

## SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of Defense Health Agency of the U.S. Department of Defense (DHA) (collectively the “United States”), and Health Net Federal Services, LLC (HNFS) and Centene Corporation (Centene) (hereafter collectively referred to as “the Parties”), through their authorized representatives.

### RECITALS

A. HNFS is based in Rancho Cordova, California. HNFS offers managed healthcare support services to the federal government, including DHA. On or about March 24, 2016, St. Louis-based Centene acquired all of the issued and outstanding shares of Health Net, Inc., HNFS’ corporate parent. As part of that acquisition, Centene assumed the liabilities of Health Net, Inc. and HNFS.

B. On or about May 13, 2010, DHA’s predecessor, the TRICARE Management Activity, awarded Contract HT9402-10-C-0002 (“T3 Contract”) to HNFS to provide managed healthcare support services for the TRICARE program’s North region, which covered approximately 22 states, in whole or in part. Managed care support services included administrative support services, provider network development, referral management, enrollment support, and claims processing services. On or about March 27, 2015, DHA modified the T3 Contract to provide for three 12-month option periods, which extended the period of performance to March 31, 2018. DHA funded and exercised all three 12-month option periods.

C. HNFS was obligated under the Contract to “provide information management and information technology support as needed to accomplish the stated functional and operational requirements of the TRICARE program” and to adhere to certain privacy standards and cybersecurity requirements, including but not limited to 48 C.F.R. § 252.204-7012 and 51 security controls listed in the National Institute of Standards and Technology Special Publication 800-53 (NIST 800-53), Security and Privacy Controls for Information Systems, Revision 4.

DHA required HNFS to submit annual reports certifying compliance with certain NIST 800-53 security controls using a designated form called the A110 – NIST Certification of Compliance Report (hereinafter, “NIST Compliance Certifications”). DHA imposed this NIST Compliance Certification requirement through a Contract Data Requirements List in the T3 Contract. Each NIST Compliance Certification further stated: “The contractor must ensure that the security controls required by the contract are implemented correctly, operating as intended, and support the security policies of the Defense Health Agency.”

D. The United States contends that it has certain civil claims against HNFS for HNFS’ alleged submission of claims to DHA for reimbursement on the T3 Contract that were false because HNFS failed to meet certain cybersecurity requirements in the T3 Contract, and because HNFS misrepresented its compliance with those requirements on HNFS’ annual NIST Compliance Certifications, during the period from March 27, 2015, to March 30, 2018.

Specifically, the United States contends that: (i) HNFS failed to timely scan for known vulnerabilities and remedy security flaws on its networks and systems, in

accordance with its System Security Plan and response times established by HNFS; (ii) HNFS ignored reports from third-party security auditors and its internal audit department of cybersecurity risks on HNFS' networks and systems related to asset management; access controls; configuration settings; firewalls; end-of-life hardware and software in use; patch management (i.e., installing critical security updates released by vendors to counter known threats); vulnerability scanning; and password policies; and (iii) HNFS falsely attested to DHA that it was in compliance with at least seven of the NIST 800-53 security controls listed in the NIST Compliance Certifications when it submitted those certifications to DHA on or about November 17, 2015, February 26, 2016, and February 24, 2017. As a result of the foregoing, the United States alleges that HNFS' claims for reimbursement on the T3 Contract were false, regardless of whether there was any exfiltration or loss of servicemember data or protected health information. The conduct described in this Paragraph D is referred to below as the Covered Conduct.

E. HNFS and Centene deny the United States' allegations in Paragraph D and further deny that any exfiltration or loss of data occurred as a result of the conduct alleged in Paragraph D. This Settlement Agreement is neither an admission of liability by HNFS or Centene nor a concession by the United States that its claims are not well founded.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

## TERMS AND CONDITIONS

1. HNFS and Centene collectively shall pay to the United States Eleven Million, Two Hundred Fifty Three Thousand, Four Hundred Dollars (\$11,253,400) (Settlement Amount), of which Five Million Six Hundred Twenty Six Thousand, Seven Hundred Dollars (\$5,626,700) is restitution, plus interest on the Settlement Amount at a rate of four percent (4%) per annum from January 23, 2025, continuing until the date of payment, by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the U.S. Department of Justice, no later than ten (10) days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraph 3 (concerning reserved claims) below, and conditioned upon the United States' receipt of the Settlement Amount, plus interest due under Paragraph 1, the United States releases HNFS and Centene together with their current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

3. Notwithstanding the release given in Paragraph 2 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, or any administrative remedy, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals; and
- g. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

4. HNFS and Centene waive and shall not assert any defenses HNFS or Centene may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

5. HNFS and Centene fully and finally release the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that HNFS or Centene has asserted, could have asserted, or may assert in the future against the United States, its

agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

6. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of HNFS or Centene, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) HNFS and Centene's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement;
- (5) the payment HNFS and Centene make to the United States pursuant to this Agreement,

are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by HNFS and Centene, and HNFS and Centene shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for

Payment: Within 90 days of the Effective Date of this Agreement, HNFS and Centene shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by HNFS or Centene or any of their subsidiaries or affiliates from the United States. HNFS and Centene agree that the United States, at a minimum, shall be entitled to recoup from HNFS or Centene any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine HNFS or Centene's books and records and to disagree with any calculations submitted by HNFS or Centene or any of their subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by HNFS or Centene, or the effect of any such Unallowable Costs on the amount of such payments.

7. This Agreement is intended to be for the benefit of the Parties only.

8. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

9. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

10. This Agreement is governed by the laws of the United States. The exclusive venue for any dispute relating to this Agreement is the United States District Court for the Eastern District of California. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and

shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

11. This Agreement constitutes the complete agreement between the Parties.

This Agreement may not be amended except by written consent of the Parties.

12. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

13. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

14. This Agreement is binding on HNFS and Centene's successors, transferees, heirs, and assigns.

15. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

16. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.



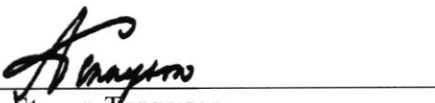
THE UNITED STATES OF AMERICA

DATED: 2/5/2025

BY: 

Christopher Wilson  
Laura Hill  
Jonathan Thrope  
Attorneys  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED: February 4, 2025

BY: 

Steven Tennyson  
Assistant United States Attorney  
U.S. Attorney's Office for the Eastern District of  
California

HNFS AND CENTENE

DATED: Feb 2, 2025

BY: Kathleen E. Redd  
Kathleen E. Redd  
President & Chief Executive Officer  
Health Net Federal Services, LLC

DATED: 2/14/25

BY: Chris Koster  
Christopher A. Koster  
Executive Vice President, Secretary &  
General Counsel  
Centene Corporation, corporate parent of  
HNFS

DATED: 2/4/2025

BY: Brian Tully McLaughlin  
Brian Tully McLaughlin  
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