FYQ4 2008 Investor Call

February 20, 2009

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Bill Lucia, President and COO
Walter Hosp, SVP and CFO

Safe Harbor Statement

Certain statements in this presentation constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of HMSY, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. The important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to (i) the information being of a preliminary nature and therefore subject to further adjustment; (ii) the uncertainties of litigation; (iii) HMSY’s dependence on significant customers; (iv) changing conditions in the healthcare industry which could simplify the reimbursement process and adversely affect HMSY’s business; (v) government regulatory and political pressures which could reduce the rate of growth of healthcare expenditures and/or discourage the assertion of claims for reimbursement against and delay the ultimate receipt of payment from third party payors; (vi) competitive actions by other companies, including the development by competitors of new or superior services or products or the entry into the market of new competitors; (vii) all the risks inherent in the development, introduction, and implementation of new products and services; and (viii) other risk factors described from time to time in HMSY’s filings with the SEC, including HMSY’s Form 10-K for the year ended December 31, 2007. HMSY assumes no responsibility to update the forward-looking statements contained in this release as a result of new information, future events or otherwise. When/if used in this presentation, the words “focus,” “believe,” “confident,” “anticipate,” “expected,” “strong,” “potential,” and similar expressions are intended to identify forward-looking statements, and the above described risks inherent therein.

Discussion Outline

- FYQ4 2008 Financial Performance
- Management Transition
- Operational Highlights
- 2009 Macro Environment
- Strategic Opportunity
- 2009 Guidance
- Q&A

Consolidated Statements of Income

($ in thousands)

	Three months ended December 31, 2008	Three months ended December 31, 2007	Percentage Change
Revenue	$ 52,404	$ 41,668	26%
Cost of services:			
Compensation	15,577	12,900	21%
Data processing	2,977	2,675	11%
Occupancy	2,793	2,720	3%
Direct project costs	8,680	6,405	36%
Other operating costs	2,861	1,953	46%
Amortization of acquisition related software and intangibles	1,185	1,162	2%
Total cost of services	34,073	27,815	22%
Selling, general & administrative expenses	6,903	6,296	10%
Total operating expenses	40,976	34,111	20%
Operating income	11,428	7,557	51%
Net interest expense	(156)	(371)	-58%
Income before income taxes	11,272	7,186	57%
Income taxes	4,214	3,150	34%
Net income	$ 7,058	$ 4,036	75%
Diluted income per share data:			
Net income per diluted share	$ 0.26	$ 0.15	73%
Weighted average common shares, diluted	26,934	26,646	1%

Consolidated Statements of Income
($ in thousands)

	Year ended December 31, 2008	Year ended December 31, 2007	Percentage Change
Revenue	$184,495	$ 146,651	26%
Cost of services:			
Compensation	60,571	46,185	31%
Data processing	10,999	9,298	18%
Occupancy	10,079	8,431	20%
Direct project costs	28,429	22,774	25%
Other operating costs	10,831	6,540	66%
Amortization of acquisition related software and intangibles	4,714	4,642	2%
Total cost of services	125,623	97,870	28%
Selling, general & administrative expenses	22,142	20,500	8%
Total operating expenses	147,765	118,370	25%
Operating income	36,730	28,281	30%
Net interest expense	772	1,732	-55%
Income before income taxes	35,958	26,549	35%
Income taxes	14,583	11,593	26%
Net income	$ 21,375	$ 14,956	43%
Diluted income per share data:			
Net income per diluted share	$ 0.80	$ 0.57	40%
Weighted average common shares, diluted	26,816	26,249	2%

Condensed Balance Sheets
($ in thousands)

	Year Ended December 31, 2008	Year Ended December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 49,216	$ 21,275
Accounts receivable, net of allowance of $664 and $662 at December 31, 2008 and 2007, respectively	45,155	39,704
Prepaid expenses and other current assets	5,541	3,970
Total current assets	99,912	64,949
Property and equipment, net	17,757	16,496
Other non current assets	104,844	106,655
Total assets	**$ 222,513**	**$ 188,100**
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 22,859	$ 21,539
Current portion of long-term debt	6,300	6,300
Total current liabilities	29,159	27,839
Long-term debt	11,025	17,325
Other liabilities	3,967	4,187
Total liabilities	44,151	49,351
Total shareholders' equity	178,362	138,749
Total liabilities and shareholders' equity	**$ 222,513**	**$ 188,100**

Condensed Statements of Cash Flow ($ in thousands)

	Year ended December 31, 2008	2007
Net income	$ 21,375	$ 14,956
Net cash provided by operating activities	30,869	26,598
Net cash used in investing activities	(11,396)	(24,827)
Net cash provided by financing activities	8,468	6,977
Net increase/decrease in cash and cash equivalents	27,941	8,748
Cash and cash equivalents at beginning of year	21,275	12,527
Cash and cash equivalents at end of year	$ 49,216	$ 21,275

EBITDA Reconciliation
($ in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
Net Income	$ 7,058	$ 4,036	$ 21,375	$ 14,956
Net interest (income) expense	156	371	772	1,732
Income	4,214	3,150	14,583	11,593
Depreciation and amortization, net of financing costs, included in net interest expense	3,087	2,796	11,766	10,210
Earnings before interest, taxes, and amortization (EBITDA)	14,515	10,353	48,496	38,491
Share-based compensation expense	1,147	753	3,498	2,173
Adjusted EBITDA	$ 15,662	$ 11,106	$ 51,994	$ 40,664
EBITDA Margin	28%		26%	
Adjusted EBITDA Margin	30%		28%	

Bill Lucia Bio

- Spent 15+ years as insurance industry executive
- Joined HMS in 1996 as General Manager of Provider EDI division
- Named President of HMS, Inc. in 2001
- Launched MCO business in 2004
- Appointed President of HMS Holdings in 2005

Ongoing Bob Holster Role

- Chairman until March 2011
- Continuing focus on:
  - Corporate development
  - Legal and regulatory affairs
  - Investor relations

HMS Leadership

Board of Directors

William Lucia
CEO

Walter Hosp
CFO

Maria Perrin
Government

Christina Dragonetti
Commercial

Sean Curtin
Operations

Highlights: Business Development

	State	Commercial	Federal
New	California* New York* Washington, DC Minnesota	Aetna Citrus Health Sentara Health Royal Health	Veterans Administration Umbrella Contract
Expansions/ Extensions	Georgia Oklahoma Alabama Pennsylvania	Amerihealth: South Carolina Care1st: Arizona	Veterans: Commercial Claims Recovery

* reprocurement

Highlights: Program Integrity Sales

	Provider Audits	Clinical Reviews	Pharmacy Audits
Government	California Idaho Nevada New York	New Jersey	Indiana
Commercial	Aetna Medicaid Royal Health Citrus Health	Wellcare	

2009 Macro Environment

- Unemployment and uninsured increasing
- Federal stimulus expands Medicaid and SCHIP
- Aggressive focus on cost containment and payment accuracy
- Worsening state deficits fuels demand for cost containment

How We Tap the Opportunity

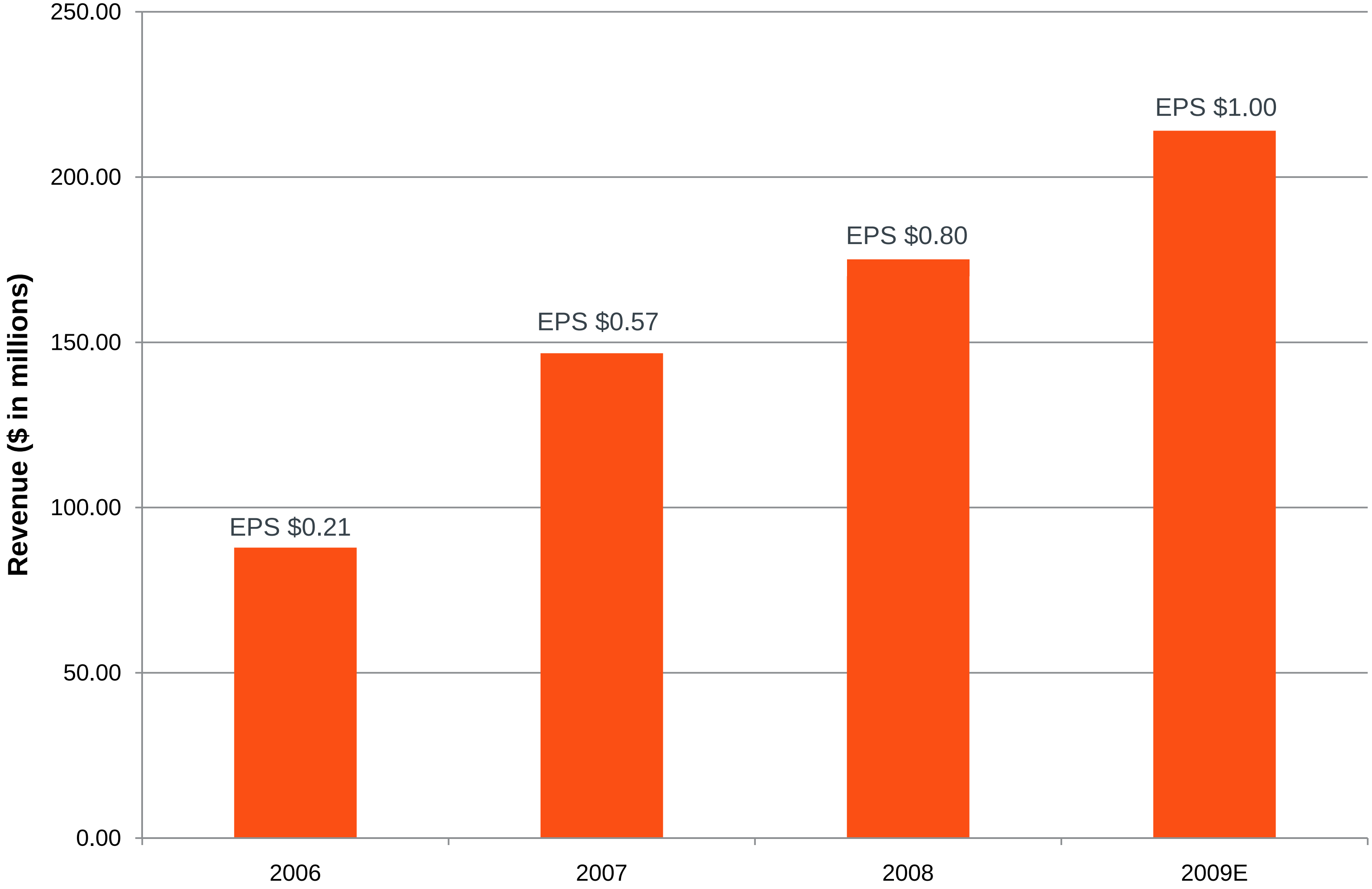
Capture more Medicaid lives

Ride Medicaid growth wave

Introduce new products and services

Upsell to existing customers

2009 Guidance



Appendix: EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation and amortization and adjusted EBITDA represents EBITDA adjusted for share based compensation expense. EBITDA is a measure commonly used by the capital markets to value enterprises. Interest, taxes, depreciation and amortization can vary significantly between companies due in part to differences in accounting policies, tax strategies, levels of indebtedness and interest rates. Excluding these items provides insight into the underlying results of operations and facilitates comparisons between HMSY and other companies. EBITDA is also a useful measure of the company's ability to service debt and is one of the measures used for determining debt covenant compliance. In addition, because of the varying methodologies for determining stock-based compensation expense, and the subjective assumptions involved in those determinations, we believe excluding stock-based compensation expense from EBITDA enhances the ability of management and investors to compare our core operating results over multiple periods with those of other companies. Management believes EBITDA and adjusted EBITDA information is useful to investors for these reasons. Both EBITDA and adjusted EBITDA are non-GAAP financial measures and should not be viewed as an alternative to GAAP measures of performance. Management believes the most directly comparable GAAP financial measure is net income and has provided a reconciliation of EBITDA and adjusted EBITDA to net income in this presentation.