CENTENE CORP
Form 4
September 16, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Williamson Keith H

(Last) (First) (Middle)

7700 FORSYTH BOULEVARD

(Street)

ST. LOUIS, MO 63105

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CENTENE CORP [CNC]

3. Date of Earliest Transaction (Month/Day/Year)
09/15/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP, Secr. & General Counsel

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/15/2014		S		4,000 (1)	D	$ 77.48	57,571 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Williamson Keith H 7700 FORSYTH BOULEVARD ST. LOUIS, MO 63105			EVP, Secr. & General Counsel	

Signatures

/s/ William N. Scheffel (executed by attorney-in-fact)	09/16/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This sale is pursuant to a 10b5-1 Trading Plan that was established on July 25, 2014. The weighted average price for this transaction is reported within the form. Full information regarding the number of shares at each price is available upon request.

(2) Ownership includes previous awards of 28,334 restricted stock units subject to vesting requirements.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Exercised
(212) 25.54
Cancelled/Forfeited
(229) 32.26
Balance Outstanding at September 30, 2013
2,163 $29.89
7.0 years
$14.3
Exercisable at September 30, 2013
969 $29.63
5.5 years
$6.8

Options Expected to Vest	1,060	$30.17	8.2 years	$6.6

(1) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on our closing stock price of $35.83, as reported by the New York Stock Exchange on September 30, 2013. This amount, which changes continuously based on the fair value of our common stock, would have been received by the option holders had all option holders exercised their options as of the balance sheet date.

The total intrinsic value of options exercised during fiscal years 2013, 2012 and 2011 was $1.6 million, $1.3 million and $23.3 million.

As of September 30, 2013, there was $6.7 million of unrecognized compensation expense related to stock options granted under the Plan. This unrecognized compensation expense does not reflect a reduction for our estimate of potential forfeitures, and is expected to be recognized over a weighted average period of 1.9 years.

Restricted Stock Units

RSUs are granted to certain employees with fair values equal to the average of the high and low prices of our common stock on the date of grant, multiplied by the number of units granted. RSU grants are contingent upon continued employment and vest over periods ranging from one to five years. Dividends, payable in common stock equivalents, accrue on the grants and are subject to the same specified terms as the original grants, including the risk of forfeiture.

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The following table summarizes transactions for our nonvested RSUs for fiscal year 2013:

	Number of Share Units (in thousands)	Weighted Average Grant Date Fair Value
Nonvested RSUs at October 1, 2012	307	$ 30.38
Granted	215	27.76
Vested	(133)	28.43
Forfeited	(48)	31.65
Nonvested RSUs at September 30, 2013	341	$ 29.34

As of September 30, 2013, there was $5.9 million of total unrecognized compensation expense related to nonvested RSUs granted under the Stock Incentive Plan. This unrecognized compensation expense does not reflect a reduction for our estimate of potential forfeitures, and is expected to be recognized over a weighted average period of 2 years. The total vest date fair value of shares that vested during fiscal years 2013, 2012 and 2011 was $5.8 million, $6.8 million and $15.9 million.

Performance Share Units

Our Compensation Committee grants PSUs to certain employees and these awards are subject to any stock dividends, stock splits, and other similar rights inuring to common stock, but unlike our RSUs are not entitled to dividend reinvestment. Vesting of the grants is contingent upon achievement of performance targets and corresponding service requirements.

The fair value of the PSUs is equal to the average of the high and low prices of our common stock on the date of grant, multiplied by the number of units granted. For PSUs with a market condition such as total shareholder return, the Monte-Carlo simulation method is used to determine fair value. The Monte-Carlo simulation is a generally accepted statistical technique used to generate a defined number of stock price paths in order to develop a reasonable estimate of the range of our and the Peer Group’s future expected stock prices.

The following table sets forth the weighted average fair value per share for total shareholder return PSUs and the related valuation assumptions used in the determination of those fair values:

	Years Ended September 30	
	2013	2012
Weighted average fair value per share	$ 19.77	$ 23.26
Valuation assumptions:		
Risk-free interest rate	0.3%	0.4%
Expected dividend yield	0.0%	0.0%
Expected volatility	32.6%	35.6%

The basis for the assumptions listed above is similar to the valuation assumptions used for stock options, as discussed previously.

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The following table summarizes transactions for our nonvested PSUs for fiscal 2013:

	Number of Share Units (in thousands)		Weighted Average Grant Date Fair Value
Nonvested PSUs as of October 1, 2012	392	$	25.40
Granted	288		19.77
Vested	-		-
Forfeited	(106)		24.69
Nonvested PSUs at September 30, 2013	574	$	23.84

As of September 30, 2013, there was $6.2 million of unrecognized compensation expense related to PSUs granted under the Stock Incentive Plan based on the expected achievement of certain performance targets or market conditions. This unrecognized compensation expense does not reflect a reduction for our estimate of potential forfeitures, and is expected to be recognized by the end of fiscal 2014.

NOTE 8. SPECIAL CHARGES

Over the past several years, we have placed a focus on improving our cost structure and business processes through various means including consolidation of certain manufacturing and select back office operations, customer rationalizations and various other organizational changes. The charges associated with these actions are summarized below.

2013 Actions

- During the second quarter of fiscal 2013, we announced a plan to improve our cost structure and streamline our organization by eliminating in excess of 100 positions across the Company, roughly half of which are contract and open positions. This resulted in a special charge of $1.7 million related to severance and other benefits to be provided to affected employees. We also incurred a contract termination charge of $0.6 million, a non-cash asset impairment charge of $0.2 million related to a product discontinuance action and $1.0 million in other related costs. During the third and fourth quarters of fiscal 2013, we continued actions under the previously announced plan and incurred charges of $0.8 million and $2.0 million, respectively. These actions were substantially complete by the end of fiscal year 2013, but certain cash expenditures will occur in fiscal 2014.

2012 Actions

- During the fourth quarter of fiscal 2012, we recorded a non-cash impairment charge of $4.7 million for certain tangible assets for which the carrying values could not be fully recovered as a result of strategic decisions made relative to the exiting of underperforming portions of our home care business. Also associated with this action was the elimination of approximately 100 positions and the related charge of $1.0 million, primarily related to severance and other benefits to be provided to the affected employees. These actions and the related cash expenditures were substantially complete by the end of fiscal year 2013.

- During the second quarter of fiscal 2012, we announced a plan to improve our cost structure and streamline our organization by, among other things, eliminating approximately 200 positions across the Company resulting in a special charge of $9.3 million, net of reversals, recognized throughout fiscal 2012 primarily related to severance and other benefits to be provided to the affected employees, $0.6 million of which was determined to be excessive and was reversed in the second quarter of fiscal 2013. We also recorded an impairment of certain tangible assets for which the carrying values could not be fully recovered as a result of various strategic decisions, which resulted in a non-cash charge of $3.2 million. In addition, we recorded a non-cash impairment charge of $8.0 million related to a previously acquired trade name whose assessment was triggered by strategic changes in how the asset would be utilized on a go forward basis. These actions and the related cash expenditures were complete by the end of fiscal year 2013.

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2011 Actions

- During the second quarter of fiscal 2011, we recorded an additional special charge of $2.6 million related to our fiscal 2010 fourth quarter action. The majority of the charge related to additional severance and other benefits provided to affected employees of that action as well as a write-down of assets held for sale. During the third quarter of fiscal 2011, we recorded a benefit of $1.2 million primarily related to the net reversal of severance recorded in relation to our fourth quarter of fiscal 2010 restructuring action, partially offset by an additional write-down of assets held for sale. These actions and related cash expenditures were completed by the end of fiscal year 2013.

Severance activity related to these actions during fiscal 2013 was as follows:

	Beginning Balance September 30, 2012	Expenses	Cash Payments	Reversals	Ending Balance September 30, 2013
Fiscal 2013 Action	$ -	$4.5	$ (1.9)	$-	$ 2.6
Prior Restructuring Actions	4.7	-	(3.8)	(0.6)	0.3
Total	$ 4.7	$4.5	$ (5.7)	$(0.6)	$ 2.9

NOTE 9. INCOME TAXES

The significant components of income before income taxes and the consolidated income tax provision were as follows:

	Years Ended September 30 2013	2012	2011
Income before income taxes:			
Domestic	$ 120.0	$ 148.6	$ 122.5
Foreign	24.0	14.9	37.2
Total	$ 144.0	$ 163.5	$ 159.7
Income tax expense:			
Current provision			
Federal	$ 45.0	$ 65.9	$ 41.1
State	1.8	4.3	2.3
Foreign	7.0	4.8	4.3
Total current provision	53.8	75.0	47.7
Deferred provision:			
Federal	(9.9)	(29.2)	(0.8)
State	1.1	0.1	(0.2)
Foreign	(6.0)	(3.2)	(20.5)
Total deferred provision	(14.8)	(32.3)	(21.5)
Income tax expense	$ 39.0	$ 42.7	$ 26.2

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Differences between income tax expense reported for financial reporting purposes and that computed based upon the application of the statutory U.S. Federal tax rate to the reported income before income taxes were as follows:

	Years Ended September 30					
	2013		2012		2011	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
Federal income tax (a)	$50.4	35.0	$57.2	35.0	$55.9	35.0
State income tax (b)	2.5	1.7	3.5	2.2	2.4	1.5
Foreign income tax (c)	(5.7)	(4.0)	(3.4)	(2.1)	(8.0)	(5.0)
International tax restructuring	(0.8)	(0.6)	(11.0)	(6.7)	-	-
Application of federal tax credits	(3.5)	(2.4)	(0.6)	(0.4)	(4.1)	(2.5)
Adjustment of estimated income tax accruals	(1.5)	(1.0)	(2.1)	(1.3)	2.3	1.4
Valuation of tax attributes	0.6	0.4	0.3	0.2	(19.5)	(12.2)
Other, net	(3.0)	(2.0)	(1.2)	(0.8)	(2.8)	(1.8)
Income tax expense	$39.0	27.1	$42.7	26.1	$26.2	16.4

(a) At statutory rate.
(b) Net of Federal benefit.
(c) Federal tax rate differential.

The tax effect of temporary differences that gave rise to the deferred tax balance sheet accounts were as follows:

	Years Ended September 30	
	2013	2012
Deferred tax assets:		
Employee benefit accruals	$ 46.6	$ 53.9
Reserve for bad debts	10.1	12.4
Accrued warranty	9.7	10.5
Net operating loss carryforwards	38.3	39.4
Tax credit carryforwards	2.0	1.8
Other, net	23.7	26.7
	130.4	144.7
Less: Valuation allowance	(8.9)	(8.6)
Total deferred tax assets	121.5	136.1
Deferred tax liabilities:		
Depreciation	(32.1)	(33.9)
Amortization	(67.5)	(81.1)
Other, net	(3.2)	(2.0)
Total deferred tax liabilities	(102.8)	(117.0)
Deferred tax asset - net	$ 18.7	$ 19.1

At September 30, 2013, we had $37.7 million of deferred tax assets related to operating loss carryforwards in foreign jurisdictions that are subject to various carryforward periods with the majority eligible to be carried forward for an unlimited period. We also had $0.6 million of deferred tax assets related to state net operating loss carryforwards, which expire between 2018 and 2026. For tax credits, we had $2.0 million of deferred tax assets related to state credits, which expire between 2014 and 2026.

The gross deferred tax assets as of September 30, 2013 were reduced by valuation allowances of $8.9 million primarily related to certain foreign deferred tax attributes as it is more likely than not that some portion or all of these tax attributes will not be realized. In evaluating whether it is more likely than not that we would recover our deferred tax assets, future taxable income, the reversal of existing temporary differences and tax planning strategies were considered. We believe that our estimates for the valuation allowances recorded against deferred tax assets are appropriate based on current facts and circumstances.

We operate under tax holidays in both Singapore and Puerto Rico. The Singapore tax holiday is effective through 2016 while the Puerto Rico tax holiday is effective through 2025. Both incentives are conditional on meeting certain employment and/or investment thresholds. The impact of these tax holidays decreased foreign taxes by $2.9 million in fiscal 2013, $1.7 million for fiscal 2012 and $0.7 million for fiscal 2011. The benefit of the tax holidays on net income per share (diluted) was $0.05, $0.03 and $0.01 for fiscal 2013, 2012 and 2011, respectively.

We file a consolidated federal income tax return as well as multiple state, local and foreign jurisdiction tax returns. In the normal course of business, we are subject to examination by the taxing authorities in each of the jurisdictions where we file tax returns. During fiscal 2013, the Internal Revenue Service ("IRS") concluded its audit for fiscal year 2011 and initiated its post-filing examination of the fiscal 2012 consolidated federal return. We continue to participate in the IRS Compliance Assurance Program ("CAP") for fiscal year 2013 and have submitted the application to remain in the CAP for fiscal years 2014 and 2015. The CAP provides the opportunity for the IRS to review certain tax matters prior to us filing our tax return for the year, thereby reducing the time it takes to complete the post-filing examination. We are also subject to state and local or foreign income tax examinations by taxing authorities for years back to fiscal 2007.

We also have on-going audits in various stages of completion in several state and foreign jurisdictions, one or more of which may conclude within the next 12 months. Such settlements could involve some or all of the following: the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of unrecognized tax benefits. The resolution of these matters, in combination with the expiration of certain statutes of limitations in various jurisdictions, make it reasonably possible that our unrecognized tax benefits may decrease as a result of either payment or recognition by approximately $2 to $3 million in the next twelve months, excluding interest.

The total amount of gross unrecognized tax benefits as of September 30, 2013, 2012 and 2011 was $4.6 million, $9.8 million and $17.8 million, which includes $3.9 million, $8.4 million and $11.5 million that, if recognized, would impact the effective tax rate in future periods. The remaining amount relates to items which, if recognized, would not impact our effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Years Ended September 30		
	2013	2012	2011
Balance at October 1	$ 9.8	$ 17.8	$ 24.0
Increases in tax position of prior years	-	0.5	0.4
Decreases in tax position of prior years	(0.5)	(2.7)	(3.0)
Increases in tax positions related to the current year	0.1	-	5.1
Settlements with taxing authorities	(3.2)	(3.8)	(5.2)
Lapse of applicable statute of limitations	(1.7)	(1.9)	(3.5)
Foreign currency adjustments	0.1	(0.1)	-
Total change	(5.2)	(8.0)	(6.2)
Balance at September 30	$ 4.6	$ 9.8	$ 17.8

We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. Accrued interest and penalties, which are not presented in the reconciliation table above, were $0.6 million, $0.8 million and $1.9 million at September 30, 2013, 2012 and 2011. Related to interest and penalties, we recognized an income tax benefit (expense) of $0.1 million in 2013, less than $0.1 million in 2012 and ($0.1) million in 2011.

NOTE 10. EARNINGS PER COMMON SHARE

Basic earnings per share is calculated based upon the weighted average number of outstanding common shares for the period, plus the effect of deferred vested shares. Diluted earnings per share is calculated consistent with the basic earnings per share calculation plus the effect of dilutive unissued common shares related to stock-based employee compensation programs. For all years presented, anti-dilutive stock options were excluded from the calculation of dilutive earnings per share. Excluded shares were 1.4 million, 1.4 million and 0.6 million for fiscal years 2013, 2012 and 2011. Cumulative treasury stock acquired, less cumulative shares reissued, have been excluded in determining the average number of shares outstanding.

Earnings per share is calculated as follows:

	Years Ended September 30		
	2013	2012	2011
Net income attributable to common shareholders	$105.0	$120.8	$133.3
Average shares outstanding - Basic (thousands)	59,910	62,120	63,164
Add potential effect of exercise of stock options and other unvested equity awards (thousands)	340	241	735
Average shares outstanding - Diluted (thousands)	60,250	62,361	63,899
Net income attributable to common shareholders per common share - Basic	$1.75	$1.94	$2.11
Net income attributable to common shareholders per common share - Diluted	$1.74	$1.94	$2.09

NOTE 11. SEGMENT REPORTING

We disclose segment information that is consistent with the way in which management operates and views the business. During the fourth quarter of fiscal 2013, we changed our definition of divisional income within our segment reporting as outlined below. All segment information included below has been updated to reflect these changes.

Our operating structure consists of the following three reporting segments:

- North America - sells and rents our patient support and near-patient technologies and services, as well as our health information technology solutions, in the U.S. and Canada.

- Surgical and Respiratory Care - sells and rents our surgical and respiratory care products.

- International - sells and rents similar products as our North America segment in regions outside of the U.S. and Canada.

Our performance under each reportable segment is measured on a divisional income basis before corporate expenses and other non-allocated operating costs, impairment of goodwill and other intangibles, litigation and special charges. Divisional income generally represents the division’s gross profit less its direct operating costs along with an allocation of manufacturing and distribution costs, research and development and certain corporate functional expenses.

Corporate expenses and other non-allocated operating costs, while not considered a segment, are presented separately to aid in the reconciliation of segment information to consolidated financial information. Corporate expenses include functional expenses that support the entire organization such as administration, finance, legal and human resources. Other non-allocated operating costs generally include expenses associated with strategic developments and other unusual events that are not indicative of operating trends. We exclude such amounts from divisional income to allow management to evaluate and understand divisional operating trends without the effects of such items.

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	Years Ended September 30		
	2013	2012	2011
Revenue:			
North America	$958.3	$998.2	$1,057.2
Surgical and Respiratory Care	245.8	153.2	132.9
International	512.1	482.9	401.6
Total revenue	$1,716.2	$1,634.3	$1,591.7
Divisional income:			
North America	$194.6	$208.4	$228.3
Surgical and Respiratory Care	46.1	41.7	40.0
International	23.1	24.2	27.9
Other operating costs:			
Corporate expenses and other non-allocated operating costs	103.2	82.9	80.7
Impairment of goodwill and other intangibles	-	8.0	-
Litigation (credit) charge	-	(3.6)	47.3
Special charges	5.7	18.2	1.4
Operating profit	154.9	168.8	166.8
Interest expense	(9.5)	(6.5)	(8.5)
Investment income and other, net	(1.4)	1.2	1.4
Income before income taxes	$144.0	$163.5	$159.7

Geographic Information

Geographic data for net revenue and long-lived assets (which consist mainly of property and equipment leased to others) were as follows:

	Years Ended September 30		
	2013	2012	2011
Net revenue to unaffiliated customers: (a)			
United States	$ 1,116.4	$ 1,077.8	$ 1,105.0
Foreign	599.8	556.5	486.7
Total revenue	$ 1,716.2	$ 1,634.3	$ 1,591.7
Long-lived assets: (b)			
United States	$ 158.0	$ 172.5	$ 180.2
Foreign	76.3	77.6	42.6
Total long-lived assets	$ 234.3	$ 250.1	$ 222.8

(a) Net revenue is attributed to geographic areas based on the location of the customer.
(b) Includes property and equipment leased to others.

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NOTE 12. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents selected consolidated financial data by quarter for each of the last two fiscal years.

2013 Quarter Ended	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013
Net revenue	$ 428.4	$425.7	$424.2	$ 437.9
Gross profit	$ 191.4	$196.1	$190.1	$ 202.7
Net income attributable to common shareholders	$ 24.0	$22.3	$23.4	$ 35.3
Basic net income attributable to common shareholders per common share	$ 0.39	$0.37	$0.39	$ 0.60
Diluted net income attributable to common shareholders per common share	$ 0.39	$0.37	$0.39	$ 0.59

2012 Quarter Ended	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012
Net revenue	$ 381.1	$415.1	$406.5	$ 431.6
Gross profit	$ 185.1	$195.8	$172.7	$ 201.1
Net income attributable to common shareholders	$ 32.9	$25.3	$23.4	$ 39.2
Basic net income attributable to common shareholders per common share	$ 0.53	$0.41	$0.38	$ 0.63
Diluted net income attributable to common shareholders per common share	$ 0.53	$0.40	$0.37	$ 0.63

NOTE 13. COMMITMENTS AND CONTINGENCIES

Lease Commitments

Rental expense for fiscal years 2013, 2012 and 2011 was $21.5 million, $20.7 million and $20.0 million. The table below indicates the minimum annual rental commitments (excluding renewable periods) aggregating $61.6 million, for manufacturing facilities, warehouse distribution centers, service centers and sales offices, under non-cancelable operating leases.

	Amount
2014	$ 20.9
2015	$ 13.9
2016	$ 10.6
2017	$ 8.2
2018	$ 4.1
2019 and beyond	$ 3.9

During fiscal 2013, we terminated a long-term agreement with IBM to manage our global information structure environment that expired in September 2014 and paid a termination fee of $0.6 million, which was accrued as of

September 30, 2012.

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Self Insurance

We are also involved in other possible claims, including product and general liability, workers' compensation, auto liability and employment related matters. Such claims in the United States have deductibles and self-insured retentions ranging from $25 thousand to $1.0 million per occurrence or per claim, depending upon the type of coverage and policy period. International deductibles and self-insured retentions are lower. We are also generally self-insured up to certain stop-loss limits for certain employee health benefits, including medical, drug and dental. Our policy is to estimate reserves based upon a number of factors including known claims, estimated incurred but not reported claims and outside actuarial analysis, which are based on historical information along with certain assumptions about future events. Such estimated reserves are classified as Other Current Liabilities and Other Long-Term Liabilities within the Consolidated Balance Sheets.

Legal Proceedings

Stryker Litigation

On April 4, 2011, we filed two separate actions against Stryker Corporation alleging infringement of certain Hill-Rom patents covering proprietary communications networks, status information systems and powered wheels used in our beds or stretchers. Both suits seek monetary damages and injunctions against Stryker for selling or distributing any beds, stretchers or ancillary products that infringe Hill-Rom's patents. Stryker responded with counterclaims seeking declaratory judgment for noninfringement and invalidity for several of the patents at issue, and has filed counterclaims alleging infringement of three of their patents. On August 14, 2012, we entered into a confidential favorable settlement agreement with Stryker Corporation fully resolving all of their counterclaims and our lawsuit regarding claims about our powered wheel patents. The remaining lawsuit does not contain counterclaims alleging infringement of Stryker's patents. No trial date for the remaining lawsuit has been set. Because the litigation is in a preliminary stage, we cannot assess the likelihood of a positive or negative outcome or determine an estimate, or a range of estimates, of potential damages, nor can we give any assurances that this matter will not have a material adverse impact on our financial condition, results of operations or cash flows.

Office of Inspector General Investigation

In June 2011, we reached agreement with respect to a tentative financial settlement related to a qui tam complaint under the False Claims Act and recognized a charge in the third quarter of $42.3 million. This settlement was finalized and paid in September 2011. Concurrently with this settlement, we entered into a five year Corporate Integrity Agreement, which provides for certain other compliance-related activities during the five year term of the agreement, including specific written standards, monitoring, training, education, independent review, disclosure and reporting requirements. We did not admit any wrongdoing as part of the settlement.

Freedom Medical Antitrust Litigation

In September 2011, we settled an action brought by Freedom Medical, Inc. against us, another manufacturer and two group purchasing organizations alleging violations of antitrust laws in exchange for a payment of $5.0 million. We did not admit any wrongdoing as part of the settlement.

General

We are subject to various other claims and contingencies arising out of the normal course of business, including those relating to governmental investigations and proceedings, commercial transactions, product liability, employee related matters, antitrust, safety, health, taxes, environmental and other matters. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not predictable with assurance. It is possible that some litigation matters for which reserves have not been established could be decided unfavorably to us, and that any such unfavorable decisions could have a material adverse effect on our financial condition, results of operations and cash flows.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the supervision and participation of our President and Chief Executive Officer and our Treasurer and Interim Chief Financial Officer (the "Certifying Officers"), has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2013. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and such information is accumulated and communicated to management, including our Certifying Officers and our Board of Directors, as appropriate to allow timely decisions regarding required disclosure.

Based upon that evaluation, the Certifying Officers concluded that our disclosure controls and procedures were effective as of September 30, 2013.

Management's Report on Internal Control Over Financial Reporting

The report of management's assessment of the effectiveness of our internal control over financial reporting as of September 30, 2013 and the related report of our independent registered public accounting firm, are included under Part II, Item 8 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to our Proxy Statement to be filed with the SEC in January 2014 relating to our 2014 Annual Meeting of Shareholders (the “2014 Proxy Statement”), under the headings “Election of Directors”, “Section 16(a) Beneficial Ownership Reporting Compliance”, and “Corporate Governance.” Information relating to our executive officers is included in this report in Part I, Item 1 under the caption “Executive Officers of the Registrant.”

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the 2014 Proxy Statement, under the heading “Executive Compensation.”

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the 2014 Proxy Statement, under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the 2014 Proxy Statement, where such information is included under the heading “Corporate Governance.”

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the 2014 Proxy Statement, where such information is included under the heading “Proposals Requiring Your Vote - Ratification of Appointment of Independent Registered Public Accounting Firm.”

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Form 10-K or, where noted, incorporated by reference:

(1) Financial Statements

The financial statements of the Company and its consolidated subsidiaries are listed under Part II, Item 8 on the Index to Consolidated Financial Statements on page 37.

(2) Financial Statement Schedules

The financial statement schedule filed in response to Part II, Item 8 and Part IV, Item 15(c) of Form 10-K is listed under Part II, Item 8 on the Index to Consolidated Financial Statements on page 37.

(3) Exhibits (See changes to Exhibit Index below):

"The Exhibit Index, which follows the signature page to this Form 10-K and is hereby incorporated herein by reference, sets forth a list of those exhibits filed herewith, and includes and identifies management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601 (b)(10)(iii) of Regulation S-K."

The agreements included as exhibits to this Form 10-K are intended to provide information regarding their terms and not to provide any other factual or disclosure information about us or the other parties to the agreements. The agreements may contain representations and warranties by the parties to the agreements, including us, solely for the benefit of the other parties to the applicable agreement. Such representation and warranties:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to certain investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

SCHEDULE II

HILL-ROM HOLDINGS, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts

For The Fiscal Years Ended September 30, 2013, 2012 and 2011

(Dollars in millions)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	DEDUCTIONS NET OF RECOVERIES	BALANCE AT END OF PERIOD
Reserves deducted from assets to which they apply: Allowance for possible losses and sales returns - accounts receivable:					
Period Ended:					
September 30, 2013	$ 38.5	$ 2.7	$ (0.1) (a)	$ (11.0) (b)	$ 30.1
September 30, 2012	$ 26.7	$ 1.6	$ 18.5 (a)	$ (8.3) (b)	$ 38.5
September 30, 2011	$ 29.0	$ 1.5	$ 3.1 (a)	$ (6.9) (b)	$ 26.7
Allowance for inventory valuation:					
Period Ended:					
September 30, 2013	$ 22.0	$ 1.8	$ - (c)	$ (1.8) (d)	$ 22.0
September 30, 2012	$ 22.9	$ 2.2	$ 1.6 (c)	$ (4.7) (d)	$ 22.0
September 30, 2011	$ 24.7	$ 3.7	$ - (c)	$ (5.5) (d)	$ 22.9
Valuation allowance against deferred tax assets:					
Period Ended:					
September 30, 2013	$ 8.6	$ 0.6	$ -	$ (0.3) (e)	$ 8.9
September 30, 2012	$ 8.1	$ 0.4	$ -	$ 0.1 (e)	$ 8.6
September 30, 2011	$ 28.5	$ (19.5)	$ -	$ (0.9) (e)	$ 8.1

(a) Reduction of gross revenue for uncollectible health care rental reimbursements, cash discounts and other adjustments in determining net revenue. Also includes the effect of acquired businesses, if any.

(b) Generally reflects the write-off of specific receivables against recorded reserves.

(c) Generally reflects the effect of acquired businesses, if any.

(d) Generally reflects the write-off of specific inventory against recorded reserves.

(e) Primarily reflects write-offs of deferred tax assets against the valuation allowance and other movement of the valuation allowance offset by an opposing change in deferred tax assets.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HILL-ROM HOLDINGS, INC.

By: /s/ John J. Greisch
John J. Greisch
President and Chief Executive Officer

Date: November 20, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Rolf A. Classon
Rolf A. Classon
Chairman of the Board

/s/ John J. Greisch
John J. Greisch
President and Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Michael S. Macek
Michael S. Macek
Vice President, Treasurer, and Interim Chief Financial Officer
(Principal Financial Officer)

/s/ Richard G. Keller
Richard G. Keller
Vice President — Controller and Chief Accounting Officer
(Principal Accounting Officer)

/s/ Joanne C. Smith, M.D.
Joanne C. Smith, M.D.
Director

/s/ James R. Giertz
James R. Giertz
Director

/s/ Charles E. Golden
Charles E. Golden
Director

/s/ W August Hillenbrand
W August Hillenbrand
Director

/s/ William H. Kucheman
William H. Kucheman
Director

/s/ Ronald A. Malone
Ronald A. Malone
Director

/s/ Eduardo R. Menascé
Eduardo R. Menascé
Director

Date: November 20, 2013

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HILL-ROM HOLDINGS, INC.

INDEX TO EXHIBITS

Management contracts and compensatory plans or arrangements are designated with “*”.

2.1 Share Sale and Purchase Agreement dated as of December 15, 2011 between Völker GmbH and Hill-Rom Holdings, Inc. (Incorporated herein by reference to Exhibit 99.1 filed with Form 8-K dated February 14, 2012)

2.2 Stock Purchase Agreement dated as of July 23, 2012 between Roundtable Healthcare Partners II, L.P. and Hill-Rom Inc. regarding the purchase of Aspen Surgical Products Holding, Inc. (Incorporated herein by reference to Exhibit 2.1 filed with Form 8-K dated July 26, 2012)

3.1 Restated and Amended Articles of Incorporation of Hill-Rom Holdings, Inc., as currently in effect (Incorporated herein by reference to Exhibit 3.1 filed with Form 8-K dated March 10, 2010)

3.2 Amended and Restated Code of By-Laws of Hill-Rom Holdings, Inc., as currently in effect (Incorporated herein by reference to Exhibit 3.2 filed with Form 8-K dated March 10, 2010)

4.1 Indenture dated as of December 1, 1991, between Hill-Rom Holdings, Inc. and Union Bank, N.A. (as successor to LaSalle Bank National Association and Harris Trust and Savings Bank) as Trustee (Incorporated herein by reference to Exhibit (4) (a) to Registration Statement on Form S-3, Registration No. 33-44086)

*10.1 Hill-Rom Holdings, Inc. Amended and Restated Short Term Incentive Compensation Program (Incorporated herein by reference to Exhibit 10.1 filed with Form 10-K dated November 24, 2009)

*10.2 Form of Director Indemnity Agreement (Incorporated herein by reference to Exhibit 10.6 filed with Form 10-K dated December 23, 2003)

*10.3 Form of Indemnity Agreement between Hill-Rom Holdings, Inc. and certain executive officers (Incorporated herein by reference to Exhibit 10.6 filed with Form 10-K dated November 16, 2011)

*10.4 Hill-Rom Holdings, Inc. Board of Directors’ Deferred Compensation Plan (Incorporated herein by reference to Exhibit 10.10 filed with Form 10-Q dated July 13, 2001)

*10.5 Hill-Rom Holdings, Inc. Director Phantom Stock Plan and form of award (Incorporated herein by reference to Exhibit 10.11 filed with Form 10-Q dated July 13, 2001)

*10.6 Hill-Rom Holdings, Inc. Supplemental Executive Retirement Plan (Incorporated herein by reference to Exhibit 10.14 filed with Form 10-K dated December 23, 2003)

*10.7 Form of Non-Qualified Stock Option Agreement under Amended and Restated Hill-Rom Holdings, Inc. Stock Incentive Plan (Incorporated herein by reference to Exhibit 10.11 filed with Form 10-K dated November 16, 2011)

*10.8 Form of Non-Qualified Stock Option Agreement (CEO version) under Amended and Restated Hill-Rom Holdings, Inc. Stock Incentive Plan (Incorporated herein by reference to Exhibit 10.12 filed with Form 10-K dated November 16, 2011)

*10.9 Amended and Restated Hill-Rom Holdings, Inc. Stock Incentive Plan, as currently in effect (Incorporated herein by reference to Exhibit 10.30 filed with Form 10-K dated November 24, 2009)

*10.10 Employment Agreement dated as of March 31, 2008 between Hill-Rom Company, Inc. and Richard G. Keller (Incorporated herein by reference to Exhibit 10.12 filed with Form 10-Q dated May 14, 2008)

*10.11 Letter Agreement dated September 27, 2009 between Hill-Rom Holdings, Inc. and Peter H. Soderberg (Incorporated herein by reference to Exhibit 10.1 filed with Form 8-K dated September 17, 2009)

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*10.12 Hill-Rom Holdings, Inc. Employee Stock Purchase Plan (Incorporated by reference to Appendix I to the Company's definitive Proxy Statement on Schedule 14A dated January 7, 2009)

*10.13 Employment Agreement dated January 6, 2010 between Hill-Rom Holdings, Inc. and John J. Greisch (Incorporated herein by reference to Exhibit 10.1 filed with Form 8-K dated January 7, 2010)

*10.14 Employment Agreement between Hill-Rom Holdings, Inc. and Alejandro Infante-Saracho dated May 6, 2010 (Incorporated herein by reference to Exhibit 10.5 filed with Form 10-Q dated May 6, 2010)

*10.15 Employment Agreement between Hill-Rom Holdings, Inc. and Susan R. Lichtenstein dated May 10, 2010 (Incorporated herein by reference to Exhibit 10.7 filed with Form 10-Q dated May 6, 2010)

*10.16 Employment Agreement between Hill-Rom Holdings, Inc. and Scott R. Jeffers dated September 13, 2010 (Incorporated by reference to Exhibit 10.54 filed with the Company's Form 10-K dated November 17, 2010)

*10.17 Form of Change in Control Agreement between Hill-Rom Holdings, Inc. and certain of its officers, including Named Executive Officers (other than the CEO) (Incorporated by reference to Exhibit 10.58 filed with the Company's Form 10-K dated November 17, 2010)

*10.18 Amended Change in Control Agreement between Hill-Rom Holdings, Inc. and John J. Greisch dated September 30, 2010 (Incorporated by reference to Exhibit 10.59 filed with the Company's Form 10-K dated November 17, 2010)

*10.19 2013 Non-Employee Director Compensation Policy (Incorporated by reference to Exhibit 10.36 filed with the Company's Form 10-K dated November 15, 2012)

*10.20 Form of Restricted Stock Unit Agreement under Amended and Restated Hill-Rom Holdings, Inc. Stock Incentive Plan (Incorporated by reference to Exhibit 10.63 filed with the Company's Form 10-K dated November 17, 2010)

*10.21 Form of Restricted Stock Unit Agreement (CEO version) under Amended and Restated Hill-Rom Holdings, Inc. Stock Incentive Plan (Incorporated by reference to Exhibit 10.65 filed with the Company's Form 10-K dated November 17, 2010)

*10.22 FY 2011 Form of Performance Based Stock Award under the Stock Incentive Plan (Incorporated by reference to Exhibit 10.61 filed with the Company's Form 10-K dated November 16, 2011)

*10.23 FY 2011 Form of Performance Based Stock Award under the Stock Incentive Plan (CEO version) (Incorporated by reference to Exhibit 10.62 filed with the Company's Form 10-K dated November 16, 2011)

*10.24 Employment Agreement between Hill-Rom Holdings, Inc. and Brian Lawrence, dated December 6, 2010 (Incorporated by reference to Exhibit 10.12 filed with the Company's Form 10-Q dated January 27, 2011)

*10.25 Employment Agreement between Hill-Rom Holdings, Inc. and Michael O. Oliver, dated March 14, 2011 (Incorporated by reference to Exhibit 10.1 filed with the Company's Form 10-Q dated April 28, 2011)

*10.26 Hill-Rom Holdings, Inc. Short-Term Incentive Plan (Incorporated by reference to Appendix 1 to the Hill-Rom Holdings, Inc. Definitive Proxy Statement on Schedule 14A dated January 18, 2011)

*10.27 Hill-Rom Holdings, Inc. Amended and Restated Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit 10.69 filed with the Company’s Form 10-K dated November 16, 2011)

*10.28 Employment Agreement between Hill-Rom Holdings, Inc. and Michael Murphy, dated July 14, 2012 (Incorporated by reference to Exhibit 10.49 filed with the Company’s Form 10-K dated November 15, 2012)

*10.29 Employment Agreement between Hill-Rom Holdings, Inc. and Alton Shader, dated July 11, 2011 (Incorporated by reference to Exhibit 10.2 filed with the Company’s Form 10-Q dated July 28, 2011)

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*10.30 Employment Agreement between Hill-Rom Holdings, Inc. and Andreas Frank, dated October 3, 2011 (Incorporated by reference to Exhibit 10.72 filed with the Company's Form 10-K dated November 16, 2011)

*10.31 Employment Agreement between Hill-Rom Holdings, Inc. and Edward Gregory Pritchard, dated July 23, 2012 (Incorporated by reference to Exhibit 10.54 filed with the Company's Form 10-K dated November 15, 2012)

*10.32 Employment Agreement between Hill-Rom Services, Inc. and Michael Macek, dated February 26, 2011 (Incorporated by reference to Exhibit 10.1 filed with the Company's Form 8-K dated July 17, 2013)

10.33 Credit Agreement dated as of August 24, 2012 among Hill-Rom Holdings, Inc., the lenders named therein, and JPMorgan Chase Bank N.A. as agent for the lenders (Incorporated herein by reference to Exhibit 10.1 to the Form 8-K dated August 24, 2012)

*10.34 Form of Limited Recapture Agreement between Hill-Rom Holdings, Inc. and certain of its officers, including Named Executive Officers

21 Subsidiaries of the Registrant

23 Consent of Independent Registered Public Accounting Firm

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Extension Labels Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document