



June 11, 2019

The Board of Directors (Individually and Collectively)
WellCare Health Plans, Inc.
8735 Henderson Road
Tampa, Florida 33634
Attn: Corporate Secretary

To the Board of Directors of WellCare Health Plans:

Dana believes that Centene's offer to WellCare's shareholders significantly undervalues WellCare. The merger proxy statement describes a baffling negotiation in which WellCare's Board accepted a final offer price -20% below the initial offer price.¹ In the absence of a satisfactory explanation, we attribute this decline to a failure of corporate governance.

The negotiation seems to have been dominated by two men, each a Chairman of his respective company. Centene's Chairman and CEO, Michael Neidorff, is a veteran health insurance executive and frequent "mega-deal" negotiator. WellCare's Chairman, Chris Michalik, appears to lack such operating and negotiating experience.

In October of 2018, Neidorff offered \$380 per share for WellCare.² As described in the proxy, WellCare's Board accepted this deal price and began drafting the merger agreement, but ensuing market volatility prevented consummation of the deal.³ In February of 2019, Neidorff offered \$343 per share and WellCare's Board accepted for the second time.⁴ In March of 2019, additional market volatility prompted Neidorff to revise Centene's offer price a third time, to \$305 per share.⁵ This was the final deal price approved by WellCare's Board.

The Board of a multi-billion dollar corporation is surely aware of the nuances of market sentiment and short-termism? Nebulous regulatory proposals and headline-grabbing political machinations (e.g.

¹ https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#tTM1 (p. 71-82; accessed 6.5.2019).

² https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#tTM1 (p. 73-74; accessed 6.5.2019).

³ *Id.*

⁴ https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#tTM1 (p. 76-77; accessed 6.5.2019).

⁵ https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#tTM1 (p. 79-80; accessed 6.5.2019).

“Medicare-for-all”) have frequently targeted health insurers, yet the industry continues to grow. Managed Medicaid and Medicare Advantage programs, in particular, enjoy favorable demographics, relieve administrative burdens for state and federal regulators, engage consumers and, most importantly, achieve better health outcomes per unit of cost relative to public alternatives.

The Board’s acceptance of the \$305 per share offer indicates that – in just five months – WellCare’s intrinsic value declined by -20%. The acceptance also suggests that WellCare’s intrinsic value declined by approximately -10% between February and March of 2019. Relative to the initial \$380 offer, WellCare’s shareholders were denied more than +30% of upside.⁶

This outcome is inexplicable and shareholders deserve a detailed explanation. Recent results and forecasts are strong. The company is expected to more than double its revenue and nearly triple its earnings-per-share for the four year period ending fiscal 2020.⁷ If the Board’s concerns about a negative shift in the regulatory landscape became so substantial – over a five month period – as to justify a -20% price reduction, this has not been communicated to shareholders.⁸

As WellCare shareholders – and potential shareholders in the Centene-WellCare combination – we intend to vote against the current WellCare offer. This is a great deal for Centene, and a poor one for WellCare.

Notwithstanding, we are willing and excited shareholders in the combination should our concerns be addressed. Dana sees good potential in the combined company. Each company has demonstrated strategic vision, employee and customer-centricity, and an admirable commitment to improving the health of the nation’s most vulnerable populations.

Increased Stock Ownership Does Not Justify the Reduced Offer Price

A justification for the reduced offer price (not involving poor corporate governance or rapidly deteriorating company fundamentals), is that WellCare will own a higher percentage of the combined company. WellCare highlighted this point in a recent conversation with Dana. This is tantamount to a strawman, as the circumstances required to achieve parity with the initial offer are incredible.

Centene’s \$305 per share offer consists of 39% cash and 61% stock,⁹ compared to the initial \$380 per share offer of 55% cash and 45% stock.¹⁰ The reduced offer allocates a 29.0% share of the combined company to WellCare,¹¹ compared to a 23.6% share for the initial offer,¹² an incremental 5.4% interest.

⁶ Based on WellCare’s closing price of \$231.27 per share on March 26th, 2019.

⁷ FY2016 revenue and earnings-per-share of \$14.2 billion and \$5.96, respectively, compared to consensus FY2020 revenue and earnings-per-share of \$31.2 billion and \$64.49, respectively.

⁸ Company representatives have admitted to no such regulatory concerns publicly or in Dana’s conversations.

⁹ <https://www.sec.gov/Archives/edgar/data/1071739/000119312519087589/d612092d8k.htm> (accessed 6.5.2019).

¹⁰ https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#TM1 (p. 73-74; accessed 6.5.2019).

¹¹ (https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#TM1 p. 46; accessed 6.5.2019) Based on WellCare outstanding shares of 50,804 converted at a 3.38 ratio to combined company shares of 171,718; in addition to 419,752 Centene outstanding shares.

¹² https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#TM1 (p. 73-74; accessed 6.5.2019) Based on WellCare outstanding shares of 50,804, Centene outstanding shares of 419,752, a 45% stock component at the \$380 per share offer, and a \$67.18 per share October 23rd, 2018 Centene closing price (implying WellCare ownership of 129,317 combined company shares).

Under the initial offer, WellCare would have received \$10.6 billion in cash.¹³ This compares to just \$6.1 billion from the reduced offer.¹⁴ This \$4.5 billion cash difference is our bogey. The incremental 5.4% interest in the combined company must appreciate by \$4.5 billion to achieve parity.

5.4% of the combined company is worth \$1.7 billion today.¹⁵ To produce a \$4.5 billion return on top of the \$1.7 billion base, Centene's share price would have to double (+\$1.7 billion), and then increase another +80% (+\$2.8 billion). More succinctly, Centene's share price would need to appreciate approximately +262%, from \$54 per share to \$195 per share – over a reasonably short period¹⁶ – for the reduced offer to fully compensate WellCare shareholders.

This seems highly unlikely.

Shareholders Deserve a Fulsome Explanation from the Board

WellCare has reported outstanding results for more than three years running, including the first quarter of 2019. Internal company forecasts in the merger proxy corroborate strong consensus growth estimates.¹⁷ Execution of both organic initiatives and acquisitions has been exceptional. Managing government health benefits has a growth runway as far as the eye can see.

Dana is genuinely confused.

Why sell now, at this valuation, given the tailwinds? Why not remain patient, or at the very least, run a competitive sale process?¹⁸

We ask the Board to provide a fulsome explanation to shareholders in the coming weeks and look forward to a trusting, transparent and mutually reinforcing relationship moving forward.

Respectfully,

Dana Investment Advisors

By: /s/ David Weinstein
Name: David Weinstein
Title: Portfolio Manager

¹³ 55% of WellCare's \$19.3 billion valuation, based on \$380 per share and 50,804 outstanding shares.

¹⁴ \$120 per share of cash, based on 50,804 outstanding shares of WellCare.

¹⁵ Based on Centene's closing price of \$53.87 on June 5th, 2019 and 591,470 combined company shares outstanding.

¹⁶ Given the time value of money.

¹⁷ https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#tTM1 (p. 97; accessed 6.5.2019).

¹⁸ At least one other larger peer has expressed an interested in Medicaid M&A; <https://humana.gcs-web.com/static-files/893e5d26-69b8-463e-bd0a-ef9f932e38cc> (See p. 14 of Humana's Investor Day Transcript, March 19th, 2019; accessed 6.5.2019).

CC: Christian P. Michalik
Kenneth A. Burdick
Richard C. Breon
Amy Compton-Phillips, M.D.
H. James Dallas
Kevin F. Hickey
Bobby Jindal
William L. Trubeck
Kathleen E. Walsh
Andrew L. Asher

Appendix

Timeline of Centene's Offers to WellCare¹⁹

2018:

September 15th, 2018: Centene offers \$350 per share, 50% in cash and 50% in stock.

October 12th, 2018: Centene offers \$370 per share, 50% in cash and 50% in stock.

October 18th, 2018: Centene offers \$380 per share, and a few days later confirmed a mix of 55% in cash and 45% in stock.

October 23rd, 2018 (first acceptance): WellCare's Board accepts the October 18th offer price and commences due diligence and merger agreement negotiations.

October 31st, 2018: Discussions cease due to market volatility.

2019:

January 19th, 2019: Centene offers \$315 per share, 35% in cash and 65% in stock.

February 15th, 2019: Centene offers \$343 per share, 35% in cash and 65% in stock.

February 19th, 2019 (second acceptance): WellCare's Board accepts the February 19th offer price and commences due diligence and merger agreement negotiations.

March 22nd, 2019: Centene offers \$312.50 per share, consisting of \$120 per share in cash and a fixed exchange ratio of 3.2677 Centene shares.

March 22nd, 2019: Later on March 22nd, Centene improves the exchange ratio to 3.38.

March 22nd, 2019 (third acceptance): WellCare's Board accepts the offer of \$120 per share in cash and a fixed exchange ratio of 3.38 Centene shares.

March 26th, 2019: WellCare's Board unanimously approves the merger agreement.

¹⁹ https://www.sec.gov/Archives/edgar/data/1071739/000114036119009750/nc10001280x4_424b3.htm#tTM1 (p. 71-81; accessed 6.5.2019).