



Q1 2018

INVESTOR PRESENTATION

May 4, 2018



DISCLAIMERS

FORWARD-LOOKING STATEMENTS. The financial results in this presentation reflect preliminary unaudited results, which are not final until Form 10-Q for the quarter ended March 31, 2018 is filed with the Securities and Exchange Commission. This presentation contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements relate to our current expectations, projections and assumptions about our business, the economy and future events or conditions. They do not relate strictly to historical or current facts. Forward-looking statements can be identified by words such as "aims," "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "likely," "may," "plans," "projects," "seeks," "targets," "will," "would," "could," "should," and similar expressions and references to guidance, although some forward-looking statements may be expressed differently. In particular, these include statements relating to future actions, business plans, objectives and prospects, and future operating or financial performance. Factors or events that could cause actual results to differ may emerge from time to time and are difficult to predict. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results may differ materially from past results and those anticipated, estimated or projected. We caution you not to place undue reliance upon any of these forward-looking statements. Factors that could cause or contribute to such differences, include, but are not limited to: our ability to execute our business plans or growth strategy; our ability to innovate, develop or implement new or enhanced solutions or services; the nature of investment and acquisition opportunities we are pursuing, and the successful execution of such investments and acquisitions; our ability to successfully integrate acquired businesses and realize synergies; variations in our results of operations; our ability to accurately forecast the revenue under our contracts and solutions; our ability to protect our systems from damage, interruption or breach, and to maintain effective information and technology systems and networks; our ability to protect our intellectual property rights, proprietary technology, information processes, and know-how; significant competition relating to our solutions and services; our failure to maintain a high level of customer retention or the unexpected reduction in scope or termination of key contracts with major customers; customer dissatisfaction, or our non-compliance with contractual provisions or regulatory requirements; our failure to meet performance standards triggering significant costs or liabilities under our contracts; our inability to manage our relationships with information and data sources and suppliers; our reliance on subcontractors and other third party providers and parties to perform services; our ability to continue to secure contracts and favorable contract terms through the competitive bidding process; pending or threatened litigation; unfavorable outcomes in legal proceedings; our success in attracting and retaining qualified employees and members of our management team; our ability to generate sufficient cash to cover our interest and principal payments under our credit facility or to borrow or use credit; unexpected changes in tax laws, regulations or guidance and unexpected changes in our effective tax rate; unanticipated increases in the number or amount of claims for which we are self-insured; our ability to develop, implement and maintain effective internal control over financial reporting; changes in the U.S. healthcare environment or healthcare financing system, including regulatory, budgetary or political actions that affect healthcare spending or the practices and operations of healthcare organizations; our failure to comply with applicable laws and regulations governing individual privacy and information security or to protect such information from theft and misuse; our ability to comply with current and future legal and regulatory requirements; negative results of government or customer reviews, audits or investigations; state or federal limitations related to outsourcing of certain government programs or functions; restrictions on bidding or performing certain work due to perceived conflicts of interests; the market price of our common stock and lack of dividend payments; and anti-takeover provisions in our corporate governance documents; and other factors, risks and uncertainties described in our most recent Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission. Any forward-looking statements are made as of the date of this presentation. Except as may be required by law, we disclaim any obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

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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QUARTERLY FINANCIAL PERFORMANCE HIGHLIGHTS

- GAAP EPS of \$0.07 per diluted share. Adjusted EPS of \$0.22 per diluted share.¹ Both GAAP EPS and adjusted EPS include a net \$0.05 per diluted share benefit related to a Medicare RAC reserve release.²
- Total company revenue was \$141.4 million, including an \$8.4 million Medicare RAC reserve release.²
 - Commercial revenue was \$71.8 million
 - State government revenue was \$54.6 million
 - Coordination of Benefits (COB) revenue was \$91.7 million
 - Analytical services³ revenue was \$49.7 million, including \$28.7 million of Payment Integrity (PI) revenue and \$9.7 million of Eliza⁴ revenue
 - Capital expenditures were \$5.8 million
- Share repurchases were \$6.0 million (383,801 shares at \$15.50 average per share)

¹ Diluted adjusted EPS is a non-GAAP measure (see reconciliation on slide 7)

² The Company reversed the reserve liability for open or pending appeals following expiration of its original Medicare RAC contract on January 31, 2018 (the "Medicare RAC reserve release")

³ Analytical services includes PI, Medicare RAC and care management and consumer engagement solutions

⁴ The Company acquired Eliza Holding Corp ("Eliza") in April 2017

QUARTERLY FINANCIAL INFORMATION

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Revenue	\$ 113,733	\$ 133,313	\$ 125,673	\$ 148,493	\$ 141,425
Cost of services:					
Compensation	48,920	51,853	49,012	52,264	56,079
Information technology	9,783	11,281	12,067	12,592	12,263
Occupancy	3,547	4,230	4,332	5,081	4,383
Direct project expenses	10,443	10,101	9,548	11,255	10,083
Other operating expenses	7,203	6,562	7,446	7,214	6,565
Amortization of acquisition related software and intangible assets	6,286	7,372	8,167	8,568	8,132
Total cost of services	86,182	91,399	90,572	96,974	97,505
Selling, general and administrative expenses	23,608	27,553	22,240	32,253	31,998
Total operating expenses	109,790	118,952	112,812	129,227	129,503
Operating income	3,943	14,361	12,861	19,266	11,922
Interest expense	(2,286)	(2,339)	(3,109)	(3,137)	(2,648)
Interest income	155	33	14	93	120
Income before income taxes	1,812	12,055	9,766	16,222	9,394
Income taxes	370	5,538	3,394	(9,501)	3,003
Net income	\$ 1,442	\$ 6,517	\$ 6,372	\$ 25,723	\$ 6,391
Net income per diluted share	\$ 0.02	\$ 0.08	\$ 0.07	\$ 0.30	\$ 0.07
Weighted average common shares, diluted	85,580	85,826	85,730	84,936	85,682
Diluted adjusted EPS ¹	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.49	\$ 0.22

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

¹ Diluted adjusted EPS is a non-GAAP measure (see reconciliation on slide 7)

QUARTERLY MARKET AND PRODUCT REVENUE

Total Revenue by Market	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
State Government	\$ 50.7	\$ 57.6	\$ 53.0	\$ 57.7	\$ 53.3	\$ 57.9	\$ 51.6	\$ 64.2	\$ 54.6
Commercial	56.0	53.5	57.9	62.9	55.1	69.4	67.6	77.2	71.8
Federal (including Medicare RAC) / Other	13.1	10.4	12.0	5.0	5.3	6.0	6.5	7.1	15.0
Total HMS Revenue	119.8	121.5 ¹	122.9 ¹	125.6	113.7	133.3	125.7	148.5	141.4
Total Revenue by Product	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Coordination of Benefits	\$ 82.9	\$ 89.7	\$ 86.3	\$ 95.0	\$ 88.5	\$ 98.5	\$ 90.1	\$ 105.7	\$ 91.7
Analytical Services ²	36.9	31.8	36.6	30.6	25.2	34.8	35.6	42.8	49.7 ³
Total HMS Revenue	\$119.8	\$121.5 ¹	\$122.9 ¹	\$125.6	\$113.7	\$133.3	\$125.7	\$148.5	\$141.4

(Unaudited, \$ in millions)

¹ As revised. Refer to "Part IV, Item 15. Consolidated Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements" footnote 16 "Quarterly Financial Data (Unaudited)" on page 86 in the Company's 2017 Form 10-K for details. details (see https://www.sec.gov/Archives/edgar/data/1196501/000117184318001503/f10k_022318p.htm)

² Analytical services includes PI, Medicare RAC and care management and consumer engagement solutions

³ Analytical services Q1 2018 revenue of \$49.7 million includes quarterly revenue for PI of \$28.7 million, Medicare RAC of \$10.0 million which includes an \$8.4 million Medicare RAC reserve release, and care management and consumer engagement of \$11.0 million

Commercial Business

Commercial Business

2016-2018 QUARTERLY REVENUE



(Unaudited, \$ in millions)

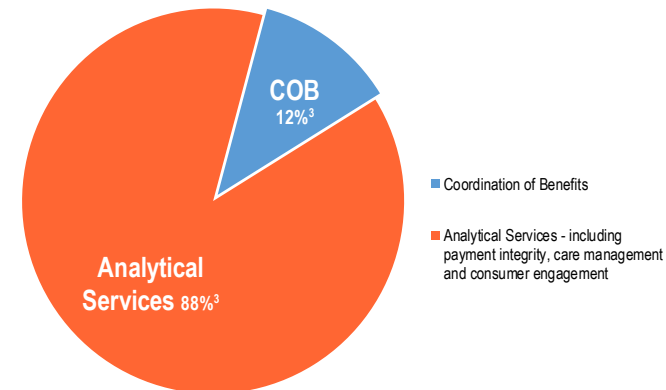
¹ Amounts reflect revised numbers. Refer to "Part IV, Item 15. Consolidated Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements" footnote 16 "Quarterly Financial Data (Unaudited)" on page 86 in the Company's 2017 Form 10-K for details (see https://www.sec.gov/Archives/edgar/data/1196501/000117184318001503/f10k_022318p.htm)

Commercial Business

Q1 2018 COMMERCIAL SALES

- New business: products sold to new commercial members covering approximately 0.1 million lives¹
- Additional business: products sold to current commercial customers covering approximately 4.4 million lives²

Q1 Sales by Product



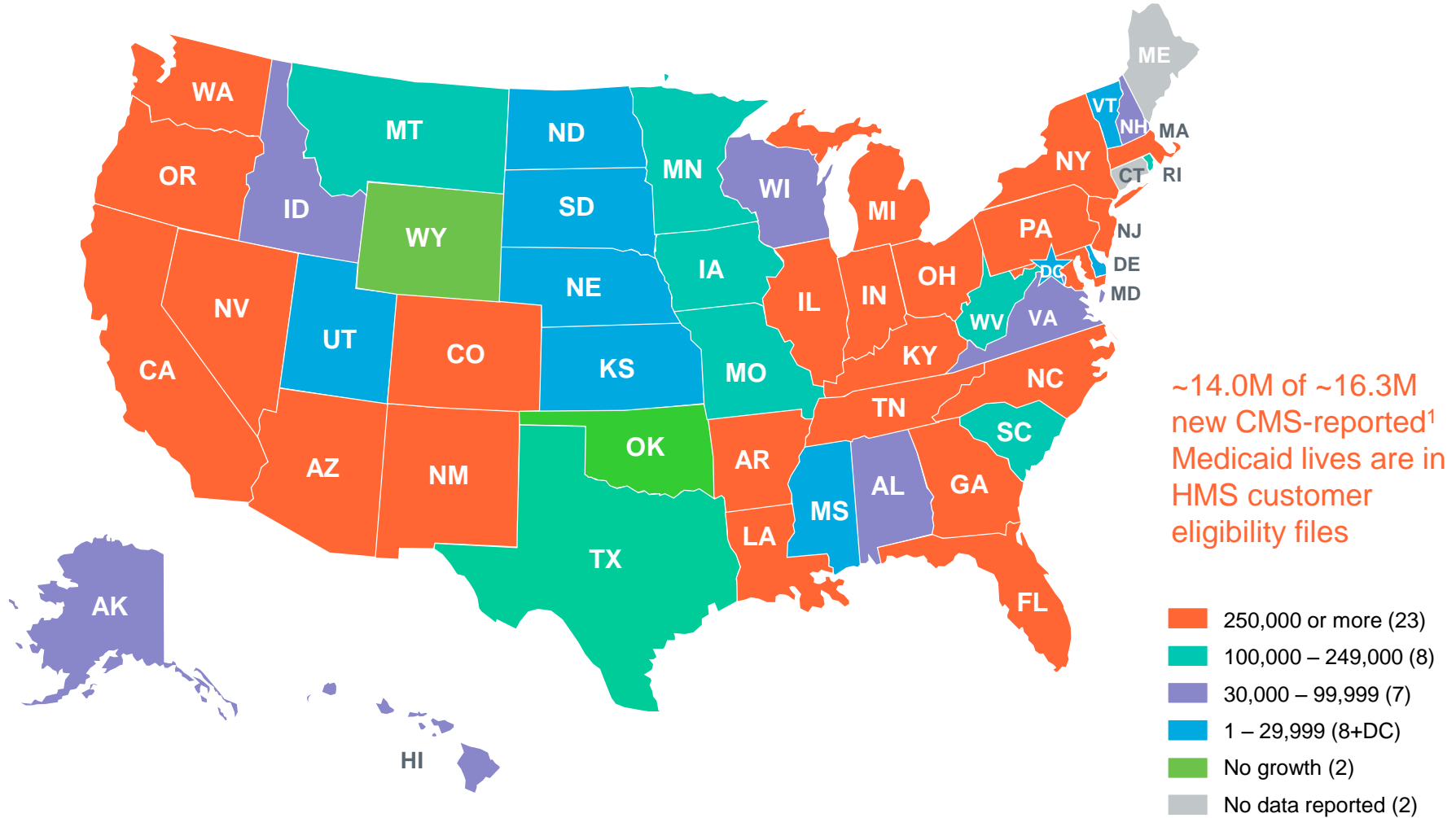
¹ New business includes sales to either a new customer or a new category of members (e.g. Medicare, Medicaid or ASO) for an existing customer

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

Data as of March 31, 2018

New Medicaid Enrollment Through February 2018¹



CMS Medicaid & CHIP: February 2018 Monthly Applications, Eligibility Determinations and Enrollment Report, April 30, 2018. This analysis compares Medicaid enrollment of ~16.3 million lives reported through 2/28/18 to enrollment as of 10/1/13, which was the beginning of Marketplace open enrollment and the CMS baseline for measuring expansion

RECONCILIATION OF NET INCOME TO GAAP EPS (DILUTED)/ ADJUSTED EPS (DILUTED)

As summarized in the following table, diluted earnings per share adjusted for stock-based compensation expense, amortization of acquisition related software and intangible assets and for the related taxes (adjusted EPS) was \$0.22 for the first quarter of 2018. For the first quarter of 2018, diluted GAAP EPS and diluted adjusted EPS both include a net \$0.05 per diluted share benefit related to an \$8.4 million Medicare RAC reserve release.

	Q1'17	Q2 '17	Q3 '17	Q4 '17	Q1 '18
Net income	\$ 1,442	\$ 6,517	\$ 6,372	\$ 25,723	\$ 6,391
Stock-based compensation	5,386	3,994	7,381	7,382	9,494
Amortization of acquisition related software and intangible assets	6,286	7,372	8,167	8,568	8,132
Income tax related adjustments ¹	(2,323)	(4,319)	(5,815)	80	(5,505)
Sub-total	10,791	13,564	16,105	41,753	18,512
Weighted average common shares, diluted	85,580	85,826	85,730	84,936	85,682
Diluted GAAP EPS	\$ 0.02	\$ 0.08	\$ 0.07	\$ 0.30 ²	\$ 0.07
Diluted Adjusted EPS	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.49	\$ 0.22
Federal tax legislation impact	\$ -	\$ -	\$ -	\$ 0.25	\$ -
Diluted Adjusted EPS after federal tax legislation	\$ 0.13	\$ 0.48	\$ 0.40	\$ 0.24 ³	\$ 0.22

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

The Company believes that the non-GAAP financial measures in this presentation provide 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 actual and expected operating results during the future, current, and prior periods in a more consistent manner. The non-GAAP measures presented may not be comparable to similarly titled measures used by other companies.

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

² Diluted GAAP EPS for each of the three months and year ended December 31, 2017 includes a non-cash tax benefit of \$15.1 million or \$0.18 per diluted share due to the revaluation of the company's deferred tax balances pursuant to the tax rate reduction included in the federal tax legislation enacted in December 2017

³ Diluted adjusted EPS for the three months and year ended December 31, 2017 includes a non-cash tax benefit of \$0.25 and \$0.40 per diluted share, respectively, due to the revaluation of the Company's deferred tax balances pursuant to the tax rate reduction included in the federal tax legislation enacted in December 2017



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