage an attempt to obtain control of Centene by means of a proxy contest, tender offer, merger or otherwise. Centene will not solicit approval of its stockholders for issuance of common and preferred stock unless the Centene Board believes that approval is advisable or is required by applicable rules of the NYSE or Delaware law.

**Sixth Amendment and Restatement of the
Centene Corporation Voluntary
Nonqualified Deferred Compensation Plan**

**ARTICLE I
PURPOSE AND EFFECTIVE DATE**

The purpose of the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan ("Plan") is to aid Centene Corporation and its subsidiaries in retaining and attracting executive employees by providing them with tax deferred savings opportunities. The Plan provides a select group of management and highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended (ERISA), of Centene Corporation with the opportunity to elect to defer receipt of specified portions of compensation, and to have these deferred amounts treated as if invested in specified hypothetical investment benchmarks. The Plan is intended to conform to the requirements of Code §409A. A Participant's Account that was earned and vested prior to January 1, 2005, plus subsequent earnings thereon, shall not be subject to the terms of this Plan but shall be subject to the terms of the prior plan dated June 1, 2002. The Plan has been amended and restated on five previous occasions. The Sixth Amendment and Restatement of the Plan shall be effective January 1, 2023.

**ARTICLE II
DEFINITIONS**

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

Section 2.01

Administrative Committee. "Administrative Committee" or "Committee" means the Company's Head of Human Resources officer or other individuals to whom the Compensation Committee has delegated the authority to take action under the Plan.

Section 2.02

Base Salary. "Base Salary" means the base rate of cash compensation paid by the Company to or for the benefit of a Participant for services rendered or labor performed while a Participant is employed by the Company, including base pay a Participant could have received in cash in lieu of (A) deferrals pursuant to Section 4.02 and (B) contributions made on their behalf to any qualified plan maintained by the Company or to any cafeteria plan under Code Section 125 maintained by the Company.

Section 2.03

Base Salary Deferral. "Base Salary Deferral" means the amount of a Participant's Base Salary which the Participant elects to have withheld on a pre-tax basis from their Base Salary and credited to their Deferral Account pursuant to Section 4.02.

Section 2.04

Beneficiary. "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

Section 2.05

Board. "Board" means the Board of Directors of Centene Corporation.

Section 2.06

Annual Bonus Compensation. "Annual Bonus Compensation" or "Bonus Compensation" means the bonus plan that is eligible for payment once per year, based on funding approval by the Board, and is determined by established metrics.

Section 2.07

Cash Long-Term Incentive Plan Deferral. "Cash Long-Term Incentive Plan Deferral" means the amount of a Participant's Cash Long-Term Incentive Plan compensation (Cash LTIP) which the Participant elects to have withheld on a pre-tax basis from their Cash LTIP Compensation and credited to their account pursuant to Section 4.02.

Section 2.08

Change of Control. For purposes of this Plan, 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: (A) any Person (as defined in section 3(a)(9) of the Securities Exchange Act of 1934, as amended (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 Executive, 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 (40%) or more of the combined voting power of the Company's then outstanding securities; (B) individuals who, as of the date of this Agreement, constitute the Board of Directors (the "Incumbent Board"), cease for any reason to constitute a majority thereof (provided, however, that an individual becoming a Director subsequent to the date of this Agreement 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); or (C) the stockholders of the Company consummate 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. In order to qualify as Change in Control, the event or events must also qualify as a change in ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Code Section 409A.

Section 2.09

Code. "Code" shall mean the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions or regulations.

Section 2.10

Company. "Company" means Centene Corporation, its successors, any subsidiary or affiliated organizations authorized by the Board or the Compensation Committee to participate in the Plan and any organization into which or with which Centene Corporation may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 2.11

Compensation Committee. "Compensation Committee" means the Compensation Committee of the Board of Directors.

Section 2.12

Deferral Account. "Deferral Account" means the account maintained by the Administrative Committee for each Participant pursuant to Article VI.

Section 2.13

Deferral Period. "Deferral Period" means the period after which payment of the Deferred Amount is to be made or begin to be made.

Section 2.14

Deferred Amount. "Deferred Amount" means the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan.

Section 2.15

Designee. "Designee" shall mean the Company's senior Human Resources officer or other individuals to whom the Committee has delegated the authority to take action under the Plan. Wherever Committee is referenced in the Plan, it shall be deemed to also refer to Designee.

Section 2.16

Disability. "Disability" means eligibility for long term disability benefits under the terms of the Company's Long-Term Disability Plan.

Section 2.17

Eligible Compensation. "Eligible Compensation" means any Base Salary, Annual Bonus Compensation, Incentive Compensation, and/or Cash Long-Term Incentive Plan compensation otherwise payable with respect to a Plan Year.

Section 2.18

ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Section 2.19

Form of Payment. "Form of Payment" means payment in one lump sum or in substantially equal annual installments of two (2) to fifteen (15) years. If the Form of Payment is substantially equal annual installments, each installment shall constitute a separate payment for purposes of Code Section 409A.

Section 2.20

Hardship Withdrawal. "Hardship Withdrawal" means the early payment of all or part of the balance in a Deferral Account(s) in the event of an Unforeseeable Emergency, as defined in Code section 409A(a)(2)(B)(ii), pursuant to Section 7.08.

Section 2.21

Hypothetical Investment Benchmark. "Hypothetical Investment Benchmark" shall mean the phantom investment benchmarks which are used to measure the return credited to a Participant's Deferral Account.

Section 2.22

Incentive Compensation. "Incentive Compensation" means the amount awarded to a Participant for a Plan Year under any incentive plan maintained by the Company, such as commission or other sales based compensation plans, as approved in the sole discretion of the Committee.

Section 2.23

Specified Employee. "Specified Employee" means a "specified employee" within the meaning of Code Section 409A(2)(8).

Section 2.24

Matching Contribution. "Matching Contribution" means the amount of any matching contribution that the Company will make to the Plan.

Section 2.25

Participant. "Participant" means any individual who is eligible or makes an election to participate in this Plan and who elects to participate by submitting a Participation Agreement as provided in Article IV.

Section 2.26

Participation Agreement. "Participation Agreement" means an agreement submitted by a Participant in accordance with Article IV.

Section 2.27

Plan Year. "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31.

Section 2.28

Qualified Retirement. For participants hired on or after January 1, 2019, "Qualified Retirement" means retirement of a Participant from the Company after attaining age 55 with at least ten (10) years of service. For Participants hired prior to January 1, 2019, "Qualified Retirement" is defined as 65 or age 55 with at least five (5) years of service. Years of service will be calculated in accordance with the method adopted by the Company.

Section 2.29

Qualified Retiree. "Qualified Retiree" means a Participant who has experienced a Qualified Retirement.

Section 2.30

Separation from Service. "Separation from Service" means a reduction in a Participant's services (regardless whether performed as an employee or independent contractor) to a rate that is reasonably anticipated to be a permanent reduction in services to 20 percent or less of the average rate of services performed prior to such reduction. If a Participant ceases or reduces services under a bona fide leave of absence, a Separation from Service occurs after the close of the six (6)-month anniversary of such leave, provided however that the Separation from Service shall be delayed to the extent that the Participant has a statutory or contractual right to reemployment. Determination of whether a Separation from Service occurs shall be made in a manner that is consistent with the principles in Reg. 1.409A-1(h).

Section 2.31

Unforeseeable Emergency. "Unforeseeable Emergency" means severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

Section 2.32

Valuation Date. "Valuation Date" means the last day of the calendar month during which a Participant's last deferral occurs or such other date as the Committee in its sole discretion may determine.

Section 2.33

Signing Bonus. "Signing Bonus" means the bonus offered to selected Participants in connection with an acquisition of another entity by the Company. The decision whether a Signing Bonus shall be eligible for deferral pursuant to the terms of this Plan shall be made in the sole discretion of the Committee prior to the Signing Bonus being presented in an offer letter or employment agreement with the Participant.

ARTICLE III
ADMINISTRATION Section 3.01

Section 3.01

Administrative Committee Duties.

The Committee shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan, except to the extent that any such powers are vested in any other person administering this Plan by the Committee. The Committee may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Committee shall be conclusive and binding on the Company, Participants and Beneficiaries.

The Committee may delegate responsibility for performing certain administrative functions under this Plan to certain employees of the Company or outside third parties. The Committee shall be responsible for determining issues related to eligibility, Hypothetical Investment Benchmarks, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and debiting of hypothetical losses and of distributions, inservice withdrawals, deferral elections and any other duties concerning the day-to-day operation of this Plan. The Committee may designate one of its members as a Chairperson and may retain and supervise outside providers, third party administrators, record keepers and professionals (including in-house professionals) to perform any or all of the duties delegated to it hereunder.

Neither the Committee nor a member of the Board shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan. The Committee shall keep records of all of their respective proceedings and the Committee shall keep records of all payments made to Participants or Beneficiaries and payments made for expenses or otherwise.

The Company shall, to the fullest extent permitted by law, indemnify each Director, officer or employee of the Company (including the heirs, executors, administrators and other personal representatives of such person), each member of the Committee against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company or the Committee.

Any expense incurred by the Company or the Committee relative to the administration of this Plan shall be paid by the Company and/or may be deducted from the Deferral Accounts of the Participants as determined by the Committee.

Section 3.02

Claim Procedure. If a Participant or Beneficiary makes a written request alleging a right to receive payments under this Plan or alleging a right to receive an adjustment in benefits being paid under this Plan, such actions shall be treated as a claim for benefits. All claims for benefits under this Plan shall be sent to the Committee. If the Committee determines that any individual who has claimed a right to receive benefits, or different benefits, under this Plan is not entitled to receive all or any part of the benefits claimed, the Committee shall inform the claimant in writing of such determination and the reasons therefore in terms calculated to be understood by the claimant. The notice shall be sent within 90 days of the claim unless the Committee determines that additional time, not exceeding 90 days, is needed and so notifies the Participant. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and shall describe any additional material or information that is necessary. Such notice shall, in addition, inform the claimant of the procedure that the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within 90 days thereafter submit in writing to the Committee a notice that the claimant contests the denial of their claim and desires a further review by the Committee. The Committee shall within 60 days thereafter review the claim and authorize the claimant to review pertinent documents and submit issues and comments relating to the claim to the Committee. The Committee will render a final decision on behalf of the Company with specific reasons therefor in writing and will transmit it to the claimant within 60 days of the written request for review, unless the Chairperson of the Committee determines that additional time, not exceeding 60 days, is needed, and so notifies the Participant. If the Committee fails to respond to a claim submitted in accordance with the foregoing within 60 days or any such extended period, the Company shall be deemed to have denied the claim.

ARTICLE IV PARTICIPATION

Section 4.01

Participation. Participation in the Plan shall be limited to executives who (i) meet such eligibility criteria as the Committee shall establish from time to time, and (ii) elect to participate in this Plan by submitting a Participation Agreement via the third party administrator's website during the defined Open Enrollment period. A Participation Agreement must be submitted prior to the December 31st immediately preceding the Plan Year for which it is effective. The Committee shall have the discretion to establish special deadlines regarding the submission of Participation Agreements for Participants if it determines that such deadlines conform to the requirements of Code Section 409A.

Section 4.02

Contents of Participation Agreement. Subject to Article VII, each Participation Agreement shall set forth: (i) the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan (the "Deferred Amount"), expressed as a percentage of the Base Salary, Annual Bonus or Cash LTIP. for such Plan Year or performance period; provided, that the minimum Deferred Amount for any Plan Year or performance period shall not be less than one percent (1%) and the maximum Deferred Amount shall not exceed eighty percent (80%); (ii) the period after which payment of the Deferred Amount is to be made or begin to be made (the "Deferral Period"), which shall be the earlier of (A) a number of full years, not less than three, and (B) the period ending upon the Qualified Retirement or prior termination of employment of the Participant, and (iii) the form in which payments are to be made, which may be a lump sum or in substantially equal annual installments of two (2) to fifteen (15) years.

Section 4.03

Modification or Revocation of Election by Participant. A Participant may not change the amount of their Base Salary Deferrals during a Plan Year. However, a Participant may discontinue a Base Salary Deferral election at any time by submitting, on such forms and subject to such limitations and restrictions as the Committee may prescribe in its discretion, a revised Participation Agreement with the third party administrator. If approved by the Committee, revocation shall take effect as of the first payroll period next following its submission. If a Participant discontinues a Base Salary Deferral election during a Plan Year, they will not be permitted to elect new Deferrals of eligible compensation again until the first day of the Plan Year which immediately follows twelve (12) months from the date of discontinuance.

In addition, the Deferral Period may be extended if an amended Participation Agreement is submitted to the Committee at least one full calendar year before the Deferral Period (as in effect before such amendment) ends. As described in Section 7.11, an extension on a Deferral Period must result in a delay of payment for a minimum of five (5) years from the initial deferral period and otherwise satisfy the requirements of Code Section 409A.

4.04 Deferral of Signing Bonuses

Notwithstanding any provision to the contrary, the deferral of a Signing Bonus offered to selected Participants in connection with an acquisition shall be governed exclusively by this Section 4.04. The decision whether to offer the deferral opportunity with respect to all or any portion of a Signing Bonus shall be made in the sole discretion of the Committee. In the event the Committee decides to offer such deferral option to a Participant, the election to defer shall be included in the offer letter or employment agreement presented to such Participant. In the event a deferral option is offered with respect to a Signing Bonus, any such deferrals shall not be eligible for Matching Contributions described in Section 7.02.

ARTICLE V DEFERRED COMPENSATION

Section 5.01

Elective Deferred Compensation. The Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited by the Committee, or designee, to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. To the extent that the Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall be taken out of other compensation eligible to be paid to the Participant that is not deferred under this Plan. However, if the Participant elects to defer a large percentage of Eligible Compensation and the election does not allow enough remaining compensation for required withholdings or deductions, the withholdings and deductions will be subtracted from the eligible compensation first, followed by deferral of the remaining eligible compensation.

Section 5.02

Vesting of Deferral Account. Except as provided in Section 7.03, a Participant shall be 100% vested in their Deferral Account at all times.

ARTICLE VI
MAINTENANCE AND INVESTMENT OF ACCOUNTS Section 6.01

Section 6.01

Maintenance of Accounts. Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various Hypothetical Investment Benchmarks and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Committee, or Designee, shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 5.01 and Section 6.02 and distributions pursuant to Article VII that conform to Code Section 409A with respect to such Deferral Account since the preceding Valuation Date.

Section 6.02

Hypothetical Investment Benchmarks. Each Participant shall be entitled to direct the manner in which their Deferral Accounts will be deemed to be invested, selecting among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee from time to time, and in accordance with such rules, regulations and procedures as the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to their Deferral Accounts.

Section 6.03

Statement of Accounts. Participants will have the ability to access account information via a web site provided by the designated third party administrator. Participants may also receive an account statement upon a written request to the Committee.

ARTICLE VII BENEFITS

Section 7.01

Time and Form of Payment. At the end of the Deferral Period for each Deferral Account, the Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement; provided that if the Participant has elected to receive payments from a Deferral Account in a lump sum, the Company shall pay the balance in such Deferral Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in a lump sum in cash as soon as practicable after the end of the Deferral Period. If the Participant has elected to receive payments from a Deferral Account in installments, the Company shall make annual cash only payments from such Deferral Account, each of which shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent Valuation Date preceding the payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installments (including the installment being paid). The first such installment shall be paid as soon as practicable after the end of the Deferral Period and each subsequent installment shall be paid on or about the anniversary of such first payment. Each such installment shall be deemed to be made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

Section 7.02

Matching Contribution. Each Participant who elects to make deferrals of Eligible Compensation to the Plan will be eligible to receive a Matching Contribution equal to fifty percent (50%) of the first six percent (6%) of the Participant's Eligible Compensation being deferred to the Plan for such Plan Year (excluding deferrals to the Plan from the Participant's Cash Long-Term Incentive Plan and stock based compensation), reduced by any matching contributions made by the Company to the Centene Management Corporation Retirement Plan (401k Plan) for such Plan Year. When due, Matching Contributions shall be credited to a Participant's account in conjunction with the Company's regular payroll schedule.

Section 7.03

Matching Contribution Vesting. Participants will vest in Matching Contributions as set forth under the Participant's 401(k) plan. The vesting schedule is:

Less than 1 year	0%
1 year	10%
2 years	30%
3 years	60%
4 years	80%
5 years	100%

Section 7.04

Separation from Service and Qualified Retirement. Subject to Section 7.01 and Section 7.07 hereof, if a Participant has elected to have the balance of his or her Deferral Account distributed upon Qualified Retirement or other Separation from Service, the account balance of the Participant (determined as of the Valuation Date immediately following the Participant's last deferral after such Qualified Retirement or other Separation from Service) shall be distributed as soon as practicable following the Qualified Retirement or other Separation from Service in installments or a lump sum in accordance with the Plan and as elected in the applicable Participation Agreement.

For these purposes, a Participant who elects to have his or her Deferral Account distributed upon Qualified Retirement may choose between a lump sum or annual installments which do not exceed fifteen (15) years. Participants who terminate employment and who experience a Separation from Service but do not satisfy the Qualified Retirement definition shall choose between a lump sum or annual installments not to exceed five (5) years.

Deferral elections applicable to future Annual Bonus and/or Cash LTIP payments will be honored for Participants who had a Qualified Retirement or a Separation from Service. In addition, a Participant who experiences a Qualified Retirement or Separation from Service will be allowed to defer Annual Bonus and/or Cash LTIP payments that are paid after such Qualified Retirement or Separation from Service. However, if a Participant who experiences a Qualified Retirement or Separation from Service has received a full distribution and has a zero-account balance at the time of the Annual Bonus or Cash LTIP payment, no deferral will be taken from such Annual Bonus or Cash LTIP payment.

Section 7.05

In-Service Distributions. Subject to Section 7.01 and Section 7.07 hereof, if a Participant has elected to defer Eligible Compensation under the Plan for a stated number of years, the account balance of the Participant (determined as of the most recent Valuation Date immediately following such Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement.

Section 7.06

Death or Disability. Notwithstanding the provisions of Section 7.04 and Section 7.05 hereof and any Participation Agreement, if a Participant dies or experiences a Disability prior to Qualified Retirement and prior to receiving full payment of his or her Deferral Account(s), the Company shall pay the remaining balance (determined as of the Valuation Date immediately following such event) to the Participant or the Participant's Beneficiary or Beneficiaries (as the case may be) in a lump sum in cash only (notwithstanding Section 7.01 hereof) as soon as practicable following the occurrence of such event. Subject to Section 6.02 hereof, the amount distributable under the preceding sentence of this Section 7.06 shall be based on the Participant's investment selections. If a Participant who terminates employment due to death or disability, makes a Base Salary or Incentive Deferral from the final paycheck, and the final paycheck is paid after the Valuation Date, any distributions will be valued on the Valuation Date immediately following the final Base Salary or Incentive Deferral.

Section 7.07

Delay for Specified Employees. Notwithstanding this Article VII, if a Deferral Period ceases upon Separation from Service (other than for death or Disability), payments to a Participant who is a Specified Employee shall not be made until the close of the six (6) month anniversary of such Separation from Service. If during such six (6) month delay a Participant dies, payments shall be made pursuant to Section 7.06.

Section 7.08

Hardship Withdrawals. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to early payment of all or part of the balance in their Deferral Account(s) in the event of an Unforeseeable Emergency, in accordance with this Section 7.08. A distribution pursuant to this Section 7.08 may only be made to the extent reasonably needed to satisfy the Unforeseeable Emergency need, and may not be made if such need is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets to the extent such liquidation would not itself cause severe financial hardship, or (iii) by cessation of participation in the Plan. An application for an early payment under this Section 7.08 shall be made to the Committee in such form and in accordance with such procedures as the Committee shall determine from time to time. The determination of whether and in what amount and form a distribution will be permitted pursuant to this Section 7.08 shall be made solely by the Committee.

Section 7.09

Change of Control Election. In the event of a Separation from Service as a result of a Change of Control, the participant's account balance will be paid out as specified in their Change in Control election. This is a separate election from the Form of Payment election and this election applies to all Plan Years. The Participant can elect to have the same distribution schedule as previously elected, a lump sum payment or installments over two (2) to fifteen (15) years. The first such installment shall be paid as soon as practicable after the Change in Control and each subsequent installment shall be paid on or about the anniversary of such first payment. If there is no Change in Control election at the time a Change in Control occurs, the Participant's previous elections will be the default and will be followed. The Participant can change their Change in Control election by making a written request to the Committee. The Committee will inform the claimant in writing of the determination of the request within 90 days of the receipt of the request.

Section 7.10

Withholding of Taxes. Notwithstanding any other provision of this Plan, the Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

Section 7.11

Changes in Payment Elections. A Participant may modify the time or the form of payment elections made on his or her Participation Agreement under the following circumstances: (i) any such election to modify may not take effect until at least twelve (12) months following the date of such election; (ii) if the election relates to a payment based on a Separation from Service, which includes a Qualified Retirement, or on a Change of Control or if the payment is at a specified time or pursuant to a fixed schedule, the election must result in payment being made not earlier than five (5) years following the date upon which the payment would otherwise would have been made; and (iii) if the election is related to payment at a specified time or pursuant to a fixed schedule, the Participant must make the election not less than twelve (12) months prior to the date the payment is scheduled to be made.

ARTICLE VIII BENEFICIARY DESIGNATION

Section 8.01

Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person, persons or entity as their Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by accessing the web site of the third party administrator and making such changes.

Section 8.02

No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's Beneficiary shall be deemed to be the Participant's estate.

ARTICLE IX AMENDMENT AND TERMINATION OF PLAN

Section 9.01

Amendment. The Board or the Committee may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment otherwise have a retroactive effect. Interpretation of the Plan by the Board or the Committee shall be made in a manner that is consistent with the intent that the Plan conform to the requirements of Code Section 409A.

Section 9.02

Company's Right to Terminate. The Board or the Committee may at any time terminate the Plan with respect to future Participation Agreements. The Board or the Committee may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of the Company, and upon any such termination, the Company shall immediately pay to each Participant in a lump sum the accrued balance in their Deferral Account (determined as of the most recent Valuation Date preceding the termination date). Such termination, however, shall be made in a manner that conforms to the requirements of Code Section 409A.

ARTICLE X MISCELLANEOUS

Section 10.01

Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201, 301 and 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

Section 10.02

No Assignability. Except as specifically set forth in the Plan with respect to the designation of Beneficiaries, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Section 10.03

Hypothetical Investment Benchmarks. (a) Each Participant shall be entitled to direct the manner in which their Deferral Accounts will be deemed to be invested, selecting among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Committee from time to time, and in accordance with such rules, regulations and procedures as the Committee may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to their Deferral Accounts.

Section 10.04

Validity and Severability. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction, shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.05

Governing Law. The validity, interpretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Missouri, without reference to principles of conflict of law, except to the extent preempted by federal law.

Section 10.06

Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation for the Participant to remain an employee of the Company or change the status of the Participant's employment or the policies of the Company and its affiliates regarding termination of employment.

Section 10.07

Underlying Incentive Plans and Programs. Nothing in this Plan shall prevent the Company from modifying, amending or terminating any Eligible Compensation arrangement or the incentive plans and programs pursuant to which cash awards are earned and which are deferred under this Plan.

Section 10.08

Section 409A. Notwithstanding any other provisions of the Plan or any Participation Agreement to the contrary, no payment shall be granted, deferred, accelerated, extended, made or modified under this Plan in a manner that would result in the imposition of an additional tax under Code Section 409A upon a Participant. In the event that it is reasonably determined by the Committee that, as a result of Code Section 409A, payments under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Participation Agreement, as the case may be, without causing the Participant receiving such payment to be subject to taxation under Code Section 409A, the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Code Section 409A; which, if the Participant is a Specified Employee within the meaning of the Code Section 409A, shall be the first day following the six-month period beginning on the date of Participant's termination of employment. The Company shall use commercially reasonable efforts to implement the provisions of this Section 10.09 in good faith; provided that neither the Company, the Committee nor any of the Company's employees, directors or representatives shall have any liability to a Participant with respect to this Section 10.09.

IN WITNESS WHEREOF, the Company has caused this Amendment and Restatement of the Plan to be executed by its duly authorized officer or representative.

CENTENE CORPORATION

By: /s/ Christopher A. Koster

Name: Christopher A. Koster

Title: Executive Vice
President, Secretary and
General Counsel

APPENDIX A

Centene Corporation Common Stock (CNC)

MainStay VP U.S. Government Money Market - Initial Class

MFS® Value Series - Initial Class

Fidelity® VIP Index 500 Portfolio - Initial Class

Fidelity® VIP Growth Portfolio - Initial Class

Fidelity® VIP Contrafund® Portfolio - Initial Class

Janus Henderson VIT Enterprise Portfolio - Institutional Class

T. Rowe Price New America Growth Portfolio

T. Rowe Price International Stock Portfolio

PIMCO VIT Total Return Portfolio-Administrative Class Shares

Janus Henderson VIT Enterprise Portfolio - Institutional Class

T. Rowe Price Blue Chip Growth Portfolio

Lord Abbett Series - Mid-Cap Stock Portfolio - Class VC

VOYA Russell Mid Cap Index Portfolio - Initial Class

Delaware VIP® Small Cap Value Series-Standard Class

MainStay VP Eagle Small Cap Growth Portfolio - Initial Class

MainStay VP Small Cap Core - Initial Class

LVIP Baron Growth Opportunities Fund - Service Class

MainStay VP Emerging Markets Equity - Initial Class

Moody's Corporate Bond Average

Fidelity VIP Freedom 2010 Portfolio - Initial Class

Fidelity VIP Freedom 2020 Portfolio - Initial Class

Fidelity® VIP Freedom 2030 Portfolio - Initial Class

Fidelity® VIP Freedom 2040 Portfolio - Initial Class

Fidelity® VIP Freedom 2050 Portfolio - Initial Class

CENTENE CORPORATION

Nonstatutory Stock Option Agreement Granted Under
2012 Stock Incentive Plan1. Grant of Option

This agreement evidences the grant by Centene Corporation, a Delaware corporation (the "Company"), on _____ (the "Grant Date") to _____, a **Director** of the Company (the "Participant"), of an option to purchase, in whole or in part, on the terms provided herein and in the Company's 2012 Stock Incentive Plan (the "Plan"), a total of _____ shares (the "Shares") of common stock, \$0.001 par value per share, of the Company ("Common Stock") at _____ per Share. Unless earlier terminated, this option shall expire at 3:00 p.m., Central time, on _____ (the "Final Exercise Date").

It is intended that the option evidenced by this agreement shall not be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Participant," as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms.

2. Vesting Schedule

This option will become exercisable ("vest") as to ____% of the original number of Shares on the _____ anniversary of the Grant Date and as to an additional ____% of the original number of Shares at the end of each successive _____ period following the first anniversary of the Grant Date until the _____ anniversary of the Grant Date.

The right of exercise shall be cumulative so that to the extent the option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all Shares for which it is vested until the earlier of the Final Exercise Date or the termination of this option under Section 3 hereof or the Plan.

In the event of a "Change in Control" of the Company, all of the Shares that (but for the application of this clause) are not vested at the time of the occurrence of such Change in Control event shall vest. 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 Securities Exchange Act of 1934, as amended (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 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 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 of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

3. Exercise of Option

(a) Form of Exercise. Each election to exercise this option shall be in writing, signed by the Participant, and received by the Company at its principal office, accompanied by this agreement, and payment in full in the manner provided in the Plan. Common Stock purchased upon the exercise of this option shall be paid for as follows:

- (i) in cash or by check, payable to the order of the Company;
- (ii) by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;
- (iii) when the Common Stock is registered under the Securities and Exchange Act of 1934, as amended, by delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by (or in a manner approved by) the board of directors of the Company (the "Board") in good faith ("Fair Market Value"), *provided* (i) such method of payment is then permitted under applicable law and (ii) such Common Stock, if acquired directly from the Company was owned by the Participant at least six months prior to such delivery;
- (iv) to the extent permitted under applicable law and permitted by the Board, in its sole discretion, *provided* that at least an amount equal to the par value of the Common Stock being purchased shall be paid in cash; or
- (v) by any combination of the above permitted forms of payment.

The Participant may purchase less than the number of shares covered hereby, provided that no partial exercise of this option may be for any fractional share or for fewer than ten whole shares.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in this Section 3, this option may not be exercised unless the Participant, at the time he or she exercises this option, is, and has been at all times since the Grant Date, a director of, or consultant or advisor to, the Company or any other entity the directors, consultants or advisors of which are eligible to receive option grants under the Plan (an "Eligible Participant").

(c) Termination of Relationship with the Company. If the Participant ceases to be an Eligible Participant for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate 30 days after such cessation (but in no event after the Final Exercise Date), *provided* that this option shall be exercisable only to the extent that the Participant was entitled to exercise this option on the date of such cessation. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, violates the non-competition or confidentiality provisions of any consulting, advisory, nondisclosure, non-competition or other agreement between the Participant and the Company, the right to exercise this option shall terminate immediately upon such violation.

(d) Exercise Period Upon Death or Disability. If the Participant dies or becomes disabled (within the meaning of Section 22(e) (3) of the Code) prior to the Final Exercise Date while he or she is an Eligible Participant and the Company has not terminated such relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of 90 days following the date of death or disability of the Participant, by the Participant (or in the case of death by an authorized transferee), *provided* that this option shall be exercisable only to the extent that this option was exercisable by the Participant on the date of his or her death or disability, and *further provided* that this option shall not be exercisable after the Final Exercise Date.

(e) Discharge for Cause. If the Participant, prior to the Final Exercise Date, is discharged by the Company for “cause” (as defined below), the right to exercise this option shall terminate immediately upon the effective date of such discharge. “Cause” shall include acts or omissions that the Company determines in writing, after affording the Participant an opportunity to be heard, are (i) criminal, dishonest or fraudulent or constitute misconduct that reflect negatively on the reputation of the Company (including any parent, subsidiary, affiliate or division of the Company); (ii) acts or omissions that could expose the Company or any parent, subsidiary, affiliate or division of the Company to claims of illegal harassment or discrimination in employment; (iii) material breaches of this Agreement; or (iv) continued and repeated failure to perform substantially the duties of his/her employment. The Participant shall be considered to have been discharged for “cause” if the Company determines, within 30 days after the Participant’s resignation, that discharge for cause was warranted.

4. Withholding

No Shares will be issued pursuant to the exercise of this option unless and until the Participant pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option.

5. Non-transferability of Option

This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the lifetime of the Participant, this option shall be exercisable only by the Participant.

6. Provisions of the Plan

This option is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this option.

In Witness Whereof, the Company has caused this option to be executed under its corporate seal by its duly authorized officer. This option shall take effect as a sealed instrument.

Centene Corporation

By: _____

PARTICIPANT'S ACCEPTANCE

The undersigned hereby accepts the foregoing option and agrees to the terms and conditions thereof. The undersigned hereby acknowledges receipt of a copy of the Company's 2012 Stock Incentive Plan.

Dated:

Participant:

[Director Name]

CENTENE CORPORATION

Restricted Stock Agreement Granted Under
2012 Stock Incentive Plan

THIS AGREEMENT is entered into by Centene Corporation, a Delaware corporation (hereinafter the “Company”), and the undersigned **Director** of the Company (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. Issuance of Shares.

The Company is issuing to the Participant as of _____, subject to the terms and conditions set forth in this Agreement and in the Company’s 2012 Stock Incentive Plan (the “Plan”), _____ shares (the “Shares”) of common stock, \$.001 par value, of the Company (“Common Stock”). The Participant agrees that the Shares shall be subject to the purchase option set forth in Section 2 of this Agreement and the restrictions on transfer set forth in Section 4 of this Agreement.

2. Purchase Option.

The Company shall have the right and option (the “Purchase Option”) to purchase some or all of the Shares from the Participant for a sum of \$.001 per Share (the “Option Price”), subject to the following:

(a) The Company may not exercise the Purchase Option until such time, if any, as the Participant ceases to be a director of the Company for a reason other than the Participant’s death or “permanent and total disability” (as defined in the first sentence of Section 22(e)(3), or any successor provision, of the Internal Revenue Code of 1986, as amended from time to time).

(b) It is understood and expected that the Participant will attend all or substantially all Board events in person or by telephone. If, as determined by the Board, the Participant is absent from a significant number of Board events, the Company may exercise the Purchase Option. While not limiting the discretion of the Board, it is understood and expected that absences are more likely to be excused if they result from a family or personal emergency such as death, illness or similar unexpected event. Also, while not limiting Board discretion, it is understood and expected that absences are less likely to be excused if they result from business conflicts or emergencies.

(c) Subject to the first sentence of Section 3(c), the Company may not exercise the Purchase Option upon or after the earliest to occur of (i) the 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, (ii) the occurrence of a Change in Control (as defined below) and (iii) the death of the Participant.

For purposes of clarity (and without limiting the foregoing), if the Participant is not absent from any of the specified Board events and continues to serve as a director of the Company until the 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, the Company shall never be entitled to exercise the Purchase Option with respect to any of the Shares. 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 Securities Exchange Act of 1934, as amended (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 date of this Agreement, 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 date of this Agreement 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.

3. Exercise of Purchase Option and Closing.

(a) The Company may exercise the Purchase Option under Section 2(a) by delivering or mailing to the Participant (or his or her estate) a written notice of exercise, within 90 days after the date on which the Participant ceases to be a director of the Company (regardless of the deadlines specified in Section 2(c)). The Company may exercise the Purchase Option under Section 2(b) by delivering or mailing to the Participant prior to the 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, a written notice of exercise of the Purchase Option. Any notice to exercise the Purchase Option under Section 2(a) or 2(b) shall specify the number of Shares to be purchased. If and to the extent the Purchase Option under Section 2(a) or 2(b) is not so exercised by the giving of such a notice, the Purchase Option shall automatically expire and terminate.

(b) Within 10 days after delivery to the Participant of the Company's notice of the exercise of the Purchase Option pursuant to subsection (a) above, the Participant (or his or her estate) shall, pursuant to the provisions of the Joint Escrow Instructions referred to in Section 5 below, tender to the Company at its principal offices the certificate or certificates representing the Shares which the Company has elected to purchase in accordance with the terms of this Agreement, duly endorsed in blank or with duly endorsed stock powers attached thereto, all in form suitable for the transfer of such Shares to the Company. Promptly following its receipt of such certificate or certificates, the Company shall pay to the Participant the aggregate Option Price for such Shares (provided that any delay in making such payment shall not invalidate the Company's exercise of the Purchase Option with respect to such Shares).

(c) After the time at which any Shares are required to be delivered to the Company for transfer to the Company pursuant to subsection (b) above, the Company shall not pay any dividend to the Participant on account of such Shares or permit the Participant to exercise any of the privileges or rights of a stockholder with respect to such Shares, but shall, in so far as permitted by law, treat the Company as the owner of such Shares.

(d) The Option Price is payable in cash (by check).

(e) The Company shall not purchase any fraction of a Share upon exercise of the Purchase Option, and any fraction of a Share resulting from a computation made pursuant to Section 2 of this Agreement shall be rounded to the nearest whole Share (with any one-half Share being rounded upward).

(f) The Company may assign its Purchase Option to one or more persons or entities.

4. Restrictions on Transfer.

(a) The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively “transfer”) any Shares, or any interest therein, that are subject to the Purchase Option, except that the Participant may transfer such Shares (i) to or for the benefit of any spouse, children, parents, uncles, aunts, siblings, grandchildren and any other relatives approved by the Board of Directors (collectively, “Approved Relatives”) or to a trust established solely for the benefit of the Participant and/or Approved Relatives, provided that such Shares shall remain subject to this Agreement (including without limitation the restrictions on transfer set forth in this Section 4 and the Purchase Option) and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all of the terms and conditions of this Agreement or (ii) as part of the sale of all or substantially all of the shares of capital stock of the Company (including pursuant to a merger or consolidation), provided that, in accordance with the Plan, the securities or other property received by the Participant in connection with such transaction shall remain subject to this Agreement.

5. Escrow.

The Participant shall, upon the execution of this Agreement, execute Joint Escrow Instructions in the form attached to this Agreement as Exhibit A. The Joint Escrow Instructions shall be delivered to the Secretary of the Company, as escrow agent thereunder. The Participant shall deliver to such escrow agent a stock assignment duly endorsed in blank, in the form attached to this Agreement as Exhibit B, and hereby instructs the Company to deliver to such escrow agent, on behalf of the Participant, the certificate(s) evidencing the Shares issued hereunder. Such materials shall be held by such escrow agent pursuant to the terms of such Joint Escrow Instructions.

6. Restrictive Legends.

All certificates representing Shares shall have affixed thereto legends in substantially the following form, in addition to any other legends that may be required under federal or state securities laws:

“The shares of stock represented by this certificate are subject to restrictions on transfer and an option to purchase set forth in a certain Restricted Stock Agreement between the corporation and the registered owner of these shares (or his predecessor in interest), and such Agreement is available for inspection without charge at the office of the Secretary of the corporation.”

7. Provisions of the Plan.

(a) This Agreement is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this Agreement.

(b) As provided in the Plan, upon the occurrence of a Reorganization Event (as defined in the Plan), the repurchase and other rights of the Company hereunder shall inure to the benefit of the Company’s successor and shall apply to the cash, securities or other property which the Shares were converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Shares under this Agreement. If, in connection with a Reorganization Event, a portion of the cash, securities and/or other property received upon the conversion or exchange of the Shares is to be placed into escrow to secure indemnification or similar obligations, the mix between the vested and unvested portion of such cash, securities and/or other property that is placed into escrow shall be the same as the mix between the vested and unvested portion of such cash, securities and/or other property that is not subject to escrow.

8. Withholding Taxes; Section 83(b) Election.

(a) 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 purchase of the Shares by the Participant or the lapse of the Purchase Option.

(b) The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. The Participant understands that it may be beneficial in many circumstances to elect to be taxed at the time the Shares are purchased rather than when and as the Company's Purchase Option expires by filing an election under Section 83(b) of the Internal Revenue Code of 1986 with the I.R.S. within 30 days from the date of purchase.

THE PARTICIPANT ACKNOWLEDGES THAT IT IS THE PARTICIPANT'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PARTICIPANT'S BEHALF.

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.

(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 4 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 deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party hereto at the address shown beneath his or her 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 Section 9(d).

(e) Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa.

(f) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties, and supersedes all prior agreements and understandings, relating to the subject matter of this Agreement.

(g) Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Participant.

(h) Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the internal laws of the State of Delaware without regard to any applicable conflicts of laws.

(i) 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; (iv) is fully aware of the legal and binding effect of this Agreement; and (v) understands that the law firm of Bryan Cave LLP, is acting as counsel to the Company in connection with the transactions contemplated by the Agreement, and is not acting as counsel for the Participant.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CENTENE CORPORATION

By:

[Director Name]

AMENDMENT OF EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDMENT OF EXECUTIVE EMPLOYMENT AGREEMENT (the “Amendment”) is entered into as of February 20, 2023, by and between Centene Corporation, a Delaware corporation, together with its successors and assigns permitted under this Agreement (the “Company”), and Sarah M. London (the “Executive”).

WHEREAS, the parties entered into that certain Executive Employment Agreement dated as of April 27, 2022 (“Agreement”); and

WHEREAS, the parties desire to amend the Agreement in order to reflect a change in the Executive’s long-term incentive compensation.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties agree as follows:

1. Section 3.3 is amended in its entirety to read as follows:

Executive shall be eligible for annual grants of long-term cash and equity compensation awards at the Company’s good faith discretion, based upon the Compensation Committee’s evaluation of her performance and peer company compensation practices (each, a “Long-Term Award”). The Long-Term Awards may consist of, among others, (a) a cash-based long-term incentive awards (the “Cash Awards”) under the Company’s 2007 Long-Term Incentive Plan, as amended, or successor-plan (the “LTIP”), and (b) service-based restricted stock units, performance-based restricted stock units and performance-based stock options (the “Equity Awards”) issued under the Company’s 2012 Stock Incentive Plan, as amended, or successor plan (the “Stock Plan”). Each Cash Award shall be subject to the terms of the LTIP and an award agreement to be executed by Executive and the Company, and each Equity Award shall be subject to the terms of the Stock Plan and award agreements to be executed by Executive and the Company; provided, that the terms of such awards shall be no less favorable than provided to other senior executives of the Company generally. In 2022, the Executive’s annual target Long-Term Awards shall be \$12,500,000. The amount and type of the Executive’s future Long-Term Awards shall be annually determined by the Compensation Committee in its sole discretion; provided that Executive shall be treated no less favorably than senior executives of the Company generally, with respect to the type of her future Long-Term Awards.

2. Section 5.1(f)(ii) is hereby amended in its entirety to read as follows:

upon or following a Change in Control, a reduction in Executive’s Salary or Annual Bonus potential from those in effect immediately prior to the Change in Control

3. Section 5.1(f)(iv) is hereby amended in its entirety to read as follows:

a material breach by the Company or any of its affiliates of this Agreement (including without limitation, Section 3.1 and Section 3.2 hereof) or any material compensation agreement

4. Section 5.5(a) is hereby amended to replace the reference to “three (3) times” with “2.99 times.”

5. Section 7.4 is hereby amended to replace the second sentence of such section in its entirety and replace it with the following:

The Company hereby agrees to engage the Accountant to do an independent valuation of the Non-Compete Provision as part of an analysis of Executive’s post-Change in Control reasonable compensation.

6. General Terms and Conditions. All other terms and conditions of the Agreement not amended hereunder shall remain in full force and effect, as applicable. This Amendment shall be governed by and construed in accordance with the laws of the State of Missouri, without regard to principles of conflict of laws that would cause the application of laws of another jurisdiction. This Amendment may be executed in any number of counterparts, each of which will be an original, but such counterparts will together constitute but one and the same Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have signed their names as of the date and year first above written.

CENTENE CORPORATION

By: /s/ Christopher Koster

Name: Christopher Koster

Title: Executive Vice
President, Secretary and
General Counsel

EXECUTIVE

By: /s/ Sarah London

SARAH LONDON

AMENDMENT OF EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDMENT OF EXECUTIVE EMPLOYMENT AGREEMENT (the “Amendment”) is entered into as of February 20, 2023, by and between Centene Corporation, a Delaware corporation, together with its successors and assigns permitted under this Agreement (the “Company”), and Andrew Asher (the “Executive”).

WHEREAS, the parties entered into that certain Executive Employment Agreement dated as of April 28, 2022 (“Agreement”); and

WHEREAS, the parties desire to amend the Agreement in order to reflect a change in the Executive’s long-term incentive compensation.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties agree as follows:

1. Section 3(g) is amended in its entirety to read as follows:

In 2022, the total target level of compensation for the Executive will be \$8,900,000. In future calendar years, the Executive’s actual total target level of compensation shall be annually determined by the Compensation Committee in its sole discretion. The Compensation Committee shall determine in its sole discretion, consistent with the principles set forth in (d) and (e) above, the specific components of the Executive’s total compensation for 2023 and 2024 and for any future calendar years in the Employment Term.

2. Section 3(h) is deleted in its entirety.

3. Section 14(h)(i) is amended in its entirety to read as follows:

(i) a reduction in the Executive’s (x) Base Salary, (y) Target Bonus or (z) aggregate compensation opportunity, in each case, from the prior year’s amounts,

4. General Terms and Conditions. All other terms and conditions of the Agreement not amended hereunder shall remain in full force and effect, as applicable. This Amendment shall be governed by and construed in accordance with the laws of the State of Missouri, without regard to principles of conflict of laws that would cause the application of laws of another jurisdiction. This Amendment may be executed in any number of counterparts, each of which will be an original, but such counterparts will together constitute but one and the same Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have signed their names as of the date and year first above written.

CENTENE CORPORATION

By: /s/ Sarah M. London

Name: Sarah M. London

Title: Chief Executive Officer

EXECUTIVE

By: /s/ Andrew Asher

ANDREW ASHER

EXECUTIVE EMPLOYMENT AGREEMENT

In this Executive Employment Agreement, dated as of February 20, 2023 (the “Agreement”), Centene Corporation (the “Company”), and Kenneth Fasola (the “Executive”), intending to be legally bound and for good and valuable consideration, agree as follows:

1. Term.

a. The Executive’s employment hereunder shall begin effective on the date above and shall continue until terminated by either party in accordance with Section 5 of this Agreement. The period during which the Executive is employed by the Company hereunder is hereby referred to as the “Employment Term.”

2. Position and Duties.

a. Position. During the Employment Term, the Executive shall serve as the President of the Company, reporting solely and directly to the Company’s Chief Executive Officer. In such position, the Executive shall have the duties, authority, and responsibilities consistent with industry norms for the President role, as shall be determined from time to time by the Chief Executive Officer, which duties, authority, and responsibilities shall include, without limitation, operating accountability for the revenue generating operations of the Company, subject to standard oversight of the Board and Chief Executive Officer.

b. Duties. During the Employment Term, the Executive shall devote substantially all of the Executive’s business time and attention to the performance of the Executive’s duties hereunder and shall not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Board of Directors (“Board”). The Executive may serve on trade, civic or charitable boards and, subject to prior approval by the Board, the board of directors of one (1) other for-profit company, that does not compete as described in Section 11(d), of the Executive’s choice, and may manage personal investments and affairs to the extent such activities do not materially interfere with the performance of the Executive’s duties and responsibilities hereunder.

c. Travel. The Executive’s principal business location shall be in Texas. The Executive acknowledges and agrees that the Executive may be required to travel on Company business, as reasonably needed to meet the Company’s objectives, during the Employment Term.

3. Compensation.

a. Base Salary. Effective January 1, 2023, the Company shall pay the Executive an annual base salary of \$1,100,000 in periodic installments in accordance with the Company’s customary payroll practices and applicable wage payment laws, but no less frequently than monthly. The Executive’s base salary shall be reviewed at least annually by the Compensation Committee of the Board (the “Compensation Committee”) and the Compensation Committee may, but shall not be required to, increase the base salary during the Employment Term. However, the Executive’s base salary may not be decreased during the Employment Term other than as part of an across-the-board salary reduction that applies in the same manner to all senior executives generally, subject to Section 13(h). The Executive’s annual base salary, as in effect from time to time, is hereinafter referred to as “Base Salary.” Any unpaid portion of Base Salary from January 1, 2023 through the date of execution of this Agreement shall be paid in a lump sum in accordance with the Company’s customary payroll practices on March 3, 2023.

b. Annual Bonus. During the Employment Term (effective beginning with the 2023 calendar year), the Executive shall be eligible to receive an annual bonus based on the achievement of performance goals established and evaluated by the Compensation Committee (the "Annual Bonus"). The Executive's annual target bonus opportunity shall be equal to 125% of the Executive's Base Salary (the "Target Bonus"). The Annual Bonus, if any, shall be paid within two and a half (2 1/2) months after the end of the year during which the Annual Bonus is earned.

c. Signing Bonus. Upon the execution of this Agreement the Executive shall be paid a one-time \$1,000,000 cash award. In the event the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason within 18 months following the date of this Agreement and prior to a Change in Control, the Executive shall repay to the Company the full amount of such cash award within thirty (30) days following such termination of employment.

d. Long-Term Incentive Compensation. In the first quarter of 2023, the Executive shall be entitled to receive an equity award under the Company's 2012 Stock Incentive Plan (the "Stock Plan") with an aggregate annual grant date target value equal to \$6,025,000 (subject to any delay required by applicable securities law). Following 2023, the amount of the Executive's annual long term incentive grants shall be determined in the discretion of the Compensation Committee (taking into account individual and Company performance and market compensation levels for similarly-situated senior executives). The allocation of long-term incentive compensation awards amongst types of awards, and any applicable performance measures, shall be determined by the Compensation Committee in its sole discretion, but shall be consistent with the percentages and performance targets assigned to awards granted in the same performance cycle to similarly situated senior executives of the Company. Under the equity program in effect as of the date of this Agreement, 35% of the long-term incentive compensation awards will be in the form of restricted stock units ("RSUs") and 65% will be in the form of performance share units ("PSUs"). Under the current program, all RSUs are subject to three-year graded vesting, and all PSUs are subject to three-year cliff vesting (in each case, with settlement upon vesting). All RSUs and PSUs shall be subject to the terms of the Stock Plan and award agreements to be executed by the Executive and the Company. Except as set forth in the following sentence, the award agreements shall be in the same form applicable to similarly situated senior executives of the Company, and shall provide that units shall be settled as soon as practicable following the applicable vesting date. Upon the Executive's termination of employment by the Company or by the Executive for any reason whether voluntary or involuntary (other than a termination of employment by the Company for Cause), all long-term incentive compensation awards granted after the date of this Agreement will continue to vest according to their terms (disregarding any ongoing service requirements), without pro-rata, and with PSUs eligible to be earned based upon the attainment of the applicable performance metrics.

e. Legacy Company Equity Awards. Notwithstanding anything to the contrary in that certain Agreement and Plan of Merger between the Company and Magellan Health Inc. (the "Transaction Agreement"), 50% of the remaining unvested Executive Company Equity Awards (as defined in the Transaction Agreement) that were converted into corresponding awards of the Company (collectively, the "Legacy Company Equity Awards") will vest on the second anniversary of the Closing Date (as defined in the Transaction Agreement), and the remaining 50% will vest on the thirty (30) month anniversary following the Closing Date, subject to continued employment with the Company or one of its affiliates through each vesting date. Such Legacy Company Equity Awards shall be settled on the vesting date or as soon as practicable thereafter (but not more than five business days thereafter). For the avoidance of doubt, in the event the Executive's employment is terminated without Cause or by the Executive with Good Reason on or prior to the thirty (30) month anniversary of the Closing Date, the Legacy Company Equity Awards will vest on the date of the Executive's termination.

4. Employee Benefits. The Executive and/or the Executive's dependents, as the case may be, shall participate in employee and executive retirement, medical, dental, vision, disability, group and/or executive life, accidental death and travel accident insurance, and similar benefit plans and programs of the Company, subject to the terms and conditions thereof, as in effect from time to time with respect generally to senior executives employed by the Company. The Executive shall be entitled to be paid these benefits upon termination in accordance with the terms of the applicable employee benefit plans, or, if not governed by ERISA, pursuant to the policies and practices of the Company as in effect from time to time with respect to senior executives employed by the Company. In addition, the Executive shall be entitled to personal use of the Company's corporate aircraft in accordance with the policies of the Company in effect from time to time, up to a maximum of 20 hours per year.

5. Severance Pay. The Employment Term and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason; provided that, unless otherwise provided herein, (i) the Executive shall be required to give the Company at least ninety (90) days' advance written notice of the Executive's intent to retire or otherwise terminate his employment, and (ii) the Company shall be required to give the Executive at least sixty (60) days' advance written notice of the termination of the Executive's employment for any reason other than for Cause. Should the Executive's employment with the Company be terminated due to a Qualifying Termination that is not a Change in Control Termination, in addition to the Accrued Obligations, the Company agrees to pay or provide the following compensation and benefits during the severance period and the Executive shall have no further rights to any compensation or any other benefits from the Company:

a. Severance pay to the Executive in the form of a cash lump sum payment equal to the Executive's annual Base Salary determined using the Executive's then-current Base Salary (disregarding any reduction constituting Good Reason or any reduction made in the preceding six (6) month period), with such amount payable to the Executive on the sixtieth (60th) day after the termination date.

b. A prorated Annual Bonus for the year in which the Executive's date of termination occurs based on the degree of achievement of goals under the bonus program in effect at the time of termination and the portion of the year elapsed as of the date of termination. The degree of achievement of goals shall be determined in accordance with the bonus program, except that should any goals be of a subjective nature, the degree of achievement therefore shall be determined by the Company in its sole discretion. Any such bonus amount shall be paid in a single, lump sum payment at the same time as Annual Bonuses for the year are paid to the Company's officers generally. The Executive shall also receive any prior Annual Bonus which has been achieved and accrued, but not paid at the time of termination.

c. Subject to Section 11, during the twelve (12) month period of salary continuation described in (a) above, the Company shall pay for a portion of the health, dental, prescription drug and vision insurance continuation coverage (collectively "Medical Coverage") to which the Executive is entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") on behalf of the Executive, and as applicable, the Executive's spouse and dependents, subject to the Executive's timely election of COBRA healthcare continuation coverage. For such twelve (12) month period, the terminated the Executive shall be responsible to pay contributions for Medical Coverage provided under this Section 5(c) in the same amount as is charged to similar active employees for similar coverage, rather than the full COBRA premium amount, and the Company shall pay the remainder of the COBRA premium amount.

d. The Executive's then-outstanding RSUs, PSUs or other equity-based or long-term cash incentive awards (including, but not limited to, any Company equity-based or long-term cash incentive awards granted in calendar year 2022), if any, shall remain subject to the vesting

and forfeiture terms set forth in their award agreements (or the letter agreement dated January 4, 2021, by and between the Company and the Executive, as applicable (the "Letter Agreement")); provided, however, that awards granted following the date of this Agreement shall continue to vest consistent with the terms of Section 3(d); and provided further, that with respect to any equity-based or long-term cash incentive award outstanding on the date of the Qualifying Termination, the Executive will receive no less than an additional 12 months of service credit.

e. For a period of up to six (6) months from the date of the Qualifying Termination, the Company shall provide outplacement services to the Executive that are comparable to other executives at this level who have terminated. Outplacement services shall be provided by an entity selected by the Company. The Executive shall use best efforts, consistent with the terms of Section 11, to become gainfully employed during the period the Executive is receiving benefits under this Agreement.

f. Notwithstanding the foregoing, should the Executive's employment with the Company be terminated prior to May 31, 2024 due to a Qualifying Termination that is not a Change in Control Termination, in lieu of the cash severance payable under Section 5(a) of this Agreement but in addition to the other payments and benefits under Sections 5(b)-(e) of this Agreement, the Executive shall be entitled to severance pay in a cash lump sum payment equal to the product of (x) the sum of (i) the Executive's Base Salary, plus (ii) the Annual Bonus paid to the Executive in the calendar year prior to the year in which the Qualifying Termination occurs, multiplied by (y) 2.5, with such amount payable to the Executive on the sixtieth (60th) day after the termination date; provided, however, that in no event shall the amount payable under this section 5(f) exceed the maximum amount payable under the Company's Executive Officer Cash Severance Policy.

g. If amounts are payable under this Section 5, no additional amounts shall be payable under Section 7 of this Agreement (unless Section 6(a)(ii) becomes applicable), nor any other agreement between the parties, which shall include, and not be limited to, any Executive Severance and Change in Control Agreement as well as any severance pay plan generally maintained by the Company for its employees.

6. Change in Control. The Company shall pay to the Executive the severance described in Section 7 if the Executive experiences a Qualifying Termination that occurred under the circumstances described below (a "Change in Control Termination"):

a. On the day of, or within twenty-four (24) months after, the occurrence of a Change in Control; or

b. Prior to a Change in Control but at the request of any third party participating in or causing the Change in Control or during the one hundred twenty (120) day period prior to a Change in Control.

7. Change in Control Severance Pay. In the event of a Change in Control Termination, in addition to the Accrued Obligations, the Company agrees to provide the Executive the following:

a. Severance pay equal to the product of (x) the sum of (i) the Executive's Base Salary, plus (ii) the average of the last two (2) Annual Bonuses paid to the Executive during the two (2) most recently completed full fiscal years of the Company, multiplied by (y) two (2). Such amount shall be paid in an undiscounted lump sum on the sixtieth (60th) day after the termination date. For purposes of calculating the amount of severance in this Section 7(a) and Section 7(b) due as a result of a Change in Control Termination, the Executive's Base Salary shall be based on the highest amount of such Base Salary during the two (2) year period ending on the date of termination.

b. A prorated Target Bonus for the year in which such termination occurs, paid in an undiscounted lump sum on the sixtieth (60th) day after the termination date.

c. During the eighteen (18) month period following the Change in Control Termination, the Company shall pay for the Executive's entire Medical Coverage to which the Executive is entitled under COBRA. If the Company purchased a life insurance policy for the benefit of the Executive's beneficiaries prior to the Change in Control, the Company shall continue to maintain and pay all expenses associated with the corporate-owned life insurance policy for the remainder of the Executive's life.

d. Any RSUs, PSUs or other equity-based awards that were outstanding immediately prior to the Change in Control Termination shall, to the extent not then vested, fully vest and become exercisable as of the date of the Change in Control Termination and the Executive shall have the right to exercise any such stock option or stock appreciation right until the earlier to occur of (i) one (1) year from the date of the Change in Control Termination and (ii) the expiration date of such stock option or stock appreciation right or other equity-based award as set forth in the agreement evidencing such award. Any PSUs that were outstanding immediately prior to the Change in Control Termination shall vest at the greater of the actual performance level at the time of the Change in Control event or at target performance level, in each case, without pro-ration.

e. If amounts are payable under this Section 7, no amounts shall be payable under Section 5 of this Agreement, nor any other agreement between the parties, which shall include, and not be limited to, any Executive Severance and Change in Control Agreement as well as any severance pay plan generally maintained by the Company for its employees. Notwithstanding the foregoing, the amounts payable pursuant to this Section 7 shall be reduced by any amounts previously paid to the Executive pursuant to Section 5 and no duplication of payments shall occur.

8. Adjustments. If, for any reason, any part or all of the amounts payable to the Executive under this Agreement (or otherwise, if such amounts are in the nature of compensation paid or payable by the Company or any of its subsidiaries after there has been a Change in Control) (collectively "Total Payments") are deemed to be "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code or any successor or similar provision, and would be subject to the excise tax imposed by Section 4999 of the Code or any successor or similar provision, such Total Payments shall be reduced to the extent necessary such that no amounts paid or payable to the Executive shall be deemed excess parachute payments subject to excise tax under Section 4999 of the Code; provided, however, that no such reduction shall occur if (i) the net amount of such Total Payments as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is less than (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such unreduced Total Payments and the amount of excise taxes to which the Executive would be subject in respect of such unreduced Total Payments). All determinations required to be made under this Section 8 and the assumptions to be utilized in arriving at such determination shall be made by an independent, nationally recognized accounting firm designated by the Company prior to the Change in Control (the "Auditor"). The Auditor shall provide detailed supporting calculations to both the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive or the Company that there has been a payment, or such earlier time as is requested by the Company. All fees and expenses of the Auditor shall be paid by the Company. All determinations made by the Auditor shall be binding upon the Company and the Executive.

9. Cooperation. The parties agree that certain matters in which the Executive shall be involved during the Employment Term may necessitate the Executive's cooperation in the future. Accordingly, during the 24-month period following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Board, the Executive shall cooperate with the Company to provide truthful information in connection with matters arising out of the Executive's service to the Company; provided that, such cooperation shall be subject to the Executive's personal and business commitments, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities and the Executive shall receive reasonable compensation, as to be agreed by the parties, for the Executive's cooperation in excess of eight (8) hours per month. The Company shall reimburse Executive for all reasonable expenses incurred in connection with cooperation including travel costs, and if determined in good faith to be reasonably appropriate by the Executive, the reasonable fees incurred by independent counsel for the Executive (subject to the good faith prior approval of the Company's general counsel). The Executive shall not be required to cooperate against his own legal interests or those of a subsequent employer or business partner.

10. Conditions. Any payments or benefits made or provided pursuant to this Agreement are subject to the Executive's:

- i. compliance in all material respects with the provisions of Section 11 hereof (provided, that, the Company shall provide the Executive with written notice of any such failure to comply and not less than thirty (30) days to cure, if curable);
- ii. with respect to payments under Sections 5, 7 and the last sentence of 3(d), delivery to the Company, within 45 days following the Executive's termination date, of an executed full and complete release of claims, in the form attached hereto as Exhibit A, with such terms as needed under then applicable law to give full effect to its intent and purpose (the "Release"); and
- iii. delivery to the Company of a resignation from all offices, directorships and fiduciary positions with the Company, its affiliates and employee benefit plans.

Notwithstanding the due date of any post-employment payments, any amounts due under this Agreement shall not be due until after the expiration of any revocation period applicable to the Release. Nevertheless, upon any termination of the Executive's employment, the Executive shall be entitled to receive the Accrued Obligations, payable within thirty (30) days after the date of termination or in accordance with the applicable plan, program or policy.

11. Executive's Covenants. The Executive acknowledges that the above consideration, absent this Agreement, is beyond what the Company is obligated to pay. In consideration for the Executive's employment, the opportunity for the payments and benefits specified in this Agreement, and the Company allowing the Executive to have access (or continue to have access) to the Company's or its Affiliates' Confidential Information, the Executive agrees to the following, which shall continue to apply in the event the Executive's employment is terminated by either party for any reason, whether voluntary or involuntary and whether with or without Cause or with or without Good Reason.

a. Confidential Information. As used in this Section 11, “Confidential Information” shall mean the Company’s and the Affiliates’ trade secrets and other non-public proprietary information relating to the Company and the Affiliates or the business of the Company and the Affiliates, including, but not limited to, information relating to financial statements, customer lists and customer information, employee skills and compensation, employee data, supplier lists and supplier information, vendor lists and vendor information, acquisition targets, servicing methods, equipment, programs, strategies and information, analyses, marketing plans and strategies, new and proposed product plans; pricing, profit margins, financial, promotional, marketing, training or operational information, customer lists and customer information, and other information developed or used by the Company that is not known generally to the public or the industry. Confidential Information shall not include any information that is in the public domain or becomes known in the public domain through no wrongful act on the part of the Executive.

b. Non-Disclosure. The Executive agrees that the Confidential Information is a valuable, special and unique asset of the Company’s business, that such Confidential Information is important to the Company and the effective operation of the Company’s business. As such and in addition to the other restrictions contained in this Section 11, the Executive shall not, either during the Executive’s employment with the Company and at all times thereafter, directly or indirectly use, disclose, divulge or communicate in any fashion, form or manner to any person, firm, partnership, corporation or other entity, or use for the Executive’s own benefit, any trade secrets (whether patentable or not) or any Confidential Information except to the limited extent that such disclosure or use is both authorized and reasonably required in connection with the Executive’s employment. Notwithstanding the foregoing provisions of Section 11(b), the Executive may disclose information if required by applicable law or a court order or subpoena requested by a governmental or self-regulatory organization or as reasonably necessary in connection with any legal process between Executive and the Company or any of its subsidiaries or Affiliates, *except that* (i) in the case of disclosure required by law, court order or subpoena, to the extent legally permitted, the Executive shall inform the Company immediately upon becoming aware of the requirement to disclose or, if applicable, upon receipt of the court order or subpoena, and, to the extent legally permitted, shall not disclose until the Company has had a reasonable opportunity to review and object to such disclosure; and (ii) in the case of disclosure in connection with any legal process, the Executive shall only be permitted to disclose to the parties to the legal process, and then only as may be consistent with any confidentiality stipulation or protective order as may be in effect in such legal process. The Company shall reimburse the Executive for all reasonable legal costs incurred in complying with the foregoing sentence.

- i. *Defend Trade Secrets Act Notice to Executive*. Notwithstanding the foregoing and any other terms of this Agreement, the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if the Executive files a lawsuit for retaliation by the Company or any of its Affiliates for reporting a suspected violation of law, the Executive may disclose the trade secret to Employee’s attorney and use the trade secret information in the court proceeding if the Executive files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order.

c. Property of Company. Any Confidential Information, and all other business information or documents, shall be and remain solely and exclusively the property of the Company and/or its Affiliates. During his or her employment, the Executive shall not remove from the property or premises of the Company or its Affiliates any Confidential Information or any other documents or data relating to the business, work, services or sales of the Company and/or its Affiliates, or copies thereof, unless authorized by the Company and/or its Affiliates and required for the Executive to perform his or her employment duties. Upon the termination of the Executive's employment regardless of whether such termination is with or without Cause or with or without Good Reason, or at any other time requested by the Company or its Affiliates, the Executive shall promptly deliver all documents, files, devices and other items (whether maintained in electronic or hard copy format) obtained in the course of his or her employment, whether or not the Executive believes such items constitute or contain Confidential Information, and without retaining any copies, notes, or excerpts thereof. Notwithstanding the foregoing, the Executive may retain the Executive's contacts, calendars, personal correspondence, and all information and documentation reasonably needed for the Executive's personal tax return preparation purposes.

d. Non-Competition; Non-Solicitation.

- i. During the Employment Term and for twelve (12) months after the termination of the Executive's employment with the Company (including any parent, subsidiary, Affiliate or division of the Company) for any reason whatsoever, whether voluntary or involuntary and whether with or without Cause or with or without Good Reason, the Executive shall not directly or indirectly counsel, advise, consult, be employed or otherwise engaged, in each case, in a strategic, managerial or executive role, by or with any entity or enterprise ("Competitor") that competes, or that intends or plans to compete with (A) any area of business in which the Company or any Affiliate is engaged, and in which the Executive was engaged, participated in or about which the Executive learned Confidential Information during the Executive's last thirty-six (36) months of employment, or (B) any other area of business for which the Company or any Affiliate has taken substantial steps towards becoming engaged, and in which the Executive was engaged, participated in or about which the Executive learned Confidential Information during the Executive's last 36 months of employment. Because the Company and its Affiliates engage in business nationwide, the obligations under this Section 11(d) shall apply nationwide (anywhere in the United States). Notwithstanding the foregoing, Executive shall not violate this provision by providing services to a unit, division, subsidiary or affiliate of a Competitor which otherwise engages in activities competitive with the business activities of the Company if such unit, division, subsidiary or affiliate for which Executive provides services does not engage in such business activities.

- ii. During the Employment Term and for the period of twelve (12) months immediately after the termination of the Executive's employment with the Company (or any parent, subsidiary, affiliate or division of the Company) for any reason whatsoever, and whether voluntary or involuntary, and whether with or without Cause or with or without Good Reason (the "Restricted Period"), the Executive shall not, either directly or indirectly, either for the Executive or for any other person, firm, company or corporation, call upon, solicit, divert, or take away, or attempt to solicit, divert or take away any of the customers, prospective customers, business, providers, vendors or suppliers of the Company or any Affiliate that (at any time during the last three years of the Executive's employment) the Executive had dealings with, or responsibility for, or about which the Executive had access to the Company's (or any Affiliate's) Confidential Information or such customers', providers', vendors' or suppliers' confidential information.
- iii. The Executive shall not, at any time during the Restricted Period, without the prior written consent of the Company, (1) directly or indirectly, solicit, recruit, divert from the Company, hire, or employ (whether as an employee, officer, director, agent, consultant or independent contractor) any person who was or is at any time during the previous six (6) months an employee, representative, officer or director of the Company or any Affiliate; or (2) take any action to encourage or induce any employee, representative, officer or director of the Company or any Affiliate to cease their relationship with the Company or any Affiliate for any reason. Notwithstanding the foregoing, the Executive shall not violate this covenant by advertising not specifically targeted at any of the Company's employees and serving as a reference upon request.

e. Non-Disparagement. During and after the Employment Term, the Executive agrees not to make any statement that criticizes, ridicules, disparages, or is otherwise derogatory of the Company; provided, however, that nothing in this Agreement shall restrict the Executive from making truthful statements (a) when required by law, subpoena, court order or the like; (b) when requested by a governmental, regulatory, or similar body or entity; (c) in confidence to a professional advisor for the purpose of securing professional advice; (d) in the course of performing the Executive's duties during the Employment Term; (e) pursuant to legal process between the Executive and the Company; or (f) as reasonably necessary to correct false or misleading statements made by the Company about the Executive. In addition, the Company will instruct its executive officers and the Board not to disparage the Executive, directly or indirectly, to any person or entity.

f. Enforcement. If any of the provisions or subparts of this Section 11 shall be held to be invalid or unenforceable by a court or arbitrator, the remaining provisions or subparts thereof shall nevertheless continue to be valid and enforceable according to their terms. Further, if any restriction contained in the provisions or subparts of this Section 11 is held to be overbroad or unreasonable as written (for example, in scope of activities restricted, duration, or geographic reach), the parties agree that such court or arbitrator shall modify such provisions in a manner to reflect the maximum period, scope or geographical area deemed reasonable and enforceable by the court or arbitrator, and such provisions, as 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.

g. Remedies for Breach.

- i. Because the Executive's services are unique and because the Executive has access to the Company's and its Affiliates' Confidential Information, the parties agree that any breach or threatened breach of this Section 11 shall cause irreparable harm to the Company and/or its Affiliates and that money damages alone would be an inadequate remedy. The parties therefore agree that, in the event of any breach or threatened breach of this Section 11, and in addition to all other rights and remedies available to it under this Agreement or otherwise, and whether in equity or at law, the Company and/or its Affiliates may apply for specific performance and/or injunctive or other relief, without a bond, in order to enforce or prevent any violations of the provisions of this Section 11.
- ii. The Executive acknowledges and understands that, but for agreeing to be bound to the provisions of this Section 11, the Executive would not be entitled to receive the benefits and payments promised by the Company pursuant to Section 5, including all subparts thereto. The Executive agrees that any breach of this Section 11 during the twelve (12) month period following a Qualifying Termination would constitute a material breach of this Agreement and subjects the Executive to the forfeiture of all the aggregate after-tax proceeds of payments made pursuant to Section 5 of this Agreement (taking into account all amounts of tax that would be recoverable upon a claim of loss for payment of such proceeds in the year of repayment). The Company expressly reserves the right to pursue all other legal and equitable remedies available to it by virtue of any breach of this Section 11, including without limitation injunctive relief as provided in Section 11(g)(i) above.
- iii. The Executive acknowledges and agrees that the remedies provided for in this Section 11(g) are cumulative and not exclusive of any and other remedies available under this Agreement or otherwise, and whether in equity or at law, including other remedies provided under agreements related to bonuses and equity and equity-based awards. In that regard, the Executive acknowledges and agrees that, while the forfeiture of payments and benefits referenced in Section 11(g) is appropriate in the event of a breach of Section 11, injunctive relief to prevent a continuing breach would still be necessary to give the Company an adequate remedy.

h. Survival. The provisions of this Section 11 shall survive and continue in full force in accordance with their terms notwithstanding any termination of this Agreement or any termination of the Executive's employment for any reason (whether voluntary or involuntary).

12. Dispute Resolution. Except with respect to any claims by either Party for or concerning temporary and/or preliminary injunctive relief as it relates to the specific performance of the restrictions set forth in Section 11(a) through 11(f) of this Agreement, any disputes under this Agreement shall, at the election of the Executive or the Company, be settled by arbitration in St. Louis, Missouri, in accordance with the Arbitration Rules of the American Arbitration Association for employment disputes, as modified herein, as determined by a panel of St. Louis arbitrators. Unless otherwise agreed, the arbitration shall be conducted within sixty (60) days of submission to arbitration and a decision shall be rendered within thirty (30) days of the conclusion of the arbitration hearing. Otherwise, any such dispute shall be resolved by a state court sitting in St. Louis County, Missouri or a Federal court sitting in St. Louis, Missouri, as described in Section 16.

13. Definitions. For purposes of this Agreement, the following terms shall have the definitions as set forth below:

a. “Affiliate” shall mean each and every direct or indirect parent or subsidiary of the Company, as well as any entity that is under common control with the Company.

b. “Accrued Obligations” shall mean, as of the date of termination, the sum of (A) the Executive’s then-current Base Salary (disregarding any reduction constituting Good Reason) through the date of termination to the extent not theretofore paid, (B) any vacation pay, sick pay and expense reimbursements earned and accrued by the Executive as of the date of termination to the extent not theretofore paid, (C) any rights, entitlements or benefits to which the Executive is or becomes (or the Executive’s dependents are or become) entitled in accordance with the terms of any Company employee benefit plan or program, and (D) any accrued but unpaid Annual Bonus in respect of any prior completed fiscal year. For the purpose of this definition of “Accrued Obligations,” except as provided in the applicable plan, program or policy, amounts shall be deemed to accrue ratably over the period during which they are earned, but no discretionary compensation shall be deemed earned or accrued until it is specifically approved by the Board or a designee in accordance with the applicable plan, program or policy. In no event shall Accrued Obligations include any RSUs or PSUs outstanding. For the avoidance of doubt, if the Executive is terminated for any reason other than a Qualifying Termination the Executive shall only be entitled to Accrued Obligations, plus the benefits set forth in the last sentence of Section 3(d) to the extent applicable.

c. “Cause” shall mean acts or omissions that are (i) criminal, dishonest or fraudulent or constitute willful misconduct that adversely affects the reputation of the Company (including any parent, subsidiary, Affiliate or division of the Company), other than Limited Vicarious Liability (as defined below); (ii) acts or omissions that could reasonably be expected to expose the Company or any parent, subsidiary, Affiliate or division of the Company to liability for illegal harassment or discrimination in employment; (iii) material breaches of this Agreement, which breaches if curable are not cured within thirty (30) days following written notice from the Company; or (iv) willful and repeated refusal to perform, or willful and repeated failure to undertake good faith efforts to perform, substantially the duties of the Executive’s employment, which non-performance has continued for thirty (30) days following the Executive’s receipt of written notice from the Chief Executive Officer or the Board of such non-performance; provided, that, poor performance shall not in and of itself constitute Cause. No action or inaction shall be treated as willful unless done or not done in bad faith and without an objectively reasonable belief it was in the best interests of the Company or any parent, subsidiary, Affiliate or division of the Company. Poor performance shall not in and of itself constitute Cause. Cause shall not occur as a result of actions or inactions based upon directions from the Board or advice of counsel to the Company. The Executive shall not be terminated for Cause absent a resolution by the Board and the opportunity to be heard (with his counsel present if he so elects) before the Board. For purposes of this Section 13(c), “Limited Vicarious Liability” shall mean any liability which is (A) based on acts of the Company for which the Executive is responsible solely as a result of his office(s) with the Company and (B) provided that (1) he was not directly involved in such acts and either had no prior knowledge of such intended actions or promptly acted reasonably and in good faith to attempt to prevent the acts causing such liability or (2) he did not have a reasonable basis to believe that a law was being violated by such acts.

d. “Change in Control” shall mean the first to occur of any of the following; provided, that for any distribution that is subject to Section 409A of the Code, a Change in Control under this Agreement shall be deemed to occur only if such event also satisfies the requirements under Treas. Regs. Section 1.409A-3(i)(5):

- i. any Person (as defined in section 3(a)(9) of the Securities Exchange Act of 1934, as amended (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 Executive, 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 (40%) or more of the combined voting power of the Company’s then-outstanding securities;
 - ii. individuals who, as of January 1, 2023, constituted the Board (the “Incumbent Board”), cease for any reason to constitute a majority thereof (provided, however, that an individual becoming a director subsequent to January 1, 2023 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); 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 (x) 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 (i.e., the ultimate parent entity if one exists)) 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 (y) the members of the board of directors of the Company as of the time of the Board’s approval of the execution of the initial agreement providing for such merger or consolidation continuing to represent a majority of the board of directors of the Company or such surviving entity (i.e., the ultimate parent entity if one exists) immediately after such merger or consolidation.
- e. “Code” shall mean the Internal Revenue Code of 1986, as amended.
 - f. “Disability” means the disability of the Executive as defined in Section 409A(a)(2)(C) of the Code.
 - g. “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

h. “Good Reason” shall mean without the Executive’s express written consent (i) a reduction in the Executive’s Base Salary or Annual Bonus or aggregate annual compensation opportunity, as compared to such amounts in the prior calendar year (or during the first calendar year of the Employment Term as compared to 2023), other than, prior to a Change in Control, any reduction solely to Base Salary that is also applicable in a substantially similar manner and proportion to the other senior executives of the Company generally, that is not in excess of an aggregate 10%, (ii) a material adverse change in the Executive’s title or position with the Company or the nature or scope of the Executive’s duties during the Employment Term, as in place immediately following the execution of this Agreement, or the Executive no longer reports solely and directly to the Chief Executive Officer, (iii) a demand by the Company during the Employment Term, as defined in Section 1, that the Executive relocate outside of the location at which the Executive was primarily working at the time of such demand, or (iv) a material breach by the Company or its Affiliates of this Agreement or any material compensation agreement. In order to effectuate a resignation with Good Reason, the Executive must provide written notice to the Company of the existence of Good Reason no later than ninety (90) days after the Executive’s knowledge of its initial existence, the Company shall have a period of thirty (30) days following its receipt of such written notice during which it may remedy in all material respects the Good Reason condition identified in such written notice. If the Company fails to remedy in all material respects such Good Reason condition, the Executive shall be permitted to terminate with Good Reason during the thirty (30) day period following the foregoing cure period.

i. “Qualifying Termination” shall mean a termination of the Executive’s employment (a) by the Company without Cause, (b) by the Executive for Good Reason, or (c) due to death or Disability.

14. No Mitigation; Limited Offset. In no event shall the Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Executive hereunder, and such amounts shall not be reduced regardless whether the Executive obtains other employment.

15. Reformation. Except as otherwise set forth in Section 11 of this Agreement, if any provision(s) of this Agreement shall be found invalid, illegal, or unenforceable, in whole or in part, then such provision(s) shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision(s) had been originally incorporated herein as so modified or restricted or as if such provision(s) had not been originally incorporated herein, as the case may be.

16. Governing Law; Venue for Disputes. This Agreement shall be governed under the internal laws of the State of Missouri, without regard to its conflict of law principles. The Executive agrees that, except as otherwise set forth in Section 12 above, the exclusive venue and jurisdiction for any litigation concerning the enforcement or enforceability of the terms of this Agreement, or for any litigation that in any way arises out of this Agreement or the Executive’s employment with the Company or any Affiliate, shall be the St. Louis County Circuit Court, in the State of Missouri or, if the federal court has subject matter jurisdiction (and at the option of the party pursuing the claim), in the United States District Court for the Eastern District of Missouri, and the Executive hereby: (a) submits to the personal jurisdiction of such courts; (b) consents to the service of process in connection with any action, suit, or proceeding against the Executive; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, venue or service of process.

17. Conflict. If any provision of this Agreement conflicts with any other agreement, policy, plan, practice or other the Company document, then the provisions of this Agreement shall control. This Agreement shall supersede any prior agreement, including any Executive Severance and Change in Control Agreement, between the Executive and the Company with respect to the subject matter contained herein and may be amended only by a writing signed by an officer of the Company and the Executive.

18. Code Section 409A. To the extent applicable, it is intended that the payment of the benefits, severance, incentive compensation and/or equity compensation provided under this Agreement shall comply with or be exempt from the provisions of Section 409A of the Code, and this Agreement shall be construed and applied in a manner consistent with this intent. In the event any payment or benefit under this Agreement is determined by the Company to be in the nature of deferred compensation, the Company and the Executive hereby agree to take such actions, not otherwise provided herein, as may be mutually agreed between the parties to ensure that such payments remain exempt from or in compliance with the applicable provisions of Section 409A of the Code and the Treasury Regulations thereunder. Notwithstanding any provision of this Agreement to the contrary, if the Executive is a "specified employee" within the meaning of Section 409A, any payments due upon a termination of the Executive's employment under any arrangement that constitutes a "deferral of compensation" within the meaning of Section 409A and which does not otherwise qualify under the exemptions under Treasury Regulation Section 1.409A-1 (including without limitation, the short-term deferral exemption or the permitted payments under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided on the earlier of (i) the date which is six months after the Executive's "separation from service" (as such term is defined in Section 409A and the Regulations and the other published guidance thereunder) for any reason other than death, and (ii) the date of the Executive's death. To the extent that any payment or benefit under this Agreement is modified by reason of this Section 19, it shall be modified in a manner that complies with Section 409A and preserves to the maximum possible extent the economic costs or value thereof (as applies) to the respective parties (determined on a pre-tax basis).

19. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state, and local taxes in order that the Company satisfies any required withholding tax obligation it may have under any applicable law or regulation.

20. Assignment. This Agreement shall be binding upon and inure to the benefit of the Company and any successor or assign of the Company, including (without limitation) any corporation or other entity that may acquire all or substantially all of the assets of the Company, or with or into which the Company may be merged or consolidated, and any such successor or assign shall be deemed substituted for Employer under the provisions hereof; provided, that, if the Company assigns this Agreement to an Affiliate it shall remain secondarily liable. The Executive further hereby consents to the assignment of this Agreement by the Company and waives any assertion or claim that the Executive's contemporaneous consent for such an assignment is needed for the assignment to be effective. The Executive shall not be permitted to assign the Executive's rights or obligations under this Agreement.

21. Third-Party Beneficiaries. The Executive acknowledges and agrees that, if the Executive provides any material services to, or receives any material confidential information concerning, any Affiliate of the Company, such other Affiliate(s) of the Company shall be deemed a third-party beneficiary of the Executive's obligations under Section 11(a) of this Agreement and shall be permitted to enforce Section 11(a) of this Agreement against the Executive as if such Affiliate(s) were the Company hereunder.

22. Entire Agreement. Except as otherwise referenced herein, this Agreement constitutes the entire agreement of the parties and is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter, and will supersede all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect to the subject matter hereof, including (i) the employment agreement, dated October 31, 2019, by and between Magellan Health Inc. and the Executive, and (ii) the Letter Agreement. No modification, amendment, or waiver of any of the provisions of this Agreement shall be effective or binding unless set forth in a writing signed by the parties hereto and specifically referring to this Agreement. Unless otherwise specifically agreed by the Executive and the Company in writing following the date hereof, the definitions of Cause, Good Reason and Disability set forth herein shall replace the definitions of those terms applicable to the Executive in any other agreement between the Company and the Executive or any Company plan applicable to the Executive and the restrictive covenants set forth in Section 11 herein shall replace the restrictive covenants applicable to the Executive with respect to any Company equity award or other plan or agreement.

23. Counterparts. This Agreement may be executed in one or more counterparts, which together shall constitute a valid and binding agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Executive and the Company, by its duly authorized representatives, have executed this Agreement effective as of the date set forth below.

EXECUTIVE

/s/ Kenneth Fasola

Kenneth Fasola

February 20, 2023

Date

CENTENE CORPORATION

By: /s/ Sarah M. London

Name: Sarah M. London
Title: Chief Executive Officer

February 20, 2023

Date

EXHIBIT A

FORM OF GENERAL RELEASE OF ALL CLAIMS

THIS GENERAL RELEASE OF ALL CLAIMS (this "General Release"), dated as of _____, is made by and between Kenneth Fasola ("Executive") and Centene Corporation (together with its successors and assigns, the "Company").

WHEREAS, the Company and Executive are parties to that certain Employment Agreement, dated as of [DATE] (the "Employment Agreement");

WHEREAS, Executive's employment with the Company has been terminated and Executive is entitled to receive severance and other benefits, as set forth in Section 5 of the Employment Agreement subject to the execution of this General Release;

WHEREAS, in consideration for Executive's signing of this General Release, the Company will provide Executive with such severance and benefits pursuant to the Employment Agreement; and

WHEREAS, except as otherwise expressly set forth herein, the parties hereto intend that this General Release shall effect a full satisfaction and release of the obligations described herein owed to Executive by the Company.

NOW, THEREFORE, in consideration of the premises, the mutual covenants of the parties hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows:

1. Executive, for Executive, Executive's spouse, heirs, administrators, children, representatives, executors, successors, assigns, and all other individuals and entities claiming through Executive, if any (collectively, the "Executive Releasers"), does hereby release, waive, and forever discharge the Company and each of its respective agents, subsidiaries, parents, affiliates, related organizations, employees, officers, directors, attorneys, successors, and assigns in their capacities as such (collectively, the "Employer Releasees") from, and does fully waive any obligations of Employer Releasees to Executive Releasers for, any and all liability, actions, charges, causes of action, demands, damages, or claims for relief, remuneration, sums of money, accounts or expenses (including attorneys' fees and costs) of any kind whatsoever, whether known or unknown or contingent or absolute, which heretofore has been or which hereafter may be suffered or sustained, directly or indirectly, by Executive Releasers in consequence of, arising out of, or in any way relating to: (a) Executive's employment with the Company; (b) the termination of Executive's employment with the Company; (c) the Employment Agreement; or (d) any events relating to Executive's employment occurring on or prior to the date of this General Release. The foregoing release, discharge and waiver includes, but is not limited to, all waivable claims and any obligations or causes of action arising from such claims, under common law including wrongful or retaliatory discharge, breach of contract (including but not limited to any claims under the Employment Agreement other than claims for unpaid severance benefits, bonus or salary earned thereunder) and any action arising in tort including libel, slander, defamation or intentional infliction of emotional distress, and claims under any federal, state or local statute including the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 and 1871 (42 U.S.C. § 1981), the National Labor Relations Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Americans with Disabilities Act of 1990, the Rehabilitation Act of 1973, or the discrimination or employment laws of any state or municipality, and/or any claims under any express or implied contract which Executive Releasers may claim existed with Employer

Releasees. This also includes a release of any claims for wrongful discharge and all other claims for alleged physical or personal injury, emotional distress relating to or arising out of Executive's employment with the Company or any of its subsidiaries or affiliates or the termination of that employment; and any claims under the WARN Act or any similar law, which requires, among other things, that advance notice be given of certain work force reductions. Notwithstanding anything contained in this Section 1 above to the contrary, nothing contained in herein shall constitute a release by any Executive Releaser of any of his, her or its rights or remedies available to him, her or it, at law or in equity, related to, on account of, in connection with or in any way pertaining to the enforcement of: (i) any right to indemnification, advancement of legal fees or directors and officers liability insurance coverage existing under the constituent documents of the Company or applicable state corporate, limited liability company and partnership statutes or pursuant to any agreement, plan or arrangement; (ii) any rights to the receipt of health, welfare or qualified retirement benefits which vested on or prior to the date of this General Release; (iii) the right to continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act; (iv) the right to receive worker's compensation, or (v) this General Release or any of its terms or conditions.

2. Excluded from this General Release and waiver are any claims which cannot be waived by applicable law, including but not limited to the right to participate in an investigation conducted by certain government agencies. Executive does, however, waive Executive's right to any monetary recovery should any government agency (such as the Equal Employment Opportunity Commission) pursue any claims on Executive's behalf. Executive represents and warrants that Executive has not filed any complaint, charge, or lawsuit against the Employer Releasees with any government agency or any court.

3. Executive agrees never to seek personal recovery from any Employer Releasee in any forum for any claim covered by the above waiver and release language, except that Executive may bring a claim under the ADEA to challenge this General Release. If Executive violates this General Release by suing an Employer Releasee, then Executive shall be liable to the Employer Releasee so sued for such Employer Releasee's reasonable attorneys' fees and other litigation costs incurred in defending against such a suit; *except that* to the extent such suit includes claims under the ADEA or other claims that are excluded from the release set forth in Section 1 hereof, the Executive shall not be liable for paying for the attorneys' fees and costs associated with such ADEA or other excluded claims. Nothing in this General Release is intended to reflect any party's belief that Executive's waiver of claims under ADEA is invalid or unenforceable, it being the intent of the parties that such claims are waived.

4. Each party agrees that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by any party of any improper or unlawful conduct.

5. Each party acknowledges and recites that he or it has:

i. executed this General Release knowingly and voluntarily;

ii. had a reasonable opportunity to consider this General Release;

iii. read and understands this General Release in its entirety;

iv. been advised and directed orally and in writing (and this subparagraph (d) constitutes such written direction) to seek legal counsel and any other advice such party wishes with respect to the terms of this General Release before executing it; and

v. relied solely on such party's own judgment, belief and knowledge, and such advice as such party may have received from such party's legal counsel.

6. Section 12 of the Employment Agreement, which shall survive the expiration of the Employment Agreement for this purpose, shall apply to any dispute with regard to this General Release.

7. Executive acknowledges and agrees that (a) Executive's execution of this General Release has not been forced by any employee or agent of the Company, and Executive has had an opportunity to negotiate the terms of this General Release; and (b) Executive has been offered twenty-one (21) calendar days after receipt of this General Release to consider its terms before executing it. Executive shall have seven (7) calendar days from the date he executes this General Release to revoke Executive's waiver of any ADEA claims by providing written notice of the revocation to the Company. Such notice shall not be effective unless it is received by the Company within such seven-day period, and provided by the Executive (i) by personal delivery to the CEO or such other individual as may be identified by the Company at the time of Executive's termination, or (ii) by FedEx or other nationally recognized overnight delivery service, or by first class mail with charges or postage prepaid and return receipt requested, in each case properly addressed to the Company at its principal office, or (iii) by such other method as may be designated by the Company at the time of Executive's termination (for example, DocuSign or pdf attachment to email).

8. Capitalized terms used but not defined in this General Release have the meanings ascribed to such terms in the Employment Agreement.

9. This General Release may be executed by the parties in one or more counterparts, each of which shall be an original and all of which shall together constitute one and the same instrument. Each counterpart may be delivered by facsimile transmission or e-mail (as a .pdf, .tif or similar un-editable attachment), which transmission shall be deemed delivery of an originally executed counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have executed this General Release as of the day and year first above written.

CENTENE CORPORATION

By: _____

Name:

Title:

EXECUTIVE

By: _____

Kenneth Fasola

EXECUTIVE EMPLOYMENT AGREEMENT

In this Executive Employment Agreement, dated as of February 20, 2023 (the “Agreement”), Centene Corporation (the “Company”), and James E. Murray (the “Executive”), intending to be legally bound and for good and valuable consideration, agree as follows:

1. Term.

a. The Executive’s employment hereunder shall begin effective on the date above and shall continue until terminated by either party in accordance with Section 5 of this Agreement. The period during which the Executive is employed by the Company hereunder is hereby referred to as the “Employment Term.”

2. Position and Duties.

a. Position. During the Employment Term, the Executive shall serve as the Chief Operating Officer of the Company, reporting solely and directly to the Company’s President and shall continue to be a member of the “Office of the CEO” or similar c-suite executive leadership committee. The Executive shall have the duties, authority, and responsibilities as shall be determined from time to time by the President, which duties, authority, and responsibilities are consistent with the Executive’s position.

b. Duties. During the Employment Term, the Executive shall devote substantially all of the Executive’s business time and attention to the performance of the Executive’s duties hereunder and shall not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Board of Directors (“Board”). The Executive may serve on trade, civic or charitable boards and, subject to prior approval by the Board, the board of directors of one (1) other for-profit company, that does not compete as described in Section 11(d), of the Executive’s choice, and may manage personal investments and affairs to the extent such activities do not materially interfere with the performance of the Executive’s duties and responsibilities hereunder.

c. Travel. The Executive’s principal business location shall be in Texas. The Executive acknowledges and agrees that the Executive may be required to travel on Company business, as reasonably needed to meet the Company’s objectives, during the Employment Term.

3. Compensation.

a. Base Salary. Effective January 1, 2023, the Company shall pay the Executive an annual base salary of \$750,000 in periodic installments in accordance with the Company’s customary payroll practices and applicable wage payment laws, but no less frequently than monthly. The Executive’s base salary shall be reviewed at least annually by the Compensation Committee of the Board (the “Compensation Committee”) and the Compensation Committee may, but shall not be required to, increase the base salary during the Employment Term. However, the Executive’s base salary may not be decreased during the Employment Term other than as part of an across-the-board salary reduction that applies in the same manner to all senior executives generally, subject to Section 13(h). The Executive’s annual base salary, as in effect from time to time, is hereinafter referred to as “Base Salary.” Any unpaid portion of Base Salary from January 1, 2023 through the date of execution of this Agreement shall be paid in a lump sum in accordance with the Company’s customary payroll practices on March 3, 2023.

b. Annual Bonus. During the Employment Term (effective beginning with the 2023 calendar year), the Executive shall be eligible to receive an annual bonus based on the achievement of performance goals established and evaluated by the Compensation Committee (the "Annual Bonus"). The Executive's annual target bonus opportunity shall be equal to 100% of the Executive's Base Salary (the "Target Bonus"). The Annual Bonus, if any, shall be paid within two and a half (2 1/2) months after the end of the year during which the Annual Bonus is earned.

c. Long-Term Incentive Compensation. In the first quarter of 2023, the Executive shall be entitled to receive an equity award under the Company's 2012 Stock Incentive Plan (the "Stock Plan") with an aggregate annual grant date target value equal to \$4,250,000 (subject to any delay required by applicable securities law). Following 2023, the amount of the Executive's annual long term incentive grants shall be determined in the discretion of the Compensation Committee (taking into account individual and Company performance and market compensation levels for similarly-situated senior executives). The allocation of long-term incentive compensation awards amongst types of awards, and any applicable performance measures, shall be determined by the Compensation Committee in its sole discretion, but shall be consistent with the percentages and performance targets assigned to awards granted in the same performance cycle to similarly situated senior executives of the Company. Under the equity program in effect as of the date of this Agreement, 35% of the long-term incentive compensation awards will be in the form of restricted stock units ("RSUs") and 65% will be in the form of performance share units ("PSUs"). Under the current program, all RSUs are subject to three-year graded vesting, and all PSUs are subject to three-year cliff vesting (in each case, with settlement upon vesting). All RSUs and PSUs shall be subject to the terms of the Stock Plan and award agreements to be executed by the Executive and the Company. Except as set forth in the following sentence, the award agreements shall be in the same form applicable to similarly situated senior executives of the Company, and shall provide that units shall be settled as soon as practicable following the applicable vesting date. Upon the Executive's termination of employment by the Company or by the Executive for any reason whether voluntary or involuntary (other than a termination of employment by the Company for Cause), all long-term incentive compensation awards granted after the date of this Agreement will continue to vest according to their terms (disregarding any ongoing service requirements), without pro-rata, and with PSUs eligible to be earned based upon the attainment of the applicable performance metrics.

d. Legacy Company Equity Awards. Notwithstanding anything to the contrary in that certain Agreement and Plan of Merger between the Company and Magellan Health Inc. (the "Transaction Agreement"), the remaining unvested 50% of the Executive's Company Equity Awards (as defined in the Transaction Agreement) that were converted into corresponding awards of the Company (collectively, the "Legacy Company Equity Awards") (other than the Company Stock Options (as defined in the Transaction Agreement)) will vest on the second anniversary of the Closing Date (as defined in the Transaction Agreement), subject to continued employment with the Company or one of its affiliates through the vesting date. Such Legacy Company Equity Awards shall be settled on the vesting date or as soon as practicable thereafter (but not more than five business days thereafter). For the avoidance of doubt, in the event the Executive's employment is terminated without Cause or by the Executive with Good Reason on or prior to the second anniversary of the Closing Date, the Legacy Company Equity Awards will vest on the date of the Executive's termination. Company Stock Options shall continue to vest on their normal vesting schedules.

4. Employee Benefits. The Executive and/or the Executive's dependents, as the case may be, shall participate in employee and executive retirement, medical, dental, vision, disability, group and/or executive life, accidental death and travel accident insurance, and similar benefit plans and programs of the Company, subject to the terms and conditions thereof, as in effect from time to time with respect generally to senior executives employed by the Company. The Executive shall be entitled to be paid these benefits upon termination in accordance with the terms of the applicable employee benefit plans, or, if not governed by ERISA, pursuant to the policies and practices of the Company as in effect from time to time with respect to senior executives employed by the Company. In addition, the Executive shall be entitled to personal use of the Company's corporate aircraft in accordance with the policies of the Company in effect from time to time, up to a maximum of 20 hours per year.

5. Severance Pay. The Employment Term and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason; provided that, unless otherwise provided herein, (i) the Executive shall be required to give the Company at least ninety (90) days' advance written notice of the Executive's intent to retire or otherwise terminate his employment, and (ii) the Company shall be required to give the Executive at least sixty (60) days' advance written notice of the termination of the Executive's employment for any reason other than for Cause. Should the Executive's employment with the Company be terminated due to a Qualifying Termination that is not a Change in Control Termination, in addition to the Accrued Obligations, the Company agrees to pay or provide the following compensation and benefits during the severance period and the Executive shall have no further rights to any compensation or any other benefits from the Company:

a. Severance pay to the Executive in the form of a cash lump sum payment equal to the Executive's annual Base Salary determined using the Executive's then-current Base Salary (disregarding any reduction constituting Good Reason or any reduction made in the preceding six (6) month period), with such amount payable to the Executive on the sixtieth (60th) day after the termination date.

b. A prorated Annual Bonus for the year in which the Executive's date of termination occurs based on the degree of achievement of goals under the bonus program in effect at the time of termination and the portion of the year elapsed as of the date of termination. The degree of achievement of goals shall be determined in accordance with the bonus program, except that should any goals be of a subjective nature, the degree of achievement therefore shall be determined by the Company in its sole discretion. Any such bonus amount shall be paid in a single, lump sum payment at the same time as Annual Bonuses for the year are paid to the Company's officers generally. The Executive shall also receive any prior Annual Bonus which has been achieved and accrued, but not paid at the time of termination.

c. Subject to Section 11, during the twelve (12) month period of salary continuation described in (a) above, the Company shall pay for a portion of the health, dental, prescription drug and vision insurance continuation coverage (collectively "Medical Coverage") to which the Executive is entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") on behalf of the Executive, and as applicable, the Executive's spouse and dependents, subject to the Executive's timely election of COBRA healthcare continuation coverage. For such twelve (12) month period, the terminated the Executive shall be responsible to pay contributions for Medical Coverage provided under this Section 5(c) in the same amount as is charged to similar active employees for similar coverage, rather than the full COBRA premium amount, and the Company shall pay the remainder of the COBRA premium amount.

d. The Executive's then-outstanding RSUs, PSUs or other equity-based or long-term cash incentive awards (including, but not limited to, any Company equity-based or long-term cash incentive awards granted in calendar year 2022), if any, shall remain subject to the vesting and forfeiture terms set forth in their award agreements (or the letter agreement dated June 9, 2021, by and between the Company and the Executive, as applicable (the "Letter Agreement")); provided, however, that awards granted following the date of this Agreement shall continue to vest consistent with the terms of Section 3(c); and provided further, that with respect to any equity-based or long-term cash incentive award outstanding on the date of the Qualifying Termination, the Executive will receive no less than an additional 12 months of service credit.

e. For a period of up to six (6) months from the date of the Qualifying Termination, the Company shall provide outplacement services to the Executive that are comparable to other executives at this level who have terminated. Outplacement services shall be provided by an entity selected by the Company. The Executive shall use best efforts, consistent with the terms of Section 11, to become gainfully employed during the period the Executive is receiving benefits under this Agreement.

f. Notwithstanding the foregoing, should the Executive's employment with the Company be terminated prior to May 31, 2024 due to a Qualifying Termination that is not a Change in Control Termination, in lieu of the cash severance payable under Section 5(a) of this Agreement but in addition to the other payments and benefits under Sections 5(b)-(e) of this Agreement, the Executive shall be entitled to severance pay in a cash lump sum payment equal to the product of (x) the sum of (i) the Executive's Base Salary, plus (ii) the Annual Bonus paid to the Executive in the calendar year prior to the year in which the Qualifying Termination occurs, multiplied by (y) 2.5, with such amount payable to the Executive on the sixtieth (60th) day after the termination date; provided, however, that in no event shall the amount payable under this section 5(f) exceed the maximum amount payable under the Company's Executive Officer Cash Severance Policy.

g. If amounts are payable under this Section 5, no additional amounts shall be payable under Section 7 of this Agreement (unless Section 6(a)(ii) becomes applicable), nor any other agreement between the parties, which shall include, and not be limited to, any Executive Severance and Change in Control Agreement as well as any severance pay plan generally maintained by the Company for its employees.

6. Change in Control. The Company shall pay to the Executive the severance described in Section 7 if the Executive experiences a Qualifying Termination that occurred under the circumstances described below (a "Change in Control Termination"):

a. On the day of, or within twenty-four (24) months after, the occurrence of a Change in Control; or

b. Prior to a Change in Control but at the request of any third party participating in or causing the Change in Control or during the one hundred twenty (120) day period prior to a Change in Control.

7. Change in Control Severance Pay. In the event of a Change in Control Termination, in addition to the Accrued Obligations, the Company agrees to provide the Executive the following:

a. Severance pay equal to the product of (x) the sum of (i) the Executive's Base Salary, plus (ii) the average of the last two (2) Annual Bonuses paid to the Executive during the two (2) most recently completed full fiscal years of the Company, multiplied by (y) two (2). Such amount shall be paid in an undiscounted lump sum on the sixtieth (60th) day after the termination date. For purposes of calculating the amount of severance in this Section 7(a) and Section 7(b) due as a result of a Change in Control Termination, the Executive's Base Salary shall be based on the highest amount of such Base Salary during the two (2) year period ending on the date of termination.

b. A prorated Target Bonus for the year in which such termination occurs, paid in an undiscounted lump sum on the sixtieth (60th) day after the termination date.

c. During the eighteen (18) month period following the Change in Control Termination, the Company shall pay for the Executive's entire Medical Coverage to which the Executive is entitled under COBRA. If the Company purchased a life insurance policy for the benefit of the Executive's beneficiaries prior to the Change in Control, the Company shall continue to maintain and pay all expenses associated with the corporate-owned life insurance policy for the remainder of the Executive's life.

d. Any RSUs, PSUs or other equity-based awards that were outstanding immediately prior to the Change in Control Termination shall, to the extent not then vested, fully vest and become exercisable as of the date of the Change in Control Termination and the Executive shall have the right to exercise any such stock option or stock appreciation right until the earlier to occur of (i) one (1) year from the date of the Change in Control Termination and (ii) the expiration date of such stock option or stock appreciation right or other equity-based award as set forth in the agreement evidencing such award. Any PSUs that were outstanding immediately prior to the Change in Control Termination shall vest at the greater of the actual performance level at the time of the Change in Control event or at target performance level, in each case, without pro-ration.

e. If amounts are payable under this Section 7, no amounts shall be payable under Section 5 of this Agreement, nor any other agreement between the parties, which shall include, and not be limited to, any Executive Severance and Change in Control Agreement as well as any severance pay plan generally maintained by the Company for its employees. Notwithstanding the foregoing, the amounts payable pursuant to this Section 7 shall be reduced by any amounts previously paid to the Executive pursuant to Section 5 and no duplication of payments shall occur.

8. Adjustments. If, for any reason, any part or all of the amounts payable to the Executive under this Agreement (or otherwise, if such amounts are in the nature of compensation paid or payable by the Company or any of its subsidiaries after there has been a Change in Control) (collectively "Total Payments") are deemed to be "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code or any successor or similar provision, and would be subject to the excise tax imposed by Section 4999 of the Code or any successor or similar provision, such Total Payments shall be reduced to the extent necessary such that no amounts paid or payable to the Executive shall be deemed excess parachute payments subject to excise tax under Section 4999 of the Code; provided, however, that no such reduction shall occur if (i) the net amount of such Total Payments as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is less than (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such unreduced Total Payments and the amount of excise

taxes to which the Executive would be subject in respect of such unreduced Total Payments). All determinations required to be made under this Section 8 and the assumptions to be utilized in arriving at such determination shall be made by an independent, nationally recognized accounting firm designated by the Company prior to the Change in Control (the “Auditor”). The Auditor shall provide detailed supporting calculations to both the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive or the Company that there has been a payment, or such earlier time as is requested by the Company. All fees and expenses of the Auditor shall be paid by the Company. All determinations made by the Auditor shall be binding upon the Company and the Executive.

9. Cooperation. The parties agree that certain matters in which the Executive shall be involved during the Employment Term may necessitate the Executive’s cooperation in the future. Accordingly, during the 24-month period following the termination of the Executive’s employment for any reason, to the extent reasonably requested by the Board, the Executive shall cooperate with the Company to provide truthful information in connection with matters arising out of the Executive’s service to the Company; provided that, such cooperation shall be subject to the Executive’s personal and business commitments, the Company shall make reasonable efforts to minimize disruption of the Executive’s other activities and the Executive shall receive reasonable compensation, as to be agreed by the parties, for the Executive’s cooperation in excess of eight (8) hours per month. The Company shall reimburse Executive for all reasonable expenses incurred in connection with cooperation including travel costs, and if determined in good faith to be reasonably appropriate by the Executive, the reasonable fees incurred by independent counsel for the Executive (subject to the good faith prior approval of the Company’s general counsel). The Executive shall not be required to cooperate against his own legal interests or those of a subsequent employer or business partner.

10. Conditions. Any payments or benefits made or provided pursuant to this Agreement are subject to the Executive’s:

- i. compliance in all material respects with the provisions of Section 11 hereof (provided, that, the Company shall provide the Executive with written notice of any such failure to comply and not less than thirty (30) days to cure, if curable);
- ii. with respect to payments under Sections 5, 7 and the last sentence of 3(c), delivery to the Company, within 45 days following the Executive’s termination date, of an executed full and complete release of claims, in the form attached hereto as Exhibit A, with such terms as needed under then applicable law to give full effect to its intent and purpose (the “Release”); and
- iii. delivery to the Company of a resignation from all offices, directorships and fiduciary positions with the Company, its affiliates and employee benefit plans.

Notwithstanding the due date of any post-employment payments, any amounts due under this Agreement shall not be due until after the expiration of any revocation period applicable to the Release. Nevertheless, upon any termination of the Executive’s employment, the Executive shall be entitled to receive the Accrued Obligations, payable within thirty (30) days after the date of termination or in accordance with the applicable plan, program or policy.

11. Executive's Covenants. The Executive acknowledges that the above consideration, absent this Agreement, is beyond what the Company is obligated to pay. In consideration for the Executive's employment, the opportunity for the payments and benefits specified in this Agreement, and the Company allowing the Executive to have access (or continue to have access) to the Company's or its Affiliates' Confidential Information, the Executive agrees to the following, which shall continue to apply in the event the Executive's employment is terminated by either party for any reason, whether voluntary or involuntary and whether with or without Cause or with or without Good Reason.

a. Confidential Information. As used in this Section 11, "Confidential Information" shall mean the Company's and the Affiliates' trade secrets and other non-public proprietary information relating to the Company and the Affiliates or the business of the Company and the Affiliates, including, but not limited to, information relating to financial statements, customer lists and customer information, employee skills and compensation, employee data, supplier lists and supplier information, vendor lists and vendor information, acquisition targets, servicing methods, equipment, programs, strategies and information, analyses, marketing plans and strategies, new and proposed product plans; pricing, profit margins, financial, promotional, marketing, training or operational information, customer lists and customer information, and other information developed or used by the Company that is not known generally to the public or the industry. Confidential Information shall not include any information that is in the public domain or becomes known in the public domain through no wrongful act on the part of the Executive.

b. Non-Disclosure. The Executive agrees that the Confidential Information is a valuable, special and unique asset of the Company's business, that such Confidential Information is important to the Company and the effective operation of the Company's business. As such and in addition to the other restrictions contained in this Section 11, the Executive shall not, either during the Executive's employment with the Company and at all times thereafter, directly or indirectly use, disclose, divulge or communicate in any fashion, form or manner to any person, firm, partnership, corporation or other entity, or use for the Executive's own benefit, any trade secrets (whether patentable or not) or any Confidential Information except to the limited extent that such disclosure or use is both authorized and reasonably required in connection with the Executive's employment. Notwithstanding the foregoing provisions of Section 11(b), the Executive may disclose information if required by applicable law or a court order or subpoena requested by a governmental or self-regulatory organization or as reasonably necessary in connection with any legal process between Executive and the Company or any of its subsidiaries or Affiliates, *except that* (i) in the case of disclosure required by law, court order or subpoena, to the extent legally permitted, the Executive shall inform the Company immediately upon becoming aware of the requirement to disclose or, if applicable, upon receipt of the court order or subpoena, and, to the extent legally permitted, shall not disclose until the Company has had a reasonable opportunity to review and object to such disclosure; and (ii) in the case of disclosure in connection with any legal process, the Executive shall only be permitted to disclose to the parties to the legal process, and then only as may be consistent with any confidentiality stipulation or protective order as may be in effect in such legal process. The Company shall reimburse the Executive for all reasonable legal costs incurred in complying with the foregoing sentence.

- i. *Defend Trade Secrets Act Notice to Executive.* Notwithstanding the foregoing and any other terms of this Agreement, the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a Federal, State, or
- ii. local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if the Executive files a lawsuit for retaliation by the Company or any of its Affiliates for reporting a suspected violation of law, the Executive may disclose the trade secret to Employee's attorney and use the trade secret information in the court proceeding if the Executive files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order.

c. Property of Company. Any Confidential Information, and all other business information or documents, shall be and remain solely and exclusively the property of the Company and/or its Affiliates. During his or her employment, the Executive shall not remove from the property or premises of the Company or its Affiliates any Confidential Information or any other documents or data relating to the business, work, services or sales of the Company and/or its Affiliates, or copies thereof, unless authorized by the Company and/or its Affiliates and required for the Executive to perform his or her employment duties. Upon the termination of the Executive's employment regardless of whether such termination is with or without Cause or with or without Good Reason, or at any other time requested by the Company or its Affiliates, the Executive shall promptly deliver all documents, files, devices and other items (whether maintained in electronic or hard copy format) obtained in the course of his or her employment, whether or not the Executive believes such items constitute or contain Confidential Information, and without retaining any copies, notes, or excerpts thereof. Notwithstanding the foregoing, the Executive may retain the Executive's contacts, calendars, personal correspondence, and all information and documentation reasonably needed for the Executive's personal tax return preparation purposes.

d. Non-Competition; Non-Solicitation.

- i. During the Employment Term and for twelve (12) months after the termination of the Executive's employment with the Company (including any parent, subsidiary, Affiliate or division of the Company) for any reason whatsoever, whether voluntary or involuntary and whether with or without Cause or with or without Good Reason, the Executive shall not directly or indirectly counsel, advise, consult, be employed or otherwise engaged, in each case, in a strategic, managerial or executive role, by or with any entity or enterprise ("Competitor") that competes, or that intends or plans to compete with (A) any area of business in which the Company or any Affiliate is engaged, and in which the Executive was engaged, participated in or about which the Executive learned Confidential Information during the Executive's last thirty-six (36) months of employment, or (B) any other area of business for which the Company or any Affiliate has taken substantial steps towards becoming engaged, and in which the Executive was engaged, participated in or about which the Executive learned Confidential Information during the Executive's last 36

months of employment. Because the Company and its Affiliates engage in business nationwide, the obligations under this Section 11(d) shall apply nationwide (anywhere in the United States). Notwithstanding the foregoing, Executive shall not violate this provision by providing services to a unit, division, subsidiary or affiliate of a Competitor which otherwise engages in activities competitive with the business activities of the Company if such unit, division, subsidiary or affiliate for which Executive provides services does not engage in such business activities.

- ii. During the Employment Term and for the period of twelve (12) months immediately after the termination of the Executive's employment with the Company (or any parent, subsidiary, affiliate or division of the Company) for any reason whatsoever, and whether voluntary or involuntary, and whether with or without Cause or with or without Good Reason (the "Restricted Period"), the Executive shall not, either directly or indirectly, either for the Executive or for any other person, firm, company or corporation, call upon, solicit, divert, or take away, or attempt to solicit, divert or take away any of the customers, prospective customers, business, providers, vendors or suppliers of the Company or any Affiliate that (at any time during the last three years of the Executive's employment) the Executive had dealings with, or responsibility for, or about which the Executive had access to the Company's (or any Affiliate's) Confidential Information or such customers', providers', vendors' or suppliers' confidential information.
- iii. The Executive shall not, at any time during the Restricted Period, without the prior written consent of the Company, (1) directly or indirectly, solicit, recruit, divert from the Company, hire, or employ (whether as an employee, officer, director, agent, consultant or independent contractor) any person who was or is at any time during the previous six (6) months an employee, representative, officer or director of the Company or any Affiliate; or (2) take any action to encourage or induce any employee, representative, officer or director of the Company or any Affiliate to cease their relationship with the Company or any Affiliate for any reason. Notwithstanding the foregoing, the Executive shall not violate this covenant by advertising not specifically targeted at any of the Company's employees and serving as a reference upon request.
- iv. The Executive hereby confirms that prior to the date hereof Executive has informed eHealth that the Executive will not serve on the board of directors of eHealth and the Executive confirms and agrees that the Executive has not since June 8, 2021, and will not in the future, participate in any committee or other meetings of the board of directors of eHealth as an observer or otherwise or hold himself out in any way as a current or future member of the board of directors of eHealth.

e. Non-Disparagement. During and after the Employment Term, the Executive agrees not to make any statement that criticizes, ridicules, disparages, or is otherwise derogatory of the Company; provided, however, that nothing in this Agreement shall restrict the Executive from making truthful statements (a) when required by law, subpoena, court order or the like; (b) when requested by a governmental, regulatory, or similar body or entity; (c) in confidence to a professional advisor for the purpose of securing professional advice; (d) in the course of performing the Executive's duties during the Employment Term; (e) pursuant to legal process between the Executive and the Company; or (f) as reasonably necessary to correct false or

misleading statements made by the Company about the Executive. In addition, the Company will instruct its executive officers and the Board not to disparage the Executive, directly or indirectly, to any person or entity.

f. Enforcement. If any of the provisions or subparts of this Section 11 shall be held to be invalid or unenforceable by a court or arbitrator, the remaining provisions or subparts thereof shall nevertheless continue to be valid and enforceable according to their terms. Further, if any restriction contained in the provisions or subparts of this Section 11 is held to be overbroad or unreasonable as written (for example, in scope of activities restricted, duration, or geographic reach), the parties agree that such court or arbitrator shall modify such provisions in a manner to reflect the maximum period, scope or geographical area deemed reasonable and enforceable by the court or arbitrator, and such provisions, as 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.

g. Remedies for Breach.

- i. Because the Executive's services are unique and because the Executive has access to the Company's and its Affiliates' Confidential Information, the parties agree that any breach or threatened breach of this Section 11 shall cause irreparable harm to the Company and/or its Affiliates and that money damages alone would be an inadequate remedy. The parties therefore agree that, in the event of any breach or threatened breach of this Section 11, and in addition to all other rights and remedies available to it under this Agreement or otherwise, and whether in equity or at law, the Company and/or its Affiliates may apply for specific performance and/or injunctive or other relief, without a bond, in order to enforce or prevent any violations of the provisions of this Section 11.
- ii. The Executive acknowledges and understands that, but for agreeing to be bound to the provisions of this Section 11, the Executive would not be entitled to receive the benefits and payments promised by the Company pursuant to Section 5, including all subparts thereto. The Executive agrees that any breach of this Section 11 during the twelve (12) month period following a Qualifying Termination would constitute a material breach of this Agreement and subjects the Executive to the forfeiture of all the aggregate after-tax proceeds of payments made pursuant to Section 5 of this Agreement (taking into account all amounts of tax that would be recoverable upon a claim of loss for payment of such proceeds in the year of repayment). The Company expressly reserves the right to pursue all other legal and equitable remedies available to it by virtue of any breach of this Section 11, including without limitation injunctive relief as provided in Section 11(g)(i) above.
- iii. The Executive acknowledges and agrees that the remedies provided for in this Section 11(g) are cumulative and not exclusive of any and other remedies available under this Agreement or otherwise, and whether in equity or at law, including other remedies provided under agreements related to bonuses and equity and equity-based awards. In that regard, the Executive acknowledges and agrees that, while the forfeiture of payments and benefits referenced in Section 11(g) is appropriate in the event of a breach of Section 11, injunctive relief to prevent a continuing breach would still be necessary to give the Company an adequate remedy.

h. Survival. The provisions of this Section 11 shall survive and continue in full force in accordance with their terms notwithstanding any termination of this Agreement or any termination of the Executive's employment for any reason (whether voluntary or involuntary).

12. Dispute Resolution. Except with respect to any claims by either Party for or concerning temporary and/or preliminary injunctive relief as it relates to the specific performance of the restrictions set forth in Section 11(a) through 11(f) of this Agreement, any disputes under this Agreement shall, at the election of the Executive or the Company, be settled by arbitration in St. Louis, Missouri, in accordance with the Arbitration Rules of the American Arbitration Association for employment disputes, as modified herein, as determined by a panel of St. Louis arbitrators. Unless otherwise agreed, the arbitration shall be conducted within sixty (60) days of submission to arbitration and a decision shall be rendered within thirty (30) days of the conclusion of the arbitration hearing. Otherwise, any such dispute shall be resolved by a state court sitting in St. Louis County, Missouri or a Federal court sitting in St. Louis, Missouri, as described in Section 16.

13. Definitions. For purposes of this Agreement, the following terms shall have the definitions as set forth below:

a. "Affiliate" shall mean each and every direct or indirect parent or subsidiary of the Company, as well as any entity that is under common control with the Company.

b. "Accrued Obligations" shall mean, as of the date of termination, the sum of (A) the Executive's then-current Base Salary (disregarding any reduction constituting Good Reason) through the date of termination to the extent not theretofore paid, (B) any vacation pay, sick pay and expense reimbursements earned and accrued by the Executive as of the date of termination to the extent not theretofore paid, (C) any rights, entitlements or benefits to which the Executive is or becomes (or the Executive's dependents are or become) entitled in accordance with the terms of any Company employee benefit plan or program, and (D) any accrued but unpaid Annual Bonus in respect of any prior completed fiscal year. For the purpose of this definition of "Accrued Obligations," except as provided in the applicable plan, program or policy, amounts shall be deemed to accrue ratably over the period during which they are earned, but no discretionary compensation shall be deemed earned or accrued until it is specifically approved by the Board or a designee in accordance with the applicable plan, program or policy. In no event shall Accrued Obligations include any RSUs or PSUs outstanding. For the avoidance of doubt, if the Executive is terminated for any reason other than a Qualifying Termination the Executive shall only be entitled to Accrued Obligations, plus the benefits set forth in the last sentence of Section 3(c) to the extent applicable.

c. "Cause" shall mean acts or omissions that are (i) criminal, dishonest or fraudulent or constitute willful misconduct that adversely affects the reputation of the Company (including any parent, subsidiary, Affiliate or division of the Company), other than Limited Vicarious Liability (as defined below); (ii) acts or omissions that could reasonably be expected to expose the Company or any parent, subsidiary, Affiliate or division of the Company to liability for illegal harassment or discrimination in employment; (iii) material breaches of this Agreement, which breaches if curable are not cured within thirty (30) days following written notice from the Company; or (iv) willful and repeated refusal to perform, or willful and repeated failure to undertake good faith efforts to perform, substantially the duties of the Executive's employment, which non-performance has continued for thirty (30) days following the Executive's receipt of written notice from the Chief Executive Officer or the Board of such non-performance; provided, that, poor performance shall not in and of itself constitute Cause. No action or inaction shall be treated as willful unless done or not done in bad faith and without an objectively reasonable belief it was in the best interests of the Company or any parent, subsidiary, Affiliate or division of the Company. Poor performance shall not in and of itself constitute Cause. Cause shall not

occur as a result of actions or inactions based upon directions from the Board or advice of counsel to the Company. The Executive shall not be terminated for Cause absent a resolution by the Board and the opportunity to be heard (with his counsel present if he so elects) before the Board. For purposes of this Section 13(c), “Limited Vicarious Liability” shall mean any liability which is (A) based on acts of the Company for which the Executive is responsible solely as a result of his office(s) with the Company and (B) provided that (1) he was not directly involved in such acts and either had no prior knowledge of such intended actions or promptly acted reasonably and in good faith to attempt to prevent the acts causing such liability or (2) he did not have a reasonable basis to believe that a law was being violated by such acts.

d. “Change in Control” shall mean the first to occur of any of the following; provided, that for any distribution that is subject to Section 409A of the Code, a Change in Control under this Agreement shall be deemed to occur only if such event also satisfies the requirements under Treas. Regs. Section 1.409A-3(i)(5):

- i. any Person (as defined in section 3(a)(9) of the Securities Exchange Act of 1934, as amended (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 Executive, 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 (40%) or more of the combined voting power of the Company’s then-outstanding securities;
 - ii. individuals who, as of January 1, 2023, constituted the Board (the “Incumbent Board”), cease for any reason to constitute a majority thereof (provided, however, that an individual becoming a director subsequent to January 1, 2023 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); 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 (x) 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 (i.e., the ultimate parent entity if one exists)) 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 (y) the members of the board of directors of the Company as of the time of the Board’s approval of the execution of the initial agreement providing for such merger or consolidation continuing to represent a majority of the board of directors of the Company or such surviving entity (i.e., the ultimate parent entity if one exists) immediately after such merger or consolidation.
- e. “Code” shall mean the Internal Revenue Code of 1986, as amended.

f. “Disability” means the disability of the Executive as defined in Section 409A(a)(2)(C) of the Code.

g. “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

h. “Good Reason” shall mean without the Executive’s express written consent (i) a reduction in the Executive’s Base Salary or Annual Bonus or aggregate compensation opportunity, as compared to such amounts in the prior calendar year (or during the first calendar year of the Employment Term as compared to 2023), other than, prior to a Change in Control, any reduction solely to Base Salary that is also applicable in a substantially similar manner and proportion to the other senior executives of the Company generally, that is not in excess of an aggregate 10%, (ii) a material adverse change in the Executive’s title or position with the Company or the nature or scope of the Executive’s duties during the Employment Term, as in place immediately following the execution of this Agreement, or the Executive no longer reports solely and directly to the President, (iii) a demand by the Company during the Employment Term, as defined in Section 1, that the Executive relocate outside of the location at which the Executive was primarily working at the time of such demand, or (iv) a material breach by the Company or its Affiliates of this Agreement or any material compensation agreement. In order to effectuate a resignation with Good Reason, the Executive must provide written notice to the Company of the existence of Good Reason no later than ninety (90) days after the Executive’s knowledge of its initial existence, the Company shall have a period of thirty (30) days following its receipt of such written notice during which it may remedy in all material respects the Good Reason condition identified in such written notice. If the Company fails to remedy in all material respects such Good Reason condition, the Executive shall be permitted to terminate with Good Reason during the thirty (30) day period following the foregoing cure period.

i. “Qualifying Termination” shall mean a termination of the Executive’s employment (a) by the Company without Cause, (b) by the Executive for Good Reason, or (c) due to death or Disability.

14. No Mitigation; Limited Offset. In no event shall the Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Executive hereunder, and such amounts shall not be reduced regardless whether the Executive obtains other employment.

15. Reformation. Except as otherwise set forth in Section 11 of this Agreement, if any provision(s) of this Agreement shall be found invalid, illegal, or unenforceable, in whole or in part, then such provision(s) shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision(s) had been originally incorporated herein as so modified or restricted or as if such provision(s) had not been originally incorporated herein, as the case may be.

16. Governing Law; Venue for Disputes. This Agreement shall be governed under the internal laws of the State of Missouri, without regard to its conflict of law principles. The Executive agrees that, except as otherwise set forth in Section 12 above, the exclusive venue and jurisdiction for any litigation concerning the enforcement or enforceability of the terms of this Agreement, or for any litigation that in any way arises out of this Agreement or the Executive’s employment with the Company or any Affiliate, shall be the St. Louis County Circuit Court, in the State of Missouri or, if the federal court has subject matter jurisdiction (and at the option of the party pursuing the claim), in the United States District Court for the Eastern District of Missouri, and the Executive hereby: (a) submits to the personal jurisdiction of such courts; (b)

consents to the service of process in connection with any action, suit, or proceeding against the Executive; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, venue or service of process.

17. Conflict. If any provision of this Agreement conflicts with any other agreement, policy, plan, practice or other the Company document, then the provisions of this Agreement shall control. This Agreement shall supersede any prior agreement, including any Executive Severance and Change in Control Agreement, between the Executive and the Company with respect to the subject matter contained herein and may be amended only by a writing signed by an officer of the Company and the Executive.

18. Code Section 409A. To the extent applicable, it is intended that the payment of the benefits, severance, incentive compensation and/or equity compensation provided under this Agreement shall comply with or be exempt from the provisions of Section 409A of the Code, and this Agreement shall be construed and applied in a manner consistent with this intent. In the event any payment or benefit under this Agreement is determined by the Company to be in the nature of deferred compensation, the Company and the Executive hereby agree to take such actions, not otherwise provided herein, as may be mutually agreed between the parties to ensure that such payments remain exempt from or in compliance with the applicable provisions of Section 409A of the Code and the Treasury Regulations thereunder. Notwithstanding any provision of this Agreement to the contrary, if the Executive is a “specified employee” within the meaning of Section 409A, any payments due upon a termination of the Executive’s employment under any arrangement that constitutes a “deferral of compensation” within the meaning of Section 409A and which does not otherwise qualify under the exemptions under Treasury Regulation Section 1.409A-1 (including without limitation, the short-term deferral exemption or the permitted payments under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided on the earlier of (i) the date which is six months after the Executive’s “separation from service” (as such term is defined in Section 409A and the Regulations and the other published guidance thereunder) for any reason other than death, and (ii) the date of the Executive’s death. To the extent that any payment or benefit under this Agreement is modified by reason of this Section 19, it shall be modified in a manner that complies with Section 409A and preserves to the maximum possible extent the economic costs or value thereof (as applies) to the respective parties (determined on a pre-tax basis).

19. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state, and local taxes in order that the Company satisfies any required withholding tax obligation it may have under any applicable law or regulation.

20. Assignment. This Agreement shall be binding upon and inure to the benefit of the Company and any successor or assign of the Company, including (without limitation) any corporation or other entity that may acquire all or substantially all of the assets of the Company, or with or into which the Company may be merged or consolidated, and any such successor or assign shall be deemed substituted for Employer under the provisions hereof; provided, that, if the Company assigns this Agreement to an Affiliate it shall remain secondarily liable. The Executive further hereby consents to the assignment of this Agreement by the Company and waives any assertion or claim that the Executive’s contemporaneous consent for such an assignment is needed for the assignment to be effective. The Executive shall not be permitted to assign the Executive’s rights or obligations under this Agreement.

21. Third-Party Beneficiaries. The Executive acknowledges and agrees that, if the Executive provides any material services to, or receives any material confidential information concerning, any Affiliate of the Company, such other Affiliate(s) of the Company shall be deemed a third-party beneficiary of the Executive’s obligations under Section 11(a) of this Agreement and shall

be permitted to enforce Section 11(a) of this Agreement against the Executive as if such Affiliate(s) were the Company hereunder.

22. Entire Agreement. Except as otherwise referenced herein, this Agreement constitutes the entire agreement of the parties and is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter, and will supersede all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect to the subject matter hereof, including (i) the employment agreement, dated December 3, 2019, by and between Magellan Health Inc. and the Executive, and (ii) the Letter Agreement. No modification, amendment, or waiver of any of the provisions of this Agreement shall be effective or binding unless set forth in a writing signed by the parties hereto and specifically referring to this Agreement. Unless otherwise specifically agreed by the Executive and the Company in writing following the date hereof, the definitions of Cause, Good Reason and Disability set forth herein shall replace the definitions of those terms applicable to the Executive in any other agreement between the Company and the Executive or any Company plan applicable to the Executive and the restrictive covenants set forth in Section 11 herein shall replace the restrictive covenants applicable to the Executive with respect to any Company equity award or other plan or agreement.

23. Counterparts. This Agreement may be executed in one or more counterparts, which together shall constitute a valid and binding agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Executive and the Company, by its duly authorized representatives, have executed this Agreement effective as of the date set forth below.

EXECUTIVE

/s/ James E. Murray

James E. Murray

February 20, 2023

Date

CENTENE CORPORATION

By: /s/ Sarah M. London

Name: Sarah M. London
Title: Chief Executive Officer

February 20, 2023

Date

EXHIBIT A

FORM OF GENERAL RELEASE OF ALL CLAIMS

THIS GENERAL RELEASE OF ALL CLAIMS (this "General Release"), dated as of _____, is made by and between James E. Murray ("Executive") and Centene Corporation (together with its successors and assigns, the "Company").

WHEREAS, the Company and Executive are parties to that certain Employment Agreement, dated as of [DATE] (the "Employment Agreement");

WHEREAS, Executive's employment with the Company has been terminated and Executive is entitled to receive severance and other benefits, as set forth in Section 5 of the Employment Agreement subject to the execution of this General Release;

WHEREAS, in consideration for Executive's signing of this General Release, the Company will provide Executive with such severance and benefits pursuant to the Employment Agreement; and

WHEREAS, except as otherwise expressly set forth herein, the parties hereto intend that this General Release shall effect a full satisfaction and release of the obligations described herein owed to Executive by the Company.

NOW, THEREFORE, in consideration of the premises, the mutual covenants of the parties hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows:

1. Executive, for Executive, Executive's spouse, heirs, administrators, children, representatives, executors, successors, assigns, and all other individuals and entities claiming through Executive, if any (collectively, the "Executive Releasers"), does hereby release, waive, and forever discharge the Company and each of its respective agents, subsidiaries, parents, affiliates, related organizations, employees, officers, directors, attorneys, successors, and assigns in their capacities as such (collectively, the "Employer Releasees") from, and does fully waive any obligations of Employer Releasees to Executive Releasers for, any and all liability, actions, charges, causes of action, demands, damages, or claims for relief, remuneration, sums of money, accounts or expenses (including attorneys' fees and costs) of any kind whatsoever, whether known or unknown or contingent or absolute, which heretofore has been or which hereafter may be suffered or sustained, directly or indirectly, by Executive Releasers in consequence of, arising out of, or in any way relating to: (a) Executive's employment with the Company; (b) the termination of Executive's employment with the Company; (c) the Employment Agreement; or (d) any events relating to Executive's employment occurring on or prior to the date of this General Release. The foregoing release, discharge and waiver includes, but is not limited to, all waivable claims and any obligations or causes of action arising from such claims, under common law including wrongful or retaliatory discharge, breach of contract (including but not limited to any claims under the Employment Agreement other than claims for unpaid severance benefits, bonus or salary earned thereunder) and any action arising in tort including libel, slander, defamation or intentional infliction of emotional distress, and claims under any federal, state or local statute including the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 and 1871 (42 U.S.C. § 1981), the National Labor Relations Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Americans with Disabilities Act of 1990, the Rehabilitation Act of 1973, or the discrimination or employment laws of any state or municipality, and/or any claims under any express or implied contract which Executive Releasers may claim existed with Employer

Releasees. This also includes a release of any claims for wrongful discharge and all other claims for alleged physical or personal injury, emotional distress relating to or arising out of Executive's employment with the Company or any of its subsidiaries or affiliates or the termination of that employment; and any claims under the WARN Act or any similar law, which requires, among other things, that advance notice be given of certain work force reductions. Notwithstanding anything contained in this Section 1 above to the contrary, nothing contained in herein shall constitute a release by any Executive Releaser of any of his, her or its rights or remedies available to him, her or it, at law or in equity, related to, on account of, in connection with or in any way pertaining to the enforcement of: (i) any right to indemnification, advancement of legal fees or directors and officers liability insurance coverage existing under the constituent documents of the Company or applicable state corporate, limited liability company and partnership statutes or pursuant to any agreement, plan or arrangement; (ii) any rights to the receipt of health, welfare or qualified retirement benefits which vested on or prior to the date of this General Release; (iii) the right to continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act; (iv) the right to receive worker's compensation, or (v) this General Release or any of its terms or conditions.

2. Excluded from this General Release and waiver are any claims which cannot be waived by applicable law, including but not limited to the right to participate in an investigation conducted by certain government agencies. Executive does, however, waive Executive's right to any monetary recovery should any government agency (such as the Equal Employment Opportunity Commission) pursue any claims on Executive's behalf. Executive represents and warrants that Executive has not filed any complaint, charge, or lawsuit against the Employer Releasees with any government agency or any court.

3. Executive agrees never to seek personal recovery from any Employer Releasee in any forum for any claim covered by the above waiver and release language, except that Executive may bring a claim under the ADEA to challenge this General Release. If Executive violates this General Release by suing an Employer Releasee, then Executive shall be liable to the Employer Releasee so sued for such Employer Releasee's reasonable attorneys' fees and other litigation costs incurred in defending against such a suit; *except that* to the extent such suit includes claims under the ADEA or other claims that are excluded from the release set forth in Section 1 hereof, the Executive shall not be liable for paying for the attorneys' fees and costs associated with such ADEA or other excluded claims. Nothing in this General Release is intended to reflect any party's belief that Executive's waiver of claims under ADEA is invalid or unenforceable, it being the intent of the parties that such claims are waived.

4. Each party agrees that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by any party of any improper or unlawful conduct.

5. Each party acknowledges and recites that he or it has:

i. executed this General Release knowingly and voluntarily;

ii. had a reasonable opportunity to consider this General Release;

iii. read and understands this General Release in its entirety;

iv. been advised and directed orally and in writing (and this subparagraph (d) constitutes such written direction) to seek legal counsel and any other advice such party wishes with respect to the terms of this General Release before executing it; and

v. relied solely on such party's own judgment, belief and knowledge, and such advice as such party may have received from such party's legal counsel.

6. Section 12 of the Employment Agreement, which shall survive the expiration of the Employment Agreement for this purpose, shall apply to any dispute with regard to this General Release.

7. Executive acknowledges and agrees that (a) Executive's execution of this General Release has not been forced by any employee or agent of the Company, and Executive has had an opportunity to negotiate the terms of this General Release; and (b) Executive has been offered twenty-one (21) calendar days after receipt of this General Release to consider its terms before executing it. Executive shall have seven (7) calendar days from the date he executes this General Release to revoke Executive's waiver of any ADEA claims by providing written notice of the revocation to the Company. Such notice shall not be effective unless it is received by the Company within such seven-day period, and provided by the Executive (i) by personal delivery to the CEO or such other individual as may be identified by the Company at the time of Executive's termination, or (ii) by FedEx or other nationally recognized overnight delivery service, or by first class mail with charges or postage prepaid and return receipt requested, in each case properly addressed to the Company at its principal office, or (iii) by such other method as may be designated by the Company at the time of Executive's termination (for example, DocuSign or pdf attachment to email).

8. Capitalized terms used but not defined in this General Release have the meanings ascribed to such terms in the Employment Agreement.

9. This General Release may be executed by the parties in one or more counterparts, each of which shall be an original and all of which shall together constitute one and the same instrument. Each counterpart may be delivered by facsimile transmission or e-mail (as a .pdf, .tif or similar un-editable attachment), which transmission shall be deemed delivery of an originally executed counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have executed this General Release as of the day and year first above written.

CENTENE CORPORATION

By: _____

Name:

Title:

EXECUTIVE

By: _____

James E. Murray

CENTENE CORPORATION
EXECUTIVE OFFICER CASH SEVERANCE POLICY

Purpose

The purpose of this Policy is to limit the Cash Severance Benefits that Centene Corporation (the “Company”) may pay to Executive Officers upon termination.

Definitions

For purposes of this Policy, the following definitions shall apply:

- (a) “Base Salary” means the amount an Executive Officer is entitled to receive as wages or salary on an annualized basis, excluding all bonus, overtime, health additive and incentive compensation, payable by the Company as consideration for the Executive Officer’s services.
- (b) “Board” means the Centene Corporation Board of Directors.
- (c) “Cash Severance Benefits” means the present value of cash payments: (i) in respect of the termination of the Executive Officer’s employment; and (ii) to secure an agreement not to compete with the Company. For the avoidance of doubt, “Cash Severance Benefits” do not include (A) the payment, vesting, acceleration or other handling of long term incentive awards granted under the Company’s stockholder-approved plans, (B) payment of deferred compensation, earned retirement benefits or other vested employee benefits, in each case consistent with normal practices, provided under the Company’s retirement or employee benefit plans, (C) the provision of perquisites, insurance, disability, health and welfare plan coverage and other non-cash benefits generally available to similarly-situated employees, (D) any interest required to be paid pursuant to the terms of any Company plan or policy between the termination date and the payment date, (E) any unpaid bonus for any previously completed performance period required to be paid pursuant to the terms of any Company plan or policy, (F) accrued but unpaid Base Salary or vacation pay through the termination date and reimbursement for any expenses validly incurred prior to the termination date, (G) any payment in respect of the Executive Officer’s Target Bonus for the year of termination (prorated based on the Executive Officer’s days of service during the annual performance period), or (H) payments resulting from a determination made in good faith by the Board to enter into a reasonable settlement of a claim made against the Company by the Executive Officer.
- (d) “Committee” means the Compensation and Talent Committee of the Centene Corporation Board of Directors.
- (e) “Executive Officer” means those persons who are designated by the Board as “executive officers” for purposes of Rule 3b-7 under the Exchange Act.

- (f) “Target Bonus” means the Executive Officer’s target bonus under the Company’s annual incentive plan applicable to the Executive Officer for the year of termination, provided that if no target bonus has been established for such year under such plan, the year immediately preceding the year of termination.

Limitation on Severance Benefits

The Company will not enter into any new employment agreement, or severance agreement with any Executive Officer of the Company or establish any new severance plan or policy covering any Executive Officer of the Company, in each case that provides for Cash Severance Benefits in an amount that exceeds 2.99 times the sum of the Executive Officer’s Base Salary plus the greater of Target Bonus or the average of the Executive Officer’s two most recent annual bonuses, without seeking stockholder ratification of such agreement, plan or policy.

For purposes of this Policy, the present value of any Cash Severance Benefits shall be calculated using the applicable methodology set forth in Sections 280G and 4999 (or any successor provisions) of the U.S. Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

Other

The Board shall make all determinations regarding the application and operation of this Policy in its sole discretion, taking into account the recommendation of the Committee, and all such determinations shall be final and binding. Further, the exercise by the Board of any rights pursuant to this Policy shall be without prejudice to any other rights that the Company, the Board, or the Committee may have with respect to any Executive Officer subject to this policy.

List of Subsidiaries

ABC Network & Collaborative Health Systems Joint Venture, LLC, an Arizona LLC

Absolute Total Care, Inc, a South Carolina corporation

AcariaHealth Pharmacy #11, Inc, a Texas corporation

AcariaHealth Pharmacy #12, Inc, a New York corporation

AcariaHealth Pharmacy #13, Inc, a California corporation

AcariaHealth Pharmacy #14, Inc, a California corporation

AcariaHealth Pharmacy #26, Inc, a Delaware corporation

AcariaHealth Pharmacy, Inc, a California corporation

AcariaHealth Solutions, Inc., a Delaware corporation

AcariaHealth, Inc., a Delaware corporation

Access Medical Acquisition, LLC, a Delaware LLC

Access Medical Group of Florida City, LLC, a Florida LLC

Access Medical Group of Hialeah, LLC, a Florida LLC

Access Medical Group of Kendall, LLC, a Florida LLC

Access Medical Group of Lakeland, LLC, a Florida LLC

Access Medical Group of Lauderdale Lakes, LLC, a Florida LLC

Access Medical Group of Margate, LLC, a Florida LLC

Access Medical Group of Miami, LLC, a Florida LLC

Access Medical Group of North Miami Beach, LLC, a Florida LLC

Access Medical Group of Opa-Locka, LLC, a Florida LLC

Access Medical Group of Pembroke Pines, LLC, a Florida LLC

Access Medical Group of Perrine, LLC, a Florida LLC

Access Medical Group of Riverview, LLC, a Florida LLC

Access Medical Group of Tampa II, LLC, a Florida LLC

Access Medical Group of Tampa III, LLC, a Florida LLC

Access Medical Group of Tampa, LLC, a Florida LLC

Access Medical Group of Westchester, LLC, a Florida LLC

Accountable Care Coalition Direct Contracting, LLC, a Florida LLC

Accountable Care Coalition of Community Health Centers II, LLC, a Texas LLC

Accountable Care Coalition of Elite Providers II, LLC, a Delaware LLC

Accountable Care Coalition of Elite Providers, III, LLC, a Delaware LLC

Accountable Care Coalition of Elite Providers IV, LLC, a Delaware LLC

Accountable Care Coalition of Elite Providers IX, LLC, an Illinois LLC

Accountable Care Coalition of Elite Providers LLC, a Hawaii LLC

Accountable Care Coalition of Elite Providers VII, LLC, an Arizona LLC

Accountable Care Coalition of Elite Providers VIII, LLC, an Illinois LLC

Accountable Care Coalition of Elite Providers X, LLC, an Illinois LLC

Accountable Care Coalition of Elite Providers XI, LLC, an Illinois LLC

Accountable Care Coalition of Georgia, LLC, a Georgia LLC

Accountable Care Coalition of Maryland, LLC, a Maryland LLC

Accountable Care Coalition of Northeast Georgia, LLC, a Georgia LLC

Accountable Care Coalition of Northeast Partners, LLC, a Pennsylvania LLC

Accountable Care Coalition of Northwest Florida, LLC, a Florida LLC

Accountable Care Coalition of Prime Health, LLC, an Oregon LLC

Accountable Care Coalition of Quality Health II, LLC, a Delaware LLC

Accountable Care Coalition of Quality Health III, LLC, a Delaware LLC

Accountable Care Coalition of Quality Health, LLC, an Oregon LLC

Accountable Care Coalition of Southeast Partners, LLC, a Georgia LLC

Accountable Care Coalition of Southeast Physician Partners, LLC, a South Carolina LLC

Accountable Care Coalition of Southeast Texas, Inc., a Texas corporation

Accountable Care Coalition of Southeast Wisconsin, LLC, a Wisconsin LLC

Accountable Care Coalition of Tennessee, LLC, a Tennessee LLC

Accountable Care Coalition of Texas, Inc., a Texas corporation

Agate Resources, Inc., an Oregon corporation

Ambetter of Magnolia, Inc, a Mississippi corporation

Ambetter of North Carolina, Inc., a North Carolina corporation

Ambetter of Peach State Inc., a Georgia corporation

American Progressive Life and Health Insurance Company of New York, a New York corporation

America's 1st Choice California Holdings, LLC, a Florida corporation

Apixio, Inc, a Delaware corporation

Arizona Biodyne, Inc., an Arizona corporation

Arkansas Health & Wellness Health Plan, Inc., an Arkansas corporation

Arkansas Total Care Holding Company, LLC, a Delaware LLC

Arkansas Total Care, Inc., an Arkansas corporation

Armed Forces Services Corporation, a Virginia corporation

AT Learning Limited, an English and Welsh private company

AT Medics Holdings LLP, an English and Welsh LLP

AT Medics Limited, an English and Welsh private company

AT Technology (Private) Limited, a Pakistan private company

AT Technology Services Limited, an English and Welsh private company

Aurelia Health, LLC, an Arizona corporation

Bankers Reserve Life Insurance Company of Wisconsin, a Wisconsin corporation

Bishopswood SPV Limited, an English and Welsh private company

BMI Imaging Clinic Limited, an English and Welsh private company

BMI Southend Private Hospital Limited, an English and Welsh private company

BMI Syon Clinic Limited, an English and Welsh private company

Bridgeway Health Solutions of Arizona, Inc., an Arizona corporation

Bridgeway Health Solutions, LLC, a Delaware LLC

Buckeye Community Health Plan, Inc, an Ohio corporation

Buckeye Health Plan Community Solutions, Inc., an Ohio corporation

California Health and Wellness Plan, a California corporation

Cantina Laredo Clayton, LP, a Delaware limited partnership

Care 1st Health Plan Administrative Services, Inc., an Arizona corporation

Care 1st Health Plan of Arizona, Inc., an Arizona corporation

Carolina Complete Health Holding Company Partnership, a Delaware partnership

Carolina Complete Health, Inc., a North Carolina corporation

CCTX Holdings, LLC, a Texas LLC

CEF Holding Company Limited, a limited liability Malta company

Celtic Group, Inc, a Delaware corporation

Celtic Insurance Company, an Illinois corporation

CeltiCare Health Plan Holdings LLC, a Delaware LLC

CeltiCare Health Plan of Massachusetts, Inc., a Massachusetts corporation

Cenpatco Behavioral Health, LLC, a California LLC

Centene Center I, LLC, a Delaware LLC

Centene Center II, LLC, a Delaware LLC

Centene Center LLC, a Delaware LLC
Centene Company of Texas, LP, a Texas limited partnership
Centene Europe Finance Company Limited, a limited liability Malta company
Centene Health Plan Holdings, Inc., a Delaware corporation
Centene Institute for Advanced Health Education, LLC, a Delaware LLC
Centene International Financing Company Limited, a limited liability Malta company
Centene International Ventures, LLC, a Delaware LLC
Centene Management Company LLC, a Wisconsin LLC
Centene Pharmacy Services, Inc., a Delaware corporation
Centene Venture Company Alabama Health Plan, Inc., an Alabama corporation
Centene Venture Company Florida, Inc., a Florida corporation
Centene Venture Company Illinois, Inc., an Illinois corporation
Centene Venture Company Indiana, Inc., an Indiana corporation
Centene Venture Company Kansas, Inc., a Kansas corporation
Centene Venture Company Michigan, Inc., a Michigan corporation
Centene Venture Company Tennessee, Inc., a Tennessee corporation
Centene Venture Insurance Company Texas, Inc., a Texas corporation
Centurion Detention Health Services, LLC, a Delaware LLC
Centurion LLC, a Delaware LLC
Centurion of Delaware, LLC, a Delaware LLC
Centurion of Florida, LLC, a Florida LLC
Centurion of Idaho, LLC, an Idaho LLC
Centurion of Indiana, LLC, an Indiana LLC
Centurion of Kansas, LLC, a Kansas LLC
Centurion of Minnesota, LLC, a Minnesota LLC
Centurion of Missouri, LLC, a Missouri LLC
Centurion of New Hampshire, LLC, a Delaware LLC
Centurion of Pennsylvania, LLC, a Pennsylvania LLC
Centurion of Tennessee, LLC, a Tennessee LLC
Centurion of West Virginia, LLC, a West Virginia LLC
Centurion of Wyoming, LLC, a Wyoming LLC
CHG Management Services Limited, an English and Welsh private company
Circle Birmingham Limited, an English and Welsh private company
Circle Clinical Services Limited, an English and Welsh private company
Circle Decontamination Limited, an English and Welsh private company
Circle Harmony Health Limited, an English and Welsh private company
Circle Harmony Health Limited, a Hong Kong private company
Circle Health 1 Limited, an English and Welsh private company
Circle Health 2 Limited, an English and Welsh private company
Circle Health 3 Limited, an English and Welsh private company
Circle Health 4 Limited, an English and Welsh private company
Circle Health Group Limited, an English and Welsh private company
Circle Health Holdings Limited, an English and Welsh private company
Circle Health MyWay Limited, an English and Welsh private company
Circle Holdings Limited, a Jersey private company
Circle Hospital (Reading) Limited, an English and Welsh private company
Circle International PLC, an English and Welsh PLC
Circle Nottingham Limited, an English and Welsh private company
Circle Rehabilitation Services, an English and Welsh private company

CMC Real Estate Company, LLC, a Delaware LLC

Cobalt Therapeutics, LLC, a Delaware LLC

Collaborative Choice Healthcare Accountable Care, LLC, a Delaware LLC

Collaborative Choice Healthcare, LLC, a Delaware LLC

Collaborative Health Systems IPA, LLC, a Florida LLC

Collaborative Health Systems, LLC, a New York LLC

Collaborative Health Systems of Maryland, LLC, a Maryland LLC

Collaborative Health Systems of New Mexico, LLC, a New Mexico LLC

Collaborative Health Systems of Virginia, LLC, a Virginia LLC

Community Medical Holdings Corp, a Delaware corporation

Comprehensive Health Management, LLC, a Florida LLC

Continuum Behavioral Care, LLC, a Rhode Island LLC

Coordinated Care Corporation, an Indiana corporation

Coordinated Care of Washington, Inc, a Washington corporation

Delaware First Health Complete, Inc., a Delaware corporation

Delaware First Health, Inc., a Delaware corporation

District Community Care Inc., a Washington D.C. corporation

Envolve Benefits Options, Inc., a Delaware corporation

Envolve Dental, Inc., a Delaware corporation

Envolve Dental IPA of New York, Inc., a New York corporation

Envolve Dental of Florida, Inc., a Florida corporation

Envolve Dental of Texas, Inc., a Texas corporation

Envolve Holdings, LLC, a Delaware LLC

Envolve, Inc., a Delaware corporation

Envolve Optical, Inc. a Delaware corporation

Envolve PeopleCare, Inc., a Delaware corporation

Envolve Pharmacy IPA, LLC, a New York LLC

Envolve Total Vision, Inc., a Delaware corporation

Envolve Vision Benefits, Inc., a Delaware corporation

Envolve Vision, Inc., a Delaware corporation

Envolve Vision IPA of New York, Inc., a New York corporation

Envolve Vision of Florida, Inc., a Florida corporation

Envolve Vision of Texas, Inc., a Texas corporation

Essential Care Partners, LLC, a Texas LLC

Forensic Health Services, LLC, a Delaware LLC

Foundation Care, LLC, a Missouri LLC

General Healthcare Group Limited, an English and Welsh private company

General Healthcare Holdings 2 Limited, an English and Welsh private company

General Healthcare Holdings 3 Limited, an English and Welsh private company

Generale de Sante International Limited, an English and Welsh private company

GHG (DB) Pension Trustees, an English and Welsh private company

GHG Healthcare Holdings Limited, an English and Welsh private company

GHG Intermediate Holdings Limited, an English and Welsh private company

GHG Leasing Limited, an English and Welsh private company

GHG Mount Alvernia Hospital Limited, an English and Welsh private company

Golden Triangle Physician Alliance, a Texas not-for-profit corporation

Granite State Health Plan, Inc, a New Hampshire corporation

Hallmark Life Insurance Co, an Arizona corporation

Harmony Health Management, Inc., a New Jersey corporation

Harmony Health Plan, Inc., an Illinois corporation

Harmony Health Systems Inc., a New Jersey corporation

Health Care Enterprises, LLC, a Delaware LLC

Health Net Access, Inc., an Arizona corporation

Health Net Community Solutions, Inc., a California corporation

Health Net Community Solutions of Arizona, Inc., an Arizona corporation

Health Net Federal Services, LLC, a Delaware LLC

Health Net Health Plan of Oregon, Inc., an Oregon corporation

Health Net Life Insurance Company, a California corporation

Health Net Life Reinsurance Company, a Cayman Islands corporation

Health Net, LLC, a Delaware LLC

Health Net of Arizona, Inc., an Arizona corporation

Health Net of California, Inc., a California corporation

Health Plan Real Estate Holdings, Inc., a Missouri corporation

HealthPeaksMD, LLC, a Delaware LLC

HealthSmart Benefit Solutions, Inc., an Illinois corporation

HealthSmart Benefits Management, LLC, a Texas LLC

HealthSmart Care Management Solutions, LP, a Texas partnership

HealthSmart Information Systems, Inc., a Texas corporation

HealthSmart Preferred Care II, LP, a Texas partnership

HealthSmart Preferred Network II, Inc, a Delaware corporation

HealthSmart Primary Care Clinics, LP, a Texas partnership

HealthSmart Rx Solutions, Inc., an Ohio corporation

Healthy Louisiana Holdings LLC, a Delaware LLC

Healthy Missouri Holdings, Inc, a Missouri corporation

Healthy Washington Holdings, Inc, a Delaware corporation

Heritage Health Systems, Inc., a Texas corporation

Heritage Health Systems of Texas, Inc., a Texas corporation

Heritage Physician Networks, a Texas not-for-profit corporation

HHS Texas Management, Inc., a Texas corporation

HHS Texas Management, LP, a Texas limited partnership

HLM Strategic Investment Fund, L.P., a Delaware limited partnership

Home State Health Plan, Inc, a Missouri corporation

HomeScripts.com, LLC, a Michigan LLC

Human Affairs International of California, a California corporation

Illinois Health Practice Alliance, LLC, a Delaware corporation

Integrated Mental Health Services, a Texas corporation

Interpreta Holdings, Inc., a Delaware corporation

Interpreta, Inc., a Delaware corporation

Iowa Total Care, Inc, an Iowa corporation

Justin M. Bayless and Associates, LLC, an Arizona LLC

LifeShare Management Group, LLC, a New Hampshire LLC

Louisiana Healthcare Connections, Inc, a Louisiana corporation

Magellan Behavioral Care of Iowa, Inc., an Iowa corporation

Magellan Behavioral Health of Florida, Inc., a Florida corporation

Magellan Behavioral Health of New Jersey, LLC, a New Jersey LLC

Magellan Behavioral Health of Pennsylvania, Inc., a Pennsylvania corporation

Magellan Behavioral Health Systems, LLC, a Utah LLC

Magellan Behavioral of Michigan, Inc., a Michigan corporation

Magellan Capital, LLC, a Nevada LLC

Magellan Complete Care of Louisiana, Inc., a Louisiana corporation

Magellan Complete Care of Pennsylvania, Inc., a Pennsylvania corporation

Magellan Financial Capital, LLC, a Delaware LLC

Magellan Health QIO, LLC, a Nebraska LLC

Magellan Health Services of Arizona, Inc., an Arizona corporation

Magellan Health Services of California, Inc. - Employer Services, a California corporation

Magellan Health Services of New Mexico, Inc., a New Mexico corporation

Magellan Health, Inc, a Delaware corporation

Magellan Healthcare Provider Group, Inc., a Maryland corporation

Magellan Healthcare, Inc., a Delaware corporation

Magellan HRSC, Inc., an Ohio corporation

Magellan Life Insurance Company, a Delaware corporation

Magellan of Idaho, LLC, an Idaho LLC

Magellan of Maryland, LLC, a Maryland LLC

Magellan of Ohio, Inc., an Ohio corporation

Magellan Pharmacy Services, Inc., a Delaware corporation

Magellan Providers of Texas, Inc., a Texas corporation

Magnolia Health Plan, Inc, a Mississippi corporation

Magnolia Joint Venture Holding Company, Inc., a Delaware corporation

Managed Health Network, a California corporation

Managed Health Network, LLC, a Delaware LLC

Managed Health Services Insurance Corporation, a Wisconsin corporation

Maryland Collaborative Care Transformation Organization, Inc., a Delaware corporation

Mauli Ola Health and Wellness, Inc., a Hawaii corporation

MBC of North Carolina, LLC, a North Carolina LLC

Meriden Hospital Advanced Imaging Centre Ltd., an English and Welsh private company

Meridian Health Plan of Illinois, Inc., an Illinois corporation

Meridian Health Plan of Michigan, Inc., a Michigan corporation

Meridian Management Company, LLC (a/k/a Meridian Administration Company, LLC), a Michigan LLC

Meridian Network Services, LLC, a Michigan LLC

MeridianRx IPA, LLC, a New York LLC

MeridianRx, LLC, a Michigan LLC

MeridianRx of Indiana, LLC, a Michigan LLC

Merit Behavioral Care Corporation, a Delaware corporation

MH Services International Holdings (UK) Limited, an English and Welsh private company

MHM Correctional Services, LLC, a Delaware LLC

MHM Health Professionals, LLC, a Delaware LLC

MHM Services, Inc., a Delaware corporation

MHM Services of California, LLC, a California LLC

MHM Solutions, LLC, a Delaware LLC

MHN Government Services LLC, a Delaware LLC

MHN Services, LLC, a California LLC

MHS Consulting, International, Inc, a Delaware corporation

MHS Travel & Charter, Inc, a Wisconsin corporation

Michael B. Bayless and Associates, LLC, an Arizona LLC

Mid-Atlantic Collaborative Care, LLC, a Maryland LLC

Mount Alvernia PET CT Limited, an English and Welsh private company

National Imaging Associates, Inc., a Delaware corporation

Nations Healthcare Limited, an English and Welsh private company

Nebraska Total Care, Inc., a Nebraska corporation

Network Providers, LLC, a Delaware LLC

New York Quality Healthcare Corporation, a New York corporation

Next Door Neighbors, Inc., a Delaware corporation

Next Door Neighbors, LLC., a Delaware LLC

NIA IPA of New York, Inc., a New York corporation

North West Cancer Clinic Limited, an English and Welsh private company

Novasys Health, Inc, a Delaware corporation

Ohana Health Plan, Inc., a Hawaii corporation

Oklahoma Complete Health Holding Company, LLC, a Delaware LLC

Oklahoma Complete Health Inc., an Oklahoma corporation

One Care by Care 1st Health Plans of Arizona, Inc., an Arizona corporation

Operose Health (Group) Limited, an English and Welsh private company

Operose Health (Group) UK Limited, an English and Welsh private company

Operose Health Limited, an English and Welsh private company

P.P.C., Inc., a Missouri corporation

Parker LP, LLC, a Nevada LLC

Peach State Health Plan, Inc, a Georgia corporation

Penn Marketing America, LLC, a Delaware LLC

Pennsylvania Health and Wellness, Inc., a Pennsylvania corporation

PPC Group, Inc., a Delaware corporation

Premier Marketing Group, LLC, a Delaware LLC

Primary Care Partners Limited, an English and Welsh private company

QCA Healthplan, Inc., an Arkansas corporation

Qualchoice Life and Health Insurance Company, an Arkansas company

Quincy Coverage Corporation, a New York corporation

Rhythm Health Tennessee, Inc., a Tennessee corporation

RI Health & Wellness, Inc., a Rhode Island corporation

Runnymede SPV Limited, an English and Welsh private company

Rural Community Health Services Accountable Care, LLC, a Delaware LLC

Rural Community HealthServices, LLC, a Delaware LLC

Salus Administrative Services, Inc., a New York corporation

Salus IPA, LLC, a New York LLC

SelectCare of Texas, Inc., a Texas corporation

Shanghai Circle Harmony Hospital Management, a Chinese private company

SilverSummit Healthplan, Inc., a Nevada corporation

Skylight & Collaborative Health Systems Joint Venture IPA, LLC, a Florida LLC

Skylight Joint Venture, LLC, a Florida LLC

Social Health Bridge Trust, a Delaware trust

Social Health Bridge, LLC, a Delaware LLC

Specialty Therapeutic Care Holdings, LLC, a Delaware LLC

Specialty Therapeutic Care, GP, LLC, a Texas LLC

Specialty Therapeutic Care, LP, a Texas limited partnership

State of Franklin Collaborative Care, LLC, a Tennessee LLC

Sunflower State Health Plan, Inc, a Kansas corporation

Sunshine Health Community Solutions, Inc., a Florida corporation

Sunshine Health Holding LLC, a Florida LLC

Sunshine State Health Plan, Inc, a Florida corporation

Superior Health Management Advisors, LLC
Superior HealthPlan, Inc, a Texas corporation
The Pavilion Clinic Ltd, an English and Welsh private company
The Practice Properties Limited, an English and Welsh private company
The WellCare Management Group, Inc., a New York corporation
Three Shires Hospital LP, an English and Welsh limited partnership
TKH Holding Ltd., an English and Welsh private company
Transplant Health Solutions IPA, Inc., a New York corporation
Trillium Community Health Plan, Inc., an Oregon corporation
U.S. IPA Providers, Inc., a New York corporation
UAM Agent Services Corp., an Iowa corporation
Universal American Corp., a Delaware corporation
Universal American Financial Services, Inc., a Delaware corporation
Universal American Holdings, LLC, a Delaware LLC
WCG Health Management, Inc., a Delaware corporation
WellCare Health Insurance Company of America, an Arkansas corporation
WellCare Health Insurance Company of Kentucky, Inc., a Kentucky corporation
WellCare Health Insurance Company of Louisiana, Inc., a Louisiana corporation
WellCare Health Insurance Company of Nevada, Inc., a Nevada corporation
WellCare Health Insurance Company of New Hampshire, Inc., a New Hampshire corporation
WellCare Health Insurance Company of New Jersey, Inc., a New Jersey corporation
WellCare Health Insurance Company of Oklahoma, Inc., an Oklahoma corporation
WellCare Health Insurance Company of Washington, Inc., a Washington corporation
WellCare Health Insurance of Arizona, Inc., an Arizona corporation
WellCare Health Insurance of Connecticut, Inc., a Connecticut corporation
WellCare Health Insurance of Hawaii, Inc., a Hawaii corporation
WellCare Health Insurance of New York, Inc., a New York corporation
WellCare Health Insurance of North Carolina, Inc., a North Carolina corporation
WellCare Health Insurance of Southwest, Inc., an Arizona corporation
WellCare Health Insurance of Tennessee, Inc., a Tennessee corporation
WellCare Health Plans, Inc., a Delaware corporation
WellCare Health Plans of Kentucky, Inc., a Kentucky corporation
WellCare Health Plans of Massachusetts, Inc, a Massachusetts corporation
WellCare Health Plans of Missouri, Inc., a Missouri corporation
WellCare Health Plans of New Jersey, Inc., a New Jersey corporation
WellCare Health Plans of Rhode Island, Inc., a Rhode Island corporation
WellCare Health Plans of Vermont, Inc., a Vermont corporation
WellCare National Health Insurance Company, a Texas corporation
WellCare of Alabama, Inc., an Alabama corporation
WellCare of California, Inc., a California corporation
WellCare of Connecticut, Inc., a Connecticut corporation
WellCare of Georgia, Inc., a Georgia corporation
WellCare of Illinois, Inc., an Illinois corporation
WellCare of Indiana, Inc., an Indiana corporation
WellCare of Maine, Inc., a Maine corporation
WellCare of Michigan Holding Company, a Michigan corporation
WellCare of Mississippi, Inc., a Mississippi corporation
WellCare of Missouri Health Insurance Company, Inc., a Missouri corporation
WellCare of New Hampshire, Inc., a New Hampshire corporation

WellCare of North Carolina, Inc., a North Carolina corporation
WellCare of Oklahoma, Inc., an Oklahoma corporation
WellCare of Pennsylvania, Inc., a Pennsylvania corporation
WellCare of South Carolina, Inc., a South Carolina corporation
WellCare of Texas, Inc., a Texas corporation
WellCare of Virginia, Inc., a Virginia corporation
WellCare of Washington, Inc., a Washington corporation
WellCare Prescription Insurance, Inc., an Arizona corporation
Western Sky Community Care, Inc., a New Mexico corporation
Worlco Management Services, Inc., a New York corporation

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements Nos. 333-261993, 333-255735, 333-238597, 333-236036, 333-217634, 333-210376, 333-197737, 333-180976, 333-108467, and 333-90976 on Form S-8 and in the registration statement No. 333-238050 on Form S-3 of our reports dated February 21, 2023, with respect to the consolidated financial statements of Centene Corporation and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

St. Louis, Missouri
February 21, 2023

CERTIFICATION

I, Sarah M. London, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 21, 2023

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

CERTIFICATION

I, Andrew L. Asher, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 21, 2023

/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 Annual Report on Form 10-K of Centene Corporation (the Company) for the period ended December 31, 2022, 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: February 21, 2023

/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 Annual Report on Form 10-K of Centene Corporation (the Company) for the period ended December 31, 2022, 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: February 21, 2023

/s/ ANDREW L. ASHER

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