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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of the earliest event reported): April 30, 2018

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

Delaware	**001-31826**	**42-1406317**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7700 Forsyth Blvd. **St. Louis, Missouri**	**63105**
(Address of principal executive offices)	(Zip Code)

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

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 ☐

ITEM 8.01. OTHER EVENTS.

Filed as Exhibit 99.1 and Exhibit 99.2 herewith, respectively, are (a) the unaudited consolidated financial statements of New York State Catholic Health Plan, Inc. (d/b/a Fidelis Care New York) ("Fidelis") as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 and (b) the unaudited pro forma condensed combined financial information of Centene Corporation (the "Company") for the year ended December 31, 2017 and as of and for the three months ended March 31, 2018, to illustrate the estimated effects of the previously announced acquisition by the Company of certain assets of Fidelis and the related financing transactions.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Businesses Acquired.

The unaudited consolidated financial statements of Fidelis as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 are attached hereto as Exhibit 99.1 and are incorporated herein by reference.

(b) Pro forma Financial Information.

The Company's unaudited pro forma condensed combined financial information and explanatory notes for the year ended December 31, 2017 and as of and for the three months ended March 31, 2018, are attached as Exhibit 99.2 hereto and incorporated by reference herein.

(d) Exhibits

Exhibit Number	Description
99.1	Unaudited consolidated financial statements of Fidelis as of March 31, 2018 and for the three months ended March 31, 2018 and 2017
99.2	Unaudited pro forma condensed combined financial information and explanatory notes for the year ended December 31, 2017 and as of and for the three months ended March 31, 2018

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CENTENE CORPORATION

By: /s/ Jeffrey A. Schwaneke
Jeffrey A. Schwaneke
Executive Vice President & Chief Financial Officer

Date: April 30, 2018

Exhibit 99.1

New York State Catholic
Health Plan, Inc. (d/b/a
Fidelis Care New York) and
Subsidiaries

Consolidated Financial Statements as of March 31, 2018
and for the Three Months Ended March 31, 2018 and
2017 (Unaudited)

NEW YORK STATE CATHOLIC HEALTH PLAN, INC.
(d/b/a FIDELIS CARE NEW YORK) AND SUBSIDIARIES

TABLE OF CONTENTS

NEW YORK STATE CATHOLIC HEALTH PLAN, INC.
(d/b/a FIDELIS CARE NEW YORK) AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017 (UNAUDITED)
(In thousands)

	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$2,824,087	$ 1,848,710
Short-term investments—other	—	550,561
Investments	775,960	780,114
Premium receivables—net	220,481	209,850
Pharmacy rebates receivable	98,998	96,398
Other receivables	15,142	12,354
Reinsurance receivables	97,526	88,282
Prepaid expenses and other current assets	19,388	13,023
Total current assets	4,051,582	3,599,292
RESTRICTED DEPOSITS	492,347	449,447
INVESTMENTS—Noncurrent	182	182
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS—Net	206,909	210,106
GOODWILL	15,850	15,850
TOTAL	$4,766,870	$ 4,274,877
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Claims payable	$1,352,731	$ 1,359,589
Accounts payable and accrued expenses	600,323	247,577
Premiums received in advance	113,932	30,785
Long-term debt—current portion	14,286	14,286
Due to third parties	403,272	429,700
Total current liabilities	2,484,544	2,081,937
LONG-TERM DEBT	67,800	71,429
Total liabilities	2,552,344	2,153,366
COMMITMENTS & CONTINGENCIES (NOTE 9)		
NET ASSETS—Total net assets	2,214,526	2,121,511
TOTAL	$4,766,870	$ 4,274,877

See notes to unaudited consolidated financial statements.

NEW YORK STATE CATHOLIC HEALTH PLAN, INC.
(d/b/a FIDELIS CARE NEW YORK) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)
(In thousands)

	March 31, 2018	March 31, 2017
REVENUES:		
Premium revenues	$2,603,411	$2,313,924
Other	14,643	8,679
Total revenues	2,618,054	2,322,603
EXPENSES:		
Cost of health care provided	2,362,613	2,108,390
General and administrative	153,652	121,117
Depreciation and amortization	10,138	7,300
Total expenses	2,526,403	2,236,807
OTHER INCOME/(EXPENSE):		
Investment income and losses—net	2,255	25,690
Interest expense	(651)	(550)
Charitable donations and grants	(140)	(1,250)
Total other income/(expense)	1,464	23,890
EXCESS OF REVENUES OVER EXPENSES	$ 93,115	$ 109,686

See notes to unaudited consolidated financial statements.

NEW YORK STATE CATHOLIC HEALTH PLAN, INC.
(d/b/a FIDELIS CARE NEW YORK) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)
(In thousands)

	March 31, 2018	March 31, 2017
CHANGE IN NET ASSETS	$ 93,015	$109,647
PENSION PLAN:		
Net gain arising during the period	1,124	1,000
Other comprehensive income	1,124	1,000
COMPREHENSIVE INCOME	$ 94,139	$110,647

See notes to unaudited consolidated financial statements.

NEW YORK STATE CATHOLIC HEALTH PLAN, INC.
(d/b/a FIDELIS CARE NEW YORK) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)
(In thousands)

	March 31, 2018	March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 93,015	$ 109,647
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,138	7,300
Net realized and unrealized losses (gains) on trading securities	7,241	(19,924)
Net realized and unrealized (gains) losses on investments, other than trading	(14)	49
Purchases of investments—trading securities	(208,712)	(308,232)
Proceeds from sale of investments—trading securities	205,625	304,831
Provision for bad debts	1,793	1,142
Changes in:		
Premium receivables	(12,424)	(68,950)
Pharmacy rebates receivable	(2,600)	(2,373)
Other receivables	(2,788)	(14,721)
Reinsurance receivables	(9,244)	(2,927)
Prepaid expenses and other current assets	(6,365)	(8,042)
Claims payable	(6,858)	117,944
Accounts payable and accrued expenses	349,505	(34,784)
Premiums received in advance	83,147	78,593
Due to third parties	(26,428)	(8,483)
Net cash provided by operating activities	475,031	151,070
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments and restricted deposits	(42,900)	(83,085)
Proceeds from sale of short-term investments—other	550,575	—
Purchases of short-term investments—other	—	(49,928)
Acquisition of property, equipment and leasehold improvements	(3,700)	(129,775)
Net cash provided by (used in) investing activities	503,975	(262,788)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of notes payable	(3,629)	(3,571)
Payments of capital lease obligations	—	(14)
Net cash used in financing activities	(3,629)	(3,585)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	975,377	(115,303)
CASH AND CASH EQUIVALENTS—Beginning of period	1,848,710	1,358,759
CASH AND CASH EQUIVALENTS—End of period	$2,824,087	$1,243,456
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 651	$ 550
Accrual for acquisition of equipment	$ 3,241	$ 2,034

1. BASIS OF PRESENTATION

The New York State Catholic Health Plan, Inc. (d/b/a Fidelis Care New York) ("Fidelis" or the "Plan") is a not-for-profit membership corporation. Fidelis provides or arranges for the provision of comprehensive health services, principally associated with Medicaid and Medicare Advantage programs, under capitation agreements with the State of New York and U.S. government agencies.

Fidelis prepared the accompanying unaudited consolidated financial statements. In these unaudited consolidated financial statements, certain notes or other financial information that are normally required by accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted if they substantially duplicate the disclosures contained in the annual audited consolidated financial statements. The accompanying unaudited consolidated financial statements should be read together with the audited consolidated financial statements and related notes for the year ended December 31, 2017.

Fidelis is responsible for the accompanying unaudited consolidated financial statements. These unaudited consolidated financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of the Plan's financial position and operating results in accordance with GAAP. In accordance with GAAP, Fidelis makes certain estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates and assumptions. In addition, revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be indicative of those for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The unaudited consolidated financial statements include the accounts of Fidelis and its wholly owned subsidiaries, Salus Administrative Services, Inc. ("Salus") and Rego Park Office Tower, LLC (RPOT). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting—The accompanying unaudited consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates—The preparation of the unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts affected by significant estimates include premium receivables, pharmacy rebates receivable, other receivables, reinsurance receivables, Affordable Care Act reinsurance, risk adjustment and risk corridor receivables and payables, recoverability of goodwill, claims payable, accrued expenses, amounts due to third parties, premium revenues, and cost of health care provided. Actual results could differ from these estimates.

Cash and Cash Equivalents—Cash and cash equivalents include cash and highly liquid investments that are readily convertible to known amounts of cash and are so near their original maturity dates that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents exclude funds included in restricted deposits.

Short-Term Investments—**Other**—Short-term investments—other include certificates of deposit with original maturities greater than three months and remaining maturities are less than one year whose carrying amount approximates fair value.

Premium Receivables and Revenues—Premium receivables and revenues are recorded in the month for which members are entitled to service. Premiums represent payment in full for the complete Medicaid, Child Health Plus, Medicare Advantage, Medicaid Dual Advantage, Medicaid Advantage Plus, Fidelis Care at Home, Health Benefit Exchange, Fully Integrated Duals Advantage (FIDA), Health and Recovery Plan (HARP) and Essential Plan (EP) with the exception of the standard exclusions and the following additional exclusions: family planning, childcare, and methadone maintenance treatment program physician/clinic. The Plan's FIDA program ended on December 31, 2017. As a prepaid health services plan, premium revenues are provided by the State of New York and U.S. government agencies, and therefore, there is no need for an allowance for uncollectible accounts. However, the amounts due from members under the Health Benefit Exchange, Fidelis Care at Home and Essential Plan programs include provisions for uncollectible accounts. The balances in such provisions for uncollectible accounts approximate $9,590,000 and $7,798,000 at March 31, 2018 and December 31, 2017. Premium revenues also reflect the estimated rebates for programs subject to the Minimum Medical Loss Ratio (MLR) as an adjustment to premium revenue in the consolidated statements of operations.

Premiums Received in Advance—Premiums collected in advance are reported as a liability in the accompanying unaudited consolidated balance sheets. Any billed premiums that have not been received by the end of the period are included as premium receivables.

Health Care Reform or Affordable Care Act—The Plan is a participant in the New York Health Benefit Exchange within the New York State Department of Health (NYSDOH) established pursuant to Health Care Reform. Under regulations established by the U.S. Department of Health and Human Services (HHS), HHS pays the Plan a portion of the premium ("Premium Subsidy") and/or a portion of the health care costs ("Cost Sharing Subsidy") for low-income individual members. In addition, HHS administers a permanent risk adjustment program under the Health Care Reform which transfers funds from qualified individual and small group insurance plans with below average risk scores to those respective plans with above average risk scores. Based on the risk of Fidelis' qualified plan members relative to the average risk of members of other qualified plans in comparable markets, Fidelis estimates the ultimate risk adjustment receivable or payable and reflects the pro-rata year-to-date impact as an adjustment to its premium revenue.

Pharmacy Rebates Receivable—The Plan has an arrangement with a Pharmacy Benefit Management (PBM) company to administer pharmaceutical benefits to the Plan's members. The Plan accrues pharmacy rebates monthly based on the terms of the applicable contracts, historical billing and payment data, and other variables. Pharmacy rebates receivable are recorded as a reduction of health care costs. Pharmacy rebates are billed by the PBM to the pharmaceutical manufacturers within two months of the completion of the quarter depending on the contractual terms.

Other Receivables—Other receivables include accrued interest receivable, insurance recoveries and other miscellaneous amounts due to the Plan.

Reinsurance—Reinsurance premiums are reported in health care costs and reinsurance recoveries are deducted from health care costs.

Investments—Investments in equity securities with readily determinable fair value and investments in debt securities are reported at fair value in the unaudited consolidated balance sheets.

The Plan's investment portfolio is designated as trading based on the Plan's investment strategy and investment philosophies. Investment managers may execute purchases and sales of investments in accordance with the Plan's investment policy. All realized and unrealized gains and losses on trading security investments have been recognized in investment income and losses—net in the unaudited consolidated statements of operations.

Investment income or loss includes realized gains and losses on investments, interest, dividends, and unrealized gains and losses on investments classified as trading. Realized gains and losses are determined using the first-in, first-out method. Investments recognized as current assets are available to support current operations. Investment income is recorded when earned.

The Plan invests in a commingled mutual fund. Fair value is determined by the fund manager. Because of the inherent uncertainty of valuation, the values determined by the investment managers may differ from the values that would have been used had a ready market for these investments existed. Changes in fair value are included in investment income and losses—net in the accompanying unaudited consolidated statements of operations.

Restricted Deposits—Restricted deposits relate to amounts held in escrow in accordance with regulatory requirements.

Investments—Noncurrent—Investments—noncurrent include certificates of deposit with original maturities greater than three months and remaining maturities that are more than one year whose carrying amount approximates fair value.

Property, Equipment and Leasehold Improvements—Property, equipment and leasehold improvements are recorded at historical cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of the term of the related lease or the life of the improvement. Costs incurred relating to major additions and improvements are capitalized and amortized over the useful life of the related project. The Plan commences the recognition of depreciation expense on these projects once the project is completed.

The Plan capitalizes the costs for acquiring, developing, and testing software to meet the Plan's internal needs. Capitalization of costs associated with developing or obtaining computer software for internal use commences when the project is completed and it is probable the project will be used to perform the function intended. Capitalized costs include (1) external direct cost of materials and services consumed in developing or obtaining internal-use software and (2) payroll and payroll-related costs for employees who are directly associated with and devote time to the internal-use software project. Capitalization of such costs cease no later than the point at which the project is substantially complete and ready for its intended use. Internal-use software costs are amortized once the software is placed in service using the straight-line method over periods ranging from three to five years.

Claims Payable—Claims payable consists of amounts of payments to be made on individual claims that have been reported to the Plan, as well as estimates of claims incurred that have not yet been reported as of the unaudited consolidated balance sheet dates. Components of claims payable are estimated, with the assistance of an external actuary, using various statistical methods that use both historical financial and operating data. Management estimates additional components of claims payable using historical information and other operating data.

Claims payable also includes amounts payable for a quality incentive program (QIP) whereby certain of the Plan's providers may qualify for additional remuneration by achieving certain quality score thresholds based on the NYSDOH Quality Assurance Reporting Requirements. Management estimates a liability for QIP payments based on historical information and estimates of the providers who will achieve the required thresholds.

The Plan has a process to review claims from providers that were previously denied or pended for administrative reasons. The Plan records an estimated reserve pertaining to such claims. These amounts are considered in the determination of the overall claims payable.

Management believes that the liability for claims payable is adequate to satisfy the ultimate claim liabilities. However, there is at least a possibility that the estimates will change by a material amount in the near term since claims payable recorded in the accompanying unaudited consolidated balance sheets was determined using a range of estimated amounts based on information available to management. The estimates for claims payable are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations.

Due to Third Parties—Due to third parties primarily consists of Health Care Reform Act of 2000 surcharges, adjustments to the quality incentive and other components of the Medicaid premium rates, estimated amounts pertaining to potential premium overpayments, unrecouped reinsurance premiums, Medicare and Health Benefit Exchange risk payables and EP and HARP medical loss rebates.

Changes in Net Assets—Net assets amounted to $2,214,526,000 and $2,121,511,000 at March 31, 2018 and December 31, 2017, respectively. The change between these periods was driven by $93,115,000 of excess of revenues over expenses, partially offset by a $100,000 decline in temporary restricted net assets during the three months ended March 31, 2018.

Other Income/(Expense)—The Plan has significant financial investments, which are used to finance operations. All investment gains and losses (realized gains and losses on investments, interest, dividends, and unrealized gains and losses on investments classified as trading and other than trading) and expenses and losses, including interest expense, are reported as other income/(expense). Charitable donations and grants are also reported in other income/(expense).

Cost of Health Care Provided—Cost of health care provided consists primarily of claims paid, claims in process, claims pending to physicians, hospitals, and other health care providers, and an estimate of amounts incurred but not yet reported (IBNR). The Plan develops estimates for IBNR claims using an actuarial process that is consistently applied. The actuarial models consider factors such as time from date of service to claim receipt, provider contract rate changes, medical utilization, and other medical cost trends. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

The Plan reimburses providers on a capitation, fee-for-service, or contractual basis. The cost of health care services provided is accrued in the period in which the care is provided to a member based, in part, on estimates, including an accrual for medical services provided but not reported to the Plan. In addition, the Plan provides remuneration to providers based on its QIP.

Fair Value of Financial Instruments—The Plan's financial instruments consist of cash and cash equivalents, investments, restricted deposits, premiums receivable, and accounts payable. Unless otherwise specified, the carrying amounts of these financial instruments approximate their fair value.

Recently Issued Accounting Pronouncements and Update—In February 2016, the Financial Accounting Standards Board (FASB) issued an update on leases, ASU 2016-02. The ASU will require organizations that lease assets—referred to as "lessees"—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The ASU on leases will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other organizations, the ASU on leases will take effect for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application will be permitted for all organizations. The Plan is currently evaluating the effect of the new leases accounting guidance.

In May 2015, the FASB issued ASU No. 2015-07—*Fair Value Measurement* (Topic 820). The amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. This ASU is effective for fiscal years beginning after December 15, 2016. The amendments should be retrospectively applied to all periods presented and earlier adoption is permitted. The Plan adopted this guidance at December 31, 2017. The adoption of this guidance did not have material impact on the Plan's audited consolidated December 31, 2017 financial statements and unaudited consolidated March 31, 2018 financial statements.

In May 2014, the FASB issued ASU No. 2014-09—*Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 will supersede existing revenue recognition standards with a single model unless those contracts are within the scope of other standards (e.g., an insurance entity's insurance contracts). The revenue recognition principle in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, new and enhanced disclosures will be required. Companies can adopt the new standard using either the full retrospective approach, a modified retrospective approach with practical expedients, or a cumulative effect upon adoption approach. In August 2015, the FASB issued ASU No. 2015-14—*Revenue from Contracts with Customers: Deferral of the Effective Date*, ("ASU No. 2015-14") which deferred the effective date of ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is permitted as of annual reporting periods beginning after December 15, 2016. ASU No. 2015-14 allows for both retrospective and modified retrospective methods of adoption of ASU No. 2014-09. The majority of the Plan's revenues are derived from insurance contracts and are excluded from the new standard. The Plan is currently evaluating the effect of the new revenue recognition guidance.

In May 2015, the FASB issued ASU 2015-09, *Financial Services—Insurance (Topic 944) Disclosures about Short-Duration Contracts*, which expands the disclosure requirements for insurance companies that issue short-duration contracts. The new standard will increase the level of disclosure around the Plan's claims payable liability to include the following: claims development by year; claim frequency; a rollforward of the claims payable liability; and a description of methods and assumptions used for determining the liability. It is effective for annual periods beginning after December 15, 2016 and interim periods within annual periods beginning after December 15, 2017. The Plan implemented these disclosures at December 31, 2017.

The Plan has also determined that there have been no other recently issued, but not yet adopted, accounting standards that will have a material impact on its unaudited consolidated financial statements.

3. PREMIUM REVENUE

Premium revenue is derived substantially from the Medicaid and Medicare Advantage programs under capitation arrangements with the State of New York and U.S. government agencies. Premium revenues are recorded based upon draft rates received from the State of New York, which approximate actual rates. Laws and regulations governing federal and state health care programs are complex and subject to interpretation for which noncompliance includes fines, penalties, and exclusion from these programs. The Plan believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Additionally, any future changes in Medicaid and Medicare Advantage funding could have a material impact on the Plan.

Effective January 1, 2014, the Plan began providing health coverage to individual members through the New York Health Benefit Exchange within the NYSDOH under the provisions of the Health Care Reform. Regulations and interpretive guidance on many provisions of the Health Care Reform Law have been issued to date by various regulatory bodies, of which certain provisions of the law require additional guidance and clarification in the form of regulations and interpretations. The Plan believes that it is in compliance with the applicable Health Care Reform laws and regulations that would have a material impact on the unaudited operations and financial results of the Plan.

4. INVESTMENTS AND RESTRICTED DEPOSITS

The composition of investments and restricted deposits as of March 31, 2018 and December 31, 2017, is as follows (in thousands):

	March 31, 2018	December 31, 2017
Short-term investments—other	$ —	$ 550,561
Investments:		
Debt securities:		
U.S. government and agency obligations	$ 73,624	$ 87,466
U.S. agency mortgage-backed securities	37,607	39,825
State and municipal obligations	1,951	1,346
Corporate obligations	116,084	104,314
Non-U.S. agency mortgage-backed securities	13,621	13,166
Non-U.S. agency asset-backed securities	24,427	25,100
Total debt securities	267,314	271,217
Equity securities	165,164	167,117
Mutual funds	310,818	310,164
Alternative investments	32,664	31,616
Total investments	$775,960	$ 780,114
Restricted deposits:		
Certificates of deposit	$492,347	$ 449,447
Total restricted deposits	$492,347	$ 449,447
Investments—noncurrent	$ 182	$ 182

As of March 31, 2018, the Plan has redeemed all of its unrestricted short duration certificates of deposit and invested the proceeds into highly liquid money market instruments.

5. FAIR VALUE MEASUREMENTS

GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The fair value hierarchy is as follows:

Level 1—Quoted (unadjusted) prices for identical assets in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2—Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3—Unobservable inputs that cannot be corroborated by observable market data.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Plan's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset and/or liability.

There were no transfers between Levels 1, 2, and 3 during the three months ended March 31, 2018.

The Plan measures its financial assets and liabilities at fair value on a recurring basis. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents—The carrying value of cash and cash equivalents approximates fair value as maturities are in the near future and/or include money market funds and short-term, highly liquid investments, that are based on quoted prices and actively traded. Cash and cash equivalents are classified as Level 1.

Short-Term Investments—Other—The carrying value of short-term investments—other approximates fair value as maturities are in the near future. Short-term investments—other are classified as Level 1.

Investments—Noncurrent—Investments—noncurrent include certificates of deposit that are due in excess of one year whose carrying value approximates fair value. Investments in certificates of deposit due in excess of one year are classified as Level 1. All other investments are classified as Level 2.

Debt Securities—The estimated fair values of debt securities are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Level 1 debt securities are comprised primarily of U.S. government and agency obligations. Fair values of debt securities that do not trade on a regular basis in active markets are classified as Level 2.

Equity Securities—Fair value estimates for publicly traded equity securities are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of publicly traded equity securities are classified as Level 1.

Mutual Funds—Fair value estimates for shares of registered investment companies are based on quoted market prices that represent the net asset value (NAV) of shares held. Fair values of mutual funds are classified as Level 1 based upon publicly available NAV data.

Alternative Investments (Equity Method)—The estimated fair values of commingled funds (alternative investments) are accounted for using the equity method of accounting for which no quoted market prices are readily available. The estimated fair value for these types of investments are determined based upon information provided by the fund managers. Such information is based on the pro rata interest in the NAV of the underlying investments, which approximates fair value.

Included in the Plan's investment portfolio are investments in certain funds that report fair value using a calculated NAV.

6. GOODWILL

The following table summarizes the change in the Plan's goodwill balance during 2018 (in thousands):

Balance—January 1, 2018	$15,850
Acquisitions	—
Balance—March 31, 2018	$15,850

Goodwill is reviewed annually for impairment on December 31, or more frequently upon the occurrence of trigger events. Based on the Plan's assessment, no goodwill impairment was recorded for the three months ended March 31, 2018 and the year ended December 31, 2017.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018	December 31, 2017
Accounts payable	$ 6,667	$ 7,788
Accrued expenses	593,656	239,789
	$600,323	$ 247,577

8. LONG-TERM DEBT

On December 12, 2016, Fidelis entered into Term Loan Agreements (TLAs) with three leading financial institutions, each as a "lender" and collectively the "lenders". The lenders provided a seven-year unsecured term loan facility in the aggregate principal amount of $100,000,000 payable in equal quarterly installments. Proceeds from the TLAs were used by Fidelis for strategic and other business purposes.

The interest rate under the TLAs is variable and is determined at Fidelis' option as: (i) the one, two, three or six month Adjusted London Interbank Offered Rate (LIBOR), plus the lender's Applicable Margin or (ii) the Prime Rate plus the lender's Applicable Margin. The Applicable Margin can range from 0.75% to 1.80% based upon Fidelis' deposit levels with the lenders. The weighted average interest rate on the TLAs for the three months ended March 31, 2018 was 2.4%.

The future maturities of long-term debt consist of the following (in thousands):

Period Ending March 31	
2018	$ 10,715
2019	14,286
2020	14,286
2021	14,286
Thereafter	28,513
	82,086
Less current portion	(14,286)
Total long-term debt	$ 67,800

The Plan had unsecured lines of credit in the amounts of $180,000,000 of March 31, 2018 and December 31, 2017 with an interest rate established by the lending institutions and agreed to by the Plan. The lines of credit expire during 2018. At March 31, 2018 and December 31, 2017, no amounts were outstanding under the lines of credit. The provisions of the lines of credit require the Plan to maintain specified net worth, liquidity and other conditions. At March 31, 2018, all covenant requirements associated with the unsecured lines of credit were met.

9. COMMITMENTS AND CONTINGENCIES

Leases—The Plan is the lessee of administrative facilities and equipment under noncancelable operating leases. All facility leases have early termination clauses.

Other Matters—The Plan is involved in litigation and claims disputes with providers arising in the normal course of business. The ultimate outcome of these cases cannot be predicted at this time. Management does not believe that the ultimate outcome of these matters will have a materially adverse effect on the financial position of the Plan.

The Plan is subject to ongoing examinations and oversight by the State of New York with respect to financial condition, market conduct and other regulatory matters. The Plan is not aware of any existing or pending investigations regarding noncompliance with applicable laws and regulations that would have a material impact on the operations of the Plan.

10. CLAIMS PAYABLE

Claims payable includes reserves for IBNR claims, claims received but not processed, and other liabilities incurred in connection with the cost of health care provided, provider incentives, pharmacy costs, and other reserves in connection with health care costs. Claim frequency is not used in the calculation of the liability. In addition, it is impracticable to disclose claim frequency information for health care claims due to the inability to gather consistent claim frequency information. Any claim frequency count disclosure will not be comparable and will not be consistent from period to period based on the volume of claims processed. As a result, health care count frequency is not included in the disclosures.

The estimate of IBNR is developed using actuarial principles and assumptions that consider numerous factors. Of those factors, the analysis of historical and projected claim payment patterns (including claims submission and processing patterns) and the assumed health care cost trend rate (the year-over-year change in per member per month health care costs) are considered to be critical assumptions. In developing the estimate of IBNR, these actuarial principles and assumptions are consistently applied each period, with consideration to the variability of related factors. There have been no significant changes to the methodologies or assumptions used to calculate IBNR in 2018 and 2017.

The following table provides a reconciliation of the beginning and ending balances for claims payable as of March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018	December 31, 2017
Claims payable—beginning of year	$ 1,359,589	$ 1,077,035
Medical expenses:		
Current year	2,362,613	9,085,009
Prior years	—	(206,504)
Total medical expenses	2,362,613	8,878,505
Paid claims:		
Current year	(1,458,767)	(7,775,563)
Prior years	(906,545)	(825,757)
Total paid claims	(2,365,312)	(8,601,320)
Reinsurance receivable	9,245	(12,887)
NYS surcharges and other assessments	(13,404)	18,256
Claims payable—end of year	$ 1,352,731	$ 1,359,589

	Net Incurred Medical Expenses	
Year	Three Months Ended March 31, 2018	Year Ended December 31, 2017
2016		$ 7,650,742
2017	$ 9,085,009	9,085,009
2018	2,362,613	
Total	$ 11,447,622	$ 16,735,751

	Net Cumulative Medical Payments	
Year	Three Months Ended March 31, 2018	Year Ended December 31, 2017
2016		$ (7,609,236)
2017	$ (8,649,990)	(7,775,563)
2018	(1,458,767)	
Total	$ (10,108,757)	$(15,384,799)
Net remaining outstanding payable prior to 2016 and 2017	$ 18,025	$ 3,268
Reinsurance receivable	9,245	(12,887)
NYS surcharges and other assessments	(13,404)	18,256
Total claims payable	$ 1,352,731	$ 1,359,589

Claims payable also includes management's estimated liability for QIP payments based on historical information and the providers expected to achieve the thresholds required for payment. As of March 31, 2018 and December 31, 2017, the Plan recorded approximately $71,826,000 and $58,448,000, respectively, for payments under the QIP that management estimates the Plan will pay.

11. CONCENTRATIONS OF CREDIT RISK

At March 31, 2018 and December 31, 2017, the Plan had cash balances in financial institutions that exceed federal depository insurance limits. Management believes that the credit risk related to these deposits is minimal.

The Plan receives substantially all of its premium revenue through various programs of the State of New York and U.S. government agencies. These programs are based on complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties, and exclusion from such programs.

12. CENTENE TRANSACTION

In September 2017, Fidelis entered into an Asset Purchase Agreement (hereinafter, the "APA") with Centene Corporation, a Delaware corporation ("Centene"). Upon the terms and subject to the conditions set forth in the APA, substantially all of Fidelis' insurance operations, assets and liabilities will be sold to and assumed by Centene. Following the closing of the transaction, Fidelis will be divested of its insurance operations, but will remain an independent 501(c)(3) tax exempt organization.

The corporate members of Fidelis are the eight Diocesan Bishops of the Roman Catholic Dioceses in the State of New York. At the closing of the transactions contemplated by the APA, Fidelis will receive consideration, subject to certain adjustments, consisting of $3,250,000,000 in cash and, at the option of Centene, additional cash or shares of Centene's common stock valued at $500,000,000, of which $375,000,000 will be placed in escrow to secure any potential indemnification obligations of Fidelis to Centene. Fidelis will retain certain cash and investment assets as well as its Rego Park Office Building.

The closing of the transactions contemplated by the APA is subject to the satisfaction or waiver of customary closing conditions, including, without limitation, certain approval, notice or similar requirements with applicable regulatory authorities. In September 2017, the Board of Directors and Members of Fidelis approved the execution of the APA and the transactions contemplated thereunder.

The completion of the transactions contemplated by the APA is not conditioned on receipt of financing by Centene. The NYSDOH and the New York Department of Financial Services both issued their respective approvals of the transaction in April 2018. While the APA is expected to close in 2018, the transaction remains subject to regulatory approval from the New York Attorney General, the burdensome condition provision of Section 7.03(c) of the APA and certain other closing conditions.

13. SUBSEQUENT EVENTS

Fidelis has evaluated subsequent events through April 24, 2018, which is the date the unaudited consolidated financial statements were available to be issued.

* * * * * *

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF CENTENE AND FIDELIS CARE

The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2018, and for the year ended December 31, 2017, combine the historical consolidated statements of operations of Centene and Fidelis Care, giving effect to the Proposed Fidelis Acquisition and the financing of the Proposed Fidelis Acquisition (the "Acquisition Financing") as if they each had occurred on January 1, 2017. The unaudited pro forma condensed combined balance sheet as of March 31, 2018, combines the historical consolidated balance sheets of the Company and Fidelis Care, giving effect to the Acquisition Financing and the Proposed Fidelis Acquisition, each as more fully described in Note 1 below, as if they each had occurred on March 31, 2018. The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (i) directly attributable to the Proposed Fidelis Acquisition, (ii) factually supportable and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial information was derived from and should be read in conjunction with the following historical consolidated financial statements and accompanying notes:

- separate historical unaudited interim financial statements of the Company as of and for the three months ended March 31, 2018, and the related notes included in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018;
- separate historical unaudited interim financial statements of Fidelis as of and for the three months ended, March 31, 2018, and the related notes included in the Company's Current Report on Form 8-K filed on April 30, 2018;
- separate historical audited financial statements of the Company as of and for the year ended, December 31, 2017, and the related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017; and
- separate historical audited financial statements of Fidelis Care as of and for the year ended, December 31, 2017, and the related notes included in the Company's Current Report on Form 8-K filed on March 26, 2018.

The unaudited pro forma condensed combined financial information has been prepared by us using the acquisition method of accounting in accordance with GAAP. We have been treated as the acquirer in the Proposed Fidelis Acquisition for accounting purposes. The acquisition accounting is dependent upon certain valuation and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. The consummation of the Proposed Fidelis Acquisition remains subject to the satisfaction of customary closing conditions, including the receipt of regulatory approval, and there can be no assurance that the Proposed Fidelis Acquisition will occur on or before a certain time, on the terms described herein, or at all. The Proposed Fidelis Acquisition or any other financing transaction are not conditioned upon each other. In addition, under certain relevant laws and regulations, before completion of the Proposed Fidelis Acquisition, there are certain limitations regarding what we can learn about Fidelis Care. Until the Proposed Fidelis Acquisition is completed, we will not have complete access to all relevant information. The assets and liabilities of Fidelis Care have been measured based on various preliminary estimates using assumptions that we believe are reasonable based on information that is currently available. Differences between these preliminary estimates and the final acquisition accounting may occur, and those differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company's future results of operations and financial position. The pro forma adjustments are preliminary and have been made solely for informational purposes.

We intend to commence the necessary valuation and other studies required to complete the acquisition accounting promptly upon completion of the Proposed Fidelis Acquisition and will finalize the acquisition accounting as soon as practicable within the required measurement period in accordance with ASC 805, but in no event later than one year following completion of the Proposed Fidelis Acquisition.

The unaudited pro forma adjustments are based upon available information and certain assumptions that our management believes are reasonable. The unaudited pro forma condensed combined financial information has been presented for informational purposes only and is based on assumptions and estimates considered appropriate by our management; however, it is not necessarily indicative of our financial position or results of operations that would have been achieved had the pro forma events taken place on the dates indicated, or of the future consolidated results of operations or of the financial position of the combined company. You should not place undue reliance on the summary unaudited pro forma condensed combined financial information in deciding whether or not to purchase our common stock.

Management expects that the strategic and financial benefits of the Proposed Fidelis Acquisition will result in certain cost savings opportunities. However, given the preliminary nature of those cost savings, they have not been reflected in the accompanying unaudited pro forma condensed combined statements of operations. For a discussion of risks related to anticipated cost savings, see "Risk Factors—Factors that may affect Future Results and the Trading Price of Our Common Stock—The combined company may be unable to successfully integrate our business with the assets acquired in the Proposed Fidelis Acquisition and realize the anticipated benefits of the Proposed Fidelis Acquisition" in Item 1A. of Part II of our Quarterly Report on Form 10-Q for the three months ended March 31, 2018.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended March 31, 2018
(In millions, except per share data in dollars and shares in thousands)

	Centene	Fidelis Care	Pro Forma Adjustments (Note 6)	Pro Forma Combined
Revenues:				
Premium	$ 11,903	$ 2,618	$ 6(a)	$ 14,527
Service	653	—	—	653
Premium and service revenues	12,556	2,618	6	15,180
Premium tax and health insurer fee	638	—	92(a),(b)	730
Total revenues	13,194	2,618	98	15,910
Expenses:				
Medical costs	10,039	2,362	—	12,401
Cost of services	543	—	—	543
Selling, general and administrative expenses	1,316	164	—	1,480
Amortization of acquired intangible assets	39	—	19(c)	58
Premium tax expense	546	—	45(a)	591
Health insurer fee expense	171	—	41(b)	212
Total operating expenses	12,654	2,526	105	15,285
Earnings from operations	540	92	(7)	625
Other income (expense):				
Investment and other income	41	2	— (d)	43
Interest expense	(68)	(1)	(23)(e)	(92)
Earnings from operations, before income tax expense	513	93	(30)	576
Income tax expense	175	—	24(f)	199
Net earnings	338	93	(54)	377
Loss attributable to noncontrolling interests	2	—	—	2
Net earnings attributable to common stockholders	$ 340	$ 93	$ (54)	$ 379
Net earnings per common share attributable to Centene Corporation:				
Basic earnings per common share	$ 1.95			$ 1.92
Diluted earnings per common share	$ 1.91			$ 1.88
Weighted average number of common shares outstanding:				
Basic	173,921		23,853(g)	197,774
Diluted	177,690		23,853(g)	201,543

See the accompanying notes to the unaudited pro forma condensed combined financial statements, which are an integral part of this statement. The pro forma adjustments are explained in Note 6. *Income Statement Pro Forma Adjustments*, beginning on page 11 of this report.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2017
(In millions, except per share data in dollars and shares in thousands)

	Centene	Fidelis Care	Pro Forma Adjustments (Note 6)	Pro Forma Combined
Revenues:				
Premium	$ 43,353	$ 9,718	$ 18(a)	$ 53,089
Service	2,267	—	—	2,267
Premium and service revenues	45,620	9,718	18	55,356
Premium tax	2,762	—	157(a)	2,919
Total revenues	48,382	9,718	175	58,275
Expenses:				
Medical costs	37,851	8,878	—	46,729
Cost of services	1,847	—	—	1,847
Selling, general and administrative expenses	4,446	576	—	5,022
Amortization of acquired intangible assets	156	—	77(c)	233
Premium tax expense	2,883	—	175(a)	3,058
Total operating expenses	47,183	9,454	252	56,889
Earnings from operations	1,199	264	(77)	1,386
Other income (expense):				
Investment and other income	190	90	(20)(d)	260
Interest expense	(255)	(2)	(91)(e)	(348)
Earnings from operations before income tax expense	1,134	352	(188)	1,298
Income tax expense	326	—	61(f)	387
Net earnings	808	352	(249)	911
Loss attributable to noncontrolling interests	20	—	—	20
Net earnings attributable to common stockholders	$ 828	$ 352	$ (249)	$ 931
Net earnings per common share attributable to Centene Corporation:				
Basic earnings per common share	$ 4.80			$ 4.74
Diluted earnings per common share	$ 4.69			$ 4.64
Weighted average number of common shares outstanding:				
Basic	172,427		23,853(g)	196,280
Diluted	176,702		23,853(g)	200,555

See the accompanying notes to the unaudited pro forma condensed combined financial statements, which are an integral part of this statement. The pro forma adjustments are explained in Note 6. *Income Statement Pro Forma Adjustments*, beginning on page 11 of this report.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2018
(In millions, except shares in thousands)

	Centene	Fidelis Care	Pro Forma Adjustments (Note 7)	Pro Forma Combined
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,668	$ 2,824	$ (652)(a)	$ 7,840
Premium and trade receivables	3,648	221	—	3,869
Short-term investments	507	776	(115)(a)	1,168
Other current assets	1,153	231	92(f)	1,476
Total current assets	10,976	4,052	(675)	14,353
Long-term investments	5,535	—	—	5,535
Restricted deposits	140	492	—	632
Property, software and equipment, net	1,250	207	(139)(a)	1,318
Goodwill	5,295	16	1,358(b)	6,669
Intangible assets, net	1,519	—	1,000(c)	2,519
Other long-term assets	455	—	—	455
Total assets	$25,170	$ 4,767	$ 1,544	$ 31,481
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, STOCKHOLDERS' EQUITY AND NET ASSETS				
Current liabilities:				
Medical claims liability	$ 4,771	$ 1,353	$ —	$ 6,124
Accounts payable and accrued expenses	4,962	1,003	441(a),(c),(f)	6,406
Return of premium payable	515	—	—	515
Unearned revenue	638	114	—	752
Current portion of long-term debt	4	14	(14)(a)	4
Total current liabilities	10,890	2,484	427	13,801
Long-term debt	5,172	68	1,180(a),(d),(e)	6,420
Other long-term liabilities	1,520	—	—	1,520
Total liabilities	17,582	2,552	1,607	21,741
Commitments and contingencies				
Redeemable noncontrolling interests	8	—	—	8
Stockholders' equity:				
Preferred stock	—	—	—	—
Common stock (1)	—	—	—	—
Additional paid-in capital	4,592	—	2,468(e)	7,060
Accumulated other comprehensive (loss)	(54)	—	—	(54)
Retained earnings	3,104	—	(316)(f)	2,788
Treasury stock, at cost	(139)	—	—	(139)
Total stockholders' equity attributable to common stockholders	7,503	—	2,152	9,655
Noncontrolling interest	77	—	—	77
Total stockholders' equity	7,580	—	2,152	9,732
Net assets	—	$ 2,215	$ (2,215)(g)	—
Total liabilities, redeemable noncontrolling interests, stockholders' equity and net assets	$25,170	$ 4,767	$ 1,544	$ 31,481

(1) On a historical basis, share information of the Company is as follows: 400,000 shares authorized; 180,643 shares issued and outstanding. On a pro forma combined basis, share information is as follows: 400,000 shares authorized; 204,496 shares issued and outstanding.

See the accompanying notes to the unaudited pro forma condensed combined financial statements, which are an integral part of this statement. The pro forma adjustments are explained in Note 7. *Balance Sheet Pro Forma Adjustments,* beginning on page 13 of this report.

NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, EXCEPT SHARE DATA)
(UNAUDITED)

1. Description of Transaction

On September 12, 2017, we entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Fidelis Care to acquire substantially all of the assets (the "Acquired Assets") and assume certain liabilities of Fidelis Care. The Asset Purchase Agreement provides, among other things, that upon the terms and subject to the conditions set forth therein, a newly formed New York health maintenance organization and a wholly owned subsidiary of the Company (the "Buyer") will purchase the Acquired Assets for a total of $3.75 billion, subject to certain closing and post-closing adjustments, as described in the Asset Purchase Agreement (the "Acquisition Consideration"). The composition of the Acquisition Consideration, between Cash Consideration (as defined below) and Share Consideration (as defined below), if any, that Fidelis Care will receive in the Proposed Fidelis Acquisition is variable under the Asset Purchase Agreement, subject to the Share Consideration Election Amount (as defined below).

Under the terms of the Asset Purchase Agreement, no later than five business days prior to the closing of the Proposed Fidelis Acquisition, we may elect to deliver Acquisition Consideration that consists of (1) solely Cash Consideration or (2) a combination of Cash Consideration and Share Consideration. Subject to certain limitations set forth in the Asset Purchase Agreement, we have the option to fund up to $500.0 million of the Acquisition Consideration in our common stock, of which (i) up to $125.0 million may be used to fund the Acquisition Consideration payable at the closing of the Proposed Fidelis Acquisition (such amount, if any, the "Share Consideration Election Amount" and such shares, the "Share Consideration") and (ii) up to $375.0 million may be used to fund the Escrow Fund (as defined below) (such amount, the "Escrow Share Amount" and such shares, the "Escrow Shares"). The number of shares of our common stock comprising the Share Consideration Election Amount, if any, and/or the Escrow Share Amount, if any, will be determined by dividing (i) such amount by (ii) the average price of our common stock over the five consecutive trading days preceding the date that is two trading days prior to the closing of the Proposed Fidelis Acquisition. The amount of Acquisition Consideration that Fidelis Care will receive in cash (the "Cash Consideration") is equal to (a) $3.75 billion minus (b) the Share Consideration Election Amount, subject to a working capital adjustment.

The amount of Cash Consideration that Fidelis Care will receive at the closing of the Proposed Fidelis Acquisition will be further reduced by, among other things, a $375.0 million escrow which will be used to satisfy any of our post-closing indemnification claims (the "Escrow Fund"). No later than five business days prior to the closing of the Proposed Fidelis Acquisition, we may elect the composition of the Escrow Fund, being any combination of cash and Escrow Shares up to $375.0 million. Any Escrow Shares included in the Escrow Fund will be liquidated prior to final settlement of the Escrow Fund's proceeds and will not be delivered to Fidelis Care. Fidelis Care will receive only cash proceeds from the Escrow Fund. To the extent that the value of the Escrow Fund exceeds $375.0 million at final settlement, we will be entitled to retain any such surplus. Likewise, to the extent that the value of the Escrow Fund is less than $375.0 million at final settlement or the amount due to be delivered to Fidelis Care taking into account post-closing indemnification claims, as applicable, the Company will be required to fund any such deficit.

For pro forma purposes only, it is assumed that the Acquisition Consideration will consist solely of Cash Consideration and the Escrow Fund will consist solely of cash. The final value of the Acquisition Consideration for accounting purposes will ultimately be based on our election of Share Consideration and Escrow Shares. Accordingly, the Acquisition Consideration could change materially.

We cannot assure you that we will be able to consummate the Proposed Fidelis Acquisition on a timely basis or at all. See "Risk Factors—Factors that may affect Future Results and the Trading Price of Our Common Stock" in Item 1A. of Part II of our Quarterly Report on Form 10-Q for the three months ended March 31, 2018.

2. Basis of Presentation

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting and was based on the historical financial statements of the Company and Fidelis Care. The acquisition method of accounting is based on ASC 805 and uses the fair value concepts defined in ASC 820, Fair Value Measurements.

ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. In addition, ASC 805 requires that the consideration transferred be measured at the date the Proposed Fidelis Acquisition is completed at the then-current market price.

ASC 820 defines the term “fair value” and sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined in ASC 820 as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. As a result of these standards, the Company may be required to record the fair value of assets which are not intended to be used or sold and/or to value assets at fair value measures that do not reflect the Company’s intended use of those assets. Many of these fair value measurements can be highly subjective, and it is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Under the acquisition method of accounting, the assets acquired and liabilities assumed will be recorded, as of completion of the Proposed Fidelis Acquisition, primarily at their respective fair values and added to those of the Company. Financial statements and reported results of operations of the Company issued after completion of the Proposed Fidelis Acquisition will reflect these values, but will not be retroactively restated to reflect the historical financial position or results of operations of Fidelis Care.

Under ASC 805, acquisition-related transaction costs (e.g., advisory, legal, accounting, valuation and other professional fees) are not included as a component of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. Total acquisition-related transaction costs expected to be incurred by the Company are estimated to be approximately $408 million, of which $15 million had been incurred as of March 31, 2018. Acquisition-related transaction costs expected to be incurred by the Company include estimated fees related to a bridge financing commitment agreement and other advisory fees associated with the transaction as well as certain anticipated undertakings with the New York State Department of Health. Those costs are reflected in the unaudited pro forma condensed combined balance sheet as an increase to accrued expenses and other current liabilities, with the related tax benefits reflected as an increase in other current assets and the after tax impact presented as a decrease to retained earnings.

The unaudited pro forma condensed combined financial statements do not reflect the projected realization of any anticipated cost savings following completion of the Proposed Fidelis Acquisition. These potential cost savings opportunities are expected to arise from network and medical management savings, as well as administrative cost savings. The unaudited pro forma condensed combined financial statements do not reflect projected pretax restructuring and integration charges associated with the projected cost savings.

3. Accounting Policies

At completion of the Proposed Fidelis Acquisition, the Company will review Fidelis Care’s accounting policies to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to the Company’s accounting policies and classifications. As a result of that review, the Company may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements. At this time, the Company is not aware of any differences that would have a material impact on the combined financial statements. The unaudited pro forma condensed combined financial statements assume there are no material differences in accounting policies.

4. Estimate of Consideration Expected to be Transferred

For pro forma purposes only, it is assumed that the Acquisition Consideration will consist solely of Cash Consideration and the Escrow Fund will consist solely of cash. The final value of the Acquisition Consideration for accounting purposes will ultimately be based on our election of Share Consideration and Escrow Shares. Accordingly, the Acquisition Consideration and its related allocation to the underlying net assets of Fidelis Care could change materially.

The following is a preliminary estimate of consideration expected to be transferred to effect the acquisition of Fidelis Care:

		Estimated Fair Value
Consideration Transferred:		
Cash	$	3,750
Centene Common Stock		—
Estimate of Total Consideration Expected to be Transferred (a)	$	3,750

(a) The estimated consideration expected to be transferred reflected in these unaudited pro forma condensed combined financial statements does not purport to represent the actual consideration that will be transferred when the Proposed Fidelis Acquisition is completed. In accordance with ASC 805, the fair value of equity securities issued as part of the consideration transferred will be measured on the date the Proposed Fidelis Acquisition is completed at the then-current market price.

5. Estimate of Assets to be Acquired and Liabilities to be Assumed

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by the Company in the Proposed Fidelis Acquisition, reconciled to the estimate of total consideration expected to be transferred:

		As of March 31, 2018
Assets Acquired and Liabilities Assumed:		
Net book value of net assets acquired	$	1,392
Less: historical goodwill		(16)
Adjusted book value of net assets acquired	**$**	**1,376**
Goodwill (a)		1,374
Identified intangible assets (b)		1,000
Adjustment to Property and equipment (c)		—
Consideration transferred	**$**	**3,750**

(a) Goodwill is calculated as the difference between the acquisition date fair value of the total consideration expected to be transferred and the aggregate values assigned to the assets acquired and liabilities assumed. Goodwill is not amortized.

(b) As of completion of the Proposed Fidelis Acquisition, identifiable intangible assets are required to be measured at fair value, and these acquired assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use. For purposes of these unaudited pro forma condensed combined financial statements and consistent with the ASC 820 requirements for fair value measurements, it is assumed that all assets will be used, and that all assets will be used in a manner that represents the highest and best use of those assets, but it is not assumed that any market participant synergies will be achieved.

The fair value of identifiable 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, are also considered in estimating the fair value. Under the Hart-Scott-Rodino Antitrust Improvements Act and other relevant laws and regulations, there are significant limitations on the Company's ability to obtain specific information about the Fidelis Care intangible assets prior to completion of the Proposed Fidelis Acquisition.

At this time, the Company does not have sufficient information as to the amount, timing and risk of cash flows of all of Fidelis Care's identifiable intangible assets to determine their fair value. Some of the more significant assumptions inherent in the development of intangible asset values, from the perspective of a market participant, include: the amount and timing of projected future cash flows (including revenue and profitability); the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's life cycle and the competitive trends impacting the asset. However, for purposes of these unaudited pro forma condensed combined financial statements and using publicly available information, such as historical revenues, Fidelis Care's cost structure, industry information for comparable intangible assets and certain other high-level assumptions, the fair value of Fidelis Care's identifiable intangible assets and their weighted-average useful lives have been estimated as follows:

	Estimated Fair Value	Estimated Useful Life (Years)
State and Federal Contracts	$ 800	
Trademarks / trade names	120	
Provider networks	80	
Total	$ 1,000	13

These preliminary estimates of fair value and weighted-average useful life will likely be different from the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. Once the Company has full access to information about Fidelis Care's intangible assets, additional insight will be gained that could impact (i) the estimated total value assigned to intangible assets, (ii) the estimated allocation of value between finite-lived and indefinite-lived intangible assets and/or (iii) the estimated useful lives of intangible assets. The estimated intangible asset values and their useful lives could be impacted by a variety of factors that may become known to the Company only upon access to additional information and/or by changes in such factors that may occur prior to completion of the Proposed Fidelis Acquisition. These factors include, but are not limited to, changes in the regulatory, legislative, legal, technological and competitive environments. Increased knowledge about these and/or other elements could result in a change to the estimated fair value of the identifiable Fidelis Care intangible assets and/or to the estimated weighted-average useful lives from what the Company has assumed in these unaudited pro forma condensed combined financial statements. The combined effect of any such changes could then also result in a significant increase or decrease to the Company's estimate of associated amortization expense.

(c) As of completion of the Proposed Fidelis Acquisition, property and equipment is required to be measured at fair value, unless those assets are classified as held-for-sale on the acquisition date. The acquired assets can include assets that are not intended to be used or sold, or that are intended to be used in a manner other than their highest and best use. The Company does not have sufficient information at this time as to the specific nature, age, condition or location of Fidelis Care's property and equipment, and the Company does not know the appropriate valuation premise, in-use or in-exchange, as the valuation premise requires a certain level of knowledge about the assets being evaluated as well as a profile of the associated market participants. All of these elements can cause differences between fair value and net book value. Accordingly, for the purposes of these unaudited pro forma condensed combined financial statements, the Company has assumed that the current Fidelis Care book values represent the best estimate of fair value. This estimate is preliminary and subject to change and could vary materially from the actual value on the date the Proposed Fidelis Acquisition is completed.

6. Income Statement Pro Forma Adjustments

This note should be read in conjunction with Note 1. *Description of Transaction*; Note 2. *Basis of Presentation*; Note 4. *Estimate of Consideration Expected to be Transferred*; and Note 5. *Estimate of Assets to be Acquired and Liabilities to be Assumed*. Adjustments included in the column under the heading "Pro Forma Adjustments" represent the following:

(a) Prior to the Proposed Fidelis Acquisition, Fidelis Care was a not-for-profit entity, not subject to premium tax expense. The Company's estimates of premium revenue, premium tax revenue and premium tax expense are as follows:

	Three Months Ended March 31, 2018	Year Ended December 31, 2017
Premium revenue	$ 6	$ 18
Premium tax revenue	39	157
Premium tax expense	45	175

(b) The Company estimates certain Fidelis Care revenues will be subject to the Health Insurer fee following the first year of the closing of the Proposed Fidelis Acquisition. The Company's estimates of health insurer fee revenue and health insurer fee expense are as follows:

	Three Months Ended March 31, 2018
Health insurer fee revenue	53
Health insurer fee expense	41

(c) To record intangible amortization expense, as follows:

	Three Months Ended March 31, 2018	Year Ended December 31, 2017
Estimated intangible asset amortization expense (*)	$ 19	$ 77

(*) Assumes an estimated $1.0 billion of finite-lived intangibles and a weighted average amortization period of 13 years (Refer to Note 5. *Estimate of Assets to be Acquired and Liabilities to be Assumed*).

(d) The Company estimates reduced investment income to reflect lower investment balances associated with the acquired assets. The estimated reduction is as follows:

	Three Months Ended March 31, 2018	Year Ended December 31, 2017
Estimated investment income reduction	$ —	$ (20)

(e) The Company estimates the following adjustments to interest expense associated with debt incurred to finance the Proposed Fidelis Acquisition:

- Additional interest expense of approximately $22 million in the three months ended March 31, 2018 and $88 million in the year ended December 31, 2017, based on approximately $1.6 billion of long term fixed-rate indebtedness the Company expects to incur to finance a portion of the Cash Consideration payable in connection with the Proposed Fidelis Acquisition and to pay related fees and expenses. The calculation of interest expense on the long-term indebtedness assumes maturity tranches between eight and 10 years and an estimated weighted average annual interest rate of 5.5%. If interest rates were to increase or decrease by 0.5% from the rates assumed in estimating this pro forma adjustment to interest expense, pro forma interest expense could increase or decrease by $2 million in the three months ended March 31, 2018 and $8 million in the year ended December 31, 2017. If the Company were to increase or decrease the amount of indebtedness incurred by $500 million, the pro forma interest expense would increase or decrease by $7 million in the three months ended March 31, 2018 and $28 million in the year ended December 31, 2017.

- The Company estimates additional interest expense of approximately $1 million for the three months ended March 31, 2018 and $3 million for the year ended December 31, 2017, related to the amortization of debt issuance costs associated with the approximately $1.6 billion of long-term indebtedness the Company expects to incur to finance a portion of the Cash Consideration payable in connection with the Proposed Fidelis Acquisition and to pay related fees and expenses. Issuance costs related to such long-term indebtedness are assumed to be amortized over an estimated weighted average term of approximately nine years.

(f) The Company assumed blended tax rates of 38% and 37% for 2018 and 2017, respectively, when estimating the tax impact of the acquisition, representing the federal and state tax rates. The effective tax rate of the combined company could be significantly different depending upon post-acquisition activities of the combined company.

(g) The Company estimates increased basic and diluted shares outstanding of 23,853 thousand for the three months ended March 31, 2018 and for the year ended December 31, 2017, related to equity issued to finance the Proposed Fidelis Acquisition, assuming approximately $2.6 billion is issued at $109.00 per share (closing stock price on April 26, 2018) and no additional equity is issued to fund the purchase price, including as Share Consideration.

The shares calculated above and those used in the unaudited pro forma condensed combined statements included herein are based on the assumed stock price of $109.00 per share. The table below depicts a sensitivity analysis assuming a $5.00 and $10.00 increase or decrease of the closing price of Centene stock and the resulting estimated shares to be issued at the adjusted stock price as well as the corresponding pro forma diluted earnings per share.

	Sensitivity Analysis			
Assumed stock price (in dollars)	**$ 99.00**	**$104.00**	**$114.00**	**$119.00**
Corresponding number of shares to be issued (in thousands)	26,263	25,000	22,807	21,849
Corresponding diluted earnings per common share (in dollars):				
Three Months Ended March 31, 2018				
Diluted earnings per common share	$ 1.86	$ 1.87	$ 1.89	$ 1.90
Year Ended December 31, 2017				
Diluted earnings per common share	$ 4.59	$ 4.62	$ 4.67	$ 4.69

7. Balance Sheet Pro Forma Adjustments

This note should be read in conjunction with Note 1. *Description of Transaction*; Note 2. *Basis of Presentation*; Note 4. *Estimate of Consideration Expected to be Transferred*; and Note 5. *Estimate of Assets to be Acquired and Liabilities to be Assumed*. Adjustments included in the column under the heading "Pro Forma Adjustments" represent the following:

(a) To eliminate assets not acquired and liabilities not assumed, as follows:

Assets	
Cash and cash equivalents	$(652)
Short term investments	(115)
Property, software and equipment	(139)
Liabilities	
Accounts payable and accrued expenses	(1)
Short-term debt	(14)
Long-term debt	(68)
Total, net	$(823)

(b) To adjust goodwill to an estimate of acquisition-date goodwill, as follows:

Eliminate Fidelis Care's historical goodwill	$ (16)
Estimated transaction goodwill	1,374
Total	$1,358

(c) To record intangible assets to an estimate of fair value of $1.0 billion and to record an employee benefit liability at an estimated fair value of $34 million.

(d) The Company assumes approximately $1.6 billion of long-term indebtedness is issued to finance a portion of the Cash Consideration payable in connection with the Proposed Fidelis Acquisition and to pay related fees and expenses and incur debt issuance costs of $24 million.

(e) The Company assumes approximately $2.6 billion of equity securities is issued to finance a portion of the Cash Consideration payable in connection with the Proposed Fidelis Acquisition, to pay down $328 million of the revolving credit facility balance, and to pay related fees and expenses and incur equity issuance costs of $132 million.

(f) To record estimated acquisition-related transaction costs:

- Total acquisition-related transaction costs estimated to be incurred by the Company are approximately $408 million and are recorded as an increase to accrued liabilities. These acquisition-related transaction costs are not included in the pro forma condensed combined statements of operations.
- Estimated current tax asset for acquisition-related transaction costs of $92 million.
- Retained earnings adjustment for the after-tax transaction costs incurred of $316 million.

(g) To eliminate Fidelis Care's historical net assets of $2.2 billion.