

NEW RISK ALERT: (CNC)

Centene's Litigation Reserve Swells to \$1.2 Billion in Prescription Drug Scandal

Managed care provider adds \$150 million to reserve as it quickly settles suits to win new Medicaid contracts.

By [Nick Winkler](#)
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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language underperform those that don't by 30-50 basis points per month for the following year.

Centene Settling With States to Win New Medicaid Contracts

Six months ago we [warned](#) the trouble at Centene, a provider of managed healthcare plans to the under and uninsured, may spread nationwide. We've now learned Centene is quickly settling lawsuits in multiple states related to unsavory prescription drug practices so as not to endanger future business opportunities in those states.

Though Centene said it could [easily be explained away](#), the company recently settled a civil suit in Ohio for tens of millions of dollars. Centene was accused of using its pharmacy benefits management (PBM) business to bilk taxpayers and intentionally drive up the cost of healthcare for the poor:

- [Centene Accused of Double Billing, Inflating Prescription Drug Costs](#)

In its latest [10-Q](#), Centene revealed it had settled the suit in Ohio and several other states for \$215 million:

"We will pay \$15 million to Arkansas, \$57 million to Illinois, \$55 million to Mississippi and \$88 million to Ohio."

Though it's currently negotiating a settlement with several other states, recent disclosures indicate settlement talks are not going as Centene had hoped. In the prior quarter, Centene revealed it had set aside a total of \$1.1 billion to settle its PBM troubles. Since then, Centene has added \$150 million to its reserve:

*“Consistent with those discussions, we recorded a reserve estimate of **\$1,250 million** in the second quarter of 2021 related to this issue...”*

Even this may not be enough as Centene acknowledges other states and the federal government may still take legal action against the company related to its PBM activities.

One month after Centene settled with Ohio, the state awarded the company a Medicaid contract it had deferred letting until the litigation was resolved. Expect the company’s litigation reserve to rise beyond \$1.2 billion if other state Attorneys General follow Ohio’s lead and strongarm Centene into bigger settlements in return for new business.