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Safe Harbor Statement

This presentation contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements give our expectations or forecasts of future events; they do not relate strictly to historical or current facts. Forward-looking statements can be identified by words such as “anticipates,” “estimates,” “expects,” “projects,” “intends,” “plans,” “believes,” “will,” “target,” “seeks,” “forecast” and similar expressions and references to guidance. In particular, these include statements relating to future actions, business plans, objects and prospects, and future operating or financial performance. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. We caution you therefore against relying on any of these forward-looking statements.

Factors that could cause or contribute to such differences include, but are not limited to: regulatory actions, budgetary pressures and political influences that could affect the procurement practices and operations of healthcare organizations and agencies, reducing demand for our services; our ability to continue to secure contracts through the competitive bidding process and any related protests and to accurately predict the cost and time to complete such contracts; our ability to retain clients or the loss of one or more major clients; client dissatisfaction or early termination of contracts triggering significant costs or liabilities; the development by competitors of new or superior products or services; the emergence of new competitors, or the development by our clients of in-house capacity to perform the services we offer; all the risks inherent in the development, introduction, and implementation of new products and services; our ability to manage our growth and its demands on our resources and infrastructure; our ability to successfully integrate our acquisitions; our compliance with the covenants and obligations under the terms of our credit facility and our ability to generate sufficient cash to cover our interest and principal payments thereunder; variations in our results of operations; negative results of government reviews, audits or investigations to verify our compliance with contracts and applicable laws and regulations; changing conditions in the healthcare industry which could simplify the payment process and reduce the need for and price of our services; our failure to comply with laws and regulations governing health data or to protect such data from theft and misuse; and, our ability to maintain effective information systems and protect them from damage or interruption. A further description of these and other risks, uncertainties, and related matters can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which is available at www.hms.com under the “Investor Relations” tab. Any forward-looking statements made by us in this presentation speak only as of the date of this presentation. Factors or events that could cause actual results to differ may emerge from time to time and it is not possible for us to predict all of them. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Use of Non-GAAP Measures

This presentation contains non-GAAP measures. A reconciliation of these measures to GAAP measures is set forth in our press release issued on October 26, 2012, which is available under the Investor Relations Tab on the Company’s website (www.hms.com).

Discussion Outline

- Financial Performance
- Medicaid Dynamics
- New Business
- 2013 Planning Considerations
- 2013 Guidance
- Strategic Position



Consolidated Statements of Income

(\$ in thousands except per share amounts)

	Three months ended		Nine months ended	
	September 30, 2012	% y/y	September 30, 2012	% y/y
Revenue	\$ 113,217	23%	\$ 340,600	29%
Cost of services:				
Compensation	40,170	27%	119,489	26%
Data processing	7,871	32%	22,791	37%
Occupancy	4,428	17%	12,742	13%
Direct project costs	14,530	47%	40,573	33%
Other operating costs	3,198	-31%	14,311	6%
Amortization of acquisition related software and intangibles	8,149	391%	24,447	384%
Total cost of services	78,346	36%	234,353	37%
Selling, general & administrative expenses	14,158	34%	43,897	38%
Total operating expenses	92,504	36%	278,250	37%
Operating income	20,713	-14%	62,350	3%
Net interest and other expense	(4,085)	-2653%	(12,125)	-1835%
Income before income taxes	16,628	-31%	50,225	-18%
Income taxes	6,121	-38%	19,695	-20%
Net income	\$ 10,507	-27%	\$ 30,530	-17%
Net income per diluted share	\$ 0.12	-29%	\$ 0.35	-17%
Weighted average common shares, diluted	88,744	2%	88,399	1%

Condensed Balance Sheets

(\$ in thousands)

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 127,952	\$ 97,003
Accounts receivable, net of allowance of \$811 at September 30, 2012 and \$1,158 at December 31, 2011	115,854	112,505
Prepaid expenses and other current assets	<u>26,889</u>	<u>20,700</u>
Total current assets	270,695	230,208
Property and equipment, net	124,435	127,177
Other non-current assets	<u>488,265</u>	<u>504,566</u>
Total assets	<u>\$ 883,395</u>	<u>\$ 861,951</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 31,711	\$ 42,846
Current portion of term loan	<u>30,625</u>	<u>17,500</u>
Total Current Liabilities	62,336	60,346
Long-term Liabilities	<u>377,992</u>	<u>410,368</u>
Total liabilities	440,328	470,714
Total shareholders' equity	<u>443,067</u>	<u>391,237</u>
Total liabilities and shareholders' equity	<u>\$ 883,395</u>	<u>\$ 861,951</u>

Condensed Statements of Cash Flow

(\$ in thousands)

	Nine Months Ended September 30	
	2012	2011
Net income	<u>\$ 30,530</u>	<u>\$ 36,654</u>
Net cash provided by operating activities	54,920	49,090
Net cash used in investing activities	(21,702)	(19,742)
Net cash (used in)/ provided by financing activities	<u>(2,269)</u>	<u>16,267</u>
Net increase in cash and cash equivalents	30,949	45,615
Cash and cash equivalents at beginning of period	<u>97,003</u>	<u>94,836</u>
Cash and cash equivalents at end of period	<u><u>\$ 127,952</u></u>	<u><u>\$ 140,451</u></u>

Medicaid Dynamics

- Lower Medicaid expenditure growth
- Migration to managed care
- Carrier processing delays

Medicare Coordination of Benefits

➤ HMS awarded \$297M Medicare contract

- Prime contractor
- Cost plus
- Up to five year term

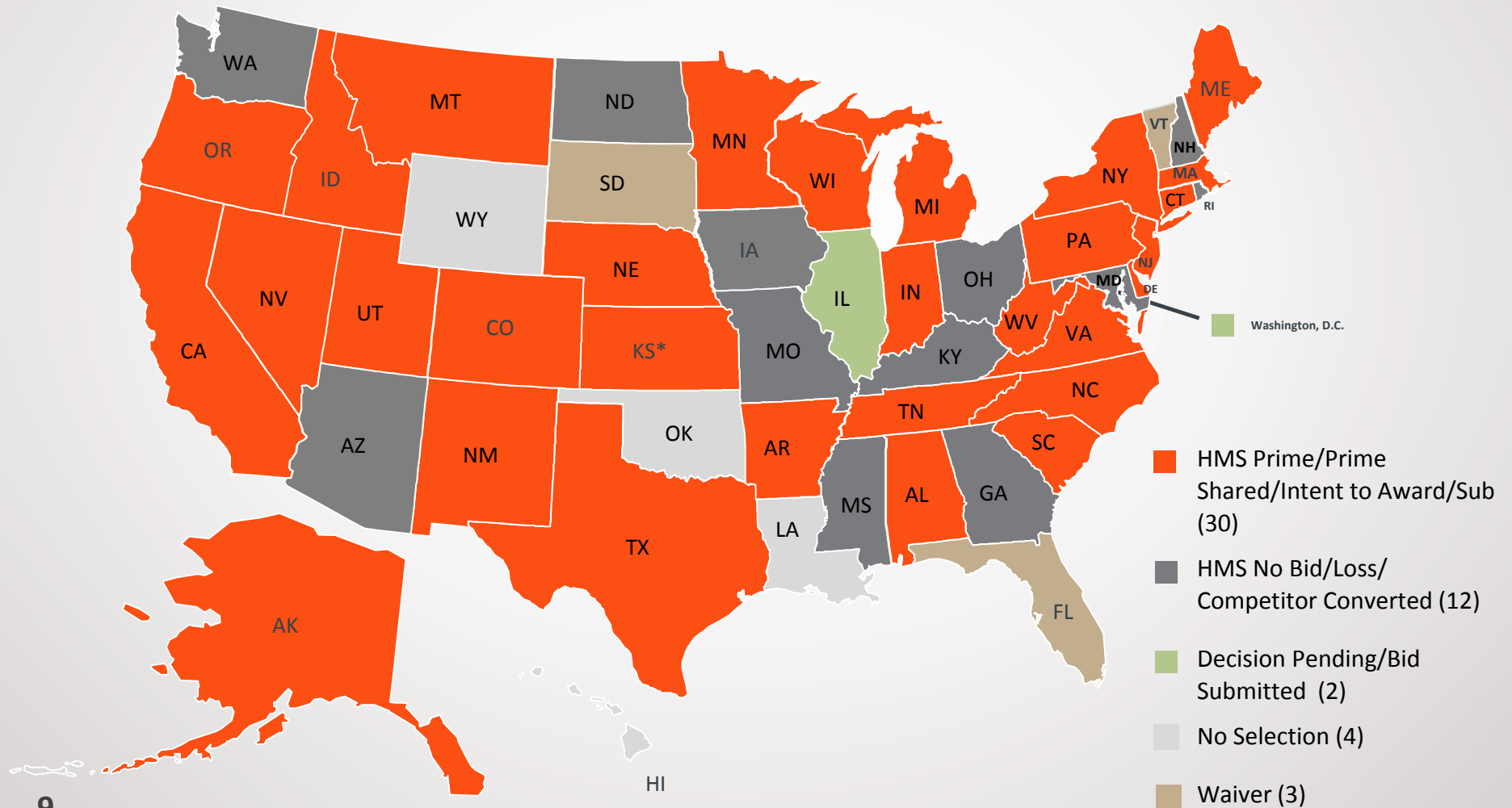
➤ Activities to date

- Transition and implementation commenced 9/28
- Contract kick-off with CMS on 10/9
- Planning initiated with subcontractors

➤ Protest status



Medicaid RAC Status



State Government Sales

New

Medicaid RAC

- Arkansas
- Nebraska (includes TPL)
- North Carolina
- Texas
- West Virginia
- Wisconsin

TPL Re-procurements

- Delaware
- Indiana
- Iowa

Other

- Illinois Eligibility Verification (MAXIMUS)
- Wisconsin Revenue Maximization (blanket)



Managed Care Sales

New

- Humana
- Dell USA (Blue Cross Rhode Island)
- Independent Health Association, Inc.

Extensions/Expansions

- Community First Health Plan
- Cook Children's Health Plan
- Coventry
- Partnership
- United Health Care
- Texas Children's Health Plan



2013 Planning Considerations

- National election
- Medicare RAC
- Medicare Coordination of Benefits
- Medicaid market

2013 Guidance

	Revised 2012 Guidance	2013 Guidance	% Change (approximate)
REVENUE (\$ millions)	\$480.0 - \$490.0	\$570.0 - \$600.0	21%
GAAP EPS	\$0.55 - \$0.60	\$0.63- \$0.70	16%
ADJUSTED EPS	\$0.85 - \$0.90	\$0.95- \$1.02	13%

Strategic Position

- Leader in Medicaid and Medicare RAC
- Leader in Medicaid and Medicare coordination of benefits
- Growing commercial footprint
- Emerging eligibility/exchange opportunities

