



Q2 2018

INVESTOR PRESENTATION

August 3, 2018



DISCLAIMERS

FORWARD-LOOKING STATEMENTS. The financial results in this presentation reflect preliminary unaudited results, which are not final until the Form 10-Q for the quarter ended June 30, 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, and specifically include the information found in the slides "Quarterly Financial Performance Highlights" and "Revised Outlook for Full Year 2018" and the reconciliations of non-GAAP measures. 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. With respect to our projected effective annual tax rate for 2018, this reflects our current reasonable estimate of the income tax effects of the recently enacted tax legislation, however these are provisional amounts subject to adjustment during the one-year measurement period. 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 slides 7-9 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

- Total company revenue was \$146.8 million – YTD total revenue was up 13%, excluding Q1 Reserve Release¹
 - Commercial revenue was a record \$80.5 million – up 12.1% sequentially
 - State government revenue was \$58.8 million – up 7.7% sequentially
 - Coordination of Benefits (COB) revenue was \$100.8 million – up 9.9% sequentially
 - Analytical services² revenue was \$46.0 million, including Payment Integrity (PI) revenue of \$29.5 million, Eliza revenue of \$13.7 million, Essette revenue of \$1.1 million and Medicare RAC revenue of \$1.7 million
- Full year 2018 Revenue and Adjusted EBITDA Outlook raised to reflect 1H'18 performance³
- GAAP EPS of (\$0.04) per diluted share reflects \$20 million settlement⁴
- Adjusted EPS of \$0.25 per diluted share⁵
- Net loss of (\$3.4) million includes \$20 million settlement expense⁴
- Adjusted EBITDA of \$40.0 million⁵ – up 14.7% sequentially
- Capital expenditures were \$6.9 million / YTD total of \$12.7 million

¹ Includes \$8.4 million of revenue related to the Q1'18 reversal of the Company's reserve liability for open or pending Medicare RAC appeals following expiration of the original Medicare RAC contract on January 31, 2018

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

³ See details of revised full year 2018 Outlook (see slide 6) and related reconciliation of non-GAAP measures (see slide 9)

⁴ GAAP EPS and the net loss for the quarter ended June 30, 2018 included an expense of \$20.0 million related to the previously announced settlement on June 27, 2018 of litigation in connection with the earn-out portion of the purchase price for an acquisition the Company completed in 2010

⁵ Adjusted EPS and Adjusted EBITDA are non-GAAP measures (see reconciliation on slides 7 and 8). Diluted Adjusted EPS and Adjusted EBITDA in Q2 both include an add back of the non-recurring \$20.0 million settlement expense

QUARTERLY FINANCIAL INFORMATION

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Revenue	\$ 113,733	\$ 133,313	\$ 125,673	\$ 148,493	\$ 141,425	\$ 146,791
Cost of services:						
Compensation	48,920	51,853	49,012	52,264	56,079	55,188
Information technology	9,783	11,281	12,067	12,592	12,263	14,240
Occupancy	3,547	4,230	4,332	5,081	4,383	4,014
Direct project expenses	10,443	10,101	9,548	11,255	10,083	10,908
Other operating expenses	7,203	6,562	7,446	7,214	6,565	7,051
Amortization of acquisition related software and intangible assets	6,286	7,372	8,167	8,568	8,132	9,621
Total cost of services	86,182	91,399	90,572	96,974	97,505	101,022
Selling, general and administrative expenses	23,608	27,553	22,240	32,253	31,998	26,532
Settlement expense	-	-	-	-	-	20,000
Total operating expenses	109,790	118,952	112,812	129,227	129,503	147,554
Operating income	3,943	14,361	12,861	19,266	11,922	(763)
Interest expense	(2,286)	(2,339)	(3,109)	(3,137)	(2,648)	(3,034)
Interest income	155	33	14	93	120	188
(Loss)/income before income taxes	1,812	12,055	9,766	16,222	9,394	(3,609)
Income taxes	370	5,538	3,394	(9,501)	3,003	(242)
Net (loss)/income	\$ 1,442	\$ 6,517	\$ 6,372	\$ 25,723	\$ 6,391	\$ (3,367)
Net (loss)/income per common share -- diluted	\$ 0.02	\$ 0.08	\$ 0.07	\$ 0.30	\$ 0.07	\$ (0.04)
Weighted average common shares -- diluted	85,580	85,826	85,730	84,936	85,682	83,231
Diluted adjusted EPS ¹	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.49	\$ 0.22	\$ 0.25

(unaudited, \$ in the thousands, except for 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	Q2'18
State Government	\$ 50.7	\$ 57.6	\$ 53.0	\$ 57.7	\$ 53.3	\$ 57.9	\$ 51.6	\$ 64.2	\$ 54.6	\$ 58.8
Commercial	56.0	53.5	57.9	62.9	55.1	69.4	67.6	77.2	71.8	80.5
Federal (including Medicare RAC) / Other	13.1	10.4	12.0	5.0	5.3	6.0	6.5	7.1	15.0	7.5
Total HMS Revenue	119.8	121.5 ¹	122.9 ¹	125.6	113.7	133.3	125.7	148.5	141.4	146.8
Total Revenue by Product	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Coordination of Benefits	\$ 82.9	\$ 89.7	\$ 86.3	\$ 95.0	\$ 88.5	\$ 98.5	\$ 90.1	\$ 105.7	\$ 91.7	\$ 100.8
Analytical Services ²	36.9	31.8	36.6	30.6	25.2	34.8	35.6	42.8	49.7 ³	46.0 ⁴
Total HMS Revenue	\$119.8	\$121.5 ¹	\$122.9 ¹	\$125.6	\$113.7	\$133.3	\$125.7	\$148.5	\$141.4	\$146.8

(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. (see https://www.sec.gov/Archives/edgar/data/1196501/000117184318001503/f10k_022318p.htm)

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

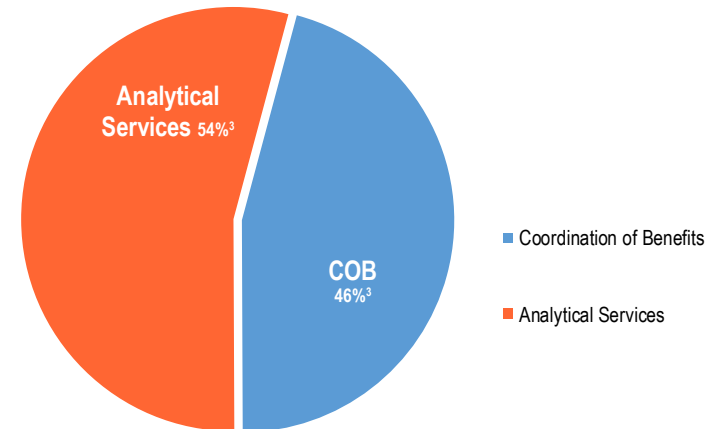
³ Analytical services revenue in Q1 2018 included an \$8.4 million Medicare RAC reserve release related to the reversal of the Company's reserve liability for open or pending Medicare RAC appeals following expiration of the original Medicare RAC contract on January 31, 2018

⁴ Analytical services revenue in Q2 2018 includes quarterly revenue for PI of \$29.5 million, care management and consumer engagement of \$14.8 million, and Medicare RAC of \$1.7 million

Q2 2018 COMMERCIAL SALES

- New business: products sold to new commercial members covering approximately 15.3 million lives¹
- Additional business: products sold to current commercial customers covering approximately 10.2 million lives²

Q2 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

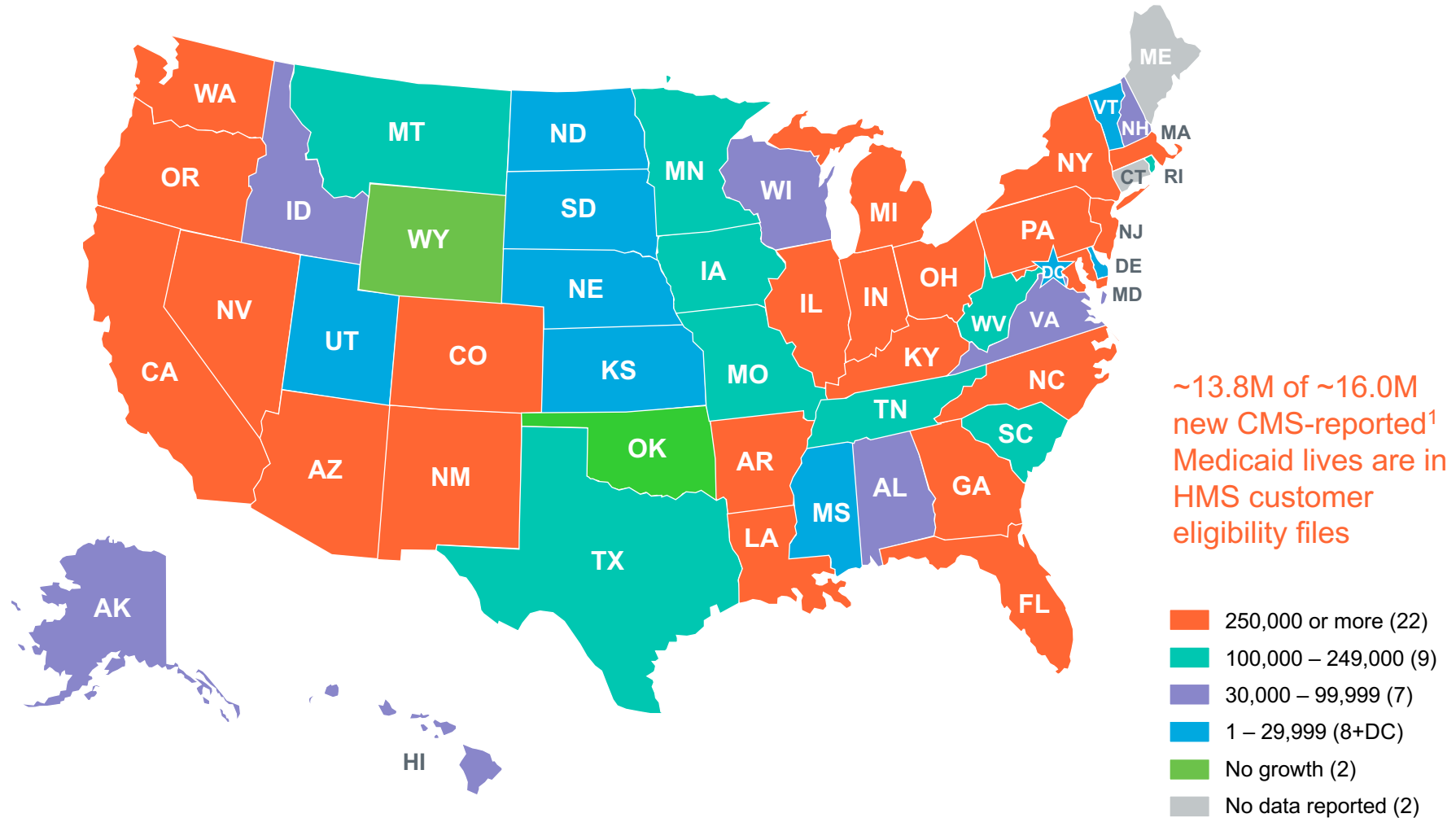
² Additional business reflects new product sales to a customer population already covered by other HMS products. In some instances both COB and analytical services solutions were sold to the same customer life in the quarter, but such sales are only counted once for purposes of this calculation

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

Data as of June 30, 2018

State Government Business

New Medicaid Enrollment Through May 2018¹



CMS Medicaid & CHIP: May 2018 Monthly Applications, Eligibility Determinations and Enrollment Report, July 31, 2018. This analysis compares Medicaid enrollment of ~16.0 million lives reported through 5/31/18 to enrollment as of 10/1/13, which was the beginning of Marketplace open enrollment and the CMS baseline for measuring expansion

REVISED OUTLOOK FOR FULL YEAR 2018

- Total company revenue of \$575 - 585 million¹
- Net income of \$23 - 26 million, including the impact of \$20 million Q2'18 Settlement²
- Adjusted EBITDA³ of \$143 -148 million¹
- Operating margin expansion of 50 - 75 bps⁴
- Capital expenditures of approximately \$33 million
- An effective annual tax rate of 28 - 30%⁵

¹ Includes \$8.4 million of revenue and \$6.3 million of Adjusted EBITDA related to the Q1'18 reversal of the Company's reserve liability for open or pending Medicare RAC appeals following expiration of the original Medicare RAC contract on January 31, 2018

² The net loss of \$3.4 million for the quarter ended June 30, 2018 included an expense of \$20.0 million related to a settlement on June 27, 2018 of litigation in connection with the earn-out portion of the purchase price for an acquisition the Company completed in 2010

³ Adjusted EBITDA is a non-GAAP measure (see reconciliation on slide 9)

⁴ Excluding the impact of both the Q1 '18 Medicare RAC reserve release and the Q2 '18 settlement referenced above

⁵ Current estimates suggest an annual effective tax rate at the high end of the projected range

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

As summarized in the following table, diluted earnings per share adjusted for stock-based compensation expense, settlement expense, amortization of acquisition related software and intangible assets and for the related taxes (adjusted EPS) was \$0.25 for the second quarter of 2018.

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18
Net (Loss)/Income	\$ 1,442	\$ 6,517	\$ 6,372	\$ 25,723	\$ 6,391	\$ (3,367)
Stock-based compensation expense	5,386	3,994	7,381	7,382	9,494	4,714
Settlement expense	-	-	-	-	-	20,000
Amortization of acquisition related software and intangible assets	6,286	7,372	8,167	8,568	8,132	9,621
Income tax related to adjustments ⁽¹⁾	(2,323)	(4,319)	(5,815)	80	(5,585)	(10,404)
Sub-total	10,791	13,564	16,105	41,753	18,432	20,564
Weighted average common shares, diluted	85,580	85,826	85,730	84,936	85,682	83,231
Diluted GAAP EPS	\$ 0.02	\$ 0.08	\$ 0.07	\$ 0.30 ²	\$ 0.07	\$ (0.04)
Diluted Adjusted EPS	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.49	\$ 0.22	\$ 0.25
Federal tax legislation impact	\$ -	\$ -	\$ -	\$ 0.25	\$ -	\$ -
Diluted Adjusted EPS after federal tax legislation	\$ 0.13	\$ 0.48	\$ 0.40	\$ 0.24 ³	\$ 0.22	\$ 0.25

(Unaudited, \$ in thousands)

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 forecasted adjusted annual effective tax rate at period end

² Diluted GAAP EPS for the three months 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 December 31, 2017 includes a non-cash tax benefit of \$0.25 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

⁴ Diluted GAAP EPS for the three months ended June 30, 2018 includes an expense of \$20.0 million related to the previously announced settlement on June 27, 2018 of litigation in connection with the earn-out portion of the purchase price for an acquisition the Company completed in 2010

RECONCILIATION OF NET (LOSS)/INCOME TO EBITDA AND ADJUSTED EBITDA

As summarized in the following table, earnings before interest, taxes, depreciation and amortization, stock-based compensation expense and settlement expense (adjusted EBITDA) was \$40.0 million for the second quarter of 2018.

	Three Months Ended		
	June 30, 2017	March 31, 2018	June 30, 2018
Net (Loss)/income	\$ 6,517	\$ 6,391	\$ (3,367)
Net interest expense	2,306	2,528	2,846
Income taxes	5,538	3,003	(242)
Depreciation and amortization of property and equipment and intangible assets	12,105	13,466	16,066
Earnings before interest, taxes, depreciation and amortization (EBITDA)	26,466	25,388	15,303
Stock based compensation expense	3,994	9,494	4,714
Settlement expense	-	-	20,000
Adjusted EBITDA	\$ 30,460	\$ 34,882	\$ 40,017

(Unaudited, \$ in thousands)

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.

RECONCILIATION OF PROJECTED 2018 NET INCOME TO PROJECTED 2018 EBITDA AND ADJUSTED EBITDA

As summarized in the following table, the Company currently estimates net income of between approximately \$23 million and \$26 million and adjusted EBITDA of between approximately \$143 million and \$148 million for 2018.

		Twelve Months Ending December 31, 2018 Estimated Range			
		Current Guidance		Prior Guidance	
		Low	High	Low	High
Net Income		\$ 23	\$ 26	\$ 29	\$ 33
Net interest expense		11	11	12	12
Income taxes		10	12	12	13
Depreciation and amortization of property and equipment and intangible assets		58	58	55	55
Earnings before interest, taxes, depreciation and amortization (EBITDA)		\$ 102	107	\$ 108	113
Stock based compensation expense		21	21	20	20
Settlement expense		20	20	-	-
Adjusted EBITDA		\$ 143	\$ 148	\$ 128	\$ 133

(\$ in millions)



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