Centene Corporation Q1 2026 Results

Earnings Insight Report for MA Payer Competitive Intelligence

Insights Summarized from April 28, 2026 Earnings Call

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EXECUTIVE SUMMARY

Centene's Q1 2026 results landed roughly $0.50 ahead of its own internal expectations, with adjusted EPS of $3.37 and a 58% beat over Street consensus. The real story is not the magnitude of the beat but what drove it: a third consecutive quarter of Medicaid HBR improvement (93.1%, down 50 bps YoY), outperformance in both Medicare Advantage and PDP, and a Marketplace segment that is in-line on a pre-tax basis despite elevated silver-tier acuity. Full-year guidance was raised to >$3.40 adjusted EPS, with revenue up $1B driven by Texas Medicaid expansion. The dependency heading into Q2 is the June Wakely risk adjustment data, which management expects to confirm a meaningful receivable for Centene's higher-acuity silver membership. For MA payers: Centene's broad membership contraction across Marketplace and Medicaid is creating displaced population pools, while its MA portfolio is pivoting toward D-SNPs (now 40% of the book) and a credible path to breakeven in 2027.

Q1 2026 KEY METRICS

A. Segment Revenue & Performance Summary

Metric	Q1 2026	Q1 2025	YoY Change
Total Revenue	$49.9B	$46.6B	+7.1%
Premium & Service Revenue	$44.7B	$42.5B	+5.1%
Adjusted EPS	$3.37	$2.90	+16.2%
GAAP EPS	$3.11	$2.63	+18.3%
Health Benefits Ratio	87.3%	87.5%	-20 bps
Medicaid HBR	93.1%	93.6%	-50 bps
Medicare HBR	84.9%	86.3%	-140 bps
Commercial HBR	75.3%	75.0%	+30 bps
SG&A Expense Ratio	7.6%	7.9%	-30 bps
Operating Cash Flow	$4.4B	$1.5B	+193%
Days in Claims Payable	48 days	49 days	-1 day
Debt-to-Capitalization	43.2%	39.5%	+370 bps

MEMBERSHIP

Segment	Q1 2026	Q1 2025	YoY Change
Total Medicaid	12.43M	12.96M	-4.1%
Marketplace (ACA)	3.58M	5.63M	-36.4%
Medicare Advantage	~1M	~1M	Declining
Medicare PDP	8.78M	7.87M	+11.6%
Total At-Risk	26.27M	27.94M	-6.0%

Strategic Positioning & Key Developments

Medicaid Margin Recovery: Third Consecutive Quarter of Progress

Medicaid HBR of 93.1% improved 50 bps YoY. CEO Sarah London confirmed the improvement reflects both mild flu in the quarter and genuine fundamental outperformance from 18 months of trend management work: UM standardization, clinical program scaling, network optimization, and increasingly aggressive fraud, waste, and abuse efforts. Behavioral health and high-cost drugs remain the top trend drivers, but London noted 'pockets of deceleration' in units-per-utilizer within behavioral health. Full-year net trend target is mid-4%, with a composite rate yield of ~4.5% tracking on plan.

Marketplace: Silver Acuity Shift Calls for Risk Adjustment Receivable

Q1 Marketplace HBR was slightly above expectations in silver-tier, driven by higher acuity members who stayed post-eAPTC expiration. The Wakely March data and full Q1 claims experience now support a meaningful risk adjustment receivable for this population. Centene has conservatively booked a ~3% pre-tax Marketplace margin in guidance (vs. original 4% target), not reflecting the full receivable upside. The June Wakely report is the key catalyst. 3.58M members at quarter-end with ~3M+ expected at year-end.

Medicare: MA on Track for 2027 Breakeven, PDP Strong

Medicare segment HBR of 84.9% beat expectations in both MA and PDP. D-SNP membership now represents 40% of the MA portfolio. London noted 2027 MA rates are still 'below observed medical cost trend' but maintained a clear path to breakeven. PDP ended Q1 with 8.78M members on favorable specialty drug trends. The 2027 PDP direct subsidy is expected to increase again as the risk model catches up to IRA-driven non-LIS specialty costs.

Work Requirements: Nebraska Goes First, System Better Prepared Than 2023

Nebraska launches work requirements mid-2026, the only state pulling forward into 2026. Centene's base assumption embeds ongoing quarterly Medicaid attrition but characterizes work requirements as a 'smaller, more focused population' than redetermination. Management is actively incorporating potential acuity shifts into state rate conversations. Broader rollout expected through 2027-2028, not a step-change event.

Balance Sheet Cleanup: $1B Debt Reduction in Q1

Centene reduced debt by $1B in Q1 using PDP receivable sale proceeds to repay 2027 senior notes. Debt-to-cap fell from 46.5% at year-end to 43.2%. $437M of unrestricted cash on hand. Upcoming 2027/2028 maturities ($1.2B and $2.3B respectively) will be refinanced or partially repaid as operating cash generation builds.

KEY LEADERSHIP QUOTES

Medicaid Recovery Is Real, Not Just Weather

Sarah London

Chief Executive Officer, Centene Corporation

"We were pleased to also deliver solid fundamental outperformance in the quarter, thanks to continued focus and disciplined execution on trend management initiatives across the portfolio. We are beginning to see pockets of deceleration across this cohort, largely in line with our expectations for how trend would mature from 2025 into 2026."

Strategic Implication: London is explicitly separating the flu/weather benefit from structural progress. This is the third consecutive quarter where Centene is validating that its multi-pronged Medicaid trend program is working. For MA payers: Medicaid acuity normalization, if it holds, reduces state pressure on MCO rates and narrows the rate-trend gap that has been squeezing margins industrywide.

Marketplace: Conservative Posture, Meaningful Upside Withheld

Sarah London

Chief Executive Officer, Centene Corporation

"We have not accounted for the full range of what that receivable could be in the updated guidance, but that range does wrap around our original 4% target margin for 2026 in Marketplace and frankly higher than that at the top end."

Strategic Implication: Management is sandbaging guidance on the risk adjustment receivable position. The embedded guidance implies 3% Marketplace margin, with a potential full-year upside to 4%+ if June Wakely confirms the data. For MA payers, this signals the Marketplace silver pool is acuity-shifted in Centene's favor, consistent with a sector-wide pattern of healthy members moving to bronze post-eAPTC.

Medicare Advantage: 2027 Breakeven in Sight

Sarah London
Chief Executive Officer, Centene Corporation

"While the final rate remains below observed medical cost trend, we continue to see a path to delivering break-even financial results next year. Medicare Advantage and PDP programs play a vital role providing access to care for millions of Americans."

Strategic Implication: Centene has been quietly building a credible MA turnaround through D-SNP concentration, tighter bid design, and value-based care partnerships in oncology, CKD, and behavioral health. A 2027 MA breakeven from a loss position in 2025-2026 is a meaningful inflection. Regional MA payers should note Centene will not return to competitive benefit aggression until margin is established.

EPS Sloping Signals Back-Half Risk

Drew Asher
Chief Financial Officer, Centene Corporation

"The EPS sloping, just like we said last quarter, we expect a step down in earnings from Q1 to Q2, still profitable. Q3 around break even, and then Q4 in a loss position given the seasonality of the business."

Strategic Implication: Q4 loss is structural PDP and commercial seasonality, not a business deterioration signal. However, this heavily front-loaded earnings profile (the inverse of UHG's back-half concentration) means Q1 results are the year's earnings anchor. Any Q2-Q4 underperformance in Medicaid trend or Marketplace risk adjustment directly pressures the full-year floor.

2026 OUTLOOK & STRATEGIC PRIORITIES

A. 2026 Guidance Summary

Metric	Raised 2026	Prior 2026	Commentary
Adjusted EPS	>$3.40	>$3.00	+$0.40 raise
GAAP EPS	>$2.37	>$1.97	Raised
Total Revenue	$187.5-$191.5B	$186.5-$190.5B	+$1B raise
Prem & Service Revenue	$171.0-$175.0B	$170.0-$174.0B	+$1B (Texas Medicaid)
Full-Year HBR	90.9%-91.7%	90.9%-91.7%	Unchanged
SG&A Ratio	7.0%-7.6%	7.1%-7.7%	-10 bps
Medicaid Membership Change	~-6% YE-to-YE	~-4%	Revised down
Medicaid Rate Yield	~4.5%	~4.5%	On track

KEY RISKS & CONSIDERATIONS

Headwinds

- **Marketplace Risk Adjustment Miss:** If June Wakely data does not confirm the silver-tier receivable, Centene could be forced to revise Marketplace margins back toward its original payable assumption. Management characterized this downside as smaller than where they started, but any negative surprise here directly pressures the >$3.40 EPS floor.
- **Medicaid Rate-Trend Gap Persists:** Full-year guidance embeds a ~4.5% composite rate yield against a mid-4% net trend. A 50 bps miss on either side effect approximately $80-100M in operating income. State rate conversations remain 'constructive' but are not locked.
- **Q4 Structural Loss + Work Requirement Uncertainty:** The guided Q4 operating loss from PDP/commercial seasonality leaves little buffer for execution surprises. Nebraska's mid-2026 work requirement launch is the first proof point for the industry; if attrition or acuity impact exceeds assumptions, 2027 Medicaid bids become more uncertain.

Opportunities

- **Marketplace Risk Adjustment Upside:** If June Wakely confirms full receivable, management estimates a range wrapping around the original 4% target and potentially higher. At Centene's $9.5B Marketplace revenue base, even 100 bps of MCR improvement equals roughly $95M in medical margin.
- **D-SNP Concentration Creates 2027 Stars Tailwind:** D-SNP now at 40% of MA membership. These plans carry a regulatory tailwind from Medicare-Medicaid integration policy and tend to have more stable risk pools than standard MA. Improved Stars performance for 2027 payment year adds revenue upside.
- **PDP Direct Subsidy Set to Rise in 2027:** The risk model has not yet incorporated IRA-driven non-LIS specialty pharmacy behavior. Centene expects the 2027 direct subsidy to increase materially, improving PDP economics on top of an already strong Q1 start. With 8.78M members, the PDP franchise is the largest in the country.

BOTTOM LINE ASSESSMENT

Centene's Q1 2026 is the clearest sign yet that its margin recovery agenda is gaining real traction, not just riding macro tailwinds. The Medicaid HBR improvement is entering its third consecutive quarter of progress, the MA portfolio is disciplined and D-SNP-focused, and the PDP business is running ahead of forecast. The >$3.40 EPS guidance raise understates the upside: management has deliberately withheld the full Marketplace risk adjustment receivable from guidance pending June data, and has not baked in continued Medicaid or Medicare outperformance. The risk is real but quantified: a Q4 structural loss, a Marketplace receivable that may only partially materialize, and work requirements that add acuity uncertainty in 2027.

For MA payer competitive intelligence: Centene's strategy is consolidating around three high-conviction bets. First, Medicaid is fixable through operational discipline, not just rates. Second, D-SNP is the right Medicare product for a company with Centene's Medicaid footprint. Third, Marketplace margin is recoverable through risk adjustment mechanics once acuity is visible. None of these are growth bets. They are margin recovery bets. That posture keeps Centene out of aggressive AEP competition for 2026-2027, which creates geographic windows for regional MA payers in markets where Centene is rationalizing its standard MA portfolio. The monitoring trigger for Q2 is the June Wakely data on Marketplace risk adjustment, which will either confirm the receivable thesis or force a downward revision that the Street is not fully pricing in.

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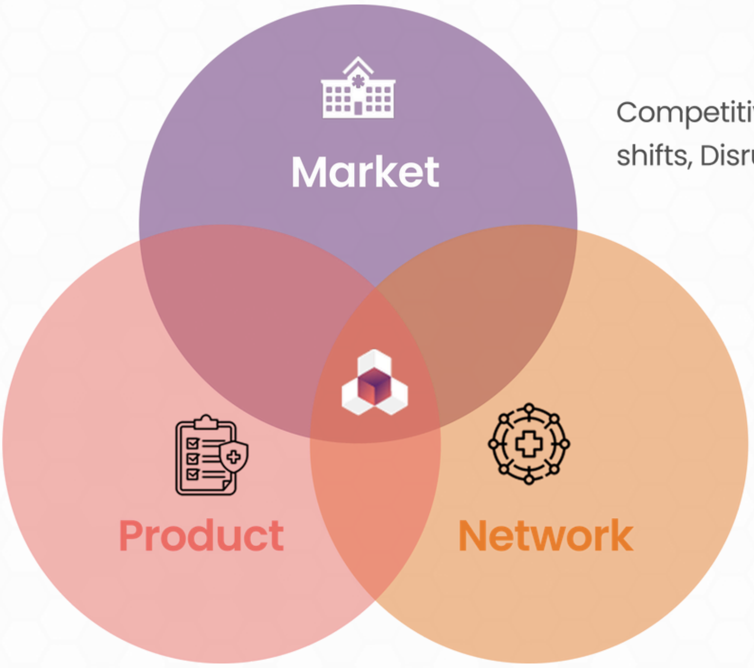

Competitive landscape, Enrollment shifts, Disruption signals

Benefit design, Stars performance, Plan trade-offs

Provider composition, Cost efficiency, Sculpting opportunities

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