

## SECTION B – FINANCIAL STABILITY

***B.1 Provide the following as documentation of the Proposer's and parent corporation's sufficient financial strength and resources to provide the scope of services as required:***

- ***Three years of independently audited financial statements and associated enrollment figures from the Proposer. Compiled or reviewed financial statements will not be accepted. The audited financial statements must be:***
  - o ***Prepared with all monetary amounts detailed in U.S. currency;***
  - o ***Prepared under U.S. generally accepted accounting principles; and***
  - o ***Audited under U.S. generally accepted auditing standards. The audited financial statements must include the auditor's opinion letter, financial statements, and the notes to the financial statements.***

### Documentation of Financial Strength and Resources

Centene is the parent company of Louisiana Healthcare Connections (LHCC). Centene is a Fortune 500 company with reported assets on December 31, 2013 of \$3.5 billion. We are providing the 2013 and 2012 audited financial statements of Centene Corporation which include the requested independently audited financial statements for the past three years. Please see ***Attachment B.1\_A: 2013 Centene Form 10-K*** and ***Attachment B.1\_B: 2012 Centene Form 10-K***.

LHCC operations commenced February 1, 2012. Please see ***Attachment B.1\_C: 2012 LHCC Audited Statutory Financial Statements*** and ***Attachment B.1\_D: 2013 LHCC Audited Statutory Financial Statements***. Enrollment figures as of December 31, 2013 and December 31, 2012 are 152,300 and 165,600 respectively.

• ***The Proposer's four (4) most recent internally prepared unaudited quarterly financial statements (and Year-to-Date), with preparation dates indicated. The statements must include documentation disclosing the amount of cash flows from operating activities. This documentation must indicate whether the cash flows are positive or negative, and if the cash flows are negative for the quarters, the documentation must include a detailed explanation of the factors contributing to the negative cash flows.***

Please see below for Quarterly Financial Statements for LHCC and Centene Corporation.

#### Louisiana Healthcare Connections

- See ***Attachment B.1\_E: Q2 2014 LHCC Quarterly Financial***
- See ***Attachment B.1\_F: Q1 2014 LHCC Quarterly Financial***
- See ***Attachment B.1\_G: Q3 2013 LHCC Quarterly Financial***
- See ***Attachment B.1\_H: Q2 2013 LHCC Quarterly Financial***

During Q2 and Q3 2013, Negative Net cash from operations was driven by a high benefit and loss payment to premium ratio, while commissions, expenses paid and aggregate write-ins remained stable. During Q2 2014, negative cash from operations was caused by an increase in the tax provision.

#### Centene Corporation

- See ***Attachment B.1\_I: Q2 2014 Centene Form 10-Q***
- See ***Attachment B.1\_J: Q1 2014 Centene Form 10-Q***
- See ***Attachment B.1\_K: Q3 2013 Centene Form 10-Q***
- See ***Attachment B.1\_L: Q2 2013 Centene Form 10-Q***

- *Verification of any contributions made to the Proposer to improve its financial position after its most recent audit (e.g., copies of bank statements and deposit slips), if applicable.*
- *Proposer shall include the Proposer's parent organization.*

No contributions have been made to LHCC to improve its financial position after its most recent audit. Prior contributions are disclosed in the audit report issued May 27, 2014.

- *Provide the following information (in Excel format) based on each of the financial statements submitted: (1) Working capital; (2) Current ratio; (3) Quick ratio; (4) Net worth; and (5) Debt-to-worth ratio. If there are one (1) or more intermediate owners between your organization and the ultimate owner, this additional requirement is applicable only to the ultimate owner.*

Please see the table below for the requested information based on the submitted financial statements for Centene Corporation.

Centene Corporation	Dec. 31 2011	Dec. 31 2012	Jun. 30 2013	Sep. 30 2013	Dec. 31 2013	Mar. 31 2014	Jun. 30 2014
Working capital (in 000's)	\$102,397	\$176,512	\$21,788	\$(18,537)	\$241,052	\$260,406	\$207,179
Current ratio	1.12	1.15	1.02	.99	1.15	1.13	1.10
Quick ratio	1.03	1.15	.89	.88	1.01	.96	.94
Net worth (in 000's)	\$936,419	\$953,767	\$1,122,274	\$1,185,091	\$1,243,439	\$1,422,178	\$1,485,951
Debt-to-worth ratio	.38	.56	.49	.44	.54	.57	.60

Centene manages their 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. Its working capital was negative and its current ratio/quick ratio was under one during some of the above periods due to efforts to increase investment returns through purchases of investments that have maturities of greater than one year and, therefore, are classified as long-term.

Please see the table below for the requested information based on the submitted financial statements for Louisiana Healthcare Connections (LHCC).

LHCC	Dec. 31 2011	Dec. 31 2012	Jun. 30 2013	Sep. 30 2013	Dec. 31 2013	Mar. 31 2014	Jun. 30 2014
Working capital (in 000's)	N/A	22,055	6,935	4,693	14,995	7,060	6,716
Current ratio	N/A	1.41	1.14	1.10	1.37	1.15	1.15
Quick ratio	N/A	1.30	1.02	0.98	1.35	1.07	1.01
Net worth (in 000's)	N/A	35,176	34,863	37,481	47,646	44,162	47,079
Debt-to-worth ratio	N/A	0.00	0.00	0.00	0.00	0.00	0.00

***B.2. Provide your last three (3) statements containing your Risk Based Capital Ratio as prepared in accordance with instructions published by the National Association of Insurance Commissioners (NAIC). Include for both the proposing entity and the parent organization if applicable.***

Louisiana Healthcare Connections, Inc. (LHCC) has operated as health plan in Louisiana since 2012 and has provided the following statements containing its Risk Based Capital Ratio as prepared in accordance with instructions published by the NAIC:

- ***Attachment B.2\_A\_2013 RBC Calculation***
- ***Attachment B.2\_B\_2012 RBC Calculation***

Statements containing Risk Based Capital Ratio are not filed for our parent company, Centene Corporation.

***B.3 As applicable, provide (in table format) the Proposer's current ratings as well as ratings for each of the past three years from AM Best Company.***

A.M. Best has withdrawn the ratings for all Centene Corporation entities as Centene Corporation has requested to no longer participate in A.M. Best's interactive rating process. DHH clarified in Addendum 8 that ratings from comparable rating agencies are acceptable. Provided in the table below are current debt ratings as well as ratings for each of the past three years from Moody's Investor Service. Louisiana Healthcare Connections is not rated on an individual basis.

NAIC Number	Type	Company Name	Current	2013	2012	2011
13970	HLT	Louisiana Healthcare Connections, Inc., a subsidiary of Centene Corporation	Ba2 senior debt rating			

***B.4 Provide a statement of whether or not, in the last ten (10) years, you or a predecessor company has filed (or had filed against it) any bankruptcy or insolvency proceeding, whether voluntary or involuntary, or undergone the appointment of a receiver, trustee, or assignee for the benefit of creditors. If so, provide an explanation that includes relevant details, including the date in which the Proposer emerged from bankruptcy or expects to emerge. If still in bankruptcy, provide a summary of the court approved reorganization plan. Include your organization's parent organization, affiliates, and subsidiaries in this response.***

Neither Louisiana Healthcare Connections, Inc. (LHCC), its parent company, Centene Corporation (“Centene”), nor any Centene subsidiaries, has filed (or had filed against it) any bankruptcy or insolvency proceeding, whether voluntary or involuntary, or undergone the appointment of a receiver, trustee, or assignee for the benefit of creditors.

***B.5 Provide the following as documentation of financial responsibility and stability:***  
***• a current written bank reference, in the form of a letter, indicating that the Proposer's business relationship with the financial institution is in positive standing;***

Please see the following page for a current written bank reference letter from US Bank, indicating that Louisiana Healthcare Connections’ parent organization, Centene Corporation, has a business relationship with US Bank and is in good standing.



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September 9, 2014

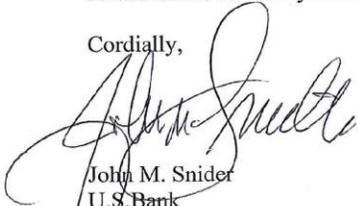
Attn: Mary Fuentes  
Department of Health and Hospitals  
Division of Contracts and Procurement Support  
628 N 4<sup>th</sup> Street, 5<sup>th</sup> Floor  
Baton Rouge, LA 70802

To Whom It May Concern:

This letter indicates that the Centene Corporation has a Proposer's business relationship with US Bank and we have listed the Corporation in positive standing. We continue to build a strong partnership and we look forward to future opportunities that we can help provide additional banking services.

Please let me know if you have further questions, I can be reached at 314-418-2923.

Cordially,



John M. Snider  
U.S. Bank  
Vice President – Treasury Management  
Corporate For-Profit Healthcare

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***• two current written, positive credit references, in the form of a letters, from vendors with which the Proposer has done business or, documentation of a credit rating determined by an accredited credit bureau within the last 6 months; and***

Please see the following pages for written, positive credit reference letters from vendors with which Louisiana Healthcare Connections has done business.

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September 4, 2014

Re: Credit Reference for Louisiana Healthcare Connections

To Whom It May Concern:

Baton Rouge Printing Company, Inc. is a supplier of printing and direct mail services for Louisiana Healthcare Connections. Louisiana Healthcare Connections has been a valued client of Baton Rouge Printing since December of 2011. We have had a positive credit experience with Louisiana Healthcare Connections to date and their payments have been consistent and timely.

Please accept this letter as a positive credit reference for Louisiana Healthcare Connections.

Sincerely,



Elizabeth Dunn

Sales Director, Baton Rouge Printing Company

TELEPHONE (225) 343-3423

TOLL FREE (800) 624-6892

FACSIMILE (225) 383-9937

MAILING ADDRESS

PO Box 97

Baton Rouge, LA 70821

PLANT ADDRESS

1130 Commercial Drive

Port Allen, LA 70767

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**kracke consulting**

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02 September 2014

RE: *Louisiana Healthcare Connections Credit Reference*

To Whom It May Concern:

Since August 9, 2010, Kracke Consulting has provided strategic marketing, communications and PR support to Louisiana Healthcare Connections and its parent company Centene. To date, all payments have been made within terms and Kracke Consulting is consistently reimbursed for all related expenses in a timely and efficient manner.

Sincerely,



Sarah Kracke  
*Principal*  
Kracke Consulting

543 Spanish Town Road  
Baton Rouge, LA 70802

504.289.3537  
sarah@sarahkracke.com

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***• a copy of a valid certificate of insurance indicating liability insurance in the amount of at least one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) in the aggregate.***

Please see the following page for a valid certificate of insurance indicating liability insurance in the amounts specified in the RFP.

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