2015

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 approximately4.7 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).

2016

Dear Shareholder,

2016 was a year of solid growth in total revenue and earnings per share. Adjusted EBITDA also increased, overall profitability and margins improved, and operating cash flow remained strong. In addition, we achieved a key strategic objective for the year by acquiring a care management platform. Beyond our financial performance, we are proud to have saved billions of dollars for our customers. Those savings represent an important contribution to bending the ever-rising healthcare cost curve in this nation.

Our 2016 commercial health plan revenue exceeded our state government revenue for the first time and significant sales throughoutlast year form the foundation for strong commercial revenue growth we expect again in 2017. We added over 17 million new commercial lives, including a sale in the second quarter to a single customer for 15 million of their at-risk and ASO members, taking our commercial health plan lives over 100 million. We also sold additional products to existing health plan customers last year covering approximately 30 million of their members, compared to about 13 million in the prior year.

Full-year adjusted earnings per share were up 30% in 2016. Operating cash flow increased 22% and year-end cash of $176 million was 21% higher than the prior year-end, even after the $21 million purchase of Essette in the third quarter and $20 million of share repurchases (1.1 million shares) in the fourth quarter. Through year end we had purchased a total of 5.9 million shares at an average price of $11.95 per share pursuant to a buyback plan instituted by our Board in August of 2015. We also completed a tax project in the third quarter – identifying certain credits and deductions that reduced our annual effective tax rate by 300 bps to ~37%.

The Essette care management platform, acquired last fall, was the foundation for a new third business vertical, which was strengthened considerably by the acquisition of the Eliza Corporation consumer engagement platform completed in April of this year. Essette was designed and built from the ground up to serve as a “care traffic controller” – helping risk bearing entities identify and manage at-risk populations. Eliza is a cloud-based technology platform which provides comprehensive and personalized health engagement solutions designed to improve clinical outcomes and reduce costs by motivating members to adopt targeted behaviors. Eliza has developed sophisticated communication techniques - based on proprietary patented predictive analytics, behavioral science and digital design techniques
- to effectively engage members and achieve better health outcomes. We see these Essette and Eliza capabilities as a natural extension of the cost containment solutions we have offered historically, an opportunity to further leverage our data assets, and a strategic response to the need for payers to improve health outcomes and reduce costs for their highest risk members. We believe there will be significant opportunities to cross-sell our
new care management and member engagement solutions to our health plan and state government customers.

meaningful growth opportunities for our suite of cost containment solutions.

We currently face some uncertainty as Congress and the Trump Administration consider various approaches to the

focused on preserving the dollars they receive than they are today.

William C. Lucia

July 12, 2017

Safe Harbor:

2017

Dear Shareholder,

The healthcare industry is increasingly focused on enhancing the consumer experience and improving health outcomes by better engaging individuals in managing their own health. To capitalize on this trend, we completed an important strategic acquisition of Eliza Holding Corp. (“Eliza”) in April 2017. Together with the 2016 purchase of the Essette care management platform, HMS now offers a significantly expanded suite of solutions to engage consumers and better manage their care. With our new care management and consumer engagement vertical, combined with our heritage cost- containment businesses, HMS can address virtually every aspect of the estimated $1 trillion in annual U.S. healthcare spend lost to fraud, waste and abuse. As a result, we are a key partner for payers seeking to proactively manage the health of their members and to bend the unsustainable upward trajectory of the healthcare cost curve.

Eliza is a cloud-based technology platform that provides personalized health engagement solutions – at scale – to improve clinical outcomes and reduce costs by motivating members to adopt targeted

behaviors. It creates expanded opportunities to leverage our three principal assets – data, analytics and an expansive customer base – and to partner with payers as they develop and execute strategies to become more consumer-centric. We also believe our new offerings will increase member satisfaction and retention rates, while positioning HMS to address other factors affecting healthcare, such as the increasing influence of artificial intelligence; a greater focus on price transparency; heightened recognition of the impact of social determinants; and the growing role of big data and technology-based analytics.

Eliza can, for example, identify social determinants during member outreach or health risk assessment activities and provide actionable insights to customers, so they can direct their members to appropriate assistance and care. This is important because socioeconomics, education levels, employment status and social networks are factors that significantly impact overall health but cannot be assessed from an enrollment file or medical claim.

Our 2017 financial performance included record full year coordination of benefits revenue, which was up more than 8% compared to the prior year; full year total company revenue which topped $500 million for the first time in our history; and continued strong operating cash flow. Execution challenges kept us from reaching our payment integrity ("PI") revenue target for the year, but we made substantial progress on several initiatives we believe can drive double-digit growth for our PI business in the year ahead.

Throughout 2017, we made investments in people, technology, process improvements and innovation to accelerate the growth we believe is inherent in our business model. We began to see the expected payback in the fourth quarter, and plan to continue investing in our IT infrastructure and expanding our big data environment in 2018.

Beyond investing in growth, our priority this year is to deploy capital for acquisitions that complement our core business, broaden our data analytics capabilities or add to our capacity to detect fraud, waste and abuse. We will stay disciplined in reviewing such opportunities and continue to apply rigorous diligence standards as we consider any future purchases. We also have a $50 million share buyback program in place, with $14 million used in the fourth quarter of 2017, which we will deploy opportunistically. Our balance sheet remains strong, with low leverage and a newly amended and extended $500 million credit facility, finalized last December which increases flexibility and supplements our strong operating cash flow.

Our outlook for 2018 includes total company revenue growth of 7-9% and margin expansion of approximately 50 basis points. We will continue to prudently manage operating expenses and anticipate capital expenditures will be roughly flat compared to 2017. Our effective tax rate is expected to be below 30%, as a result of the federal legislation signed into law last December. We plan to reduce the inventory of sold but not implemented business over the course of 2018 as we work through a backlog that grew throughout last year. We also took a number of steps in 2017 to improve the implementation process and will continue to focus this year on reducing the time it takes to produce the first dollars of revenue – particularly in our PI business.

Our strategic priorities for 2018 are designed to maximize total shareholder return and include the following: ƒƒBoost organic revenue growth across all of our products
ƒƒUtilize technology, innovation and our scalable business model to expand margins
ƒƒMaximize cross sales of our care management and consumer engagement solutions to existing customers ƒƒLeverage technology to further strengthen the value of our vast healthcare database and sophisticated analytics ƒƒSeek to achieve higher levels of customer satisfaction and HMS employee engagement

We approach 2018 with enthusiasm and confidence in our ability to show year-over-year improvement on a number of key financial measures, and to continue positioning HMS for long-term revenue growth and enhanced profitability.

Sincerely,

William C. Lucia

Chairman and Chief Executive Officer April 13, 2018

Safe Harbor: This letter contains certain "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These 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.
For a discussion identifying important factors that could cause actual results to differ from those stated or implied in our forward-looking statements, see the Company's filings with the SEC, including, but not limited to the "Cautionary Note Regarding Forward-Looking Statements," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures about Market Risk" in the Form 10-K portion of this Annual Report. 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 federal tax legislation; however, these are provisional amounts subject to adjustment during the one-year measurement period.