



Q2 2009 Investor Call

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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 Securities and Exchange Commission, including HMSY’s Annual Report on Form 10-K for the year ended December 31, 2008. 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

- Q2 2009 Financial Performance
- New Business
- Healthcare Environment
- Q&A

Consolidated Statements of Income

(\$ in 1000's)

	Three months ended		Six months ended June	
	2009	2008	2009	2008
Revenue	\$ 53,814	\$ 44,183	\$ 103,755	\$ 83,126
Cost of services:				
Compensation	17,815	14,374	35,346	28,098
Data processing	3,491	2,512	6,637	5,229
Occupancy	2,495	2,406	5,229	4,767
Direct project costs	7,399	6,395	13,724	12,439
Other operating costs	3,215	3,114	6,213	5,259
Amortization of acquisition related software and intangibles	1,216	1,162	2,432	2,325
Total cost of services	35,631	29,963	69,581	58,117
Selling, general & administrative expenses	6,743	5,378	12,874	10,478
Total operating expenses	42,374	35,341	82,455	68,595
Operating income	11,440	8,842	21,300	14,531
Net Interest Expense	(222)	(219)	(412)	(437)
Income before income taxes	11,218	8,623	20,888	14,094
Income taxes	4,580	3,622	8,545	5,920
Net income	\$ 6,638	\$ 5,001	\$ 12,343	\$ 8,174
Net income per diluted share	\$ 0.24	\$ 0.19	\$ 0.45	\$ 0.31
Weighted average common shares, diluted	27,472	26,712	27,345	26,782

Condensed Balance Sheets

(\$ in 1000's)

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Current assets:		
Cash and cash equivalents	\$ 56,886	\$ 49,216
Accounts receivable, net of allowance of \$652 and \$664 at June 30, 2009 and December 31, 2008	55,127	45,155
Prepaid expenses and other current assets	8,554	5,541
Total current assets	<u>120,567</u>	<u>99,912</u>
Property and equipment, net	17,533	17,757
Other non current assets	102,640	104,844
Total assets	<u>\$ 240,740</u>	<u>\$ 222,513</u>
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 18,479	\$ 22,859
Current portion of long-term debt	6,300	6,300
Total current liabilities	<u>24,779</u>	<u>29,159</u>
Long-term debt	7,875	11,025
Other liabilities	3,579	3,967
Total liabilities	<u>36,233</u>	<u>44,151</u>
Total shareholders' equity	<u>204,507</u>	<u>178,362</u>
Total liabilities and shareholders' equity	<u>\$ 240,740</u>	<u>\$ 222,513</u>

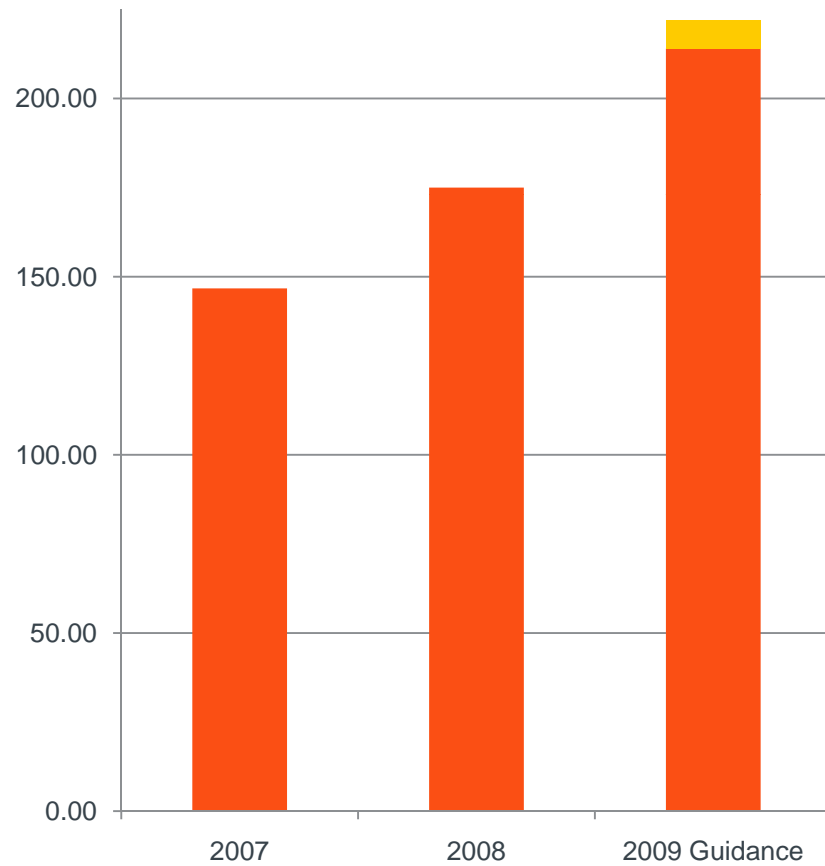
Condensed Statements of Cash Flow

(\$ in 1000's)

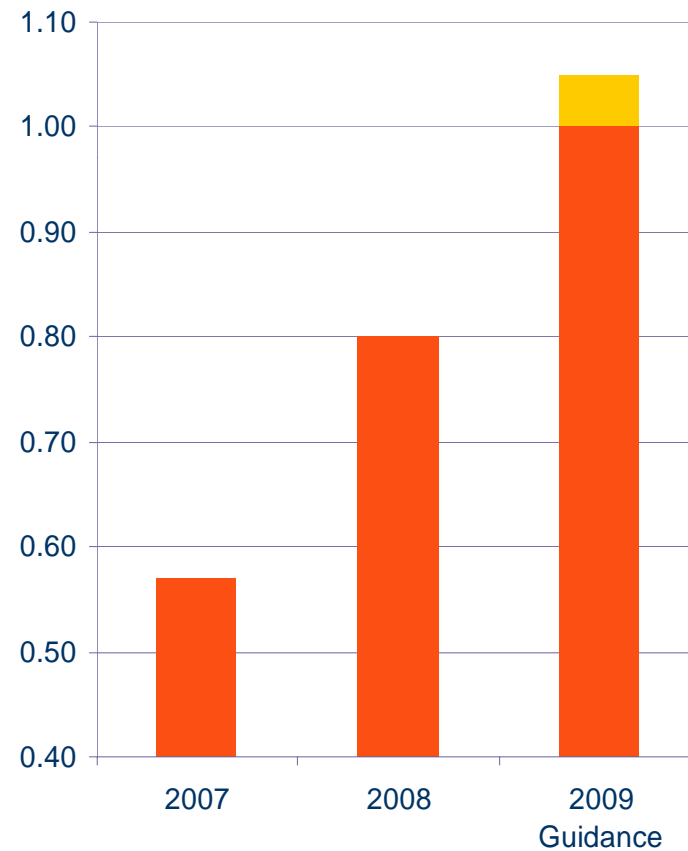
	Six months ended June	
	2009	2008
Net income	<u>\$12,343</u>	<u>\$ 8,174</u>
Net cash provided by operating activities	<u>5,150</u>	<u>4,358</u>
Net cash used in investing activities	<u>(5,077)</u>	<u>(4,167)</u>
Net cash provided by financing activities	<u>7,597</u>	<u>3,420</u>
Net increase in cash and cash equivalents	7,670	3,611
Cash and cash equivalents at beginning of period	<u>49,216</u>	<u>21,275</u>
Cash and cash equivalents at end of period	<u><u>\$56,886</u></u>	<u><u>\$ 24,886</u></u>

2009 Revised Guidance

Revenue (\$ in millions)



EPS in \$



New Business

- State
 - Minnesota TPL
 - Mississippi TPL
 - South Dakota TPL (re-procurement)
- Managed Care
 - Medicaid
 - Carolina Crescent Health Plan
 - Community Health Choice, Inc.
 - Healthfirst
 - ValueOptions (behavioral health)
 - VA Premier Health Plan
 - Commercial
 - HealthNow

Extensions/Expansions

- Government

- Extensions: Alaska, Colorado, Georgia, Iowa, Oklahoma
- Expansions: Indiana Cost Avoidance, Missouri Credit Balance, Wisconsin Casualty
- CMS Medicaid Integrity Contractor Task Order 3

- Managed Care

- Expansions
 - Centene: Data mining and clinical review
 - Keystone Mercy: Clinical review for Amerihealth Mercy of Indiana
 - Humana: Pharmacy recovery for Florida MCO

Healthcare Environment

- Healthcare reform provisions under consideration
 - Expansion of Medicaid eligibility
 - Employer/individual mandate
 - Health Insurance Exchange
 - Public plan option
 - Program integrity
- Continued focus on cost containment
- State fiscal situation will remain difficult for years
- Unemployment remains high