



Q2 2017
Investor Presentation

August 4, 2017



Disclaimers

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NON-GAAP FINANCIAL INFORMATION. This presentation contains certain non-GAAP measures. These non-GAAP measures, as calculated by the Company, are not necessarily comparable to similarly titled measures reported by other companies. Additionally, these non-GAAP measures are not measurements of financial performance or liquidity under GAAP and should not be considered alternatives to the Company's other financial information determined under GAAP. See slide 7 for definitions and reconciliations of certain non-GAAP measures.

MARKET AND INDUSTRY DATA. This presentation contains market and industry data and forecasts that have been obtained from publicly available information, various industry publications, other published industry sources and our internal data and estimates. We have not independently verified the information and cannot make any representation as to the accuracy or completeness of such information. None of the reports and other materials of third party sources referred to in this presentation were prepared for use in, or in connection with, this presentation. Our internal data and estimates are based upon information obtained from our customers, our partners, trade and business organizations, publicly available information and other contacts in the markets in which we operate and our management's understanding of industry conditions. Estimates are difficult to develop and inherently uncertain and we cannot assure you that they are accurate. Our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed above.

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Q2 2017 Financial Results

Financial Performance Highlights

- GAAP EPS of \$0.08 per diluted share
- Q2 revenue was \$133.3 million - an increase of \$11.8 million or 9.7% year-over-year ¹
 - Record Q2 commercial revenue of \$69.4 million increased 29.7% year-over-year
 - Q2 state government revenue of \$57.9 million increased 0.5% year-over-year ²
 - Q2 COB revenue of \$98.5 million increased 9.8% year-over-year
 - Q2 analytical services revenue of \$34.8 million increased 9.4% year-over-year ³
- Adjusted EPS of \$0.16 per diluted share ⁴
- Q2 capital expenditure was ~\$7.0 million compared to \$3.1 million in the prior year quarter
- Q2 total operating expenses of \$119.0 million – an increase of \$13.8 million compared to the prior year quarter, due primarily to the Eliza acquisition ⁵

¹ Medicare RAC revenue was (\$0.7) million in Q2'17 compared to \$3.8 million in Q2'16

² State government revenue in Q2'16 included a one-time acceleration of approximately \$5.5 million of subrogation related revenue

³ Analytical services include payment integrity, Medicare RAC, health management and member engagement solutions. There was no health management and member engagement revenue in Q2'16

⁴ Adjusted EPS per diluted share is a non-GAAP measure (see reconciliation on slide 7)

⁵ Q2'17 total operating expenses include ~\$3.5 million in professional fees related to the Eliza acquisition and ~\$9 million in compensation and other normal operating expenses for Eliza

Q2 2017 Financial Results

Quarterly Financial Information

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Revenue	\$ 121,512 ¹	\$ 122,860 ¹	\$ 125,590	\$ 113,733	\$ 133,313
Cost of services:					
Compensation	47,343	48,298	47,229	48,920	51,852
Data processing	9,104	9,541	9,068	9,783	11,281
Occupancy	3,631	3,388	3,354	3,547	4,230
Direct project costs	11,473	10,997	9,301	10,443	10,101
Other operating costs	6,407	8,465	7,130	7,203	6,563
Amortization of acquisition related software and intangible assets	7,013	6,390	7,614	6,286	7,372
Total cost of services	84,971	87,079	83,696	86,182	91,399
Selling, general & administrative expenses	20,189 ¹	23,131 ¹	23,136	23,608	27,552
Total operating expenses	105,160	110,210	106,832	109,790	118,951
Operating income	16,352	12,650	18,758	3,943	14,362
Interest expense	(2,100)	(2,121)	(2,207)	(2,286)	(2,339)
Interest income	60	105	109	155	32
Income before income taxes	14,312	10,634	16,660	1,812	12,055
Income taxes	4,443	(3,412)	7,509	370	5,538
Net income	\$ 9,869	\$ 14,046	\$ 9,151	\$ 1,442	\$ 6,517
Net income per diluted share	\$ 0.12	\$ 0.17	\$ 0.11	\$ 0.02	\$ 0.08
Weighted average common shares, diluted	84,528	84,853	85,822	85,580	85,826
Diluted adjusted EPS ²	\$ 0.20	\$ 0.24	\$ 0.18	\$ 0.13	\$ 0.16

(Unaudited, \$ in thousands, except per share amounts)

¹ As revised. Refer to "Part II, Item 8. Consolidated Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements" footnote 15 "Quarterly Financial Data (Unaudited)" on page 125 in the Company's 2016 Form 10-K (see https://www.sec.gov/Archives/edgar/data/1196501/000117184317003514/f10k_030117p.htm)

² Diluted adjusted EPS is a non-GAAP measure (see reconciliation on slide 7)

Note: Certain amounts in the prior periods have been adjusted to reflect the retrospective application required by the early adoption of ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, ("ASU 2016-09") related to the recognition of excess tax benefits in the provision for income taxes

Q2 2017 Financial Results

Quarterly Market and Product Revenue

Total Revenue by Market	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
State Government	\$ 57.2	\$ 54.6	\$ 54.5	\$ 50.7	\$ 57.6	\$ 53.0	\$ 57.7	\$ 53.3	\$ 57.9
Commercial	49.3	52.0	58.5	56.0	53.5	57.9	62.9	55.1	69.4
Federal (including Medicare RAC) / Other	10.4	11.8	15.5	13.1	10.4	12.0	5.0	5.3	6.0
Total HMS Revenue	116.9	118.4	128.5	119.8 ¹	121.5 ¹	122.9 ¹	125.6	113.7	133.3
Total Revenue by Product	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Coordination of Benefits	\$ 83.0	\$ 84.2	\$ 87.1	\$ 82.9	\$ 89.7	\$ 86.3	\$ 95.0	\$ 88.5	\$ 98.5
Analytical Services ²	33.9	34.2	41.4	36.9	31.8	36.6	30.6	25.2	34.8 ³
Total HMS Revenue	\$116.9	\$118.4	\$128.5	\$119.8 ¹	\$121.5 ¹	\$122.9 ¹	\$125.6	\$113.7	\$133.3

(Unaudited, \$ in millions)

¹ As revised. Refer to "Part II, Item 8. Consolidated Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements" footnote 15 "Quarterly Financial Data (Unaudited)" on page 125 in the Company's 2016 Form 10-K for details (see https://www.sec.gov/Archives/edgar/data/1196501/000117184317003514/f10k_030117p.htm)

² Analytical services includes payment integrity (PI), Medicare RAC and health management and member engagement solutions

³ Includes quarterly revenue for payment integrity (PI) of \$26.9 million, Medicare RAC of (\$0.7) million, health management and member engagement of \$8.6 million

Quarterly Commercial Revenue 2015-2017

Commercial Business



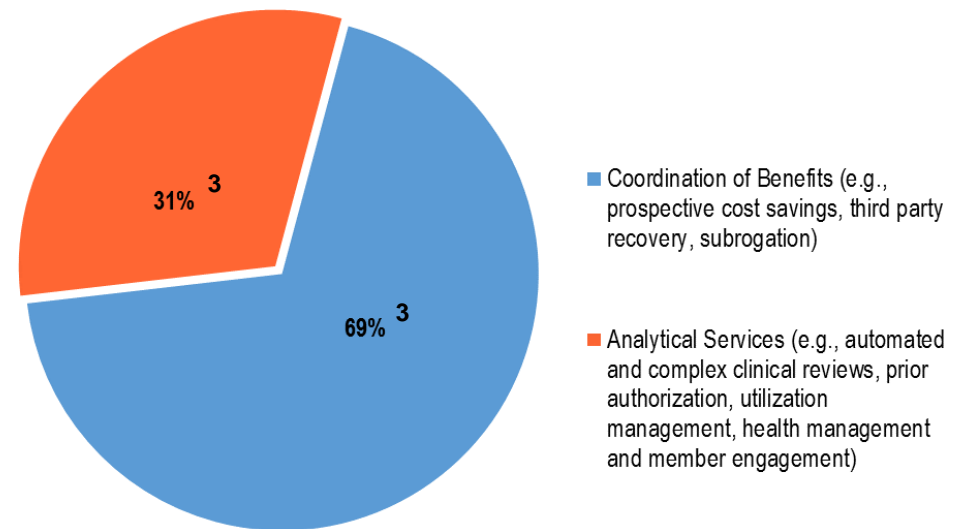
(Unaudited, \$ in thousands)

¹ Amounts reflect revised numbers. Refer to "Part II, Item 8. Consolidated Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements" footnote 15 "Quarterly Financial Data (Unaudited)" on page 125 in the Company's 2016 Form 10-K for details (see https://www.sec.gov/Archives/edgar/data/1196501/000117184317003514/f10k_030117p.htm)

Q2 2017 Commercial Sales

Commercial Business

- New business: products sold to new commercial members covering ~0.2 million lives added during Q2'17¹
- Additional business: products sold to current commercial customers covering approximately ~14.0 million lives in Q2'17²

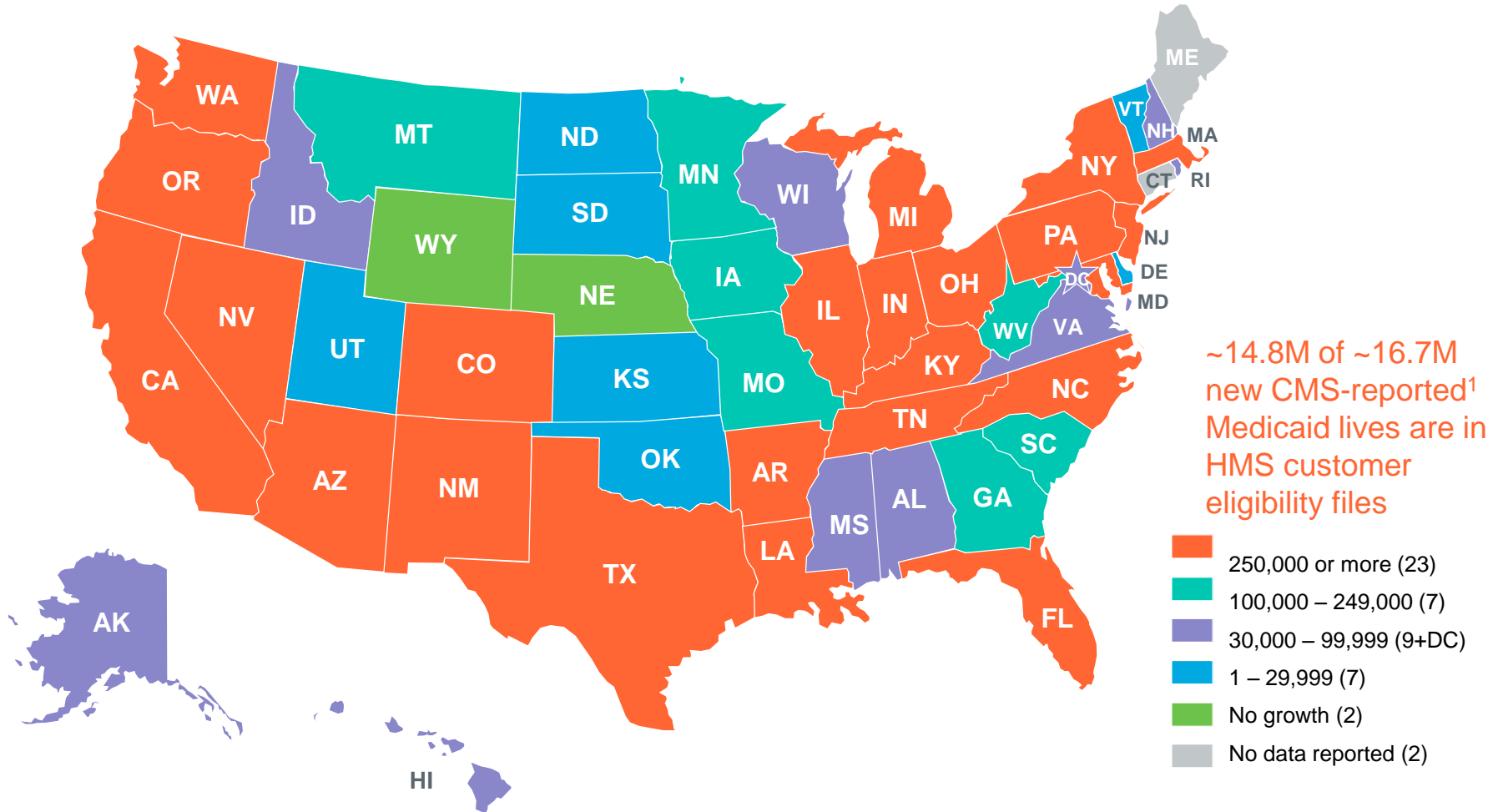


¹ New business includes sales to either a totally new customer or a new category of members (e.g. Medicare, Medicaid or ASO) for an existing customer

² Additional business reflects new product sales to a customer population already covered by other HMS products. In some instances both COB and analytical service solutions were sold to the same customer life in the quarter, but such sales are only counted once for purposes of this calculation

³ Relative percentage of COB and analytical services solutions based on projected revenue for the first twelve months

New Medicaid Enrollment Through May 2017¹



¹ CMS Medicaid & CHIP: May 2017 Monthly Applications, Eligibility Determinations and Enrollment Report, July 26, 2017. This analysis compares additional Medicaid enrollment of ~16.7 million lives reported through 5/31/17 to enrollment as of 10/1/13, which was the beginning of Marketplace open enrollment and the CMS baseline for measuring expansion

As summarized in the following table, diluted earnings per share adjusted for stock-based compensation expense, non-recurring legal fees, amortization of acquisition related software and intangible assets and related taxes (adjusted EPS) was \$0.16 for the second quarter of 2017

	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Net income	\$ 9,869	\$ 14,046	\$ 9,151	\$ 1,442	\$ 6,517
Stock-based compensation	4,405	2,102	2,530	5,386	3,994
Non-recurring legal fees	315	-	-	-	-
Amortization of acquisition related software and intangible assets	7,013	7,015	6,989	6,286	7,372
Income tax related adjustments ¹	(4,693)	(2,644)	(3,236)	(2,323)	(4,319)
Sub-total	16,909	20,519	15,434	10,791	13,564
Weighted average common shares, diluted	84,528	84,853	85,822	85,580	85,826
Diluted GAAP EPS	\$ 0.12	\$ 0.17	\$ 0.11	\$ 0.02	\$ 0.08
Diluted Adjusted EPS	\$ 0.20	\$ 0.24	\$ 0.18	\$ 0.13	\$ 0.16 ²

(Unaudited, \$ in thousands, except per share data)

¹ Tax effect of adjustments is computed as the pre-tax effect of the adjustments multiplied by the adjusted effective tax rate

² The Company incurred approximately \$3.5 million of transaction expenses related to its acquisition of Eliza Corporation, which closed in the quarter, but those expenses were not discrete adjustments used in the calculation of adjusted EPS

Note: Certain amounts in the prior periods have been adjusted to reflect the retrospective application required by the early adoption of ASU 2016-09 related to the recognition of excess tax benefits in the provision for income taxes and the cash flow presentation of share-based compensation.

The Company believes that the non-GAAP financial measure above provides useful information to the Company's management, investors and other interested parties about the Company's operating performance because it allows them to compare the Company's operating results during the current periods to prior periods in a more consistent manner. The non-GAAP measure presented in this slide may not be comparable to similarly titled measures used by other companies

Reconciliation of Net Income to GAAP EPS (Diluted)/ Adjusted EPS (Diluted)



Supplemental Financial Information

Supplemental Financial Information

As Reported	10Q As Reported 3/31/2016	10Q As Reported 6/30/2016	10Q As Reported 9/30/2016	Press Release As Reported 12/31/2016	Press Release As Reported FY 12/31/2016	Press Release As Reported 3/31/2017
Revenue						
State Government	\$ 50,748	\$ 57,623	\$ 52,975	\$ 57,734	\$ 219,080	\$ 53,256
Commercial Health Plan	55,955	55,233	59,212	64,348	234,748	56,177
Federal/Medicare RAC/Other	13,060	10,694	12,417	6,011	42,182	5,068
Total revenue	\$ 119,763	\$ 123,550	\$ 124,604	\$ 128,093	\$ 496,010	\$ 114,501
Cost of services	86,924	84,971	87,079	83,696	342,670	86,182
Selling, general and administrative expenses	22,930	22,227	24,875	25,639	95,671	25,281
Total operating expenses	109,854	107,198	111,954	109,335	438,341	111,463
Operating income	9,909	16,352	12,650	18,758	57,669	3,038
Interest expense	(2,091)	(2,100)	(2,121)	(2,207)	(8,519)	(2,286)
Interest income	47	60	105	109	321	155
Income before income taxes	7,865	14,312	10,634	16,660	49,471	907
Income tax expense	3,305	5,746	(2,874)	5,658	11,835	36
Net income	\$ 4,560	\$ 8,566	\$ 13,508	\$ 11,002	\$ 37,636	\$ 871
Adjustments (Decreases)/Increases						
Revenue						
State Government						
Commercial Health Plan	(5)	(1,759)	(1,337)	(1,422)	(4,523)	(1,039)
Federal/Medicare RAC/Other		(279)	(407)	(1,081)	(1,767)	271
Total revenue	\$ (5)	\$ (2,038)	\$ (1,744)	\$ (2,503)	\$ (6,290)	\$ (768)¹
SG&A expenses	(5)	(2,038)	(1,744)	(2,503)	(6,290)	(1,673)
Income before taxes	-	-	-	-	-	905
Income tax expense - adoption of ASU 2016-08	(10)	\$ (1,303)	\$ (538)	\$ 1,851	-	\$ -
Income tax expense - other						334
Net income increase/(decrease)	\$ 10	\$ 1,303	\$ 538	\$ (1,851)	\$ -	\$ 571
As Adjusted						
Revenue						
State Government	\$ 50,748	\$ 57,623	\$ 52,975	\$ 57,734	\$ 219,080	\$ 53,256
Commercial Health Plan	55,950	53,474	57,875	62,926	230,225	55,138
Federal/Medicare RAC/Other	13,060	10,415	12,010	4,930	40,415	5,339
Total revenue	\$ 119,758	\$ 121,512	\$ 122,860	\$ 125,590	\$ 489,720	\$ 113,733
Cost of services	86,924	84,971	87,079	83,696	342,670	86,182
Selling, general and administrative expenses	22,925	20,189	23,131	23,136	89,381	23,608
Total operating expenses	109,849	105,160	110,210	106,832	432,051	109,790
Operating income	9,909	16,352	12,650	18,758	57,669	3,943
Interest expense	(2,091)	(2,100)	(2,121)	(2,207)	(8,519)	(2,286)
Interest income	47	60	105	109	321	155
Income before income taxes	7,865	14,312	10,634	16,660	49,471	1,812
Income tax expense	3,295	4,443	(3,412)	7,509	11,835	370
Net income	\$ 4,570	\$ 9,869	\$ 14,046	\$ 9,151	\$ 37,636	\$ 1,442

¹ Net of a reduction to the AR Allowance of \$905,000.



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