

Dear Shareholder,

Expenditures in the U.S. healthcare system continue to grow at an unsustainable pace. Containing costs

by correcting billing and payment errors, estimated at close to \$170 billion in 2015, is one of the most

important means available for impacting those costs. Against that backdrop, we saved billions of dollars

last year for our customers and identified billions more in cost avoidance opportunities. 2015 was also a

year of solid revenue growth, strong cash flow, improved efficiency and increased profitability at HMS.

We began last year with 40% of our state Medicaid TPL revenue scheduled for rebid, an ambitious goal

of increasing our commercial health plan revenue by 20% and uncertainty about when new Medicare

RAC contracts would be awarded. We ended 2015 with our historically strong state Medicaid TPL

presence solidly in place, our health plan growth goal achieved and the future of the Medicare RAC

program still unsettled.

Entering 2016, we have multi-year contractual relationships in place serving state Medicaid programs in

45 states and the District of Columbia. With an excellent record of retention for over 30 years, that

business should be a steady component of our annual revenue and profitability long into the future. Our

current growth engine, however, is the commercial health plan business for which 2015 was a breakout

year. As health plans continue to place trust in HMS for their cost containment solutions, we added a

dozen new customers last year and now work with over 250 plans nationally. We also increased our

customer base by 2.5 million unique lives, taking the total to more than 85 million, and we sold incremental

products to current customers covering approximately 12.6 million of those lives. We expect 2016 health

plan revenue growth of 18-20%, placing it on a trajectory to surpass the state government revenue for

the first time in Company history.

Data we maintain for our customers gives us unparalleled access to a Medicaid database we believe is

the largest in the nation. The depth, breadth and multiyear history of that data contributes significantly to

the sophistication of our proprietary matching algorithms and clinical analytics. Our extensive customer

base also provides a powerful distribution channel for new products, such as the prepay clinical claim

review solution we launched last July.

Several factors give us confidence that we can achieve our targeted health plan growth for 2016. In

addition to internal steps we took last year to increase efficiency, in terms of the implementation of new

business and the profit yield on existing sales, there are two powerful macro forces creating a tailwind.

The Affordable Care Act continues to boost annual Medicaid enrollment and spending, and an estimated

10,000 aging baby boomers are entering Medicare each day. Most new enrollees are joining Medicare

Advantage plans – a growing market opportunity for HMS.

In addition to these demographics, structural changes in the healthcare delivery landscape are presenting

added opportunities to sell our products and services to payers. The increasing complexity of payment

models, including the gradual move toward pay-for-performance, is making payment accuracy more of a

focus. High cost Health Exchange members are creating a sense of urgency among payers to find new

ways to control costs. Finally, we see evidence that the frequency and magnitude of high profile

healthcare data breaches are pushing health plans in the direction of sharing their members' personal

health information with fewer trusted partners – and making sure those few meet high data security

standards. All of these factors combined play to our strengths, as many of our customers seek to

consolidate their business among fewer and more substantial service providers.

In addition to achieving significant revenue growth and improved profitability, our balance sheet

strengthened throughout 2015. We ended the year with \$146 million in cash, even after purchasing \$50

million of our shares pursuant to a Board authorized buyback program. Our purchase of approximately 4.7 million HMSY

shares during the second half reduced the year-end share count by nearly 4.5%. We

anticipate continued strong operating cash flow in 2016, on the order of \$20-25 million per quarter and

capital expenditures for the full year of approximately \$20 million. Those capital investments will be

focused primarily on IT infrastructure improvements, product enhancements and new product

development. Our strong balance sheet gives us the flexibility to make an acquisition that leverages our

large installed customer base and complements our core competencies, expands our data analytics

capabilities, and/or supplements our capacity to identify and reduce fraud, waste and abuse.

Strategically, we are intensifying our focus on the identification of opportunities for new products and new

business relationships as growing attention is paid to population health management, member health

and risk analytics. We have an internal innovation team exploring how our massive eligibility and paid

claims database, sophisticated data analytics capacity and uniquely broad distribution channel may

position us to play in each of those arenas. Data sharing among payers presents another opportunity for

HMS, as we expect there will be growing interest in developing applications to look across entire

populations in a given geography. Identifying and eliminating fraud, for example, is one of the most

obvious areas for cooperation among health plan and government payers. The Healthcare Fraud

Prevention Partnership, led by CMS, is a voluntary public-private effort among federal and state

government officials, law enforcement, commercial health plans and healthcare antifraud associations.

HMS is proud to have been selected last year as a “trusted third party” participant in the group’s activities,

which are focused on the detection and prevention of healthcare fraud through data and information

sharing and analytics.

At HMS, we are in the enviable position of selling our services in a healthcare market where the

opportunity to address payment errors is virtually unlimited and growing annually, due to increases in the

number of insured lives and healthcare expenditures which continue to rise unabated. Our consistent

performance for customers over the years has positioned HMS as a market-leading data analytics

company. With ROIs of 10 to 1 and higher, we have a proven record of helping our customers reduce

erroneous payments and thereby bend the healthcare cost curve.

We approach 2016 with renewed confidence in our business model, strategic priorities, financial strength,

dedicated employees and experienced executive team. We also remain firmly committed to maximizing

shareholder value.

Thank you for your support and confidence.

William C. Lucia

Chairman and Chief Executive Officer

April 29, 2016

Safe Harbor: This letter contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

Such statements are based on current expectations and assumptions that are subject to change; they do not relate strictly to historical or

current facts. 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. For the factors, risks and uncertainties that could cause

or contribute to such differences, refer to our 2015 Annual Report on Form 10-K and subsequent filings with the U.S. Securities and Exchange

Commission (SEC) (see: <http://investor.hms.com/financials.cfm>).