

CENTENE CORP
Form DEF 14A
March 12, 2007
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CENTENE CORPORATION

(Name of Registrant as Specified In Its Charter)

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Centene Place
7711 Carondelet Avenue
St. Louis, Missouri 63105

March 19, 2007

Dear Fellow Stockholders:

Our 2007 Annual Meeting of Stockholders will be held at The Ritz-Carlton, 100 Carondelet Avenue, St. Louis, Missouri, at 10:00 A.M., central daylight savings time, on Tuesday, April 24, 2007. Annual meetings play an important role in maintaining communications and understanding among our management, board of directors and stockholders, and I hope that you will be able to join us.

On the pages following this letter you will find the Notice of 2007 Annual Meeting of Stockholders which lists the matters to be considered at the meeting, and the proxy statement which describes the matters listed in the Notice. We have also enclosed our 2006 Annual Report to Stockholders.

If you are a stockholder of record you may vote by internet, telephone, mail or at the meeting. We have enclosed your proxy card which allows you to vote on the matters considered at the meeting. To vote by internet or telephone, please follow the instructions on the enclosed proxy card. To vote by mail, simply mark, sign and date your proxy card, and then promptly mail the completed proxy card in the enclosed postage-paid envelope. You may attend the meeting and vote in person even if you have previously voted.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order for your shares to be voted.

Sincerely,

MICHAEL F. NEIDORFF
Chairman, President and Chief Executive Officer

**THE ABILITY TO HAVE YOUR VOTE COUNTED AT THE MEETING IS AN IMPORTANT
STOCKHOLDER RIGHT, AND I HOPE YOU WILL CAST YOUR VOTE IN PERSON
OR BY PROXY REGARDLESS OF THE NUMBER OF SHARES YOU HOLD.**

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CENTENE CORPORATION

CENTENE PLACE

7711 CARONDELET AVENUE

ST. LOUIS, MISSOURI 63105

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

Time and Date	10:00 A.M., central daylight savings time, on Tuesday, April 24, 2007
Place	The Ritz-Carlton 100 Carondelet Avenue St. Louis, Missouri 63105 Amphitheatre
Items of Business	At the meeting, we will ask you and our other stockholders to consider and act upon the following matters: <ol style="list-style-type: none">(1) to elect two Class III directors to three-year terms;(2) to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007;(3) approve amendments to the 2003 Stock Incentive Plan to increase the number of shares of common stock reserved for issuance under the plan by 800,000, from 5,100,000 to 5,900,000, and to effect certain other changes;(4) approve the 2007 Long-Term Incentive Plan; and(5) to transact any other business properly presented at the meeting.
Record Date	You may vote if you were a stockholder of record at the close of business on March 2, 2007.
Proxy Voting	It is important that your shares be represented and voted at the meeting. Whether or not you plan to attend the meeting, please vote by internet, telephone or mail. You may revoke your proxy at any time before its exercise at the meeting. Please reference the enclosed proxy card for additional information.
Stockholder List	A list of stockholders entitled to vote will be available at the meeting. In addition, you may contact our Secretary, Keith H. Williamson, at our address as set forth in the notice appearing before this proxy statement, to make arrangements to review a copy of the stockholder list at our offices located at Centene Place, 7711 Carondelet Avenue, St. Louis, Missouri, before the meeting, between the hours of 8:00 A.M. and 5:00 P.M., central daylight savings time, on any business day from April 10, 2007, up to one hour prior to the time of the meeting.
Attending the Annual Meeting	If you would like to attend the meeting, please bring evidence to the meeting that you own common stock, such as a stock certificate, or, if your shares are held by a broker, bank or other nominee, please bring a recent brokerage statement or a letter from the nominee confirming your beneficial ownership of such shares. You must also bring a form of personal identification.

By order of the board of directors,

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Keith H. Williamson

Secretary

St. Louis, Missouri

March 19, 2007

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**PROXY STATEMENT
FOR THE
CENTENE CORPORATION
2007 ANNUAL MEETING OF STOCKHOLDERS**

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INFORMATION ABOUT THE MEETING

This Proxy Statement

We have sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at our 2007 Annual Meeting of Stockholders or any adjournment or postponement of the meeting. The meeting will be held at 10:00 A.M., central daylight savings time, on Tuesday, April 24, 2007, at The Ritz-Carlton, 100 Carondelet Avenue, St. Louis, Missouri.

THIS PROXY STATEMENT summarizes information about the proposals to be considered at the meeting and other information you may find useful in determining how to vote.

THE PROXY CARD is the means by which you actually authorize another person to vote your shares in accordance with the instructions.

Our directors, officers and employees may solicit proxies in person or by telephone, mail, electronic mail or facsimile. We will pay the expenses of soliciting proxies, although we will not pay additional compensation to these individuals for soliciting proxies. We will request banks, brokers and other nominees holding shares for a beneficial owner to forward copies of the proxy materials to those beneficial owners and to request instructions for voting those shares. We will reimburse these banks, brokers and other nominees for their related reasonable expenses. Although no proxy solicitor has been engaged at this time, we may determine it is necessary to employ an outside firm to assist in the solicitation process. If so, we will pay the proxy solicitor reasonable and customary fees.

We are mailing this proxy statement and the enclosed proxy card to stockholders for the first time on or about March 19, 2007. In this mailing, we are including a copy of our 2006 Annual Report to Stockholders.

Who May Vote

Holders of record of our common stock at the close of business on March 2, 2007 are entitled to one vote per share on each matter properly brought before the meeting. The enclosed proxy card states the number of shares you are entitled to vote.

A list of stockholders entitled to vote will be available at the meeting. In addition, you may contact our Secretary, Keith H. Williamson, at our address as set forth in the notice appearing before this proxy statement, to make arrangements to review a copy of the stockholder list at our offices located at Centene Place, 7711 Carondelet Avenue, St. Louis, Missouri, before the meeting, between the hours of 8:00 A.M. and 5:00 P.M., central daylight savings time, on any business day from April 10, 2007, up to one hour prior to the time of the meeting.

How to Vote

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You may vote your shares at the meeting in person or by proxy:

TO VOTE IN PERSON, you must attend the meeting, and then complete and submit the ballot provided at the meeting. If your shares are held in the name of a bank, broker or other nominee holder, you will receive instructions from the holder of record explaining how your shares may be voted. Please note that, in such an event, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

TO VOTE BY PROXY, you must follow the instructions on the enclosed proxy card and then vote via internet, telephone or mail the proxy card in the enclosed postage-paid envelope. Your proxy will be valid only if you vote before the meeting. By voting, you will direct the designated persons to vote your shares at the meeting in the manner you specify in the proxy card. If you complete the proxy card with the exception of the voting instructions, then the designated persons will vote your shares in accordance with the instructions contained therein, and if no choice is specified, such proxies will be voted in favor of the matters set forth in the accompanying Notice of Annual Meeting. If any other business properly comes before the meeting, the designated persons will have the discretion to vote your shares as they deem appropriate.

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Even if you complete and return a proxy card, you may revoke it at any time before it is exercised by taking one of the following actions:

send written notice to Keith H. Williamson, our Secretary, at our address as set forth in the notice appearing before this proxy statement;

send us another signed proxy with a later date; or

attend the meeting, notify our Secretary that you are present, and then vote by ballot.

Attending the Annual Meeting

If you would like to attend the Meeting, please bring evidence to the meeting that you own common stock, such as a stock certificate, or, if your shares are held by a broker, bank or other nominee, please bring a recent brokerage statement or a letter from the nominee confirming your beneficial ownership of such shares. You must also bring a form of personal identification.

Quorum Required to Transact Business

At the close of business on March 2, 2007, 43,470,964 shares of our common stock were outstanding. Our by-laws require that a majority of the shares of our common stock issued and outstanding on that date be represented, in person or by proxy, at the meeting in order to constitute the quorum we need to transact business. We will count abstentions and broker non-votes in determining whether a quorum exists. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Vote Required to Approve Proposals

In the election of directors, the two nominees receiving the greatest number of votes cast **FOR** shall be elected as directors. Abstentions and broker non-votes will have no effect on the voting outcome with respect to the election of directors.

The affirmative vote of the holders of a majority of the shares of common stock present or represented by proxy and entitled to vote on the matter at the meeting is necessary to ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007. Abstentions with respect to a matter are considered present and entitled to vote and therefore will have the same effect as a vote against the proposal. Broker non-votes with respect to a matter will not be considered as present and entitled to vote with respect to the matter and thus will have no effect on the vote.

The affirmative vote of the holders of a majority of the shares of common stock present or represented by proxy and entitled to vote on the matter at the meeting is necessary to approve the amendments to the 2003 Stock Incentive Plan. Abstentions with respect to a matter are

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considered present and entitled to vote and therefore will have the same effect as a vote against the proposal. Broker non-votes with respect to a matter will not be considered as present and entitled to vote with respect to the matter and thus will have no effect on the vote.

The affirmative vote of the holders of a majority of the shares of common stock present or represented and voting on the matter at the meeting is necessary to approve the 2007 Long-Term Incentive Plan. Abstentions with respect to a matter are considered present and entitled to vote and therefore will have the same effect as a vote against the proposal. Broker non-votes with respect to a matter will not be considered as present and entitled to vote with respect to the matter and thus will have no effect on the vote.

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DISCUSSION OF PROPOSALS

Proposal One: Election of Class III Directors

The first proposal on the agenda for the meeting is the election of two nominees to serve as Class III directors for three-year terms beginning at the meeting and ending at our 2010 Annual Meeting of Stockholders.

Under our by-laws, our board of directors has the authority to fix the number of directors, provided that the board must have between five and eleven members. The board of directors currently consists of eight members. Our by-laws provide that the board is to be divided into three classes serving for staggered three-year terms.

The board has nominated Steve Bartlett and Tommy Thompson, current Class III directors, for re-election to the board. Brief biographies of the nominees, as of March 2, 2007, follow. You will find information about their stock holdings on page 40.

Steve Bartlett

Mr. Bartlett has been a director since May 2004. Mr. Bartlett is President and Chief Executive Officer of The Financial Services Roundtable in Washington, D.C., a position he has held since 1999. Mr. Bartlett served as the Mayor of Dallas, Texas from 1991 to 1995 and as a Member of the U.S. House of Representatives from 1983 to 1991. Mr. Bartlett is 59 years old.

Tommy Thompson

Mr. Thompson has been a director since April 2005. Mr. Thompson is a partner in the firm of Akin Gump Strauss Hauer & Feld LLP in Washington, D.C.; is President of Logistics Health, Inc., a provider of medical readiness and homeland security solutions; and works for the consulting practice of Deloitte and Touche USA LLP. From 2001 to January 2005, Mr. Thompson served as secretary of U.S. Department of Health & Human Services. From 1987 to 2001, Mr. Thompson served as Governor of the State of Wisconsin. Mr. Thompson also serves as a director for C.R. Bard, Inc., a designer, manufacturer, and distributor of medical, surgical, diagnostic, and patient care devices; Pure Bioscience, a manufacturer and marketer of technology-based bioscience products; and Verichip Corporation, a developer and marketer of radio frequency identification systems. Mr. Thompson is 65 years old.

We expect that Messrs. Bartlett and Thompson will be able to serve if elected. If either of them is not able to serve, proxies may be voted for a substitute nominee or nominees.

The board believes the election of these two nominees is in our best interest and the best interest of our stockholders and recommends a vote FOR the election of the two nominees.

Proposal Two: Ratification of Appointment of Independent Registered Public Accounting Firm

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KPMG LLP has served as our independent registered public accounting firm since June 2005 and audited our financial statements for the fiscal years ended December 31, 2005 and 2006. The audit committee has selected KPMG LLP to serve as our independent registered public accounting firm for the current fiscal year, and we are asking stockholders to ratify this appointment. Stockholder ratification of this selection is not required by our by-laws or other applicable legal requirements. Our board of directors is, however, submitting the selection of KPMG LLP to stockholders for ratification as a matter of good corporate practice. In the event that stockholders fail to ratify the selection, the audit committee will consider whether or not to retain that firm. Even if the selection is ratified, the audit committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the audit committee believes that a change would be in our and our stockholders' best interest.

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The affirmative vote of the holders of a majority of the shares present or represented by proxy and entitled to vote at the meeting is being sought to ratify the selection of KPMG LLP as our independent registered public accounting firm for the current fiscal year.

The board recommends that stockholders vote FOR the ratification of the selection of KPMG LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2007.

Proposal Three: Approval of Amendment to the 2003 Stock Incentive Plan

Overview

In March 2007, our board of directors adopted an amendment to our 2003 Stock Incentive Plan, referred to below as the 2003 Plan, that would increase the number of shares of common stock available for grant under the 2003 Plan by 800,000 from 5,100,000 to 5,900,000, subject to adjustment in the event of stock splits and other similar events. The board also approved an amendment to the 2003 Plan to the effect that no more than 400,000 shares of restricted stock, or shares underlying restricted stock units, in the aggregate may be granted under the 2003 Plan following the April 24, 2007, Annual Meeting of Stockholders.

In order to address potential stockholder concerns regarding the number of options, stock appreciation rights or restricted stock awards we intend to grant in a given year, the board of directors commits to our stockholders that for each of the next three fiscal years (commencing on January 1, 2007) it will not grant a number of shares subject to options, stock appreciation rights or restricted stock awards to employees or non-employee directors greater than 4.19% of the number of shares of our common stock outstanding as of January 1 of each fiscal year. For purposes of calculating the number of shares granted in a year, restricted stock awards will count as equivalent to (1) 1.5 option shares, if our annual stock price volatility is 53% or higher, (2) two option shares if our annual stock price volatility is between 25% and 52%, and (3) four option shares if our annual stock price volatility is less than 25%. Shares awards granted to new employees in connection with an acquisition are excluded from the foregoing calculation.

The increase in reserved shares under the 2003 Plan approved by the board in March 2007, referred to below as the Plan Amendment, will be effective subject to the approval of our stockholders. For a more complete description of the Plan Amendment, please see Summary of the 2003 Plan below and the copy of the 2003 Plan included as Appendix A to this proxy statement.

Under our 2003 Plan, we currently are authorized to award up to an aggregate of 5,100,000 shares of common stock to our officers, directors, employees, advisors and consultants. As of December 31, 2006, there were 31,534 shares of common stock available for grant under the 2003 Plan and an aggregate of 287,510 shares of common stock available for grant under our other existing stock incentive plans. If the Plan Amendment is approved, we will have approximately 831,534 shares available under the 2003 Plan, which the board believes will be sufficient for a reasonable period. The closing price of our common stock on March 2, 2007 was \$23.85.

We use the 2003 Plan to attract and retain talented employees in a highly competitive employment market. Our management carefully considers all proposed grants under the 2003 Plan, and our compensation committee or chairman and chief executive officer, with authority delegated from our board of directors, approves all awards.

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Our board of directors believes that our future success depends, in large part, upon our ability to maintain a competitive position to:

attract new employees and executives with competitive compensation packages;

retain our existing executives who are attractive candidates to other companies in our industries;

motivate and recognize our high performing individuals; and

ensure the availability of stock incentives for employees we hire as a result of acquisitions.

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Accordingly, our board of directors believes the Plan Amendment is in our best interest and the best interest of our stockholders and recommends a vote FOR the Plan Amendment. In the event the Plan Amendment is not approved at the meeting, the board will reconsider the alternatives available to help attract, retain and motivate key individuals who are currently our employees or who become employees as the result of any future acquisitions.

The affirmative vote of a majority of the common stock entitled to vote and present in person or represented by proxy at the meeting is required for the approval of the Plan Amendment. Abstentions are considered present and entitled to vote and therefore will have the same effect as a vote against the proposal. Broker non-votes will not be considered as present and entitled to vote and thus will have no effect on the vote.

Summary of the 2003 Plan

The following is a brief summary of the 2003 Plan. A copy of the 2003 Plan, as proposed to be amended, is included as Appendix A to this proxy statement. The following summary is qualified in its entirety by reference to the 2003 Plan.

Types of Awards

The 2003 Plan provides for the grant of:

incentive stock options intended to qualify under Section 422 of the Internal Revenue Code;

non-statutory stock options;

restricted stock awards; and

restricted stock units, collectively referred to herein as awards; and

stock appreciation rights.

Options. Optionees receive the right to purchase a specified number of shares of our common stock at a specified option price and are subject to such other terms and conditions as are specified in connection with the option grant. We may grant options only at an exercise price that is equal to or greater than the fair market value of our common stock on the date of grant. Under present law, incentive stock options and options intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code may not be granted at an exercise price less than the fair market value of our common stock on the date of grant or less than 110% of the fair market value in the case of incentive stock options granted to optionees holding more than 10% of the voting power of Centene. The 2003 Plan permits the following forms of payment of the exercise price of options:

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payment by cash, check or in connection with a cashless exercise through a broker;

surrender of shares of our common stock that have been held for at least six months;

any other lawful means (other than promissory notes); or

any combination of these forms of payment.

Restricted Stock Awards. Restricted stock awards entitle recipients to acquire shares of our common stock, subject to our right to repurchase all or part of such shares from the recipient at the issue price or other stated formula or price in the event that the conditions specified in the applicable award are not satisfied before the end of the applicable restriction period established for such award.

Restricted Stock Units. Restricted stock unit awards entitle recipients to acquire shares of our common stock in the future, and we promise to complete the issuance of stock to the recipient promptly after the award vests. The right to acquire the stock will be subject to terms and conditions established by the board of directors and the shares received may be subject to restrictions or repurchase.

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Stock Appreciation Rights. A stock appreciation right, or SAR, is an award entitling the holder upon exercise to receive an amount in common stock determined in whole or in part by reference to appreciation, from and after the date of grant, in the fair market value of a share of common stock. SARs may be based solely on appreciation in the fair market value of common stock or on a comparison of such appreciation with some other measure of market growth such as appreciation in a recognized market index. SARs may be issued in tandem with options or as stand-alone rights. We may grant SARs only at an exercise price that is equal to or greater than the fair market value of our common stock on the date of grant.

Eligibility to Receive Awards

Our employees, officers, directors, consultants and advisors are eligible to be granted awards under the 2003 Plan. Under present law, however, incentive stock options may only be granted to employees of Centene or any of our subsidiaries. The maximum number of shares with respect to which awards may be granted to any participant under the 2003 Plan may not exceed 1,500,000 in any calendar year. In addition to the preceding limitation, the maximum number of shares (a) with respect to which awards may be granted in any calendar year, commencing in 2005, shall not exceed 2% of our total outstanding capital stock as of January 1 of such calendar year and (b) with respect to which restricted stock awards may be granted after April 24, 2007 may not exceed 400,000.

Plan Benefits

As of March 2, 2007, approximately 2,700 of our employees and directors were eligible to receive awards under the 2003 Plan, including our ten executive officers and seven non-employee directors.

The granting of awards under the 2003 Plan is discretionary, and we cannot now determine the number or type of awards to be granted in the future to any particular person or group. Such awards will be granted at the discretion of our board of directors or, in the event they have delegated this authority, their delegatee.

Administration

Our board of directors will administer the 2003 Plan. The board will have the authority to grant awards and adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2003 Plan and to interpret the provisions of the 2003 Plan. Pursuant to the terms of the 2003 Plan, the board may delegate authority under the 2003 Plan to one or more committees or subcommittees of the board or one or more of our executive officers, provided that the board fixes the terms of the awards and the maximum number of shares that any executive officer may grant.

Subject to any applicable limitations contained in the 2003 Plan, the board or any committee to which the board delegates authority, as the case may be, will select the recipients of awards and determine:

the number of shares of our common stock covered by options and the dates upon which such options become exercisable;

the exercise price of options;

the duration of options; and

the number of shares of our common stock subject to any restricted stock or other stock-based awards and the terms and conditions of such awards, including conditions for repurchase, issue price and repurchase price, subject to the restriction on re-pricing described below.

No award made after July 19, 2005 to an employee may become exercisable in increments greater than one-third of the total award in any period of twelve consecutive months. The board is required to make appropriate adjustments in connection with the 2003 Plan and any outstanding awards to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization.

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Unless such action is approved by our stockholders:

no outstanding award granted under the 2003 Plan may be amended to provide for an exercise price per share that is less than the then-existing exercise price per share of such outstanding award,

the board may not cancel any outstanding award (whether or not granted under the 2003 Plan) and grant in substitution therefore new awards under the 2003 Plan covering the same or a different number of shares and having an exercise price per share less than the then-existing exercise price per share of the cancelled award and

no outstanding award granted under the 2003 Plan may be repurchased by the Company at a price greater than the current fair market value of the outstanding award.

If any award expires or is terminated, surrendered, canceled or forfeited, the unused shares of our common stock covered by such award will again be available for grant under the 2003 Plan, subject, however, in the case of incentive stock options, to any limitations under the Internal Revenue Code. Shares of common stock covered by SARs are counted against the number of shares available for future grant under the 2003 Plan and shares of common stock tendered to purchase shares of common stock upon the exercise of any award or satisfy tax withholding obligations are not added back to the number of shares available for future grant under the 2003 Plan.

Transferability

Transfers of awards under the 2003 Plan will be limited to transfers pursuant to qualified domestic relations orders and gratuitous transfers for the benefit of immediate family members, family trusts or family partnerships.

Amendment or Termination

No award may be made under the 2003 Plan after March 13, 2013, but awards previously granted may extend beyond that date. The board of directors may at any time amend, suspend or terminate the 2003 Plan, except that:

all material revisions (as defined by the applicable rules of the New York Stock Exchange in effect as of July 22, 2005) to the 2003 Plan shall be subject to stockholder approval, and

no award designated as subject to Section 162(m) of the Internal Revenue Code by the board after the date of such amendment shall become exercisable, realizable or vested (to the extent such amendment was required to grant such award) unless and until such amendment shall have been approved by our stockholders.

U.S. Federal Income Tax Consequences

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The following is a summary of the United States federal income tax consequences that generally will arise with respect to awards granted under the 2003 Plan and with respect to the sale of common stock acquired under the 2003 Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement. Changes to these laws could alter the tax consequences described below. This summary is not intended to be a complete discussion of all the federal income tax consequences associated with the 2003 Plan. Accordingly, for precise advice as to any specific transaction or set of circumstances, participants should consult with their own tax and legal advisors. Participants should also consult with their own tax and legal advisors regarding the application of any state, local and foreign taxes and any federal gift, estate and inheritance taxes.

Incentive Stock Options. In general, a participant will not recognize taxable income upon the grant or exercise of an incentive stock option. Instead, a participant will recognize taxable income with respect to an incentive stock option only upon the sale of common stock acquired through the exercise of the option, referred to below as ISO Stock, provided the participant has not ceased to be an employee for more than three months before the date of the exercise. The exercise of an incentive stock option, however, may subject the participant to the alternative minimum tax.

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Generally, the tax consequences of selling ISO Stock will vary depending on the date on which it is sold. If the participant sells ISO Stock more than two years from the date the option was granted and more than one year from the date the option was exercised, then the participant will recognize long-term capital gain in an amount equal to the excess of the sale price of the ISO Stock over the exercise price.

If the participant sells ISO Stock before satisfying the above waiting periods, called a disqualifying disposition, then all or a portion of the gain recognized by the participant will be ordinary compensation income and the remaining gain, if any, will be a capital gain. The amount of the ordinary gain will be the difference between the lesser of the amount realized on disposition of the shares or the fair market value of the shares on the date of exercise and the exercise price of the stock. The amount of capital gain will be the amount not already realized as ordinary gain that the participant realizes upon disposition of the shares that exceeds the fair market value of those shares on the date the participant exercised the option. This capital gain will be a long-term capital gain if the participant has held the ISO Stock for more than one year before the date of sale.

If a participant sells ISO Stock for less than the exercise price, then the participant will recognize capital loss in an amount equal to the excess of the exercise price over the sale price of the ISO Stock. This capital loss will be a long-term capital loss if the participant has held the ISO Stock for more than one year before the date of sale.

Non-Statutory Stock Options. As in the case of an incentive stock option, a participant will not recognize taxable income upon the grant of a non-statutory stock option. Unlike the case of an incentive stock option, however, a participant who exercises a non-statutory stock option generally will recognize ordinary compensation income in an amount equal to the excess of the fair market value of the common stock acquired through the exercise of the option, referred to below as NSO Stock, on the exercise date over the exercise price.

With respect to any NSO Stock, a participant will have a tax basis equal to the exercise price plus any income recognized upon the exercise of the option. Upon selling NSO Stock, a participant generally will recognize capital gain or loss in an amount equal to the difference between the sale price of the NSO Stock and the participant's tax basis in the NSO Stock. This capital gain or loss will be a long-term gain or loss if the participant has held the NSO Stock for more than one year before the date of the sale.

Early-Exercise Alternative. The board of directors may permit a participant to exercise the unvested portion of an option, subject to our right to repurchase the unvested shares. In general, a participant who exercises the unvested portion of an option and then makes a valid election under Section 83(b) of the Internal Revenue Code within 30 days of the exercise date should be taxed as if the underlying shares were vested shares with the consequences described above under *Incentive Stock Options* or *Non-Statutory Stock Options* (whichever is applicable), provided, however, that current law relating to incentive stock options in this context is not entirely certain. A participant who exercises the unvested portion of an option and does not make a valid Section 83(b) election within 30 days of the exercise date generally will be treated as having exercised the option to the extent that our repurchase right lapses with respect to the underlying shares. Otherwise, the participant will be taxed as described above under *Incentive Stock Options* or *Non-Statutory Stock Options*, whichever is applicable.

Restricted Stock Awards. A participant will not recognize taxable income upon the grant of a restricted stock award unless the participant makes a Section 83(b) election. If the participant makes a valid Section 83(b) election within 30 days of the date of the grant, then the participant will recognize ordinary compensation income, for the year in which the award is granted, in an amount equal to the difference between the fair market value of our common stock at the time the award is granted and the purchase price paid for the common stock. If a valid Section 83(b) election is not made, then the participant will recognize ordinary compensation income, at the time that the forfeiture provisions or restrictions on transfer lapse, in an amount equal to the difference between the fair market value of our common stock at the time of such lapse and the original purchase price paid for the common stock. The participant will have a tax basis in the common stock acquired equal to the sum of the price paid and the amount of ordinary compensation income recognized.

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Upon the disposition of the common stock acquired pursuant to a restricted stock award, the participant will recognize a capital gain or loss equal to the difference between the sale price of the common stock and the participant's tax basis in the common stock. This capital gain or loss will be a long-term capital gain or loss if the shares are held for more than one year from earlier of the date that the participant made a Section 83(b) election or the forfeiture provisions and restrictions on transfer lapsed.

Restricted Stock Units. The tax consequences of restricted stock units are substantially the same as the tax consequences of restricted stock, except that no Section 83(b) election may be made with respect to restricted stock units.

Stock Appreciation Rights. A participant will not have income upon the grant of a SAR. A participant will have compensation income upon the exercise of a SAR equal to the appreciation in the value of the stock underlying the SAR. When the stock distributed in settlement of the SAR is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the exercise date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Tax Consequences to Centene

The grant of an award under the 2003 Plan generally will have no tax consequences to us. Moreover, in general, neither the exercise of an incentive stock option nor the sale of any common stock acquired under the 2003 Plan will have any tax consequences to us. We, and our subsidiaries, generally will be entitled to a business-expense deduction, however, with respect to any ordinary compensation income recognized by a participant under the 2003 Plan, including in connection with a restricted stock award, restricted stock unit or SAR or as a result of the exercise of a non-statutory stock option or a disqualifying disposition. Any such deduction will be subject to the limitations of Section 162(m) of the Internal Revenue Code.

Proposal Four: Approval of the 2007 Long-Term Incentive Plan

Overview

In March 2007, our board of directors adopted, subject to stockholder approval, the 2007 Long-Term Incentive Plan, referred to below as the 2007 LTIP. The 2007 LTIP provides for cash-based awards to those employees selected by our compensation committee to participate in the 2007 LTIP. The purpose of the 2007 LTIP is to provide a means for our employees to develop a sense of proprietorship and personal involvement in our development and financial success and encourage them to devote their best efforts to our business, thereby advancing our interests and the interests of our stockholders. For a more complete description of the 2007 LTIP, please see "Summary of the 2007 LTIP" below and the copy of the 2007 LTIP included as Appendix B to this proxy statement.

As previously noted, our board of directors believes that our future success depends, in large part, upon our ability to maintain a competitive position to:

attract new employees and executives with competitive compensation packages;

retain our existing executives who are attractive candidates to other companies in our industries;

motivate and recognize our high performing individuals; and

ensure the availability of stock incentives for employees we hire as a result of acquisitions.

Accordingly, our board of directors believes the adoption of the 2007 LTIP is in our best interest and the best interest of our stockholders and recommends a vote FOR the adoption of the 2007 LTIP. In the event the adoption of the 2007 LTIP is not approved at the meeting, the board will reconsider the alternatives available to help attract, retain and motivate key individuals who are currently our employees or who become employees as the result of any future acquisitions.

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The affirmative vote of a majority of the common stock entitled to vote and present in person or represented by proxy at the meeting is required for the adoption of the 2007 LTIP. Abstentions are considered present and entitled to vote and therefore will have the same effect as a vote against the proposal. Broker non-votes will not be considered as present and entitled to vote and thus will have no effect on the vote.

Summary of the 2007 LTIP

The following is a brief summary of the 2007 LTIP. A copy of the 2007 LTIP is included as Appendix B to this proxy statement. The following summary is qualified in its entirety by reference to the 2007 LTIP.

Cash-Based Awards

The 2007 LTIP provides for the grant of cash-based awards. Subject to the provisions of the 2007 LTIP, the compensation committee may determine the payment amount or range of payment amounts for any cash-based award and the terms of any such award, including, without limitation, the length of the performance period, any performance goals to be achieved during any performance period, the extent to which an award may be subject to reduction, cancellation, forfeiture or recoupment. The terms of an award will be set forth in an award agreement.

Cash-based awards will be paid in cash and/or vest in accordance with the terms of the award and, in the event the award contains performance goals, only after the end of the relevant performance period to the extent the applicable performance goals are met. The compensation committee may determine the extent to which a participant may receive payment for an award following, among other things, his or her termination of employment or in the event of a change in control of us which will be set forth in the award agreement.

Performance Measures

Any performance goals upon which the payment or vesting of an award to a covered employee under Section 162(m) of the Internal Revenue Code, other than a covered employee annual incentive award, will be determined by the compensation committee and will be based on performance measures that consist of one or any combination of two or more of the following:

net earnings or net income (before and after taxes);

earnings per share

net sales or revenue growth

net operating profit

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return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);

cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);

earnings before or after taxes, interest, depreciation, and/or amortization;

gross or operating margins;

productivity ratios;

share price (including, but not limited to, growth measures and total shareholder return);

expense targets;

margins;

operating efficiency;

market share;

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customer satisfaction;

working capital targets; and

economic value added or EVA[®] (net operating profit after tax minus the sum of capital multiplied by the cost of capital).

The compensation committee may use these performance measure(s) to:

measure our performance, or the performance of any of our subsidiaries and/or affiliates, as a whole or measure the performance of any of our business units, or any of the business units of our subsidiaries and/or affiliates, or any combination thereof, as the compensation committee may deem appropriate;

compare any of the foregoing performance measures to the performance of a group of comparator companies, or a published or special index that the compensation committee deems appropriate; or

compare our share price (including, but not limited to, growth measures and total shareholder return) to various stock market indices.

Covered Employee Annual Incentive Awards

The compensation committee may designate certain covered employees under Section 162(m) of the Internal Revenue Code to be eligible to receive a monetary payment in any year based on a percentage of an incentive pool equal to the greater of: (i) 5% of our consolidated earnings before income taxes, excluding certain extraordinary items, for such year, (ii) 3% of our cash flow from operating activities for such year, or (iii) 8% of our consolidated net income for such year. The compensation committee shall allocate an incentive pool percentage to each designated employee at the beginning of each year. In no event may (i) the incentive pool percentage for any one designated employee exceed 50% of the total pool, and (ii) the sum of the incentive pool percentages for all designated employees cannot exceed 100% of the total pool. In no event may the portion of the incentive pool allocated to a designated employee be increased in any way. The compensation committee shall retain the discretion to adjust any such awards downward.

Eligibility to Receive Awards

Those of our employees, including employees of our subsidiaries, that are chosen by our board of directors or its delegatee are eligible to be granted awards under the 2007 LTIP.

Table of Contents**Plan Benefits**

As of March 2, 2007, approximately 50 of our employees were eligible to receive awards under the 2007 LTIP, including our ten executive officers. The following table presents awards granted in December 2006 which are subject to stockholder approval of the 2007 LTIP. Final cash payouts under these grants will be based upon meeting certain performance criteria over the three year period from January 1, 2007 through December 31, 2009.

Name and Position	Dollar Value (\$)		
	Target	Threshold	Maximum
Michael F. Neidorff <i>Chairman, President and Chief Executive Officer</i>	\$ 1,425,000	\$ 356,250	\$ 2,137,500
J. Per Brodin <i>Senior Vice President and Chief Financial Officer</i>	180,000	45,000	270,000
William N. Scheffel <i>Senior Vice President, Specialty Business Unit</i>	425,000	106,250	637,500
Karey L. Witty ¹ <i>Senior Vice President, Health Plan Business Unit</i>	450,000	112,500	675,000
Carol E. Goldman <i>Senior Vice President and Chief Administrative Officer</i>	195,000	48,750	292,500
All executive officers, as a group	3,465,000	866,250	5,197,500
All directors who are not executive officers, as a group			
All employees who are not executive officers, as a group	1,008,500	252,125	1,512,750

¹ The grant to Mr. Witty was forfeited effective March 2007.

The granting of awards under the 2007 LTIP is discretionary, and we cannot now determine the number of awards to be granted in the future to any particular person or group. Such awards will be granted at the discretion of the compensation committee.

Administration

Our compensation committee will administer the 2007 LTIP, subject to the provisions of the plan. The compensation committee will have the authority to:

interpret the provisions of the 2007 LTIP and any award agreement,

determine eligibility for awards and to adopt such rules, regulations, forms, instruments, and guidelines for administering the 2007 LTIP.

Such authority shall include, but not be limited to, selecting award recipients, establishing all award terms and conditions, including the terms and conditions in award agreements, granting awards as an alternative to or as the form of payment for grants or rights earned or due under our

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other compensation plans or arrangements, construing any ambiguous provisions of the 2007 LTIP or any award agreement, and, subject to the provisions of the 2007 LTIP adopting modifications and amendments to the 2007 LTIP or any award agreement, including without limitation, any that are necessary to comply with the laws of the countries and other jurisdictions in which we and our subsidiaries operate.

Pursuant to the terms of the 2007 LTIP, the compensation committee may delegate administrative duties under the 2007 LTIP to one or more members of the compensation committee, one or more of our officers or one or more of our agents or advisors. Subject to any applicable limitations contained in the 2007 LTIP, the compensation committee may delegate authority to one or more of our officers to select the recipients of awards and determine the size of any awards.

The compensation committee is required to make appropriate adjustments in connection with the 2007 LTIP and any outstanding awards to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization.

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Transferability

Transfers of awards under the 2007 LTIP will be limited to transfers by will or by the laws of descent and distribution.

Amendment or Termination

No award may be made under the 2007 LTIP after April 24, 2017, but awards previously granted may extend beyond that date. The board of directors may at any time amend, suspend or terminate the 2007 LTIP, except that no amendment may be made without stockholder approval, if such approval is required by law, regulation or stock exchange rule. Additionally, no termination, amendment, suspension or modification of the 2007 LTIP or an award agreement will adversely affect any outstanding award without the consent of the holder of such award.

U.S. Federal Income Tax Consequences

The following is a summary of the United States federal income tax consequences that generally will arise with respect to awards granted under the 2007 LTIP and with respect to the sale of common stock acquired under the 2007 LTIP. This summary is based on the federal tax laws in effect as of the date of this proxy statement. Changes to these laws could alter the tax consequences described below. This summary is not intended to be a complete discussion of all the federal income tax consequences associated with the 2007 LTIP. Accordingly, for precise advice as to any specific transaction or set of circumstances, participants should consult with their own tax and legal advisors. Participants should also consult with their own tax and legal advisors regarding the application of any state, local and foreign taxes and any federal gift, estate and inheritance taxes.

A participant generally will not recognize taxable income upon the grant of a cash-based award. Instead, a participant will recognize as ordinary income any cash delivered in payment of an amount due under the cash-based award. The ordinary income the participant recognizes will be subject to applicable tax withholding by the Company.

Tax Consequences to Centene

The grant of an award under the 2007 LTIP generally will have no tax consequences to us. We, and our subsidiaries, generally will be entitled to a business-expense deduction, however, with respect to any ordinary compensation income recognized by a participant under the 2007 LTIP, including in connection with a cash-based award or a covered employee annual incentive award. Any such deduction will be subject to the limitations of Section 162(m) of the Internal Revenue Code.

Other Matters

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Our board of directors is not aware of any matters that are expected to come before the meeting other than those referred to in this proxy statement. If any other matter should properly come before the meeting, the persons named in the accompanying proxy card intend to vote the proxies in accordance with their best judgment.

The chairperson of the meeting may refuse to allow the transaction of any business not presented beforehand, or to acknowledge the nomination of any person not made, in compliance with the above procedures.

Submission of Future Stockholder Proposals

Under SEC rules, a stockholder who intends to present a proposal, including nomination of a director, at our 2008 Annual Meeting of Stockholders and who wishes the proposal to be included in the proxy statement for that meeting must submit the proposal in writing to Keith H. Williamson, our Secretary, at Centene Place, 7711 Carondelet Avenue, St. Louis, Missouri 63105, before November 16, 2007. SEC rules set standards for the types of stockholder proposals and the information that must be provided by the stockholder making the request.

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A stockholder may also submit a proposal to be considered at our 2008 Annual Meeting of Stockholders pursuant to our by-laws, which provide that the proposal must be received by our Secretary not less than sixty days nor more than ninety days before that meeting. This notice must include the information required by the provisions of our by-laws, a copy of which may be obtained by writing to our Secretary at the address specified above. We have not yet set a date for our 2008 Annual Meeting of Stockholders. If the 2008 Annual Meeting of Stockholders were to be held on April 24, 2008, the anniversary of the 2007 Annual Meeting, the deadline for delivery of a stockholder proposal pursuant to our by-laws would be February 24, 2008. If a proposal is submitted pursuant to our by-laws by February 24, 2008 but after November 16, 2007, the stockholder may not require that the proposal be included in the proxy statement for the 2008 Annual Meeting of Stockholders. If the date of our 2008 Annual Meeting of Stockholders is advanced or delayed by more than 30 days from April 24, 2008, we shall inform our stockholders, in our earliest possible quarterly report on Form 10-Q, of such change and the new dates for submitting stockholder proposals.

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**INFORMATION ABOUT
CONTINUING DIRECTORS AND EXECUTIVE OFFICERS**

Background Information about Directors Continuing in Office

Our Class I and Class II directors will continue in office following the meeting. The terms of our Class I directors will expire upon our 2008 Annual Meeting of Stockholders, and the terms of our Class II directors will expire upon our 2009 Annual Meeting of Stockholders. Brief biographies of these directors follow. You will find information about their holdings of common stock on page 40.

Class I Directors

Michael F. Neidorff

Mr. Neidorff has served as our Chairman, President and Chief Executive Officer since May 2004. From May 1996 to May 2004, Mr. Neidorff served as President, Chief Executive Officer and as a member of our board of directors. From 1995 to 1996, Mr. Neidorff served as a Regional Vice President of Coventry Corporation, a publicly traded managed care organization, and as the President and Chief Executive Officer of one of its subsidiaries, Group Health Plan, Inc. From 1985 to 1995, Mr. Neidorff served as the President and Chief Executive Officer of Physicians Health Plan of Greater St. Louis, a subsidiary of United Healthcare Corp., a publicly traded managed care organization now known as UnitedHealth Group Incorporated. Mr. Neidorff serves as director of Brown Shoe Company, Inc., a footwear company with global operations. Mr. Neidorff is 64 years old.

Richard A. Gephardt

Mr. Gephardt has been a director since December 2006. Mr. Gephardt has served as a consultant to Goldman, Sachs & Co. since January 2005, as Senior Advisor to DLA Piper since June 2005, and as Senior Advisor to FTI since January 2007. Mr. Gephardt served as a Member of the U.S. House of Representatives from 1977 to 2005. Mr. Gephardt also serves as a director for Spirit Aerosystems, Inc., a supplier of commercial airplane assemblies and components, and US Steel Corporation, a manufacturer of a wide variety of steel sheet, tubular and tin products, coke, and taconite pellets. Mr. Gephardt is 66 years old.

John R. Roberts

Mr. Roberts has been a director since March 2004. Mr. Roberts served as the Executive Director of Civic Progress, Inc., a St. Louis civic organization, from 2001 to December 2006. Mr. Roberts is a retired Managing Partner, Mid-South Region, Arthur Andersen LLP. He also serves as a director of Regions Financial Corporation, a provider of banking, brokerage, mortgage and insurance products and services, and Energizer Holdings, Inc., a manufacturer of household products. Mr. Roberts is 65 years old.

Class II Directors

Robert K. Ditmore

Mr. Ditmore has been a director since 1996. Mr. Ditmore is a retired President and Chief Operating Officer of United Healthcare Corp., a publicly traded managed care organization now known as UnitedHealth Group Incorporated, from 1985 to 1991, and a director of UnitedHealth Group Incorporated from 1985 to 1995. Mr. Ditmore is 73 years old.

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Frederick H. Eppinger

Mr. Eppinger has been a director since April 2006. Mr. Eppinger has served as a director and President and Chief Executive Officer of The Hanover Insurance Group, Inc., a holding company for a group of insurers that offers a wide range of property and casualty products, since 2003. From 2001 to 2003, Mr. Eppinger was Executive Vice President of Property and Casualty Field and Service Operations for The Hartford Financial Services Group, Inc. From 2000 to 2001, he was Executive Vice President for ChannelPoint, Inc. From 1985 to 2000, he was in the financial institutions group at McKinsey & Company, an international management consulting firm, where he was admitted as a partner in 1992. Mr. Eppinger is 48 years old.

David L. Steward

Mr. Steward has been a director since May 2003. Mr. Steward is the founder of World Wide Technology, Inc. and has served as its Chairman since its founding in 1990. In addition, Mr. Steward has served as Chairman of Telcobuy.com, an affiliate of World Wide Technology, Inc., since 1997. World Wide Technology, Inc. and Telcobuy.com provide electronic procurement and logistics services to companies in the information technology and telecommunications industries. He also serves as director of First Banks, Inc., a registered bank holding company. Mr. Steward is 55 years old.

No director, including any director standing for election, or any associate of a director, is a party adverse to us or any of our subsidiaries in any material proceeding or has any material interest adverse to us or any of our subsidiaries. No director, including any director standing for election, is related by blood, marriage or adoption to any other director or any executive officer.

Background Information about Executive Officers

Our executive officers are elected by our board of directors and hold office until the first meeting of the board following an annual meeting of stockholders, subject, in the case of Michael F. Neidorff, to the term of his employment agreement with us. Brief biographies of our executive officers, as of March 2, 2007, follow. You will find information about their holdings of common stock on page 40.

Michael F. Neidorff

Mr. Neidorff is our Chairman, President and Chief Executive Officer. You will find background information about Mr. Neidorff on page 15.

J. Per Brodin

Mr. Brodin has served as our Senior Vice President and Chief Financial Officer since April 2006. Mr. Brodin served as our Vice President and Chief Accounting Officer from November 2005 to April 2006. From March 2002 to November 2005, Mr. Brodin served as Vice President, Accounting and Reporting for the May Department Stores Company. From 1989 to February 2002, Mr. Brodin was with the Audit and Business Advisory Practice of Arthur Andersen, LLP, the final two years as Senior Manager with their Professional Standards Group. Mr. Brodin is 45 years old.

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Patti J. Darnley Ms. Darnley has served as our Senior Vice President, Operations since September 2006. From March 2006 to September 2006, she served as our Regional Vice President of University Health Plans, Inc., or UHP, and Managed Health Services Insurance Corporation. From August 2004 to March 2006, she served as our Plan President of UHP. From June 1997 to August 2004, she served as Chief Financial Officer and Chief Operating Officer for University of Pittsburgh Medical Center. Ms. Darnley is 47 years old.

Marie J. Glancy Ms. Glancy has served as our Senior Vice President, Operational Services and Regulatory Affairs since February 2006. Ms. Glancy served as our Senior Vice President, Government Relations from January 2005 to February 2006 and as our Vice President, Government Relations from July 2003 to January 2005. From 1996 to July 2003, Ms. Glancy served as a public policy executive for Deere and Company. Ms. Glancy is 48 years old.

Carol E. Goldman Ms. Goldman has served as Senior Vice President, Chief Administration Officer since July 2002. From September 2001 to July 2002, Ms. Goldman served as our Plan Director of Human Resources. From 1998 to August 2001, Ms. Goldman was Human Resources Manager at Mallinckrodt Inc., a medical device and pharmaceutical company. Ms. Goldman is 49 years old.

Jesse N. Hunter Mr. Hunter has served as our Vice President, Corporate Development since December 2006. From October 2004 to December 2006, he served as our Vice President, Mergers & Acquisitions. From July 2003 until October 2004, he served as the Director of Mergers & Acquisitions and from February 2002 until July 2003, he served as the Manager of Mergers & Acquisitions. Mr. Hunter is 31 years old.

Mary V. Mason, M.D. Dr. Mason has served as our Senior Vice President and Chief Medical Officer since March 1, 2007. From April 2006 to February 2007, she served as our Vice President, Medical Affairs Health Plans. From January 2006 to April 2006 she served as our National Medical Director. From September 2001 to December 2005, Dr. Mason was with Healthcare USA, a Medicaid Managed Care Company owned by Coventry Health Care, Inc. She served as Chief Medical Director in 2005 and as Medical Director from September 2001 through December 2004. Dr. Mason was also in private practice as a board certified internal medicine physician from 1999 to December 2004. Dr. Mason is 38 years old.

William N. Scheffel Mr. Scheffel has served as our Senior Vice President, Specialty Business Unit since May 2005. From December 2003 until May 2005, he served as our Senior Vice President and Controller. From July 2002 to October 2003, Mr. Scheffel was a partner with Ernst & Young LLP. From 1975 to July 2002, Mr. Scheffel was with Arthur Andersen LLP. Mr. Scheffel is 53 years old.

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Keith H. Williamson

Mr. Williamson has served as our Senior Vice President and General Counsel since November 2006. From 1988 until November 2006, he served at Pitney Bowes Inc. in various legal and executive roles, the last seven years as a Division President. Mr. Williamson also serves as a director of PPL Corp., an energy and utility holding company. Mr. Williamson is 54 years old.

Karey L. Witty

Mr. Witty served as our Senior Vice President, Health Plan Business Unit from April 2006 until March 2007. From August 2000 until April 2006, he served as our Senior Vice President and Chief Financial Officer. From March 1999 to August 2000, Mr. Witty served as our Vice President of Health Plan Accounting. From 1996 to March 1999, Mr. Witty was Controller of Heritage Health Systems, Inc., a healthcare company in Nashville, Tennessee. Mr. Witty is 42 years old.

No executive officer, or any associate of an executive officer, is a party adverse to us or any of our subsidiaries in any material proceeding or has any material interest adverse to us or any of our subsidiaries. No executive officer is related by blood, marriage or adoption to any director or any other executive officer.

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INFORMATION ABOUT CORPORATE GOVERNANCE

General

We believe that good corporate governance is important to ensure that we are managed for the long-term benefit of our stockholders. Our Corporate Ethics and Compliance Program was first established in 1998 and provides methods by which we further enhance operations, safeguard against fraud and abuse and help assure that our values are reflected in everything we do. We have also reviewed and believe we are in compliance with the provisions of the Sarbanes-Oxley Act of 2002, the rules of the SEC, and the listing standards of the New York Stock Exchange.

Board and Committee Meetings

Our board of directors has responsibility for establishing broad corporate policies and reviewing our overall performance rather than day-to-day operations. The board's primary responsibility is to oversee the management of the company and, in so doing, serve the best interests of the company and its stockholders. The board selects, evaluates and provides for the succession of executive officers and, subject to stockholder election, directors. It reviews and approves corporate objectives and strategies, and evaluates significant policies and proposed major commitments of corporate resources. Management keeps the directors informed of our activities through regular written reports and presentations at board and committee meetings.

Our board held five regular meetings and seven special meetings through telephone conference calls during 2006 and acted by written consent once. All of our directors attended 75% or more of the meetings of the board and of any committees thereof on which they served. Our corporate governance guidelines provide that directors are expected to attend the 2007 Annual Meeting of Stockholders. All directors attended the 2006 Annual Meeting of Stockholders.

Our board of directors has appointed Robert K. Ditmore, presiding director, to preside at all executive sessions of non-management directors, as defined under the rules of the New York Stock Exchange. Executive sessions of non-management directors will be held at least twice a year.

Our board of directors has established three standing committees—Audit, Compensation, and Nominating and Governance—each of which operates under a charter that has been approved by our board. Current copies of each committee's charter are posted on our website, www.centene.com, and are available in print to any stockholder who requests a copy.

Our board of directors has affirmatively determined that all directors except Michael F. Neidorff, our Chairman, President and Chief Executive Officer, and, therefore, a majority of our directors, as well as all of the members of each of the board's three standing committees, are independent as defined under the rules of the New York Stock Exchange, including, in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3 under the Exchange Act. In the course of the board's determination regarding the independence of each non-employee director, it considered any transactions, relationships and arrangements as required by the rules of the New York Stock Exchange. In particular, with respect to each of the most recent three completed fiscal years, the board evaluated for Tommy Thompson the amount of fees paid to a law firm in which he serves as a partner and determined that they were under 2% of the law firm's annual revenues. All directors, excluding Michael F. Neidorff, have no direct or indirect material relationship with us except for their role as a director or stockholder. The board also broadly considers what it deems to be all relevant facts and circumstances in determining the independence of its

members.

Audit Committee

The Audit Committee's responsibilities include:

appointing, retaining, evaluating, terminating, approving the compensation of, and assessing the independence of our independent registered public accounting firm;

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overseeing the work of our independent auditor, including through the receipt and consideration of certain reports from the independent registered public accounting firm;

reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;

monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

overseeing our internal audit function;

discussing our risk management policies;

establishing policies regarding hiring employees from our independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with our internal auditing staff, independent registered public accounting firm and management; and

preparing the audit committee report required by SEC rules (which is included on page 23 of this proxy statement).

The board has determined that John R. Roberts is an audit committee financial expert as defined in Item 401(h) of Regulation S-K.

The current members of the Audit Committee are Steve Bartlett, Frederick H. Eppinger and John R. Roberts. The Chairman of the Audit Committee is John R. Roberts. The Audit Committee held four regular meetings in 2006.

Compensation Committee

The compensation committee is currently comprised of two members of our board of directors. The board has determined that each of the members of the compensation committee is independent, as defined under the rules of the New York Stock Exchange, or NYSE.

The compensation committee oversees our activities in the area of compensation and benefits (generally with regard to all employees and specifically with regard to officers) and reviews and makes recommendations concerning compensation-related matters to be submitted to the board and/or shareholders for approval. The committee's responsibilities include:

annually reviewing and approving corporate goals and objectives relevant to our chief executive officer's compensation;

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determining our chief executive officer's compensation;

reviewing and approving, or making recommendations to the board with respect to, the compensation of our other executive officers;

overseeing an evaluation of our senior executives;

overseeing and administering our equity incentive plans; and

reviewing and making recommendations to the board with respect to director compensation.

Members of management assist the committee in its responsibilities by providing recommendations for the committee's approval concerning the design of our compensation program for our executive officers other than our chief executive officer, including those executive officers listed in the Summary Compensation Table for the 2006 fiscal year, who we refer to in this proxy statement as the Named Executive Officers, as well as recommended award levels. The design of our compensation program for our chief executive officer is

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determined solely by the committee. The committee considered information and data supplied by management and by Hewitt Associates, Inc., or Hewitt, a compensation and benefits consultant retained by management. In addition, since October 2006, the committee has retained Deloitte Consulting, or Deloitte, as its independent compensation consultant. Deloitte reports directly to the committee to review certain elements of our compensation program, including an evaluation of our current peer groups and the design of our annual and long-term incentive plans.

In 2006, the compensation committee utilized Hewitt to provide advice with respect to the base salaries, bonuses and long-term incentives of our officers, including our Named Executive Officers. The consultants analyzed the compensation levels of the Named Executive Officers of a peer group of companies for the most recently completed fiscal years and used proprietary valuation methodologies to value the long-term incentive compensation levels of the officers of the companies in the peer group. As discussed below, the compensation committee considered this information, along with a variety of other factors, in reviewing our executive compensation in 2006.

The committee delegates to management the authority to grant stock options and restricted stock units under the 2003 Stock Incentive Plan. Our chief executive officer is authorized to issue awards (other than to himself) of up to 12,000 shares to any one person during a calendar year, and is required to report any such grants to the compensation committee as it may request from time to time. The delegation of authority may be terminated by the compensation committee at any time and for any reason.

The current members of the Compensation Committee are Robert K. Ditmore and David L. Steward. The Chairman of the Compensation Committee is Robert K. Ditmore. The Compensation Committee met five times during 2006.

Nominating and Governance Committee

The Nominating and Governance Committee's responsibilities include:

- identifying individuals qualified to become members of the board;
- recommending to the board the persons to be nominated for election as directors and to each of the board's committees;
- reviewing and making recommendations to the board with respect to management succession planning;
- reviewing and recommending to the board corporate governance principles; and
- overseeing an annual evaluation of the board's performance.

The current members of the Nominating and Governance Committee are Robert K. Ditmore, David L. Steward and Tommy G. Thompson. The Chairman of the Nominating and Governance Committee is David L. Steward. The Nominating and Governance Committee met once during 2006.

Director Candidates

The process followed by the Nominating and Governance Committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Nominating and Governance Committee and the board.

In considering whether to recommend any particular candidate for inclusion in the board's slate of recommended director nominees, the Nominating and Governance Committee will apply the criteria set forth in our Corporate Governance Guidelines. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, age, experience, diligence, conflicts of interest and the ability to act in

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the interests of all stockholders. The Nominating and Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities.

Stockholders may recommend individuals to the Nominating and Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least one year as of the date such recommendation is made, to Nominating and Governance Committee, c/o Corporate Secretary, Centene Corporation, Centene Place, 7711 Carondelet Avenue, St. Louis, Missouri 63105. Assuming that appropriate biographical and background material has been provided on a timely basis in accordance with the procedures set forth in our by-laws, the Nominating and Governance Committee will evaluate stockholder-recommended candidates by following substantially the same process and applying substantially the same criteria as it follows for candidates submitted by others.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the Nominating and Governance Committee or the board, by following the procedures set forth under Submission of Future Stockholder Proposals of this proxy statement.

Communicating with Independent Directors

The board will give appropriate attention to written communications that are submitted by stockholders and other interested parties, and will respond if and as appropriate. The chairman of the Nominating and Governance Committee, with the assistance of our chief executive officer, is primarily responsible for monitoring communications from stockholders and other interested parties and for providing copies or summaries to the other directors as he or she considers appropriate.

Under procedures approved by a majority of the independent directors, communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments considered to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders and interested parties who wish to send communications on any topic to the board should address such communications to Board of Directors c/o Corporate Secretary, Centene Corporation, Centene Place, 7711 Carondelet Avenue, St. Louis, Missouri 63105. Any stockholder or interested party who wishes to communicate directly with our presiding director, or with our non-employee directors as a group, should also follow the foregoing method.

Corporate Governance Guidelines

Our board of directors has adopted Corporate Governance Guidelines addressing, among other things, director qualifications and responsibilities, responsibilities of key board committees, director compensation and management succession. A current copy of the Corporate Governance Guidelines is posted on our website, www.centene.com. In addition, copies of the Corporate Governance Guidelines are available to

all stockholders upon request.

Code of Business Conduct and Ethics

Our board of directors has adopted a Code of Business Conduct and Ethics which is applicable to all employees of the Company, including the principal executive officer and principal financial officer. While no

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code of conduct can replace the thoughtful behavior of an ethical director, officer or employee, we feel the Code of Business Conduct and Ethics will, among other things, focus our board and management on areas of ethical risk, provide guidance in recognizing and dealing with ethical issues, provide mechanisms to report unethical conduct and generally help foster a culture of honesty and accountability. Any amendment or waiver of the Code of Business Conduct and Ethics may only be made by the board or a committee of the board. A current copy of the Code of Business Conduct and Ethics is posted on our website, www.centene.com. Any future amendments or waivers of the Code of Business Conduct and Ethics will be promptly disclosed on our website. In addition, copies of the Code of Business Conduct and Ethics are available to all stockholders upon request.

Our policy concerning pre-approval of related party transactions is incorporated in the provisions of our Code of Business Conduct and Ethics regarding conflicts of interest. As part of our Code of Business Conduct and Ethics, our directors, officers and employees are responsible for disclosing any transaction or relationship that reasonably could be expected to give rise to a conflict of interest to the Corporate Compliance Officer of the Company or the board of directors in the case of an executive officer or director, who shall be responsible for determining whether such transaction or relationship constitutes a conflict of interest.

Equity Compensation Plan Information

The following table provides information as of December 31, 2006, about the securities authorized for issuance under our equity compensation plans, consisting of our 1996 Stock Plan, 1998 Stock Plan, 1999 Stock Plan, 2000 Stock Plan, 2002 Employee Stock Purchase Plan and 2003 Stock Incentive Plan.

Equity Compensation Plan Information

<u>Plan Category</u>	(a) <u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	(b) <u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	(c) <u>Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans, Excluding Securities Reflected in Column (a)</u>
Equity compensation plans approved by stockholders	6,132,094	\$ 17.77	1,094,708
Equity compensation plans not approved by stockholders			
	<u>6,132,094</u>		<u>1,094,708</u>

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The number of securities in column (a) includes 4,835,963 options with a weighted-average remaining life of 7.2 years and 1,296,131 shares of restricted stock and restricted stock units.

The number of securities in column (c) includes 775,664 shares available for future issuance under the 2002 Employee Stock Purchase Plan.

Audit Committee Report

Management is responsible for the preparation of Centene's consolidated financial statements and for establishing and maintaining an adequate system of disclosure controls and procedures and internal control over financial reporting for that purpose. KPMG LLP, as independent registered public accountants for Centene, is responsible for performing an independent audit of our consolidated financial statements and of the Company's internal control over financial reporting and issuing a report thereon, in accordance with standards established by the Public Company Accounting Oversight Board, or PCAOB. The Audit Committee's responsibility is to monitor and provide independent, objective oversight of these processes. The Audit Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention it deems necessary and appropriate to each of the matters assigned to it under its charter.

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The Audit Committee met and held discussions with management and the independent registered public accountants to review and discuss all financial statements included in public filings during the fiscal year ended December 31, 2006 before their issuance and to discuss significant accounting issues and the Company's internal controls over financial reporting. Management represented to the Audit Committee that the consolidated financial statements were prepared in accordance with generally accepted accounting principles and that there were no material weaknesses in its internal controls over financial reporting. The Audit Committee has received from and discussed with the independent registered public accountants matters required to be discussed under the PCAOB standards, SEC rules, and Statement on Auditing Standards, or SAS, No. 61, as amended by SAS No. 90 (Communication with Audit Committees) including, among other things, the following:

methods to account for significant unusual transactions;

the quality of the Centene's accounting principles, including the effect of significant accounting policies in controversial or emerging areas;

the process used by management in formulating particularly sensitive accounting estimates, the reasonableness of significant judgments, and the basis for the conclusions of KPMG LLP regarding the reasonableness of those estimates;

disagreements with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements; and

material weaknesses or significant internal control deficiencies, if any.

KPMG LLP also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Independence Standards Board Standard No. 1 requires auditors, among other things, annually to:

disclose in writing all relationships that in the auditor's professional opinion may reasonably be thought to bear on independence;

confirm their perceived independence; and

engage in a discussion of independence.

The Audit Committee has discussed with KPMG LLP their independence with respect to Centene, including a review of audit and non-audit fees and services and concluded that KPMG LLP is independent.

Based on its discussions with management and KPMG LLP and its review of the representations and information provided by management and KPMG LLP, the Audit Committee recommended to Centene's Board of Directors that the audited consolidated financial statements be included in Centene's Annual Report on Form 10-K for the year ended December 31, 2006.

By the Audit Committee of the Board of Directors of Centene Corporation.

AUDIT COMMITTEE

Steve Bartlett

Frederick H. Eppinger

John R. Roberts, Chair

Independent Registered Public Accounting Firm

Our board of directors, upon the recommendation of the Audit Committee, has selected KPMG LLP to serve as our independent registered public accounting firm for the year ending December 31, 2007. See Discussion of proposals Proposal Two: Ratification of Appointment of Independent Registered Public Accounting Firm.

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KPMG LLP has served as our independent registered public accounting firm since June 8, 2005. We expect that representatives of KPMG LLP will be present at our Annual Meeting of Stockholders to answer appropriate questions. They will have the opportunity to make a statement if they desire to do so.

On June 8, 2005, our board of directors, upon the recommendation of the Audit Committee, dismissed PricewaterhouseCoopers LLP, or PWC, as our independent registered public accounting firm and engaged KPMG LLP to serve as our independent registered public accounting firm for the year ended December 31, 2005.

PWC's report on our consolidated financial statements for the fiscal year ended December 31, 2004 did not contain an adverse opinion or disclaimer of opinion, nor was the report qualified or modified as to uncertainty, audit scope or accounting principles.

During the year ended December 31, 2004 and through June 8, 2005, we did not have any disagreements with PWC on any matter of accounting principle or practice, financial statement disclosure or auditing scope or procedure that, if not resolved to PWC's satisfaction, would have caused PWC to make references to the subject matter in connection with PWC's reports on our consolidated financial statements for those years.

In addition, we believe there were no reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K, for the year ended December 31, 2004.

Independent Auditor Fees

The following table discloses the aggregate fees billed in 2006 and 2005, by KPMG LLP, our independent registered public accounting firm (\$ in thousands):

	KPMG	
	2006	2005
Audit Fees	\$ 1,250	\$ 1,050
Audit-Related Fees		
Tax Fees		
All Other Fees		

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

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From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The Audit Committee has also delegated to the chairman of the Audit Committee the authority to approve any audit or non-audit services to be provided to us by our independent registered public accounting firm. Any approval of services by the chairman of the Audit Committee pursuant to this delegated authority is reported on at the next meeting of the Audit Committee. All audit-related fees and tax fees for 2006 and 2005 were pre-approved by the Audit Committee, and no fees were provided under the de minimis exception to the audit committee pre-approval requirements.

Related Party Transactions

None.

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INFORMATION ABOUT EXECUTIVE COMPENSATION

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with the Company's management. Based on such review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

COMPENSATION COMMITTEE

Robert K. Ditmore, Chair

David L. Steward

Compensation Discussion and Analysis

This Compensation Discussion and Analysis discusses our compensation policies and arrangements that are applicable to our Named Executive Officers.

Overview of the Compensation Program

The compensation committee administers the executive compensation program. The key compensation goals are to hire, motivate, reward and retain executives who create long-term investor value. The philosophy of the compensation committee as it relates to executive compensation is that our chief executive officer and other executive officers should be compensated at competitive levels sufficient to attract, motivate and retain talented executives who are capable of leading us in achieving our business objectives in an industry facing increasing regulation, competition and change, while aligning the compensation of senior management with the long-term interests of stockholders. Centene must leverage its compensation and benefit programs to attract the best talent in order to compete and achieve aggressive operating objectives. In light of this, Centene must view private equity firms as significant competition for talent and that Centene is a source for them to recruit this talent if the appropriate compensation programs are not in place. The establishment of aggressive expectations and Centene's ability to deliver consistent operating performance and demonstrated growth in earnings per share has a proven impact on the value of Centene's share price and therefore shareholder value; attracting the right management team and establishing the proper rewards alignment to company performance is paramount to the interests of both Centene and its shareholders.

In order to achieve these objectives, the compensation committee establishes target, market-based total compensation (e.g., base salary, annual bonus target and long-term incentives) for similarly sized companies based on revenues. For total compensation, the committee's competitive objective is for our total compensation to:

fall between the 50th percentile to 75th percentile of similarly-sized organizations based on revenues; and
approximate the 50th percentile of larger organizations in the health insurance industry based on revenues.

For each component of total compensation, the committee's competitive objectives are for our:

base salary to approximate the 75th percentile of similarly-sized organizations;

annual bonus target to approximate the 50th percentile of similarly-sized organizations; and

long-term incentives to approximate the 50th percentile of similarly-sized organizations.

Both objectives generally result in approximately the same market based total compensation.

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The market data is based upon survey data from seven different sources for businesses which the committee feels are relatively similar in complexity and size (based on 2005 revenues and market capitalization) to us and are representative of the types of major companies with which we have historically competed for executive talent. The Committee utilized additional data sources from Deloitte in determining the compensation for the CEO. The market for executive talent includes companies both within and outside our industry or sector, therefore, the market data we utilize includes, in the aggregate, hundreds of companies both within and outside our industry. The committee considers general market data for similarly sized companies, as well as industry specific data. The compensation committee believes that including this broader range of companies is likely to provide a more representative depiction of the competitive market for talent. For comparison purposes, our annual revenues are slightly below the median revenues of the larger sized health care companies included in our market data. Because of the large variance in size among these companies, regression analysis is used to adjust the compensation data for differences in revenues and this adjusted value is used as the basis for comparison between us and the companies in our market data. In circumstances where an employee was responsible for managing a certain aspect of our business, the market data was adjusted using regression analysis to estimate the size of the operations being managed by the employee (e.g., a plan president).

All elements of compensation are valued and reviewed in evaluating the relative competitiveness of our compensation practices against both the market data and the committee's competitive objectives. In addition, the committee annually reviews a tally sheet for each Named Executive Officer, which includes the current value of all outstanding equity-based awards, deferrals, benefits and perquisites, as well as potential payments under change in control agreements.

The compensation committee has always viewed compensation as a total package that includes base salary, performance-based bonus compensation, long-term equity compensation, deferrals, benefits and perquisites. Because we do not provide a defined benefit pension plan or retiree health care, the committee feels that it is important that executives are compensated at levels that may exceed their counterparts in industries that provide these types of benefits.

Base Salaries

In determining appropriate base salaries, in addition to reviewing market data from Hewitt, the compensation committee considered:

the chief executive officer's recommendations as to compensation for all other executive officers;

the scope of responsibility, experience, time in position and individual performance of each officer, including the chief executive officer;

the effectiveness of each executive's leadership performance and potential to enhance long-term stockholder value; and

internal equity.

In certain circumstances such as an external candidate or an executive with high potential, base salary may be positioned above the competitive objectives, with the appropriate supporting rationale. The compensation committee's analysis is a subjective process that utilizes no specific weighting or formula of the aforementioned factors in determining executives' base salaries.

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Adjustments to base salaries are determined based on merit and market. This requires a detailed evaluation of individual performance, competitive market levels and rates of increase, executive experience, internal equity, as well as our overall salary budget. In 2006, Hewitt compared our base salaries to the market data and, on average, our base salaries for 2006 were approximately equal to the fiftieth percentile of the market data. In 2006, the Chairman, President and Chief Executive Officer's base salary was established as \$1,000,000. Since annual incentives (as discussed below) are based on a percentage of base salary, base salary increases also have the effect of increasing the size of annual incentive opportunity.

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Annual Incentives

The compensation committee considers annual incentive compensation to be a motivational method for encouraging and rewarding outstanding individual performance that contributes to our overall performance. Awards under the bonus plan are recommended to the board of directors by the compensation committee based primarily upon:

our overall performance, including our performance versus our business plan;

the performance of the individual officer including the effectiveness of each executive's leadership performance and potential to enhance long-term stockholder value;

targeted bonus amounts which are based upon market data; and

the recommendation of the chief executive officer.

Annual incentive compensation is designed to motivate executives to achieve higher levels of success through formula driven targets. Executives are rewarded for meeting annual operating plan objectives for a 12 month period that create shareholder value. Specifically, the primary corporate financial measurements for determining bonus eligibility are earnings per share and revenue growth targets. Secondly, each business unit has annual operating plan objectives for a 15 month period consisting of a calendar year plus the 1st quarter of the following year, which determine bonus eligibility. Business unit bonuses are based on meeting pre-established operating plan expectations. Finally, individual performance is evaluated to determine the amount above or below the targeted range that should be awarded based on individual contributions. The committee has previously exercised its discretion to pay bonuses above and below the targeted range.

Target percentages are positioned, on their own, to be competitive with the 50th percentile of the market data. However, when applied to our base salaries they create a total cash opportunity that is consistent with our competitive objectives. Additional amounts are possible in the committee's discretion, based upon the executive's achievement of above-target performance, which may allow an executive to actually earn cash compensation near the high end of the range of our competitive objectives.

The compensation committee reviewed the chief executive officer's performance during 2006 and recommended to the board of directors that no bonus be awarded to Mr. Neidorff for the year. In making this recommendation, the compensation committee determined that even though we met our revenue growth targets and reported strong operating cash flow, we did not meet our earnings per share target. Therefore, even though the compensation committee believes Mr. Neidorff provided exceptional leadership to us in achieving these results, a bonus should not be paid due to the lower than targeted earnings per share amount. Other de minimis bonuses were provided to certain Named Executive Officers for superior performance during the year.

For 2007, we will continue to use similar objective performance measures and individual performance for our annual incentive program. The compensation committee believes that it has set the performance measures targets to provide the appropriate level of motivation for participants based on market and industry expectations.

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Based on the amounts of total compensation listed in the Summary Compensation Table, annual variable compensation represented from 0% to 4.7% of total compensation for the Named Executive Officers in fiscal year 2006. The committee feels that these amounts are reflective of the program's objective to reward individual performance that contributes to our overall performance in light of the lower than targeted earnings per share amount.

Long-Term Incentives

Our long-term incentive compensation is designed to attract and retain key executives, build an integrated management team, reward for innovation and risk-taking, balance short-term thinking and share long-term successes while aligning executive and shareholder interests.

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Long-term incentives are positioned at the lower end of the range of our competitive objective, for two reasons:

This keeps our total compensation opportunity in line with our competitive objectives (that is, not every component of pay can be positioned at the high end of the range, or else total compensation opportunity will exceed the high end of the range).

Our staffing model and business plan should provide, over a longer time horizon, opportunities for greater than average wealth accumulation as performance warrants.

Long-term incentives are provided both through equity (stock options & restricted stock units, or RSUs) and cash ensuring that the maximum number of shares of common stock granted in any calendar year (excluding shares granted in connection with an acquisition) does not exceed a level associated with competitive practice (e.g., 2% of the total number of outstanding shares as of January 1 of such calendar year).

Stock options are designed to attract executive talent in a competitive environment while motivating and building an integrated management team that can balance short-term thinking with our long-term objectives. Options are normally granted at the annual December compensation committee meeting, but may also be awarded at other compensation committee meetings following a promotion, for extraordinary performance, or at time of hire for eligible executives.

RSUs are used to motivate and retain key tenured executives as part of their long-term incentive compensation while recognizing exceptional performance and rewarding successful innovation and risk-taking through spot awards. RSUs are normally granted at the annual December compensation committee meeting, but may be granted throughout the year.

Under the long-term cash plan to be approved by shareholders, executives will be rewarded for achieving long-term (3 year) financial objectives. The long-term cash plan will be used for approximately 50% of total long-term incentive awards. Awards are paid annually after completion of each 3 year performance cycle and announced annually prior to the beginning of each 3 year performance cycle. As discussed below, the committee adopted a long-term cash plan subject to shareholder approval in order to, among other things, complement our current 2003 Stock Incentive Plan and assist in managing annual dilution and supplementing the number of shares available under the company's 2003 Stock Incentive Plan.

The use of options and the long-term cash plan satisfies the requirements for qualified performance-based compensation under Section 162(m) of the Internal Revenue Code. The use of RSUs helps to reduce annual share usage under the 2003 Stock Incentive Plan, as compared with stock options.

Based on the amounts of total compensation listed in the Summary Compensation Table, long-term variable compensation represented from 22% to 84% of total compensation for the Named Executive Officers in fiscal year 2006, which is consistent with general market practice as well as the committee's overall compensation objectives. As noted above, we traditionally grant awards which are based upon the committee's recommendation at the December board meeting and do not time the granting of long-term incentives awards with respect to the release of material non-public information and have not timed such grants for the purpose of affecting the value of executive compensation.

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In 2005, we established stock ownership guidelines for our Named Executive Officers and other officers. We feel that ownership of our stock helps align the interests of our executives and shareholders and encourages executives to act in a manner that is expected to increase shareholder value. The stock ownership guidelines for our Named Executive Officers are as follows:

Named Executive Officer	Minimum Ownership Requirement as a Percentage of Base Salary
Chairman, President and Chief Executive Officer	5X
Executive Vice President	2.5X
Senior Vice President	2X

For the current executive officers, the number of shares that should be owned by the executive is determined based on the current base salary and share price as of the implementation date of these guidelines, which was February 2005. For executives promoted to these positions or a higher position, the number of shares to be held would be determined at the time of their promotion. In all cases, an executive would have five years to attain the level of stock ownership suggested under these guidelines.

The compensation committee will annually review the stock ownership levels of the executive officers. Future stock awards will take into consideration the executive's level of attainment of the suggested stock ownership amount.

Officers who fail to achieve these ownership levels will not be eligible to receive any stock-based awards until they achieve their required ownership level. Shares owned directly by the officer (including those held as a joint tenant or as tenant in common), restricted stock or RSUs, shares owned in a self-directed IRA, and certain shares owned or held for the benefit of a spouse or minor children are counted toward the guidelines. Options and unvested RSUs are not counted toward meeting the ownership guidelines. As of the close of the last fiscal year and the date of this report, all officers subject to the guidelines are in compliance with them or still have time to attain compliance in accordance with the guidelines. We prohibit employees from hedging their stock ownership.

Other Benefits

We provide our Named Executive Officers with a defined contribution retirement program. This defined contribution retirement program is the same program that is provided generally to our employees. We also provide our Named Executive Officers with a non-qualified defined contribution plan to make up for matching contributions that are limited by compensation limits imposed on qualified retirement plans under the Internal Revenue Code. We do not provide our Named Executive Officers with a defined benefit retirement program. We also do not provide retiree medical coverage to our Named Executive Officers, with the exception of to Mr. Neidorff, as specified in his employment agreement.

With respect to most other benefits, the benefits provided to Named Executive Officers and other executive officers are comparable to those provided to the majority of salaried and hourly Company employees. In order to ensure that their tax returns are prepared timely and avoid any appearance of impropriety, we require all Named Executive Officers to have their tax returns prepared or reviewed by an independent certified public accounting firm. Due to this requirement, costs related to these services are paid by us. In addition, each Named Executive Officer has the

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option to use a financial advisor for fees that in total do not exceed \$11,000 annually for both tax preparation and financial advisement.

The board of directors, or the board, believes that additional security is required for the position of chairman and chief executive officer. Pursuant to a policy implemented by our board, Mr. Neidorff is required to use company provided aircraft for all air travel and we provide home security services to Mr. Neidorff. Mr. Neidorff's personal use of company aircraft and home security services are fully taxable to him and are not grossed up to cover personal income tax liability.

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Employment Contracts, Termination of Employment Arrangements, and Change in Control Arrangements

CEO Employment Agreement

Michael F. Neidorff serves as Chairman of our board of directors and our President and Chief Executive Officer pursuant to an employment agreement dated November 8, 2004. The term of the employment agreement extends until November 8, 2014. Under this agreement, we currently pay Mr. Neidorff an annual salary of \$1,000,000, which is subject to an annual review by our board of directors. Mr. Neidorff is eligible for an annual target bonus of 125% of base salary and a maximum annual bonus equal to not less than 200% of base salary. The agreement also awarded Mr. Neidorff 1,000,000 restricted stock units as of November 8, 2004. Of these restricted stock units, 60% vest in 2009 and the remaining 40% vest ratably beginning in 2010 and ending in 2014. Mr. Neidorff has agreed not to compete with us or solicit any of our employees during the term of his employment and for 12 months thereafter. Mr. Neidorff's employment may be terminated by us for cause or permanent disability or by Mr. Neidorff for good reason. If Mr. Neidorff is terminated by us without cause or if he terminates for good reason, he is entitled to receive salary continuation for a period of 36 months or the remaining term of the agreement, whichever is shorter (but not less than six months), lifetime health and dental coverage to which he would be entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA, lifetime life insurance coverage, lifetime medical insurance for him and his eligible dependents, full acceleration of any unexercised stock options or other equity awards held by him, and acceleration of a portion of unvested restricted stock units awarded pursuant to the agreement based on certain stipulations. Upon a change in control during the term of this agreement, any unvested restricted stock units and any unexercised stock options or other equity awards held by Mr. Neidorff will vest in full.

Severance and Change in Control Agreements

J. Per Brodin, William N. Scheffel, Karey L. Witty and Carol E. Goldman serve as executive officers pursuant to executive severance and change in control agreements (the agreements). Under these agreements, 2007 annual salaries are \$350,000, \$510,000, \$500,000, and \$375,000 to Messrs. Brodin, Scheffel, Witty and Ms. Goldman, respectively.

The agreements generally provide that, if within 24 months following a change in control (as defined), the executive's employment is terminated by us other than for cause (as defined in the agreements) or by the executive for good reason (as defined), the executive will receive a cash payment equal to the sum of (1) an amount equal to 24 months of salary, (b) the average of the executive's last two annual bonuses multiplied by two, and (c) a prorated annual bonus for the year in which the termination occurs. The executive also will receive 18 months of medical coverage, and the executive's existing equity awards will vest in full.

The agreements also generally provide that, if an executive's employment is terminated by us other than for cause or by the executive for good reason in the absence of a change in control, the executive will receive 12 months of salary continuation, a prorated annual bonus for the year in which the termination occurs, 12 months of medical coverage, and 12 months of continued vesting of the executive's existing equity awards.

In the agreements, the executives agree to non-competition and non-solicitation provisions that extend through the first anniversary of termination of employment, regardless of the reason for termination.

The board has determined that it is in our best interests and our shareholders to assure that we will have the continued dedication of the executive, notwithstanding the possibility, threat, or occurrence of a change in control. The board believes it is imperative to diminish the

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inevitable distraction of the executive by virtue of the personal uncertainties and risks created by a pending or threatened change in control, to encourage the executive's full attention and dedication to us, and to provide the executive with compensation and benefits arrangements upon a change in control which (i) will satisfy the executive's compensation and benefits expectations and (ii) are competitive with those of other major corporations.

Table of Contents**Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to a publicly traded company for compensation in excess of \$1 million paid to our chief executive officer and its four other most highly compensated executive officers. Some types of compensation, including qualified performance-based compensation, will not be subject to the deduction limit if specified requirements are met. In general, we structure and administer our stock incentive plans in a manner intended to comply with the performance-based exception to Section 162(m). Additionally, we intend that our Short-Term Executive Compensation Plan complies with the performance-based exception to Section 162(m). Nevertheless, there can be no assurance that compensation attributable to awards granted under our stock option plans or our Short-Term Executive Compensation Plan will be treated as qualified performance-based compensation under Section 162(m). In addition, the compensation committee reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the compensation committee believes such payments are appropriate and in the best interests of us and our stockholders, after taking into consideration changing business conditions and the performance of its employees.

Summary Compensation Table

The following table summarizes the compensation of our Named Executive Officers for the fiscal year ended December 31, 2006. Additional description of each component of compensation for our Named Executive Officers is included elsewhere in this Proxy Statement under the caption, Compensation Discussion and Analysis.

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ¹	Option Awards (\$) ²	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
							(\$)		
Michael F. Neidorff <i>Chairman, President and Chief Executive Officer</i>	2006	\$ 950,000	\$	\$ 3,931,941 ³	\$ 2,767,140	\$	\$	\$ 397,228 ⁴	\$ 8,046,309
J. Per Brodin <i>Senior Vice President and Chief Financial Officer</i>	2006	276,923		39,595	38,834			8,006	363,358
William N. Scheffel <i>Senior Vice President, Specialty Business Unit</i>	2006	425,000	11,947	29,458	436,650			22,498	925,553
Karey L. Witty ⁵ <i>Senior Vice President, Health Plan Business Unit</i>	2006	434,615	11,947	64,238	347,784			20,026	878,610
Carol E. Goldman <i>Senior Vice President and Chief Administrative Officer</i>	2006	325,000	32,058	23,546	285,078			18,719	684,401

¹ The amounts reported as Stock Awards reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), or SFAS 123R, of stock awards granted under the 2003 Stock Incentive Plan and thus may include amounts from awards granted in and prior to 2006. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Assumptions used in the calculation of these amounts are included in footnote 13 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2007. There can be no assurance that the grant date fair

value of Stock Awards will ever be realized.

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- ² The amounts reported as Option Awards reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with SFAS 123R of option awards granted under our stock plans and thus include amounts from awards granted in and prior to 2006. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Assumptions used in the calculation of this amount for fiscal years ended December 31, 2004, 2005 and 2006 are included in footnote 13 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2007. Assumptions used in the calculation of this amount for fiscal years ended December 31, 2002 and 2003, are included in footnote 14 to the Company's audited financial statements for the fiscal year ended December 31, 2004, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2005. There can be no assurance that the grant date fair value of Option Awards will ever be realized.
- ³ The amount reported as stock awards for Mr. Neidorff represents the expense recorded in 2006 for the restricted stock award granted to Mr. Neidorff in 2004. The full grant date fair value of this award was previously disclosed in the Summary Compensation Table in 2004.
- ⁴ All other compensation includes \$187,265 of personal use of company provided aircraft. Pursuant to the policy established by our board, our Chairman, President and Chief Executive Officer is required to use company provided aircraft for all travel, a taxable benefit to Mr. Neidorff pursuant to the applicable Internal Revenue Service regulations. For flights on corporate aircraft, aggregate incremental cost is calculated based on a cost-per-flight-hour charge developed by a nationally recognized and independent service. This flight-hour charge reflects the direct operating costs of the aircraft, including fuel, additives and lubricants, airport fees and assessments, as well as aircraft landing and parking, customs and permit fees, in-flight supplies and food, and flight planning and weather services. In addition, the flight-hour charge provides for periodic engine and auxiliary power unit overhauling, outside labor and maintenance parts for the airframe, engine and avionics, crew travel expenses and other miscellaneous costs. The other amounts included in other compensation for Mr. Neidorff include \$129,463 in life insurance benefits, \$31,000 for security services, \$28,500 of nonqualified deferred compensation match, \$11,000 of tax preparation fees and \$10,000 of 401K match.
- ⁵ Mr. Witty terminated his employment with the Company effective March 7, 2007. All other compensation for Mr. Witty includes \$10,500 tax preparation fees.

Grants of Plan-Based Awards Table

The following table provides information on stock options, restricted stock units and grants under the 2007 Long-Term Incentive Plan in 2006 to each of our Named Executive Officers. The portion of these awards that was expensed on our statement of operations in 2006 is shown in the Summary Compensation Table. The vesting provisions of the equity awards are included in the footnotes to the Outstanding Equity Awards at Fiscal Year-End Table.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value (\$) ²
		Threshold (\$)	Target (\$)	Maximum (\$)				
Michael F. Neidorff	12/12/2006	\$	\$	\$		100,000	\$ 25.21	\$ 1,365,000
	12/12/2006 ¹	356,250	1,425,000	2,137,500				
J. Per Brodin	4/24/2006					10,000	28.26	144,700
	4/24/2006				10,000			
	12/12/2006					5,000	25.21	68,250
	12/12/2006 ¹	45,000	180,000	270,000	2,500			
William N. Scheffel	12/12/2006					10,000	25.21	136,500
	12/12/2006				15,000			
	12/12/2006 ¹	106,250	425,000	637,500				
Karey L. Witty ³	4/24/2006					10,000	28.26	144,700
	4/24/2006				10,000			
	12/12/2006					5,000	25.21	68,250
	12/12/2006 ¹	112,500	450,000	675,000				
Carol E. Goldman	12/12/2006					5,000	25.21	68,250
	12/12/2006				12,000			
	12/12/2006 ¹	48,750	195,000	292,500				

¹ The December 12, 2006 grant under the Company's Long-Term Incentive Plan is contingent upon the plan being approved by stockholders.

² The exercise price for Option Awards is equal to the closing price of Centene stock the day immediately preceding the grant date. The Grant Date Fair Value is determined in accordance with SFAS 123R. Assumptions used in the calculation of this amount are included in

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footnote 13 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2007. There can be no assurance that the Grant Date Fair Value of Stock and Option Awards will ever be realized.

³ Mr. Witty terminated his employment with the Company effective March 7, 2007. As a result of the termination, the awards listed above have been forfeited.

Outstanding Equity Awards at Fiscal Year-End Table

The following table shows the number of shares covered by exercisable and unexercisable options and unvested RSUs held by our Named Executive Officers on December 31, 2006:

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (# Unexercisable)	Option Exercise Price ²² (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Michael F. Neidorff	20,007	30,002 ¹	\$ 7.57	7/24/2012	1,000,000 ⁶	\$ 24,570,000
	134,036	120,000 ²	13.58	8/26/2013		
	200,000		13.98	12/16/2013		
	113,333	66,667 ³	17.85	7/27/2014		
	66,667	133,333 ⁴	25.40	12/13/2015		
J. Per Brodin	1,500	100,000 ⁵	25.21	12/12/2016	12,500 ¹⁰	307,125
		6,000 ⁷	23.85	11/28/2015		
		10,000 ⁸	28.26	4/24/2016		
William N. Scheffel		5,000 ⁹	25.21	12/12/2016	19,000 ¹⁶	466,830
	21,486	20,000 ¹¹	15.35	12/1/2013		
	12,000	18,000 ¹²	16.65	5/4/2014		
	20,000	30,000 ¹³	26.07	12/8/2014		
	5,000	20,000 ¹⁴	32.06	7/26/2015		
Karey L. Witty ²³	2,000	8,000 ¹⁵	25.40	12/13/2015	14,000 ¹⁸	343,980
		10,000 ⁹	25.21	12/12/2016		
	52,500		0.67	3/29/2009		
	17,000		0.67	4/8/2009		
	30,000		0.67	8/19/2009		
	6,000 ¹	7.57	7/24/2012			
	24,000					
	30,000	20,000 ¹⁷	13.58			