HMS HOLDINGS CORP
Form DEF 14A
April 29, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934 (Amendment No. _________)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [_]

Check the appropriate box:

[_] Preliminary Proxy Statement

[_] **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

[X] Definitive Proxy Statement

[_] Definitive Additional Materials

[_] Soliciting Material Pursuant to §240.14a-12

HMS Holdings Corp.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

HMS Holdings Corp.

5615 High Point Drive

Irving, Texas 75038

Dear Fellow Shareholders:

On behalf of the Board of Directors and management, we cordially invite you to attend our 2016 Annual Meeting of Shareholders to be held on Thursday, June 23, 2016, beginning at 10:00 a.m., Central Daylight Time, at the Four Seasons Resort and Club Dallas at Las Colinas, located at 4150 N. MacArthur Boulevard, Irving, Texas 75038. The formal Notice of Annual Meeting is set forth in the enclosed material. At the Annual Meeting, you will be asked to (1) elect four directors, (2) approve, on an advisory basis, the 2015 compensation of our named executive officers, (3) re-approve the Annual Incentive Compensation Plan as amended and restated, (4) approve the 2016 Omnibus Incentive Plan, (5) ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016 and (6) consider such other business as may properly come before the Annual Meeting or any postponements or adjournments of the Annual Meeting.

It is important that your views be represented, whether or not you are able to attend the Annual Meeting. You may vote in person at the Annual Meeting, by proxy over the Internet or by telephone, or if you received a paper copy of the proxy materials by mail, you can also vote by mail by following the instructions on the proxy card or voting instruction form. Voting over the Internet, by telephone or by written proxy or voting instruction form will ensure your representation at the Annual Meeting regardless of whether you attend in person.

We appreciate your investment in HMS Holdings Corp. and look forward to seeing you at the Annual Meeting.

Sincerely,

William C. Lucia
Chairman of the Board,
President and Chief Executive Officer

April 29, 2016

HMS Holdings Corp.

5615 High Point Drive

Irving, Texas 75038

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Time and Date:	10:00 a.m. Central Daylight Time on Thursday, June 23, 2016
Place:	Four Seasons Resort and Club Dallas at Las Colinas, located at 4150 N. MacArthur Boulevard, Irving, Texas 75038
Items of Business:	(1) To elect four Class I directors.
	(2) To approve, on an advisory basis, the 2015 compensation of our named executive officers.
	(3) To re-approve the Annual Incentive Compensation Plan as amended and restated.
	(4) To approve the 2016 Omnibus Incentive Plan.
	(5) To ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016.
	(6) To consider such other business as may properly come before the 2016 Annual Meeting of Shareholders (the “2016 Annual Meeting”) or any postponement or adjournment thereof.
Adjournments and Postponements:	Any action on the items of business described above may be considered at the 2016 Annual Meeting at the time and on the date specified above or at any time and date to which the 2016 Annual Meeting may be properly adjourned or postponed.
Record Date:	You are entitled to vote only if you were a shareholder of HMS as of the close of business on April 25, 2016 (the “Record Date”).
Meeting Admission:	You are entitled to attend the 2016 Annual Meeting only if you were a shareholder of HMS as of the close of business on the Record Date or hold a valid proxy for the 2016 Annual Meeting. You should be prepared to present photo identification for admission. If you are not a shareholder of record, but hold shares through a broker or nominee (*i.e.*, in street name), you should provide proof of beneficial ownership as of the Record Date, such as your most recent account statement dated prior to April 25, 2016, a copy of the voting instruction form provided by your broker, trustee or nominee, or other similar evidence of

ownership. If, upon request, you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the 2016 Annual Meeting.

Directions to the 2016 Annual Meeting may be obtained by calling our office at 214.453.3000 or by sending an email to Investor Relations at dennis.oakes@hms.com.

Voting:	**Your vote is very important. Whether or not you plan to attend the 2016 Annual Meeting, we encourage you to read the attached Proxy Statement and vote as soon as possible. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of a proxy or voting instruction form by mail, you may submit your vote by completing, signing, dating and returning your proxy card or voting instruction form in the pre-addressed envelope provided, or by following the instructions on your proxy card or voting instruction form for voting over the Internet or by telephone. For specific instructions on how to vote, please refer to the "Questions and Answers" section beginning on page 1 of the Proxy Statement.**

By the Order of the Board of Directors,

Meredith W. Bjorck

Executive Vice President,

General Counsel and Corporate Secretary

April 29, 2016

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 23, 2016:

This Notice of Annual Meeting and Proxy Statement and our 2015 Annual Report on Form 10-K are available on our website at http://investor.hms.com/annual-proxy.cfm. The information contained on our website is not incorporated by reference into this Proxy Statement.

HMS Holdings Corp.

PROXY STATEMENT FOR THE

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 23, 2016

QUESTIONS AND ANSWERS

PROXY MATERIALS

Q: Why am I receiving these materials?

A: The Board of Directors of HMS Holdings Corp., a Delaware corporation (which may be referred to in this Proxy Statement as "we," "us," "our" or "HMS"), has made these proxy materials available to you over the Internet or has delivered paper copies of these materials to you in connection with our 2016 Annual Meeting of Shareholders, or the 2016 Annual Meeting, to be held at 10:00 a.m. Central Daylight Time on Thursday, June 23, 2016 at the Four Seasons Resort and Club Dallas at Las Colinas, located at 4150 N. MacArthur Boulevard, Irving, Texas 75038, and at which certain items of business will be voted on. When we ask for your proxy with respect to these items of business, we must provide you with a Proxy Statement that contains certain information specified by law.

As a shareholder, you are invited to attend the 2016 Annual Meeting and are entitled and requested to vote on the items of business described in this Proxy Statement.

This Proxy Statement and the notice about the Internet availability of our proxy materials, as applicable, are being mailed on or about May 6, 2016 to shareholders entitled to vote at the 2016 Annual Meeting.

Q: What information is contained in this Proxy Statement?

A: This Proxy Statement contains information relating to the proposals to be voted on at the 2016 Annual Meeting, the voting process, our Board of Directors and Board committees, the compensation of our directors and executive officers, beneficial ownership of HMS and certain other required information.

Q: Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the proxy materials?

A: We are pleased to be again using the U.S. Securities and Exchange Commission (the “SEC”) rule that allows companies to furnish their proxy materials over the Internet. We are mailing to many of our shareholders a notice about the Internet availability of the proxy materials instead of a paper copy of the proxy materials. All shareholders receiving the notice will have the ability to access the proxy materials over the Internet and to request to receive a paper copy of the proxy materials by mail. Instructions on how to access the proxy materials over the Internet, how to request a paper copy of the materials or how to opt to receive future proxy materials in printed form by mail are provided in the notice.

Q: How can I access the proxy materials over the Internet?

A: This Proxy Statement and our 2015 Annual Report on Form 10-K (the “Annual Report”) are available at www.proxyvote.com. Your notice about the Internet availability of the proxy materials, proxy card or voting instruction form will contain instructions on how to view our proxy materials over the Internet.

Q: What should I do if I receive more than one notice about the Internet availability of the proxy materials or more than one paper copy of the proxy materials?

A: You may receive more than one notice, paper copy of the proxy materials, proxy card or voting instruction form. For example, if you hold your shares in more than one brokerage account, you may receive a separate notice or a separate voting instruction form for each brokerage account in which you hold shares, or, if you are a shareholder of record and your shares are registered in more than one name, you may receive more than one notice or more than one paper copy of the proxy materials.

To vote all of your shares by proxy, you must vote the shares represented by each notice that you receive, unless you have requested and received a proxy card or voting instruction form for the shares represented by one or more of those notices, in which case, you must complete, sign, date and return each proxy card and voting instruction form that you receive or follow the directions to vote these shares over the Internet or by telephone.

Q: How may I obtain a paper copy of the proxy materials or a copy of HMS's Annual Report and other financial information?

A: Instructions about how to obtain a paper copy of the proxy materials are provided on the notice of Internet availability. Shareholders may request a free copy of our Annual Report by contacting us at the address/phone number listed in the answer to the next question. We also will furnish any exhibits to the Annual Report if specifically requested. Alternatively, shareholders can access the Annual Report and other financial information on our Investor Relations website at http://investor.hms.com/index.cfm.

Q: I share an address with another shareholder, and we received only one notice of Internet availability of the proxy materials or only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

A: If you share an address with another shareholder, you may receive only one notice of Internet availability of the proxy materials or only one paper copy of proxy materials, unless you have provided contrary instructions.

If you wish to receive a separate set of proxy materials, please submit your request to our transfer agent, Broadridge Corporate Issuer Solutions, Inc. ("Broadridge"), either by calling Broadridge at the toll-free number below, or by writing to Broadridge at the address below:

Broadridge Corporate Issuer Solutions, Inc.

Householding Department

51 Mercedes Way

Edgewood, New York 11717

Telephone: 800.542.1061

All shareholders may also write to us at the address below to request a separate copy of these materials:

HMS Holdings Corp.

Attention: Investor Relations

5615 High Point Drive

Irving, Texas 75038

Email: dennis.oakes@hms.com

Telephone: 214.453.3000

ANNUAL MEETING INFORMATION

Q: How can I attend the 2016 Annual Meeting?

A: You are entitled to attend the 2016 Annual Meeting if you were a shareholder of HMS as of the close of business on April 25, 2016 (the "Record Date") or if you hold a valid proxy for the 2016 Annual Meeting. You should be prepared to present photo identification for admission. A list of shareholders eligible to vote at the 2016 Annual Meeting will be available for inspection at the 2016 Annual Meeting and for a period of ten calendar days prior to the 2016 Annual Meeting at our principal place of business during regular office hours, which is located at 5615 High Point Drive, Irving, Texas 75038.

If you are not a shareholder of record, but hold shares through a broker or nominee (*i.e.*, in street name), you should provide proof of beneficial ownership as of the Record Date, such as your most recent account statement dated prior to April 25, 2016, a copy of the voting instruction form provided by your broker, trustee or nominee, or other similar evidence of ownership. If, upon request, you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the 2016 Annual Meeting.

The 2016 Annual Meeting will begin promptly at 10:00 a.m., Central Daylight Time. Check-in will begin at 9:30 a.m., Central Daylight Time, and you should allow time for check-in procedures.

Q: How many shares must be present or represented to conduct business at the 2016 Annual Meeting?

A: Holders of a majority of our shares common stock entitled to vote must be present in person or represented by proxy at the 2016 Annual Meeting in order to hold the meeting and conduct business. This is called a quorum. You are part of the quorum if you have voted by proxy. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum. Broker non-votes result when shares are held in "street name" by brokers who are present in person or represented by proxy at a meeting, but who have not received a voting instruction on a particular item or matter on behalf of the customers who actually own our shares and the item or matter is not within the broker's discretionary authority to vote. See "*What if I am a beneficial shareholder and I do not give my broker voting instructions?*" on page 6 for more information.

Q: What if a quorum is not present at the 2016 Annual Meeting?

A: If a quorum is not present in person or represented by proxy at the 2016 Annual Meeting, the shareholders present or represented at the meeting and entitled to vote (although less than a quorum), or if no shareholder is present, any officer entitled to preside or to act as secretary of such meeting, may adjourn the 2016 Annual Meeting until a quorum is present or represented. The time and place of the adjourned meeting will be announced at the time the adjournment is taken and no other notice will be given, unless the adjournment is for more than 30 days from the date of the original meeting or a new record date is set for the adjourned meeting, in which case, a notice of the adjourned meeting shall be given to each shareholder entitled to vote at the meeting.

VOTING INFORMATION

Q: Who is entitled to vote at the 2016 Annual Meeting?

A: Only shareholders of record at the close of business on April 25, 2016 are entitled to vote at the 2016 Annual Meeting. We refer to this date as our Record Date.

Q: What are the voting rights of HMS's holders of common stock?

A: Each outstanding share of HMS's common stock on the Record Date will be entitled to one vote on each matter considered at the 2016 Annual Meeting.

You may vote all shares of HMS's common stock owned by you as of the Record Date, including (i) shares that are held directly in your name as the shareholder of record, and (ii) shares held for you as the beneficial owner through a broker, trustee or other nominee, such as a bank.

On the Record Date, we had 84,153,770 shares of common stock issued and outstanding.

Q: What items of business will be voted on at the 2016 Annual Meeting?

A: Shareholders are being asked to vote on the following matters at the 2016 Annual Meeting:

Proposal		**Our Board of Directors' Voting Recommendation**
One	To elect as Class I directors the four nominees named in this Proxy Statement for a term expiring on the date of our 2018 Annual Meeting of Shareholders, or at such time as their successors have been duly elected and qualified	FOR each director nominee named in Proposal One
Two		FOR

	To approve, on an advisory basis, the 2015 compensation of our named executive officers, as described in this Proxy Statement	
Three	To re-approve our Annual Incentive Compensation Plan as amended and restated	FOR
Four	To approve our 2016 Omnibus Incentive Plan	FOR
Five	To ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016	FOR

We will also consider other business that properly comes before the 2016 Annual Meeting.

Q: Assuming there is a proper quorum of shares represented at the meeting, how many shares are required to approve the proposals being voted on in this Proxy Statement?

A: The following table reflects the vote required in accordance with the laws of the State of Delaware, our Certificate of Incorporation, our Bylaws and the NASDAQ Stock Market, Inc. Marketplace Rules (the "NASDAQ Marketplace Rules"), as applicable:

Proposal	Matter	Vote required	Is broker discretionary voting allowed
One	Elect four Class I Directors	Majority of votes cast	No
Two	Advisory approval of executive compensation*	Majority of votes cast	No
Three	Approve our Amended and Restated Annual Incentive Compensation Plan	Majority of votes cast	No
Four	Approve our 2016 Omnibus Incentive Plan	Majority of votes cast	No
Five	Ratify the selection of KPMG LLP	Majority of votes cast	Yes

* Advisory and non-binding. Please see Proposal Two on page 72 for more information regarding the effect of your vote.

With respect to Proposal One, our Bylaws provide that a nominee will be elected as a director if he or she receives a majority of the votes cast at the 2016 Annual Meeting. A majority of the votes cast means that the number of shares voted “for” a nominee’s election exceeds the number of votes cast “against” that nominee’s election (with “abstentions” and “broker non-votes” not counted as a vote either “for” or “against” that director’s election).

With respect to Proposals Two, Three, Four and Five, the majority of the votes cast by the holders of all of the shares of stock present or represented at the 2016 Annual Meeting and voting affirmatively on such matter is required for approval. Neither abstentions nor broker non-votes will have an effect on the outcome of such matters because approval is based solely on the number of votes cast affirmatively or negatively.

Q: What if a director nominee does not receive a majority of the votes cast?

A: If an incumbent director who has been nominated for re-election fails to receive a majority of the votes cast in an uncontested election “for” his/her re-election, Delaware law provides that the director continues to serve as a director in a hold-over capacity.

HMS has adopted a Board Resignation Policy that requires each incumbent nominee to submit an irrevocable contingent resignation letter that will be effective upon (i) his/her failure to receive the required vote at the next annual meeting at which he/she faces re-election and (ii) Board acceptance of such resignation. Therefore, if a nominee fails to receive the required vote for re-election, our Nominating and Governance Committee will act on an expedited basis to determine whether to accept the director’s resignation and will submit such recommendation for prompt consideration by the Board of Directors. The Board of Directors expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Nominating and

Governance Committee and the Board of Directors may consider any factors they deem relevant in deciding whether to accept a director's resignation. The Board of Directors will publicly disclose its decision and rationale within a reasonable time period following certification of the election results. If a director's resignation is accepted by the Board of Directors, the Board may fill the vacancy or decrease the size of the Board.

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Q: What happens if a nominee is unable to stand for election?

A: If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or designate a substitute nominee. If a substitute nominee is selected, the persons named as proxy holders, William C. Lucia, our Chairman, President and Chief Executive Officer, and Jeffrey S. Sherman, our Executive Vice President, Chief Financial Officer and Treasurer, intend to vote your shares for the substitute nominee.

Q: What happens if additional matters are presented at the 2016 Annual Meeting?

A: Other than the five items of business described in this Proxy Statement, we are not aware of any other business to be acted upon at the 2016 Annual Meeting. If you grant a proxy, Messrs. Lucia and Sherman, the proxy holders, will have the discretion to vote your shares on any additional matters properly presented for a vote at the 2016 Annual Meeting.

Q: What if I sign and return my proxy without making any voting decisions?

A: If you sign and return your proxy without making any voting decisions, your shares will be voted "FOR" each of the four nominees for Class I director and "FOR" Proposals Two, Three, Four and Five. If other matters properly come before the 2016 Annual Meeting, the persons named as proxy holders, Messrs. Lucia and Sherman, will have the authority to vote on those matters for you at their discretion. As of the date of this Proxy Statement, we are not aware of any matters that will come before the 2016 Annual Meeting other than those disclosed in this Proxy Statement.

Q: What if I am a beneficial shareholder and I do not give my broker voting instructions?

A: If you are a beneficial shareholder and your shares are held in the name of a broker, the broker is bound by the rules of the New York Stock Exchange (NYSE) regarding whether or not it can exercise discretionary voting power for any particular proposal if the broker has not received voting instructions from you. Brokers have the authority to vote shares for which their customers do not provide voting instructions on certain "routine" matters. If the broker does not vote on a particular proposal because that broker does not have discretionary voting power, this is referred to as a "broker non-vote." Broker non-votes will be considered as present for purposes of determining a quorum.

The election of Class I directors (Proposal One), the advisory approval of our 2015 executive compensation (Proposal Two), the re-approval of our Annual Incentive Compensation Plan as amended and restated (Proposal

Three), and the approval of the 2016 Omnibus Incentive Plan (Proposal Four) are considered “non-routine” matters under the applicable rules of the NYSE, so your broker cannot vote on these matters without your voting instructions. Your broker is permitted to vote your shares on the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2016 (Proposal Five), even if your broker does not receive voting instructions from you, because this matter is considered “routine” under the applicable rules of the NYSE.

Q: What is the difference between holding shares as a shareholder of record and holding shares as a beneficial owner?

A: Most of our shareholders hold their shares through a broker or other nominee rather than directly in their own name. We have summarized below some of the distinctions between being a shareholder of record and being a beneficial owner.

Shareholder of Record

If your shares are registered directly in your name, or as a joint holder, with our transfer agent, Broadridge, you are considered, with respect to those shares, the shareholder of record. As a shareholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the 2016 Annual Meeting.

Beneficial Owner

If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name. As a beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the 2016 Annual Meeting.

Since a beneficial owner is not the shareholder of record, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the 2016 Annual Meeting. Your broker, trustee or nominee has provided a voting instruction form for you to use in directing the broker, trustee or nominee how to vote your shares.

Q: How can I vote?

A: Whether you hold shares directly as a shareholder of record or beneficially in street name, you may direct how your shares are voted without attending the 2016 Annual Meeting.

By Internet: Go to www.proxyvote.com and follow the instructions there. You will need the 12 digit number included on your proxy card, voting instruction form or notice.

By telephone: Dial the phone number on your proxy card or notice. You will need the 12 digit number included on your proxy card, voting instruction form or notice. Telephone voting for shareholders of record is available 24 hours a day. Votes submitted by telephone must be received by 11:59 p.m. Eastern Daylight Time on June 22, 2016.

If your shares are held in street name in an account at a bank or brokerage firm that participates in a program that offers telephone voting options, upon your request, they will provide you with a voting instruction form that includes instructions on how to vote your shares by telephone.

By mail: If you received a paper copy of a proxy card or voting instruction form, you may submit your proxy by completing, signing and dating the proxy card or voting instruction form and mailing it in the accompanying pre-addressed envelope.

In person: Shares held in your name as the shareholder of record may be voted in person at the 2016 Annual Meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares. ***Even if you plan to attend the 2016 Annual Meeting, we recommend that you use one of the methods described above to submit your proxy so that your vote will be counted if you later decide not to attend the 2016 Annual Meeting.***

Q: Is my vote confidential?

A: Proxy cards, ballots and voting instructions and tabulations that identify individual shareholders will be tabulated by Broadridge and will be handled in a manner that protects your voting privacy.

Q: How are my votes cast when I submit my proxy over the Internet, by telephone or by mail?

A: When you submit your proxy over the Internet, by telephone or by signing and returning the proxy card, you appoint Messrs. Lucia and Sherman as your representatives at the 2016 Annual Meeting. Messrs. Lucia and Sherman will vote your shares at the 2016 Annual Meeting as you have instructed. They are also entitled to appoint a substitute to act on their behalf.

Q: May I change my vote?

A: Yes. You may change your vote at any time prior to the vote at the 2016 Annual Meeting. If you are the shareholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to our Corporate Secretary prior to your shares being voted, or by attending the 2016 Annual Meeting and voting in person. For your written notice of revocation to be effective, it must be received by our Corporate Secretary at our principal place of business no later than June 22, 2016. Attendance at the 2016 Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request or if you cast a new vote. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker, trustee or nominee giving you the right to vote your shares, by attending the 2016 Annual Meeting and voting in person. If you are a shareholder of record or if your shares are held in street name and your bank or brokerage firm offers telephone and Internet voting options, you may also change your vote at any time prior to 11:59 p.m. Eastern Daylight Time on June 22, 2016 by voting over the Internet or by telephone. If you change your vote, your latest telephone or Internet proxy is counted.

Q: Who will bear the cost of soliciting votes for the 2016 Annual Meeting?

A: HMS is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees. These individuals will not receive any additional compensation for such solicitation activities. HMS has also retained Georgeson, LLC, a proxy solicitation firm, to assist in the solicitation of proxies for a fee of approximately $12,000, plus administrative costs and any other reasonable out-of-pocket disbursements. Upon request, we will reimburse brokerage houses and other custodians, nominees and fiduciaries for forwarding proxy materials to shareholders.

Q: Where can I find the voting results of the 2016 Annual Meeting?

A: We intend to announce preliminary voting results at the 2016 Annual Meeting and publish final results on a Current Report on Form 8-K to be filed with the SEC within four business days of the 2016 Annual Meeting.

Q: Who will serve as inspector of elections?

A: Broadridge will tabulate votes and a representative of Broadridge will act as inspector of elections.

Q: What if I have questions for HMS's transfer agent?

A: Broadridge serves as our transfer agent. Broadridge can be reached as follows:

HMS Holdings Corp.

c/o Broadridge Corporate Issuer Solutions

P.O. Box 1342

Brentwood, New York 11717

Telephone Inquiries: 855.418.5059 or TTY for hearing impaired: 855.627.5080

Foreign Shareholders: 720.378.5654

Website: http://www.broadridge.com

shareholder@broadridge.com

SHAREHOLDER PROPOSALS, DIRECTOR NOMINATIONS AND QUESTIONS

Q: What is the deadline for submitting proposals for inclusion in HMS's proxy statement for the 2017 Annual Meeting of Shareholders?

A: Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shareholders may present proper proposals for inclusion in our proxy statement relating to, and for consideration at, the 2017 Annual Meeting of Shareholders, or the 2017 Annual Meeting, by submitting their proposals to us in a timely manner. Such proposals will be so included if they are received in writing at our principal executive office no later than December 30, 2016 and if they otherwise comply with the requirements of Rule 14a-8. Proposals should be addressed to: Meredith W. Bjorck, Corporate Secretary, HMS Holdings Corp., 5615 High Point Drive, Irving, Texas 75038.

With regard to any proposal by a shareholder not seeking to have such proposal included in the proxy statement, but seeking to have such proposal considered at the 2017 Annual Meeting or seeking to nominate a candidate for director at the 2017 Annual Meeting, in order for such proposal/nomination to be considered timely it must be received in writing by the Corporate Secretary at our principal executive office between February 23, 2017 and March

25, 2017. If a shareholder fails to timely notify us of such proposal, then the persons appointed as proxies may exercise their discretionary voting authority in determining whether the proposal will be considered at the 2017 Annual Meeting notwithstanding that shareholders have not been advised of the proposal in the proxy statement for the 2017 Annual Meeting. Any proposals submitted by shareholders must comply in all respects with (i) the rules and regulations of the SEC, (ii) the provisions of our Certificate of Incorporation and our Bylaws and (iii) applicable Delaware law.

Q: How may I obtain a copy of HMS's Bylaw provisions regarding shareholder proposals and director nominations?

A: You may contact the Corporate Secretary at our principal place of business for a copy of the relevant Bylaw provisions regarding the requirements for making shareholder proposals and nominating director candidates. Our Bylaws are also available on our website under the "Investor Relations—Corporate Governance" tabs at http://investor.hms.com/corporate-governance.cfm.

Q: Who can help answer my questions?

A: If you have any questions about the 2016 Annual Meeting, you should contact our Corporate Secretary, Meredith W. Bjorck at 214.453.3000.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Board of Directors

Our business affairs are managed under the direction of the Board of Directors in accordance with the General Corporation Law of the State of Delaware, our Certificate of Incorporation and our Bylaws. Our Board of Directors currently consists of nine directors. One current director, Robert M. Holster, is not standing for re-election and his Board service will end at the 2016 Annual Meeting. Pursuant to our Bylaws, the Board has set the number of directors that constitute the Board at eight, effective immediately prior to the 2016 Annual Meeting.

Robert Becker	Ellen A. Rudnick
Craig R. Callen	Bart M. Schwartz
Robert M. Holster	Richard H. Stowe
William C. Lucia	Cora M. Tellez
William F. Miller III	

Director Independence

A majority of our Board of Directors must be comprised of “independent directors” in accordance with the NASDAQ Marketplace Rules. Under Rule 5605(a)(2) of the NASDAQ Marketplace Rules, a director will only qualify as an “independent director” if, in the opinion of our Board of Directors, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Based on its review of the applicable independence standards and answers to annual questionnaires completed by the directors, our Board of Directors has determined that each of Messrs. Becker, Callen, Holster, Miller, Schwartz and Stowe and Mses. Rudnick and Tellez is an “independent director” as defined under the NASDAQ Marketplace Rules. The Board of Directors has also determined that Mr. Daniel N. Mendelson, who resigned from the Board of Directors in August 2015, was an independent director during the time he served on the Board in 2015.

Board of Directors Meetings and Attendance

The Board of Directors convenes quarterly on a regular basis and may hold additional meetings as necessary from time to time. Following each regularly scheduled quarterly Board meeting (and following other meetings if necessary), our non-employee Board members meet in an executive session to review key decisions, discuss their observations and shape future Board agendas, all in a manner that is independent of management and where necessary, challenging management. The executive sessions are led by Mr. Stowe as Lead Independent Director. The Board of Directors held six meetings during 2015.

Each incumbent director attended at least 75% of the aggregate of the total number of meetings of (i) the Board of Directors and (ii) the committees on which the director served. Directors are encouraged but not required to attend our annual meetings of shareholders. Mr. Lucia attended our 2015 Annual Meeting.

Board Committees

The Board of Directors has the following standing committees: Audit Committee, Compensation Committee, Compliance and Ethics Committee (formerly the “Compliance Committee”) and Nominating and Governance Committee, each of which operates pursuant to a separate charter that has been approved by the Board of Directors. A current copy of each charter is available on our website under the “Investor Relations—Corporate Governance” tabs at http://investor.hms.com/corporate-governance.cfm. Each committee reviews the appropriateness of its charter on an annual basis, as required by its charter.

By the terms of their respective charters, each of the Audit, Compensation, Compliance and Ethics and Nominating and Governance Committees is authorized, without further action by the Board, to engage such independent advisors as it deems necessary or appropriate to carry out its responsibilities. The Board of Directors makes committee and committee chair assignments annually at its meeting following the annual meeting of shareholders, although further changes to committee assignments are made from time to time as deemed appropriate by the Board of Directors. The composition and primary responsibilities of each committee are summarized below.

Independent Director	**Committee****			
	Audit	Compensation	Compliance and Ethics	Nominating and Governance
Robert Becker	ü			ü
Craig R. Callen		ü		ü
Ellen A. Rudnick	ü*		ü	ü
Bart M. Schwartz	ü		ü*	ü
Richard H. Stowe		ü*		ü
Cora M. Tellez	ü		ü	ü*

* Committee Chair

** Committee membership is as of the date of this Proxy Statement

Audit Committee

The current members of the Audit Committee of the Board of Directors are Ms. Rudnick (Chair), Messrs. Becker (as of February 2016) and Schwartz and Ms. Tellez. In February 2016, upon the recommendation of the Nominating and Governance Committee, the Board of Directors determined to increase the number of members of the Audit Committee to four and to appoint Mr. Becker as an additional member of the Audit Committee. The Board of Directors has determined that each member of the Audit Committee is an independent director, as defined in the NASDAQ Marketplace Rules and the independence requirements contemplated by Rule 10A-3 under the Exchange Act, and meets NASDAQ's financial knowledge and sophistication requirements. In addition, the Board has determined that Mr. Becker and Ms. Tellez each qualify as an "audit committee financial expert," as such term is defined in Item 407(d)(5)(ii) of Regulation S-K.

As more fully described in its Charter, the Audit Committee's function is to assist the Board of Directors with its oversight of our accounting and financial processes and the audits of our financial statements. The Audit Committee is responsible for oversight of our independent auditor, including sole and direct responsibility to (i) appoint, evaluate and terminate, when necessary, the engagement of our independent auditor, (ii) set the compensation of our independent auditor, (iii) pre-approve all audit services to be provided by our independent auditor and (iv) oversee the work of our independent auditor. The responsibilities of the Audit Committee also include, among other things, review of our audited financial statements and quarterly unaudited financial statements and oversight of our internal control over financial reporting and disclosure controls and procedures, the performance of our internal audit function and our policies with respect to risk assessment and risk management, including HMS's Enterprise Risk Management program. The Audit Committee held nine meetings during 2015.

Additional information regarding the Audit Committee and its functions and responsibilities is included in this Proxy Statement under the captions “Audit Committee Report” and “Proposal Five: Ratification of the Selection of Independent Registered Public Accounting Firm.”

Compensation Committee

The current members of the Compensation Committee of the Board of Directors are Messrs. Stowe (Chair) and Callen. Mr. Mendelson also served as a member of the Compensation Committee until August 2015, when he resigned from the Board of Directors. The Board of Directors has determined that each member of the Compensation Committee is an independent director, as independence for compensation committee members is defined in the NASDAQ Marketplace Rules. Messrs. Callen and Stowe also qualify as “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986 (the “Code”) and as “non-employee” directors under Rule 16b-3 of the Exchange Act.

As more fully described in its Charter, the Compensation Committee’s function is to discharge the Board of Directors responsibilities relating to the compensation of our Chief Executive Officer and our other executive officers, with overall responsibility for approving and evaluating all of our compensation plans, policies and programs as they affect the Chief Executive Officer and other executive officers. In addition, the Compensation Committee is responsible for (i) producing an annual report on executive compensation for inclusion in our proxy statement or annual report on Form 10-K, as applicable, (ii) reviewing and making recommendations to the Board of Directors with respect to compensation for directors, (iii) reviewing and making recommendations to the Board of Directors with respect to incentive compensation and equity-based plans that are subject to the approval by the Board of Directors and (iv) administering our compensation plans, to the extent authorized under the terms of such plans. The Compensation Committee held four meetings in 2015.

Compliance and Ethics Committee (formerly the “Compliance Committee”)

The current members of the Compliance and Ethics Committee of the Board of Directors are Mr. Schwartz (Chair) and Mses. Rudnick and Tellez. The Board of Directors has determined that each current member of the Compliance and Ethics Committee is an independent director as defined in the NASDAQ Marketplace Rules.

In April 2016, the Board of Directors changed the name of the Compliance Committee to the “Compliance and Ethics Committee” to clarify the committee’s existing practices and oversight responsibility for HMS’s ethical standards and conduct of its business operations. As more fully described in its Charter, the Compliance and Ethics Committee’s function is to oversee (i) HMS’s compliance and ethics programs, policies and procedures, (ii) HMS’s compliance with federal and state laws and regulations applicable to its business, particularly those related to healthcare, and all applicable Medicare and Medicaid program requirements, (iii) the activities of the Chief Compliance and Ethics

Officer and the operation of HMS's Compliance Department and (iv) compliance with HMS's Code of Conduct and related policies and adherence to ethical standards. A copy of the Compliance and Ethics Committee Charter is posted on HMS's website at http://investor.hms.com/corporate-governance.cfm. The Compliance and Ethics Committee held four meetings in 2015.

Nominating and Governance Committee

The current members of the Nominating and Governance Committee of the Board of Directors are Ms. Tellez (Chair), Messrs. Becker (as of February 2016), Callen, Schwartz and Stowe and Ms. Rudnick. In September 2015, upon the recommendation of the Nominating and Governance Committee and Mr. Stowe, in his capacity as Lead Independent Director, the Board of Directors determined to appoint Ms. Tellez as Chair of the Nominating and Governance Committee following Mr. Mendelson's resignation from our Board and as chair of the committee. The Board of Directors has determined that each member of the Nominating and Governance Committee is an independent director, as defined in the NASDAQ Marketplace Rules.

As more fully described in its Charter, the Nominating and Governance Committee's functions are (i) to identify individuals qualified to join the Board of Directors and recommend director nominees for election at the annual meeting of shareholders, (ii) to provide oversight on corporate governance related matters, (iii) to oversee an annual self-evaluation of the Board of Directors and its standing committees, and (iv) to recommend the directors to serve on each Board committee and chair of each committee. The processes and procedures followed by the Nominating and Governance Committee in identifying and evaluating director candidates are described below under the heading "Director Nomination Process." The Nominating and Governance Committee held three meetings in 2015.

Board Leadership Structure

Our governance framework provides our Board of Directors with the flexibility to select the appropriate leadership structure for HMS. In making leadership structure determinations, the Board of Directors considers many factors, including the recommendation of the Nominating and Governance Committee, the pros and cons of alternative leadership structures in light of the needs of HMS and what is in the best interests of its shareholders. This approach has allowed the Board of Directors to adopt different leadership structures as HMS's circumstances have evolved, such as combining the roles of Chairman and Chief Executive Officer at times, and at other times separating them. The current leadership structure is comprised of a combined Chairman and Chief Executive Officer and a Lead Independent Director. Given the complexity of our business, the rapidly changing healthcare environment in which we operate and the unique opportunities and challenges that HMS is facing, the Board of Directors believes that having a strong, independent lead director with the leadership of a combined Chairman and Chief Executive Officer role serves the best interests of HMS and its shareholders at this time. Mr. Lucia's long history with HMS and extensive knowledge of all aspects of our business and the healthcare industry provides HMS with unified leadership, and the vision to execute HMS's current strategic initiatives and create shareholder value. This combined role is a leadership model that has served our shareholders in the past and the Board of Directors remains confident that Mr. Lucia continues to be in the best position to lead both HMS and the Board of Directors.

Lead Independent Director. Our Corporate Governance Guidelines provide that if the offices of Chairman and Chief Executive Officer are held by the same person, the independent directors will appoint a lead director from among the independent directors to supplement the combined Chairman and Chief Executive Officer position and otherwise provide leadership to the independent directors on the Board of Directors. Although elected annually, the lead independent director is generally expected to serve for more than one year. Since July 2015, Mr. Stowe has served as the Lead Independent Director of the Board of Directors. As Lead Independent Director, Mr. Stowe’s duties include:

- presiding at all meetings of the Board of Directors at which the Chairman is not present, including executive sessions of the independent directors;

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- having the authority to call meetings of the independent directors, as needed;
- serving as the principal liaison between the Chairman of the Board and the other directors;
- working with the Chairman to approve and prepare Board meeting agendas and schedules, assuring there is sufficient time for discussion of all agenda items;
- recommending to the Nominating and Governance Committee selection for the membership and chair position for each Board committee;
- interviewing, together with the chair of the Nominating and Governance Committee, all director candidates and making recommendations to the Nominating and Governance Committee;
- being available for consultation and direct communication with shareholders to the extent authorized by the Board and circumstances are appropriate;
- retaining outside advisors and consultants on certain Board issues; and
- otherwise consulting the Chairman and Chief Executive Officer on matters relating to corporate governance and Board performance.

Active involvement of the independent directors that work together and in tandem through their various functional areas of expertise, combined with the qualifications and significant responsibilities of our Lead Independent Director, creates an environment for increased engagement of the Board of Directors as a whole and further promotes strong, independent oversight of management and affairs. We believe this leadership structure—a combined Chairman and Chief Executive Officer and a Lead Independent Director—strikes the right balance between effective independent oversight and consistent corporate leadership and continues to be the appropriate leadership structure for HMS at this time.

Board and Committee Self-Evaluations

Pursuant to our Corporate Governance Guidelines, the Board of Directors and each committee conduct annual self-evaluations, which may include an evaluation of individual directors to assess the qualifications, attributes, skills and experience represented on the Board of Directors. The Board of Directors' evaluation focuses on key performance areas including, but not limited to, the composition, conduct and culture of the Board of Directors, their attention to issues that help HMS maximize shareholder value, including corporate strategy, how they request and use relevant information in performing Board duties, and the Board of Directors' follow-through and monitoring with respect to its recommendations. The process is guided and overseen by the Nominating and Governance Committee and the results of the evaluations are discussed by the full Board of Directors. Each committee of the Board of Directors also conducts an annual self-evaluation to assess compliance with its respective charter requirements.

Director Nomination Process

The Nominating and Governance Committee is responsible for identifying individuals qualified to become members of the Board of Directors, consistent with criteria approved by the Board of Directors, and for recommending to the Board of Directors the nominees for election as directors at any meeting of shareholders and the persons to be elected by the Board of Directors to fill vacancies or newly created directorships. The Nominating and Governance Committee periodically reviews with the Board of Directors the size and composition of the Board of Directors as a whole and the requisite skills and criteria for new board members.

Shareholder Recommendations of Director Candidates. The Nominating and Governance Committee will consider director candidates suggested by you, our shareholders, provided that the recommendations are made in accordance with the procedures described in this Proxy Statement in the Questions and Answers section under the heading “Shareholder Proposals, Director Nominations and Questions.” As set forth in the Nominating and Governance Committee Charter, the Nominating and Governance Committee will review and evaluate information available to it regarding candidates proposed by shareholders and shall apply substantially the same criteria, and follow substantially the same process in considering them, as it does for other candidates.

Criteria for Nomination to the Board. Pursuant to our Corporate Governance Guidelines, the Nominating and Governance Committee will review director candidates in accordance with the following general criteria:

- nominees should have a reputation for integrity, honesty and adherence to high ethical standards;
- nominees should have demonstrated business acumen, experience and ability to exercise sound judgments in matters that relate to the current and long-term objectives of HMS and should be willing and able to contribute positively to the decision-making process of HMS;
- nominees should have a commitment to understand HMS and its industry and to regularly attend and participate in meetings of the Board and its committees;
- nominees should have the interest and ability to understand the sometimes conflicting interests of the various constituencies of HMS, which include shareholders, employees, customers, governmental units, creditors, and the general public, and to act in the interests of all shareholders;
- nominees should not have, nor appear to have, a conflict of interest that is not properly mitigated that would impair the nominee’s ability to represent the interests of all HMS’s shareholders and to fulfill the responsibilities of a director; and
- nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis proscribed by law.

In addition to the general criteria, in evaluating prospective candidates, the Nominating and Governance Committee takes into account all factors it considers appropriate, including but not limited to the characteristics of independence, diversity, age, skills and experience, the needs and composition of the Board of Directors as a whole (including diversity of skills, background and experience), the performance and continued tenure of incumbent directors, the balance of management and independent directors and the need for financial or other specialized expertise. The Nominating and Governance Committee has not established specific minimum qualifications for a candidate to be recommended for nomination to the Board of Directors. Rather, the Nominating and Governance Committee recommends candidates that it believes will enhance our Board of Directors and benefit HMS and our shareholders based on the factors discussed above.

Process for Identifying and Evaluating Nominees. Candidates for director may come to the attention of the Nominating and Governance Committee through current members of the Board of Directors, professional search firms, shareholders or industry sources. The Nominating and Governance Committee first evaluates director candidates by reviewing their biographical information and qualifications. Potentially qualified candidates are initially interviewed by our President and Chief Executive Officer and at least one member of the Nominating and Governance Committee and then, if appropriate, by at least a majority of the Nominating and Governance Committee, as well as other members of the Board of Directors. After completing the evaluation and interviews and checking the candidates' references, the Nominating and Governance Committee determines which individuals are qualified to become board members and makes a recommendation to the Board of Directors, taking into account the recommendation of the Lead Independent Director (if so designated) as to the individuals who should be nominated for election by the shareholders at a meeting or elected by the Board of Directors to fill a vacancy or newly created directorship. The Board of Directors makes the final determination whether to nominate or elect a candidate after considering the Nominating and Governance Committee's report.

Corporate Governance Guidelines

Our Board of Directors has voluntarily adopted Corporate Governance Guidelines, which govern the operations of the Board of Directors and its committees and address matters such as director responsibilities and qualifications, committee membership and structure, board composition and structure, director compensation, communications with outside parties and the annual self-evaluation of the Board of Directors. Our Corporate Governance Guidelines form an important and flexible framework for the Board of Directors' corporate governance practices and guide the Board of Directors in the execution of its responsibilities. They provide, among other things, that:

- the directors shall have full and free access to HMS's management in discharging their obligation to oversee HMS management;
- a majority of directors of the Board of Directors must be independent as defined by the standards established by NASDAQ and the SEC;
- a director must limit the number of company boards on which he or she serves and must advise the General Counsel, who will consult with the Chairman and the Chair of the Nominating and Governance Committee, in advance of joining another board;
- a lead independent director shall be appointed annually by the independent directors to provide leadership to independent directors if the offices of Chairman and Chief Executive Officer are held by the same person;
- independent directors must promptly inform the Chairman and the Chair of the Nominating and Governance Committee of any matter that may cause a change in their status as independent directors or of an activity that may rise to the level of a material conflict of interest; and
- the Nominating and Governance Committee will oversee an annual self-evaluation of the Board of Directors and its standing committees, which may include an evaluation of individual directors.

From time to time, the Nominating and Governance Committee will review and reassess our Corporate Governance Guidelines, and, if necessary, will recommend changes to the Board of Directors. Our Corporate Governance Guidelines are available to view at our website, http://investor.hms.com/corporate-governance.cfm, under the "Investor Relations—Corporate Governance" section.

Shareholder Communication with the Board of Directors

Shareholders and other outside parties who wish to communicate with a director should address their correspondence to such director in care of the Corporate Secretary at the address specified on our website at http://investor.hms.com/contactboard.cfm. The Board of Directors has instructed the Secretary to review and determine whether to forward all such correspondence in her discretion. Generally, correspondence will not be forwarded if it is deemed to be irrelevant to or inconsistent with the HMS's operations or policies, or of a commercial nature.

The Board of Directors' Role in Risk Oversight

Our Board of Directors bears the responsibility for maintaining oversight over HMS's exposure to risk. The Board of Directors, itself and through its committees, regularly discusses our material risk exposures, the potential impact on HMS and the efforts of management it deems appropriate to deal with the risks that are identified.

HMS has established a formal Enterprise Risk Management ("ERM") program that assists the Board of Directors in fulfilling its risk oversight responsibility. The program is led by our Risk Management and Internal Audit department and incorporates information gathered from our executive officers, business unit leaders and other managers. Through the ERM program, we conduct risk assessments at both the corporate level and across HMS's business units. The ERM program also facilitates the ongoing development of the corporate risk appetite and risk mitigation strategies for key areas of company risk. The Board of Directors and the relevant Board committees receive regular reports on the major risks and exposures facing HMS and the steps management has taken to monitor and control such risks and exposures. The outputs of the ERM program inform the Board of Directors and provide a basis for the Board's oversight of HMS's exposure to risk.

As part of the Board of Directors' general oversight function for risk management, each of the Board committees addresses risks that fall within each committee's areas of responsibility. Each committee meets in executive session and with key management personnel and representatives of outside advisors as necessary.

Committee	Risk Oversight Responsibilities
Audit Committee	· Quality and adequacy of processes and internal controls, with consultation from management and HMS's independent registered public accounting firm · Financial statements · Financial reporting and investor disclosure · Accounting and auditing · Significant financial exposure · Oversight of HMS's ERM program
Compensation Committee	· Elements of HMS's compensation programs, policies and practices for executive officers and non-employee directors, with assistance from HMS's independent compensation consultant · Incentive-compensation and equity-based compensation plans
Compliance and Ethics Committee	· Code of Conduct and Corporate Compliance Program, including compliance-related activities, audits and investigations

	· Healthcare policies and procedures · Non-financial compliance related to legal, regulatory and ethical requirements of HMS's business operations
Nominating and Governance Committee	· Corporate governance, with guidance from outside counsel · Board of Directors and committee membership · Succession Planning · Overall Board effectiveness

Compensation-Related Risk. We regularly assess risks related to our compensation programs for all employees, including non-executive officers. In February 2016, HMS's management and Compensation Committee, with the assistance of the Committee's independent compensation consultant, Frederic W. Cook & Co., Inc. ("F.W. Cook"), conducted a comprehensive assessment of the risks associated with HMS's compensation policies and practices as they relate to risk management practices and risk-taking incentives. The Compensation Committee took into consideration HMS's current compensation structure and the possible risks and mitigation factors associated with each compensation element, including the mix of cash, equity and fixed compensation with short- and long-term incentives, the use of multi-year vesting periods and performance criteria for equity awards, clawback provisions that apply to long-term incentive awards, stock ownership guidelines for executive officers and a cap on bonus pool funding and individual payouts for all short-term incentive awards. Based on the results of this assessment, the Compensation Committee does not believe HMS's compensation policies and practices for its employees create risks that are reasonably likely to have a material adverse effect on HMS.

As discussed in more detail in “Compensation Discussion and Analysis” beginning on page 30, the Compensation Committee reviews and approves executive compensation programs that focus on having the appropriate balance of features that mitigate compensation-related risk without diminishing the incentive nature of the compensation.

Code of Conduct

Our Board of Directors has adopted a Code of Conduct applicable to all of our directors, officers and employees, including all employees, officers, directors, contractors, contingent workers and business affiliates of HMS subsidiaries. A copy of the Code of Conduct is publicly available on our website under the “Investor Relations—Corporate Governance” section at http://investor.hms.com/governance.cfm and can also be obtained free of charge by sending a written request to our Corporate Secretary. We intend to disclose any amendments or waivers to the provisions of the Code of Conduct that relate to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions by filing such information on a Current Report on Form 8-K with the SEC within four business days, to the extent such filing is required by the NASDAQ Marketplace Rules; otherwise, we will provide disclosure of amendments or waivers by posting such information on our website.

Certain Relationships and Transactions

Compensation Committee Interlocks and Insider Participation

During 2015, the members of our Compensation Committee were Messrs. Stowe (Chair), Callen and Mendelson (who resigned from the Board in August 2015). None of Messrs. Stowe, Callen or Mendelson has ever been an officer or employee of HMS. None of the current or prior members of the Compensation Committee had a related person transaction involving HMS during the year ended December 31, 2015. During 2015, none of our executive officers (i) served as a member of the board of directors or compensation committee (or equivalent entity) of any other entity that had one or more of its executive officers serving as a member of our Compensation Committee or (ii) served as a member of the compensation committee (or equivalent entity) of any other entity that had one or more of its executive officers serving as a member of our Board of Directors.

Transactions with Related Persons

Related Person Transaction Policy. The Audit Committee’s Charter provides that the Audit Committee shall review all transactions with related persons on an ongoing basis for potential conflict of interest situations and that all such transactions must be approved by the Audit Committee. Our Board of Directors has adopted a written Related Person

Transaction Policy to assist the Audit Committee in reviewing proposed transactions between HMS and certain individuals deemed to be "related persons." The policy applies to our executive officers, directors, director nominees and 5% shareholders (and their immediate family members), each of whom we refer to as a "related person," and governs the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds $120,000 and a related person has a direct or indirect material interest. We refer to such a transaction, arrangement or relationship as a "related person transaction."

Review and Approval of Related Person Transactions. Pursuant to our Related Party Transaction Policy, a related person must notify the Corporate Secretary of any plan to enter into, extend or modify any transaction with HMS or its affiliate that could be a related person transaction. The policy calls for the proposed transaction with a related person to be reviewed and, if deemed appropriate, approved by the Audit Committee prior to entry into the transaction. Under the policy, any related person transactions that are ongoing in nature and previously approved by the Audit Committee will be reviewed annually. A transaction with a related person reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee after full disclosure of the related person's interest in the transaction. The Audit Committee will review and consider all relevant information regarding the transaction, including the impact on a director's independence or a Board committee's composition in the event the related person is a director, as it deems appropriate under the circumstances.

The Audit Committee may approve or ratify the transaction only if the Audit Committee determines that, under all of the circumstances, the transaction is in, or is not inconsistent with, the best interests of HMS. In connection with approving a transaction with a related person, the Audit Committee may impose any conditions on the transaction that it deems appropriate. All related person transactions will be disclosed in applicable SEC filings to the extent required by the Securities Act of 1933 and the Exchange Act and related rules and regulations. There are no transactions with related persons to be reported for fiscal 2015 pursuant to the applicable SEC rules.

DIRECTOR COMPENSATION

The Compensation Committee has the responsibility for recommending to the Board of Directors the form and amount of compensation for directors, which are subject to review and adjustment by the Board of Directors from time to time. Directors who are employed by HMS do not receive compensation for their service on the Board of Directors. Directors who are not our employees (non-employee directors) receive cash and equity-based compensation for their services as a director. All of our directors are reimbursed for reasonable expenses incurred in connection with attendance at meetings of the Board of Directors or its committees.

Standard Compensation Arrangements for Non-Employee Directors

The standard compensation arrangements for non-employee directors for fiscal 2015 are summarized in the table below. Amounts effective for the periods from January 1, 2015 through March 31, 2015, and April 1, 2015 through December 31, 2015, are shown separately to illustrate certain changes approved by the Board of Directors that became effective on April 1, 2015, as discussed in more detail below. Other than the meeting fees, the amounts shown in the table below are per annum.

		Effective 1/1/15-3/31/15 ($)	**Effective 4/1/15-12/31/15 ($)**
Board Cash Retainer[(1)]	Board Member	50,000	50,000
Committee Member Cash Retainer[(1)]	Audit	-	7,000
	Compensation	-	5,000
	Compliance and Ethics	-	5,000
	Nominating and Governance	-	5,000
Committee Chair Cash Retainer[(1)(2)]	Audit	20,000	20,000
	Compensation	15,000	15,000
	Compliance and Ethics	15,000	15,000
	Nominating and Governance	15,000	15,000
Additional Annual Cash Retainer[(1)]	Non-Executive Chairman	41,000	41,000
Additional Annual Equity Grant[(4)]	Additional Retainer	94,000	94,000
Additional Annual Cash Retainer[(1)(5)]	Lead Independent Director Additional Retainer	-	25,000
Meeting Fees	Per meeting fee for board meetings in excess of eight during fiscal year; does not include committee meetings	-	2,000
Board Equity Grant[(3)]	Board Member	100,000	130,000

(1) All cash retainer fees, unless deferred by a director pursuant to the Director Deferred Compensation Plan, are paid in quarterly installments in arrears. Cash retainer fees are pro-rated for partial periods of service.

(2) Committee chair retainers are paid in lieu of the respective committee member cash retainer.

(3) The annual equity grant to non-employee directors is in the form of non-qualified stock options and restricted stock units on an equal number of options/units basis. The Compensation Committee approved the 2015 annual equity grant in October 2015, effective as of November 11, 2015, with a grant date value of $130,000.

(4) Mr. Holster stepped down as our non-executive chairman on July 9, 2015, and therefore did not receive an additional annual equity grant on November 11, 2015, for services as a non-executive chairman. Mr. Lucia was appointed as chairman, effective as of July 9, 2015. Mr. Lucia does not receive any compensation for his service as a director or chairman.

(5) Mr. Stowe was appointed as Lead Independent Director on July 9, 2015.

April 2015 Non-Employee Director Compensation Changes

In February 2015, the Compensation Committee reviewed the design and competitive positioning of our non-employee director compensation program. The Compensation Committee engaged its independent compensation consultant, F.W. Cook, to provide a competitive analysis based on the peer group of companies approved by the Compensation Committee in October 2014. For a discussion regarding this peer group, see "Competitive Pay Position and Peer Group Analyses" under the subsection entitled "Compensation Discussion and Analysis." The analysis took into account our board and committee structure, board leadership structure, and number of meetings held during 2014, and included benchmarking data on the value of total director compensation on a "per director" basis, cash compensation and equity compensation levels separately and general practices such as committee member retainers and lead independent director retainers. Based on the competitive analysis and recommendation by F.W. Cook and in consideration of the amount and timing of the last adjustment, the Compensation Committee recommended and the Board approved certain changes to the non-employee director compensation program, effective as of April 1, 2015, as reflected in the table above under the caption "Standard Compensation Arrangements for Non-Employee Directors." Taking into account these changes at the time the changes were approved, our total non-employee director compensation, on a "per director" basis and excluding chair and lead independent director retainers, remained below the median level of our peer group companies.

Equity-Based Compensation

Equity compensation provided to our non-employee directors consists of an equal number of stock options and restricted stock units granted pursuant to the Fourth Amended and Restated 2006 Stock Plan (the "2006 Stock Plan"). The number of stock options and restricted stock units granted is calculated based on the grant date fair value as computed in accordance with Financial Accounting Standards Board ("FASB") guidance on stock-based compensation, except that no assumption for forfeitures are included. Equity grants to our non-employee directors are approved annually in the fourth quarter of the fiscal year, are effective two business days following the filing of HMS's next quarterly report on Form 10-Q and vest quarterly in equal installments beginning on the last day of the quarter in which the grant was effective. Equity grants for new directors joining the Board are approved by the Compensation Committee at its next meeting following the director's appointment or election, and are effective two business days following the filing of HMS's next quarterly report on Form 10-Q or annual report on Form 10-K, as applicable.

We are submitting the HMS Holdings Corp. 2016 Omnibus Incentive Plan (the "2016 Omnibus Plan") to the shareholders for approval at the 2016 Annual Meeting. If approved, the 2016 Omnibus Plan will replace and supersede the 2006 Stock Plan. Under the terms of the 2016 Omnibus Plan, the maximum number of shares subject to awards granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during the fiscal year, is limited to $500,000 in total value (calculating the value of any such awards based on the grant date fair value of such award for financial reporting purposes). The Compensation Committee may make exceptions to this limit for a non-executive chair of the Board or, in extraordinary circumstances, for other individual non-employee directors, as the Committee may determine in its discretion, provided that the non-employee director receiving such additional compensation may not participate in the decision to award such compensation. For a discussion of the material terms of the 2016 Omnibus Plan, see “Proposal Four: Approval of the 2016 Omnibus Incentive Plan.”

Deferred Compensation

Each of our non-employee directors is eligible to participate in our Director Deferred Compensation Plan, under which the non-employee director may elect annually to defer payment of all or a portion of his or her cash retainer fees and annual restricted stock unit grants until the termination of his or her service as a member of the Board. The amount of any cash compensation deferred by a non-employee director is converted into a number of deferred stock units, determined based upon the closing price of our common stock on the NASDAQ Global Select Market on the date such fees would otherwise have been payable, and credited to a deferred compensation account maintained in his or her name. Any restricted stock units that are deferred by a non-employee director are credited to the non-employee director's account in the form of deferred stock units on a share-for-share basis on the date such restricted stock units would otherwise have been payable. The account will be credited with additional deferred stock units on the payment date for any dividends declared on our common stock, calculated based on the closing price of our common stock on the payment date. On the tenth business day of January of the year following a director's termination of service for any reason, the amounts accumulated in the deferred compensation account will be paid in a lump sum in shares of our common stock under the 2006 Stock Plan (or, for payment of deferred compensation accounts after June 23, 2016, under the 2016 Omnibus Plan if approved by the shareholders at the 2016 Annual Meeting) equal to the number of whole deferred stock units in the account and cash in lieu of any fractional shares.

The following table sets forth the number of deferred stock units credited to the accounts of our non-employee directors as of December 31, 2015.

Name	Deferred Stock Units (#)
Craig R. Callen	15,301
Robert M. Holster	35,213
Daniel N. Mendelson	2,600
William F. Miller	4,058
Ellen A. Rudnick	11,620
Bart M. Schwartz	19,493
Richard H. Stowe	41,163
Cora M. Tellez	27,722

Stock Ownership Guidelines for Directors

In October 2014, the Board established significant stock ownership guidelines for our directors upon the recommendation of the Compensation Committee's independent compensation consultant, F.W. Cook. The Board believes the guidelines will encourage directors to accumulate a meaningful ownership stake in HMS over time to strengthen alignment of their interests with the long-term interests of shareholders. Non-employee directors are expected to own shares of HMS common stock that have a market value of at least five times their annual cash retainer. For purposes of complying with the guidelines, a director's holdings include shares owned outright, directly or indirectly, restricted stock or restricted stock units, and deferred stock units. Each director is required to satisfy the stock ownership guidelines applicable to them by October 30, 2019 or within five years after first becoming subject to the guidelines.

The following graph summarizes the stock ownership of each of our non-employee directors as of March 31, 2016, as a multiple of annual cash retainer for fiscal 2015 (other than with respect to Mr. Becker), pursuant to our Stock Ownership Guidelines. Because Mr. Becker joined the Board of Directors in January 2016, his stock ownership is shown as a multiple of estimated annual cash retainer for fiscal 2016.

(1) Rounded down to the nearest multiple

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2015 Director Compensation

The following table sets forth compensation earned by each of our non-employee directors for services as a director during fiscal 2015. Information for Mr. Becker is not provided because he did not serve as a director of HMS in 2015.

Name[(1)]	Fees Earned or Paid in Cash[(2)] ($)	Stock Awards[(3)] ($)	Option Awards[(4)] ($)	Total ($)
Craig R. Callen	57,500	93,509	36,488	187,497
Robert M. Holster	71,399	89,656	34,985	196,040
Daniel N. Mendelson[(5)]	39,832	-	-	39,832
William F. Miller	50,000	91,526	35,715	177,241
Ellen A. Rudnick	77,500	45,763	35,715	158,978
Bart M. Schwartz	74,000	45,763	35,715	155,478
Richard H. Stowe	86,035	91,526	35,715	213,276
Cora M. Tellez	64,497	93,509	36,488	194,494

(1) The number of outstanding stock options and restricted stock units, whether or not deferred under the Director Deferred Compensation Plan, held by the non-employee directors other than Mr. Mendelson as of December 31, 2015 is as follows:

Name	Stock Options (#)	Restricted Stock Units (#)
C. Callen	9,039	15,301
R. Holster	38,509	35,213
W. Miller	26,414	10,187
E. Rudnick	46,364	14,685
B. Schwartz	17,114	22,558
R. Stowe	46,364	41,163
C. Tellez	11,723	27,722

(2) The amounts in this column include the value of fully vested deferred stock units received under our Director Deferred Compensation Plan in lieu of all or a specified portion of the non-employee director’s cash retainer fees, calculated based on the fair market value of the underlying shares on the dates the cash retainer fees would otherwise have been paid. The aggregate number of deferred stock units credited to non-employee directors in lieu of all or a specified portion of the non-employee director’s cash retainer fees for 2015, pursuant to each director’s election, and the aggregate fair market value (calculated as of the date the units were credited to the non-employee director) of such deferred stock units are as follows:

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Name	Deferred Stock Units Received in Lieu of 2015 Cash Compensation (#)	Fair Market Value ($)
B. Schwartz	2,934	36,631
R. Stowe	6,931	86,033
C. Tellez	5,103	62,776

(3) The amounts in this column represent the grant date fair value of the restricted stock units granted to the non-employee directors effective November 11, 2015, computed in accordance with FASB guidance on stock-based compensation. The relevant assumptions made in the valuations may be found in Note 10 of the Notes to the Consolidated Financial Statements in our Annual Report. These amounts do not correspond to the actual value that may be realized by the directors with respect to these awards. The number of restricted stock units granted to each non-employee director effective November 11, 2015, and the number of such restricted stock units that were deferred under our Director Deferred Compensation Plan, pursuant to each director's election, are set forth below. The restricted stock units, whether or not deferred, vest quarterly in equal increments that began December 31, 2015.

Name	Restricted Stock Units Granted (#)	Restricted Stock Units Deferred (#)
C. Callen	8,349	8,349
R. Holster	8,005	8,005
W. Miller	8,172	-
E. Rudnick	8,172	4,086
B. Schwartz	8,172	4,086
R. Stowe	8,172	8,172
C. Tellez	8,349	8,349

(4) The amounts in this column represent the grant date fair value of the nonqualified stock options granted to the non-employee directors effective November 11, 2015, computed in accordance with FASB guidance on stock-based compensation. The relevant assumptions made in the valuations may be found in Note 10 of the Notes to the Consolidated Financial Statements in our Annual Report. These amounts do not correspond to the actual value that may be realized by the directors with respect to these awards. The number of nonqualified stock options granted to each non-employee director effective November 11, 2015 is set forth below. The stock options vest quarterly in equal increments beginning December 31, 2015.

Name	Nonqualified Stock Options Granted (#)
C. Callen	8,349
R. Holster	8,005
W. Miller	8,172
E. Rudnick	8,172
B. Schwartz	8,172
R. Stowe	8,172
C. Tellez	8,349

(5) Mr. Mendelson resigned as a member of the Board of Directors effective August 24, 2015.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to each person who currently serves as one of our executive officers as of the date of this Proxy Statement. Our executive officers are elected annually by our Board of Directors and generally serve at the discretion of our Board of Directors. There are no arrangements or understandings between any of our executive officers and any other person pursuant to which they were selected as an officer. None of our directors or executive officers are related to any other director or executive officer of HMS or any of its subsidiaries by blood, marriage or adoption.

Name	**Age**	**Position**
William C. Lucia	58	Chairman, President and Chief Executive Officer
Meredith W. Bjorck	40	Executive Vice President, General Counsel and Corporate Secretary
Semone Neuman	52	Executive Vice President, Operations
Cynthia Nustad	45	Executive Vice President and Chief Information Officer
Jeffrey S. Sherman	50	Executive Vice President, Chief Financial Officer and Treasurer
Tracy A. South	57	Executive Vice President, Human Resources and Chief Administrative Officer
Douglas M. Williams	57	Division President, Markets

The principal occupations for the last five years, as well as certain other biographical information, for each of our current executive officers are set forth below.

William C. Lucia has served as our President and Chief Executive Officer since March 2009. He has been one of our directors since May 2008 and was appointed Chairman of the Board of Directors in July 2015. From May 2005 to March 2009, Mr. Lucia served as our President and Chief Operating Officer. Since joining us in 1996, Mr. Lucia has held several positions with us, including: President of our subsidiary, Health Management Systems, Inc. from 2002 to 2009; President of our Payor Services Division from 2001 to 2002; Vice President and General Manager of our Payor Services Division from 2000 to 2001; Vice President of our Business Office Services from 1999 to 2000; Chief Operating Officer of our former subsidiary Quality Medical Adjudication, Incorporated (QMA) and Vice President of West Coast Operations from 1998 to 1999; Vice President and General Manager of QMA from 1997 to 1998; and Director of Information Systems for QMA from 1996 to 1997. Prior to joining us, Mr. Lucia served in various executive positions including Senior Vice President, Operations and Chief Information Officer for Celtic Life Insurance Company, and Senior Vice President, Insurance Operations for North American Company for Life and Health Insurance. Mr. Lucia is a Fellow of the Life Management Institute Program through LOMA, an international association through which insurance and financial services companies around the world engage in research and educational activities to improve company operations.

Meredith W. Bjorck has served as our Executive Vice President, General Counsel and Corporate Secretary since April 2016. Ms. Bjorck previously served as Senior Vice President, General Counsel and Corporate Secretary for Tuesday Morning Corporation, a national off-price retailer, from January 2013 to March 2016. From April 2008 until

January 2013, Ms. Bjorck served in various capacities for CEC Entertainment, Inc., an international restaurant chain, including as Deputy General Counsel, Chief Compliance Officer and Corporate Secretary. Prior to joining CEC Entertainment, Ms. Bjorck was an attorney at Fulbright & Jaworski L.L.P. (now Norton Rose Fulbright) and Vinson & Elkins L.L.P., where she specialized in corporate securities and mergers and acquisitions.

Semone Neuman has served as our Executive Vice President of Operations since April 2013, responsible for our operations for coordination of benefits, premium protection and subrogation services. She also oversees HMS's clinical function. Ms. Neuman has extensive experience in healthcare claims processing, operations and reengineering. She has a track record for leading change, driving quality performance and reducing unit costs in complex operating environments. Prior to joining HMS, Ms. Neuman served as Senior Vice President of Claim Operations at United HealthCare (UHC), where she oversaw the operations for all business lines and major platforms processing over 500 million claims annually. Under her leadership, UHC achieved industry-leading performance levels, earning the American Medical Association designation for the industry's best claim operation in 2011 and 2012.

Cynthia Nustad has served as our Executive Vice President and Chief Information Officer since February 2011. Ms. Nustad has over 18 years of management experience in the healthcare information technology industry. From January 2005 to January 2011, Ms. Nustad served as Vice President of Architecture and Technology for Regence (Blue Cross Blue Shield), where she was responsible for servicing a large corporation across multiple sites and states. From May 2002 to December 2004, Ms. Nustad served as the Vice President of Software Development and Product Management for OAO Healthcare Solutions, Inc. (OAO). During her tenure at OAO, Ms. Nustad managed, from inception to commercialization, the strategic development of a flagship platform and database-independent managed care benefits and claims processing system designed for healthcare plans, self-insured employer groups and government agencies—among others. Prior to OAO, Ms. Nustad held leadership roles at e-MedSoft.com and WellPoint Health Networks.

Jeffrey S. Sherman has served as our Executive Vice President, Chief Financial Officer and Treasurer since September 2014, and is also responsible for Corporate Strategy and Development, including mergers and acquisitions. Mr. Sherman has over 25 years of experience in healthcare operations, strategic planning and financial performance in senior financial executive positions. Prior to joining HMS, Mr. Sherman served as Executive Vice President and Chief Financial Officer of AccentCare, a healthcare delivery organization, from September 2013 to August 2014. From April 2009 to September 2013, he served as Executive Vice President and Chief Financial Officer of Lifepoint Hospitals, Inc. From September 2005 until April 2009, Mr. Sherman served as Vice President and Treasurer of Tenet Healthcare, where he managed all aspects of corporate finance, including cash flow management and capital structure, and was responsible for risk management. Mr. Sherman served in various capacities for Tenet Healthcare and its predecessor company since 1990, including as a hospital chief financial officer and regional vice president.

Tracy A. South has served as our Executive Vice President, Human Resources and Chief Administrative Officer, since May 2014. She served as our Senior Vice President of Human Resources from December 2011 to May 2014. Ms. South has over 21 years of executive-level human resources experience, including at national healthcare organizations. From 2003 to 2011, Ms. South served as the Senior Vice President, Chief Human Resources Officer at Mosaic Sales Solutions, a privately-held full-service marketing agency in Irving, Texas. She built that company's North America Human Resources department, focusing on attracting and training a dispersed workforce of over 10,000 employees hired to represent world-class brands at retail, in the community and online. In her role, Ms. South oversaw Talent Acquisition, HR Services and Organizational Effectiveness. Ms. South also served as Vice President of Human Resources for Tenet Healthcare, initially for the Central Northeast Division, which included 38 hospitals and over 40,000 employees, and subsequently at the corporate level. Prior to Tenet Healthcare, she led the Human Resources department for Aetna US Healthcare, where she oversaw a broad range of functions and designed human resources strategies to align with business practice areas.

Douglas M. Williams has served as our Division President of Markets since January 2015, responsible for leading the state and federal government and commercial markets, sales and marketing. From December 2013 to January 2015, he served as our Division President of Commercial Solutions, responsible for leading our commercial product and business development strategy. Mr. Williams has over 25 years of experience in healthcare information technology, sales, and operations. From 2010 to 2013, Mr. Williams served as Chief Information Officer of Aveta, which was acquired by Optum Inc. in 2012. From 2008 to 2010, he served as a Healthcare Partner with Protiviti, Inc., where he built a healthcare consulting practice. From 2006 to 2008, he served as Senior Vice President of the Payer Business Unit at MedeAnalytics, where he was responsible for building the sales team and significantly expanding HMS's sales pipeline. Mr. Williams' healthcare consulting background also includes serving as a Global Healthcare Partner for IBM, where he was responsible for developing and managing IBM's global healthcare practice.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis (“CD&A”), describes our 2015 executive compensation program and certain actions with respect to our 2016 executive compensation program and should be read in conjunction with the compensation tables that follow this CD&A. In particular, this CD&A explains how the Compensation Committee of the Board of Directors made its compensation decisions for our named executive officers for fiscal 2015.

For 2015, our named executive officers are:

- William C. Lucia, Chairman, President and Chief Executive Officer (“CEO”);
- Jeffrey S. Sherman, Executive Vice President, Chief Financial Officer and Treasurer;
- Semone Neuman, Executive Vice President, Operations;
- Cynthia Nustad, Executive Vice President and Chief Information Officer; and
- Douglas Williams, Division President, Markets.

2015 Say-on-Pay Vote

At our 2015 Annual Meeting of Shareholders, over 99% of the votes cast on the say-on-pay proposal were in favor of our 2014 executive compensation program described in our 2015 Proxy Statement. The Compensation Committee believes that this vote, and the consistent high level of support from our shareholders of our executive compensation program year over year, affirms our shareholders’ strong support of HMS’s general approach to executive compensation. Therefore, the Compensation Committee did not change its compensation philosophy as it made decisions for 2015. As market practices on executive compensation policies evolve, the Compensation Committee will continue to evaluate and, if needed, make changes to our executive compensation program to ensure that the program continues to reflect our pay-for-performance compensation philosophy and objectives. The Compensation Committee will also continue to consider the outcome of HMS’s say-on-pay votes when making future compensation decisions for executive officers.

Executive Summary

2015 Financial Performance Overview

The following is an overview of our financial performance for the year ended December 31, 2015.

- For fiscal 2015, we reported total revenue of $474.2 million, a 7.0% increase compared to total revenue for fiscal 2014 of $443.2 million.
- We reported adjusted earnings before interest, taxes, depreciation, amortization and stock-based compensation expense (adjusted EBITDA) of $112.5 million for fiscal 2015, which represented an increase of 11.2% compared to adjusted EBITDA of $101.2 million for fiscal 2014.
- We reported net income of $24.5 million or $0.28 per diluted share for fiscal 2015, which represented an increase of 76.3% compared to $13.9 million or $0.16 per diluted share for fiscal 2014. Adjusted EPS for fiscal 2015 increased to $0.57 per diluted share or 39.0%, compared to $0.41 per diluted share for fiscal 2014.

- Notwithstanding the strong performance described above, our stock price declined by 43.2% for the one-year period ending December 31, 2015 from $21.14 per share to $12.34 per share. From January 1, 2016 to April 26, 2016 our stock price has increased by 18.6% to $14.63 per share.

A reconciliation of the non-GAAP measures adjusted EBITDA and adjusted EPS to the GAAP measures is set forth on **ANNEX A** of this Proxy Statement.

Key 2015 Compensation Actions

The following highlights key decisions and actions regarding our 2015 executive compensation practices and program. These decisions and actions were made with the advice of the Compensation Committee's independent consultant, F.W. Cook (see "Role of the Independent Compensation Consultant" below) and are discussed in greater detail elsewhere in this CD&A.

- **Limited New Executive Perquisites.** In order to enhance HMS's ability to recruit and retain highly qualified executive talent and provide our executives with the flexibility to devote additional time and focus to HMS business, in February 2015, we determined to offer Guaranteed Standard Issue, or individual disability income insurance, to employees of HMS earning more than $300,000 in annualized base salary, as well as financial counseling services to the CEO and any officers of HMS who report directly to the CEO. We believe these benefits are comparable to benefits offered by companies of a similar size to ours and that the perquisites constitute a minor component of total compensation for each executive officer.

- **No Changes to the Annual Short-Term (Cash) Incentive Program Framework**. In February 2015, we approved the design of the 2015 Short-Term (Cash) Incentive Program consistent with the design of the 2014 Short-Term (Cash) Incentive Program. We believe that aligning annual incentive awards with the achievement of financial objectives, such as adjusted EBITDA and revenue, and corporate strategic performance objectives balances the achievement of short-term financial goals with other leading indicators of our success and is consistent with our pay-for-performance philosophy.

- **No Changes to the Annual Long-Term Incentive Award Structure, 50% of which is Subject to Performance-Based Conditions.** In October 2015, in light of our strong shareholder support evidenced by the results of the say-on-pay vote at our 2015 Annual Meeting of Shareholders, we determined to grant annual long-term incentive awards to our executive officers in 2015 with the same equity mix and on the same terms as the annual awards granted to the executive officers in 2014. The annual long-term incentive awards consisted of 50% non-qualified stock options and 50% restricted stock units. 50% of both the stock option and restricted stock unit award are subject to stock price performance conditions.

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Special Retention Grants. In April 2015, we approved special equity awards in the form of non-qualified stock options and restricted stock units, half of which are performance-based, in order to retain certain executive officers, excluding the CEO, who had assumed additional responsibility in connection with an internal organizational restructuring and who we believe play a key role in the growth of HMS. In October 2015, after considering alternatives to incentivize and retain key members of management who we believe are crucial to the development and implementation of our long-term strategy that was approved by the Board of Directors and launched during 2015, we approved special equity awards in the form of nonqualified stock options to key members of management, including the executive officers other than the CEO. One-half of the options have an exercise price equal to the fair market value of our common stock on the date of grant, and one-half of the options have an exercise price equal to 125% of the fair market value of our common stock on the date of grant.

- **Extension of CEO's Employment Agreement.** In January 2015, we amended our employment agreement with Mr. Lucia on substantially the same terms as his prior agreement in order to extend Mr. Lucia's employment with us for an additional three-year term.

- **Combination of Two Annual Long-Term Incentive Awards into One Annual Award.** Effective in 2015, we combined the two long-term incentive awards historically granted in the first and fourth quarters of each year into one annual award granted during the first quarter.

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Key Compensation Practices and Governance Features

Our executive compensation program reflects a number of best practices used by the Compensation Committee and the Board of Directors, including the following:

What We Do

- **Pay-for-Performance.** Payment of a significant amount of our executives' total direct compensation is contingent upon satisfaction of certain pre-determined financial and non-financial objectives.
- **Independent Compensation Consultant.** The Compensation Committee retains a compensation consultant, currently F.W. Cook, that is independent from management to provide advice to the committee on executive and director compensation, as well as other compensation and benefits matters.
- **Limited Use of Executive Perquisites.** We offer limited executive perquisites in order to attract and retain top executive talent and to maintain competitiveness.
- **Stock Ownership Guidelines.** Our CEO is required to hold five times his base salary in our common stock and all other executive officers are required to hold two times their base salary in our common stock, aligning the executive officer's interests with those of our shareholders and mitigating risk of focusing only on short-term goals.
- **Compensation Recovery (Clawback Policy).** We are permitted to recover from any of HMS's current or former executive officers any incentive bonus and equity compensation gains attributable to such executive officer's misconduct occurring after January 1, 2015, that causes a subsequent restatement of our financial statements.
- **Employment Agreements.** Each of our executive officers has entered into an employment agreement and restrictive covenant agreement with HMS.
- **CEO Compensation.** All of our independent directors as a group approve the compensation of our CEO, taking into account the recommendation of the Compensation Committee.

What We Don't Do

- **No Repricing.** We have not reduced the exercise price, repriced or provided cash payment for underwater stock options.
- **No Hedging or Pledging.** We do not permit pledging of our securities as collateral for a loan or entering into hedging and derivative transactions with respect to our securities by employees or directors.
- **No Evergreen Equity Plans.** Our equity plan does not permit evergreen share authorizations or liberal share recycling.
- **No Pensions or Supplemental Executive Retirement Plans.** HMS only provides retirement benefits to executives that are generally available to all other employees.
- **No Change-in-Control-Related Excise Tax Gross-ups.** We do not include change-in-control excise tax gross-up provisions in employment agreements.

Philosophy, Objectives and Principles of Our Executive Compensation Program

Our mission is to make the healthcare system work better for everyone. In order to support that mission and Board-approved strategic objectives, while providing adequate returns to our shareholders, we must compete for, attract, develop, motivate and retain top quality executive talent at the corporate and operating business unit levels during periods of both favorable and unfavorable business conditions.

Our executive compensation program is a critical management tool in achieving these objectives. "Pay for performance" is the underlying philosophy for our executive compensation program. The program is designed and administered to:

- reward performance that drives the achievement of our short and long-term goals;
- align the interests of our senior executives with the interests of our shareholders, thus rewarding individual and team achievements that contribute to the attainment of our business goals;

- foster teamwork and encourage our senior executives to work together with key personnel in the interest of company performance;
- attract, develop, motivate and retain high-performing senior executives by providing a balance of total compensation opportunities, including salary and short and long-term incentives that are competitive with similarly situated companies and reflective of our performance;
- help ensure that costs are appropriately supported by performance in a manner consistent with our intention that, where practicable, short and long-term incentive compensation payouts qualify as performance-based compensation that is tax deductible under Section 162(m) of the Code; and
- motivate our senior executives to pursue objectives that create long-term shareholder value and discourage behavior that could lead to excessive risk, by balancing our fixed and at-risk pay (both short and long-term incentives) and choosing financial metrics that we believe drive long-term shareholder value.

Pay-For-Performance

We design our compensation programs to make a meaningful amount of target total direct compensation (salary, plus target annual incentive compensation, plus target annual long-term incentive compensation) dependent on the achievement of performance objectives. To illustrate this, in the tables that follow, we compare the target total direct compensation for our CEO in each of the last three fiscal years (Table 1) to the corresponding amounts that were paid or that may be considered realizable (based on the methodology described below) as of December 31, 2015 (Table 2).

Table 1 below presents our CEO's salary, incentive bonus opportunity at the target level and stock awards and option awards for each of the last three fiscal years. In Table 1, the stock award and option award amounts reflect the grant date fair value of each such award at the target level, the same value at which such awards are required to be reflected in the Summary Compensation Table included in this Proxy Statement, under applicable SEC regulations.

Table 1 – Target Total Direct Compensation — CEO

Fiscal Year	Salary ($)	Short-Term (Cash) Incentive (STIP) Opportunity at Target ($)	Stock Awards ($)	Option Awards ($)	Target Total Direct Compensation ($)
2015	650,000	650,000	1,137,493	1,137,498	3,574,991
2014	650,000	650,000	1,412,490	737,497	3,449,987
2013	650,000	650,000	674,988	1,200,000	3,174,988
3-year Totals	1,950,000	1,950,000	3,224,971	3,074,995	10,199,966

Table 2 below illustrates how our performance affected payouts and realization of the target total direct compensation that was available to our CEO.

Table 2 - Total Direct Compensation That May Be Considered Realizable at 12/31/2015 as a Percentage of Target Total Direct Compensation — CEO

Fiscal Year	Salary ($)	Short-Term (Cash) Incentive (STIP) Payout(1) **($)**	Value of Stock Awards at 12/31/15(2) **($)**	Intrinsic Value of Option Awards at 12/31/15(3) **($)**	Total Direct Compensation at 12/31/15 ($)	Total Direct Compensation at 12/31/15 as a percentage of Target Total Direct Compensation (%)
2015	650,000	606,385	837,010	-	2,093,395	59
2014	650,000	468,000	1,426,844	-	2,544,844	74
2013	650,000	-	496,494	-	1,146,494	36
3-year Totals	1,950,000	1,074,385	2,760,348	0	5,784,733	
Percent of						

Corresponding Amount in Table 1	100 %	55 %	86 %	0 %	57 %

(1) This column shows the portion of the target-level STIP in Table 1 that was actually paid to our CEO in each of the last three fiscal years. Due to the level of achievement in comparison to the performance objectives that were part of our annual incentive compensation program, payouts to our CEO over the past three fiscal years amounted to approximately 55% of the aggregate target short-term cash incentive compensation for such period.

(2) Stock awards for fiscal 2015, 2014 and 2013 are valued based on the closing market price per share of our common stock on December 31, 2015 of $12.34 per share.

(3) For purposes of this table, option awards are valued at zero because each such award has an exercise price that is greater than the closing market price for a share of our common stock on December 31, 2015. While our CEO may realize value on such option awards in the future, the value realized, if any, will depend on the extent to which there is appreciation in the market price of our common stock.

The foregoing tables illustrate that our annual and long-term incentive programs over the past three fiscal years have been designed to make a meaningful amount of our CEO's target total direct compensation dependent on the achievement of performance objectives and have resulted in actual compensation significantly less than the target amount.

Management and the Compensation Committee

Role of Management

Our CEO, together with our Chief Financial Officer and Executive Vice President of Human Resources, develop recommendations regarding the design of our executive compensation program. In addition, they are involved in setting the financial and strategic objectives that, subject to the approval of the Board and the Compensation Committee, are used as the performance measures for the short and long-term incentive plans. Both the CEO and the Chief Financial Officer provide the Compensation Committee with information relevant to determining the achievement of financial and non-financial performance objectives and related funding levels under our short-term cash incentive plan. Also, as part of its review process in determining executive compensation, the Compensation Committee receives from our CEO an assessment of each of the other executive officer's performance against individual objectives and compensation recommendations for such officers, including base salary and short and long-term incentives.

Role of Compensation Committee

Our executive compensation program is administered by the Compensation Committee, which is composed entirely of independent directors. The Compensation Committee is responsible for designing our executive compensation program, including each element of the program, and determining and approving total executive remuneration. Each year, the Compensation Committee reviews a competitive analysis and assessment of the compensation provided to executive officers and approves executive compensation based on this review, as well as an evaluation of recommendations presented by our CEO with respect to the other executive officers and the advice of F.W. Cook. Our CEO does not participate in the Compensation Committee's deliberations or decisions with regard to his own compensation, and the Compensation Committee's decisions with respect to our CEO's compensation are reviewed and approved by the independent members of the Board of Directors as a group.

Compensation Consultant and Peer Group Analysis

Role of the Independent Compensation Consultant

The Compensation Committee is authorized to engage its own independent advisors to assist in carrying out its responsibilities. The Compensation Committee has retained F.W. Cook as its independent compensation consultant. Representatives of F.W. Cook regularly attend Compensation Committee meetings and communicate with the Chair of the Compensation Committee outside of meetings. F.W. Cook reports directly to the Compensation Committee and the Compensation Committee oversees the fees paid for F.W. Cook's services. F.W. Cook provides the Compensation Committee with independent and objective guidance on executive compensation and how our executive compensation program compares to other companies' executive compensation programs, as well as guidance on market trends, evolving regulatory requirements, non-employee director compensation, peer group composition and other matters as requested by the Compensation Committee. F.W. Cook also provides objective guidance regarding management's executive compensation recommendations, with the instruction that F.W. Cook is to advise the Compensation Committee independent of management and to provide such advice for the benefit of HMS and its shareholders. F.W. Cook does not provide any consulting services to HMS beyond its role as a consultant to the Compensation Committee. The Compensation Committee conducts an annual assessment of the independence of F.W. Cook pursuant to SEC rules and, following its most recent assessment in April 2016, concluded that no conflict of interest exists that would prevent F.W. Cook from serving as an independent consultant to the Compensation Committee.

F.W. Cook provided the following services to the Compensation Committee in 2015, including services related to executive and director compensation programs and general compensation and benefits matters:

- assisted in the design and development of all elements of the 2015 executive compensation program;
- provided competitive benchmarking and market data analysis;
- provided an analysis of HMS's equity plan and annual incentive plan design in light of best practices, industry trends and voting policies of proxy advisory firms and provided advice on potential amendments;
- reviewed agendas for the Compensation Committee meetings held in 2015;
- reviewed HMS's 2015 compensation risk assessment;
- consulted on special equity grants and retention program;
- consulted on compliance with Section 162(m) of the Code;
- provided updates regarding emerging trends and best practices in executive compensation; and
- reviewed and provided advice on HMS's executive compensation-related disclosures in the 2015 Proxy Statement and reviewed the compensation-related proposals in this 2016 Proxy Statement.

Competitive Pay Positioning and Peer Group Analyses

When evaluating our executive compensation program, our Compensation Committee measures our program against that of a peer group of public companies that is developed with guidance from F.W. Cook, which may differ from peer groups used by shareholder advisory firms. This peer group, which generally is reviewed annually by the Compensation Committee and may be modified from time to time, consists of companies the Compensation Committee believes are generally comparable to us in size, financial profile and scope of operations and, in certain cases, against which the Compensation Committee believes we compete for executive talent.

The peer group reviewed and approved by the Compensation Committee in November 2014, with guidance from F.W. Cook, was used for calendar year 2015 compensation decisions (the "Peer Group"). The companies included in the Peer Group are listed below.

Peer Group

Acxiom Corp	ExlService Holdings, Inc.	NeuStar, Inc.
Allscripts-Misys Healthcare Solutions Inc.	Fair Isaac Corp.	Omnicell, Inc.
AthenaHealth, Inc.	MAXIMUS, Inc.	Quality Systems, Inc.
Bottomline Technologies (de), Inc.	MedAssets, Inc.	Tyler Technologies, Inc.
DealerTrack Technologies, Inc.	Medidata Solutions, Inc.	WEX, Inc.

The chart below compares HMS revenue, net income, EBITDA and market capitalization to the median of those four measures for our Peer Group at the time the Peer Group was established. While our revenue and market capitalization were below the Peer Group median, our net income and EBITDA were above the median.

(in millions)[1]	**HMS ($)**	**Peer Group Median ($)**
Revenue	467	672
Net Income[2]	32	29
EBITDA	117	107
Market Capitalization[3]	1,654	1,946

(1) Revenue, Net Income and EBITDA based on most recently available four quarters as of October 6, 2014.

(2) Before extraordinary items and discontinued operations.

(3) As of September 30, 2014.

The Compensation Committee does not have a policy with respect to the level of target total direct compensation for our executive officers relative to similarly situated executives among our peer companies. The Compensation Committee exercises its discretion in setting target total compensation annually based on a variety of factors, including each such officer's competitive pay positioning relative to similarly situated executives among our peer companies, each officer's scope of responsibilities, individual performance and expected contributions going forward, tenure, relative internal pay levels, recommendations by the CEO for the other executive officers, and prior year target and actual compensation levels.

During the first quarter of 2015 in connection with its evaluation and approval of 2015 executive compensation, the Compensation Committee retained F.W. Cook to provide a competitive analysis based on the Peer Group. The Compensation Committee reviewed 2015 target total direct compensation, including base salary, target bonus and recommended long-term incentive awards, of our five most highly paid executive officers relative to the compensation of similarly situated executives in the Peer Group based on the most recent proxy data, as well as equity usage (shares granted in equity plans as a percentage of weighted average shares outstanding) relative to the Peer Group, and equity allocation, in both absolute dollar value and percentage of annual equity granted, among (i) the CEO, (ii) the next four most highly paid executives, (iii) the remaining executives and (iv) all other employees, relative to the Peer Group (the "2015 Competitive Review").

2015 Executive Compensation Elements

The primary elements of our executive compensation program are as follows:

Element	Type	Objective
Annual Base Salary	Fixed cash compensation for performing day-to-day responsibilities	Recognizes skills, experience and responsibilities
Annual Short-Term Incentive Compensation	Performance-based cash compensation awards based on the achievement of short-term financial goals and other strategic objectives measured over a specific year	Promotes and rewards short-term corporate performance based on revenue and adjusted EBITDA and achievement of our strategic objectives
Annual Long-Term Incentive Compensation	Restricted stock units, 50% performance based Nonqualified stock options, 50% performance based	Builds executive stock ownership, retains executives and aligns compensation with the achievement of our long-term financial goals of creating shareholder value and our strategic objectives as measured over multi-year periods

In addition to the primary elements shown above, we generally also provide salary and benefit continuation payments that are only payable if an executive officer's employment is terminated under specific circumstances. These benefits, which provide reasonable income protection in the event an executive officer's employment is terminated without cause or, following a change in control, an executive officer resigns for good reason, support our executive retention goal and encourages executive independence and objectivity in considering a potential change in control transaction. For a discussion of these benefits, see "Executive Employment Agreements."

In 2015, we approved certain limited executive perquisites, including executive disability income insurance and executive financial consulting services, for certain executives in order to maintain competitiveness in the market among our peer companies for both retention and recruitment purposes. For a discussion of these benefits, see "Limited New Executive Perquisites" in this CD&A.

Pay Mix

The Compensation Committee does not have a formal or informal policy or target for allocating compensation between cash and non-cash compensation, or among the different forms of non-cash compensation. In allocating compensation between cash and non-cash forms, we, after reviewing information provided by F.W. Cook, determine what we believe in our business judgment is the appropriate level with respect to each of the various compensation components. The allocation of the primary elements of compensation for 2015 at target levels, which does not include the special retention grants discussed under “2015 Special Retention Grants,” for both our CEO and the average of our other named executive officers is shown below.

(1) For purposes of this illustration, we include all stock options as performance-based compensation. One half of the stock options are subject to additional, predetermined performance-based vesting criteria based on stock price performance. See “Grants of Plan Based Awards for the Year Ended December 31, 2015” for a description of the vesting and other terms of the option awards granted on March 4, 2015.

(2) Includes named executive officers other than the CEO.

Base Salary

Base salary is used to recognize the experience, skills, knowledge and responsibilities of our employees, including our named executive officers and provides a competitive level of fixed compensation. The key factors in determining base salary are the competitive rate among our peers for positions of like responsibility and the level of the named executive officer’s salary in relation to other employees within HMS with similar responsibilities and tenure.

The Compensation Committee reviews base salaries annually and, if appropriate, makes adjustments to reflect market levels generally every two years after taking into account individual responsibilities, performance and experience, the recommendations of the CEO and the benchmarking data provided by F.W. Cook. The Compensation Committee also reviews salaries on an interim basis as it determines appropriate based on significant changes in an executive’s scope of responsibilities. For 2015, the base salaries for our named executive officers, other than Mr. Williams, remained unchanged from 2014. The Compensation Committee increased Mr. Williams’ base salary in January 2015, from $400,000 to $475,000 based on the recommendation of the CEO and an expansion of the scope of his responsibilities to include leadership of the state and federal government markets and proposals, in addition to his then current responsibility for commercial health plan and employer markets and marketing.

The table below shows the 2015 annual base salaries for our named executive officers, as approved by the Compensation Committee.

Named Executive Officer	2015 Salary ($)
W. Lucia	650,000
J. Sherman	500,000
S. Neuman	475,000
C. Nustad	425,000
D. Williams(1)	475,000

(1) Received a salary increase in January 2015 from $400,000 to $475,000.

Annual Short-Term (Cash) Incentive Compensation

The Compensation Committee awards annual short-term cash incentive compensation to our named executive officers, subject to achievement of specific pre-determined performance objectives. Our annual short-term incentive compensation is at-risk compensation. The Compensation Committee believes that this element of our executive compensation program promotes HMS's performance-based compensation philosophy by providing named executive officers with direct financial incentives for achieving specific short-term performance goals intended to increase shareholder value. Performance criteria for the annual short-term cash incentive awards are established and awards are ultimately made in a manner intended to reward both overall short-term corporate performance and an individual's participation in attaining such performance. Our annual short-term cash incentive awards are paid in cash, ordinarily in a single payment in the first quarter following the completion of the fiscal year.

In order to provide key executives incentive awards that are intended to qualify as performance-based compensation and that are intended to be deductible for federal income tax purposes under the Code, our Board of Directors adopted in 2011, and our shareholders have approved, the HMS Holdings Corp. Annual Incentive Compensation Plan ("AIP"). The AIP is entirely objective. Participants in the AIP are eligible to receive a maximum bonus award of $2,000,000 for the 2015 performance period, subject to the Compensation Committee's authority to use negative discretion, if the predetermined objective goal for the fiscal year is met. (This limit is in addition to the limit on performance-based cash awards under the 2006 Stock Plan.) EBITDA was selected as the performance metric under the AIP for fiscal 2015 because it is one of the primary metrics utilized by HMS to measure its performance. EBITDA is calculated based on GAAP income before income taxes to exclude the effects of interest, depreciation and amortization of intangible assets, as reported in our financial statements for the year ended December 31, 2015. All of the named executive officers were participants under the AIP for fiscal 2015. The AIP, as amended and restated, is being submitted for re-approval by our shareholders at the 2016 Annual Meeting (see "Proposal Three: Re-Approval of our Annual Incentive Compensation Plan as Amended and Restated"). If approved, participants in the AIP, as amended and restated, will be eligible to receive a maximum bonus award of $5,000,000.

In February 2015, the Compensation Committee established the 2015 Short-Term (Cash) Incentive Plan ("2015 STIP"). The 2015 STIP operates as a sub-plan under our shareholder approved AIP. This plan within a plan structure is designed to preserve deductibility under Section 162(m) of the Code, while giving the Compensation Committee the flexibility to grant awards that reflect financial and strategic achievements based on both objective and subjective criteria, as well as personal performance. Actual bonus amounts paid to the executive officers for 2015 were determined based on the level of achievement of pre-determined goals under the 2015 STIP and were below the officers' maximum award under the AIP.

Awards under the 2015 STIP were made from a bonus pool sized based on the aggregate target incentive opportunity for all eligible employees. Generally, an employee's target annual incentive opportunity is established based on the employees' management level within HMS and is expressed as a percentage of annual base salary. The target annual incentive opportunities approved by the Compensation Committee for our named executive officers are as follows:

Named Executive Officer	**Target Incentive Opportunity (as a % of base salary)**
W. Lucia	100%
J. Sherman	65%
S. Neuman	65%
C. Nustad	65%
D. Williams	65%

2015 Performance Goals

The 2015 STIP is funded based solely on achievement of pre-determined financial and non-financial objectives. The Compensation Committee established revenue and adjusted EBITDA as the financial measures under the 2015 STIP. We believe that revenue and adjusted EBITDA are strong indicators of our overall financial performance and are key indicators used by industry analysts to evaluate our operating performance. We define adjusted EBITDA, which is a non-GAAP measure, as earnings before interest, taxes, depreciation, amortization, and stock based compensation. The Compensation Committee also established certain strategic objectives under the 2015 STIP in order to motivate participants to achieve the overall short-term strategic goals of HMS. The performance measures under the 2015 STIP are weighted as follows: adjusted EBITDA - 50%, revenue - 25% and strategic objectives - 25%.

The level of achievement of each of the financial objectives is measured against HMS's annual budget. HMS must meet a threshold level of performance with respect to both of the financial objectives in order for any portion of the bonus award based on such objectives to be paid. As illustrated in the charts below, the applicable percentage of the bonus pool to be funded varies with HMS's level of achievement of its adjusted EBITDA target and revenue target. The funding levels for the portions of the bonus pool under the 2015 STIP that are subject to achievement of these financial objectives were limited to 200% of target.

Adjusted EBITDA (50%) Funding Curve

Percent of Target Achieved	**% Funding of Bonus Pool**
<85%	-
85%	50%
86%-99%	Payout is straight line from 50% to 100%
100%	100%
101% - 130%(1)	Payout is straight line from 100% to 200%

(1) Payouts above 100% are subject to a limit of 20% of incremental adjusted EBITDA above budget.

Revenue (25%) Funding Curve

Percent of Target Achieved	% Funding of Bonus Pool
<90%	-
90%	50%
91%-99%	Payout is straight line from 50% to 100%
100%	100%
101% - 120%[1]	Payout is straight line from 100% to 200%

(1) Payouts above 100% are subject to a limit of 20% of incremental adjusted EBITDA above budget.

In addition to financial objectives, we established certain strategic objectives focused on maximizing our commercial health plan growth, driving organizational efficiency and product innovation, and improving customer satisfaction and employee engagement to better align our objectives with those of our customers, shareholders and employees. The level of achievement of the strategic objectives is determined in the Compensation Committee's sole discretion.

When considering whether HMS has achieved its goals for payouts under the pre-existing terms of the short-term (cash) incentive program, the Compensation Committee may determine to exclude certain significant unplanned positive and negative items that may distort HMS's performance and that were largely out of the control of management. This practice helps ensure that our senior executives will be fairly treated and remain engaged and motivated and will not be unduly influenced in their day-to-day decision-making because they would neither benefit nor be penalized as a result of certain unexpected and uncontrollable or strategic events that may positively or negatively affect the performance goals in the short-term.

Allocation of the Bonus Pool

Following the Compensation Committee's approval of the final funding level under the 2015 STIP, the CEO has discretionary authority to allocate the bonus pool among the executives and business units based on business unit performance. The Compensation Committee considers the CEO's recommendations for individual short-term incentive awards for the other executive officers, including the other named executive officers, which generally are based on the individual target bonus and HMS performance (as determined by the achievement of objective performance goals under the 2015 STIP), and may be adjusted to take into account individual performance.

2015 Short-Term (Cash) Incentive Compensation Calculation

The named executive officers' 2015 short-term incentive awards were determined by applying the predefined financial and strategic objectives weightings in the following formula:

Base Salary	x	Target Incentive Opportunity	x	HMS's achievement of: · 50% Adjusted EBITDA Target · 25% Revenue Target · 25% Strategic Objectives	= Cash Incentive Award

For 2015, HMS reported adjusted EBITDA of $112.5 million and revenue of $474.2 million, which resulted in a 97.8% and 98.8% achievement of the respective financial targets of adjusted EBITDA of $115 million and revenue of $480 million. In addition, the Compensation Committee determined that 95.0% of the strategic objectives for 2015 were met. Based on HMS's achievement level of each of the pre-determined performance objectives, the bonus pool under the 2015 STIP was funded at 93.3% of the target bonus pool.

Performance Objectives	Performance Objective Weighting (%)	Achievement of Performance Objective (%)	Bonus Pool at Target **($)**	Funding Percentage[1] **(%)**	Computed Bonus Pool **($)**
Adjusted EBITDA	50	97.8	5,832,000	92.0	5,367,000
Revenue	25	98.8	2,916,000	94.1	2,744,000
Strategic Objectives	25	95.0	2,916,000	95.0	2,770,000
Totals	100		11,664,000		10,881,000
% of Bonus Payout					93.3% of target

(1) Based on the funding curves shown above with respect to adjusted EBITDA and revenue.

In February 2016, the Compensation Committee certified the achievement of the EBITDA goal under the AIP for the 2015 performance period, and exercised negative discretion in approving bonus amounts for each of the named executive officers. The actual bonus amounts for each of the named executive officers were determined solely based on the level of achievement of the performance objectives under the 2015 STIP, calculated by multiplying each officer's target bonus by 93% (the percentage of bonus payout calculated above). The independent members of the Board of Directors approved and ratified the Compensation Committee's decision with respect to the bonus amount for the CEO.

Below is a comparison of target bonus amounts to actual bonus amounts paid to the named executive officers under the 2015 STIP.

Named Executive Officer	**Target Bonus ($)**	**Actual Percentage of Target Bonus Paid (%)**	**Actual Bonus[1] ($)**
W. Lucia	650,000	93	606,385
J. Sherman	325,000	93	303,193
S. Neuman	308,750	93	288,033
C. Nustad	276,250	93	257,714
D. Williams	308,750	93	288,033

(1) The amounts in this column do not exceed the AIP maximum amounts of $2.0 million for any named executive officer.

Annual Long-Term Incentive Compensation

We believe that equity awards provide our named executive officers with a strong link to our long-term performance in order to create an ownership culture and help to align their interests with those of our shareholders. Annual long-term incentive awards granted to the named executive officers during 2015 were made pursuant to our Fourth Amended and Restated 2006 Stock Plan (the “2006 Stock Plan”). The 2006 Stock Plan, which is administered by the Compensation Committee, was adopted by our Board of Directors, and approved by our shareholders, to furnish a material incentive to employees by making available to them the benefits of a larger common stock ownership in HMS through stock options and other awards. The Board of Directors and the Compensation Committee believe that these increased incentives stimulate the efforts of employees towards the continued success of HMS, as well as assist in the recruitment of new employees. In order to continue to offer these increased incentives to our employees, we are submitting the HMS Holdings Corp. 2016 Omnibus Incentive Plan, or the “2016 Omnibus Plan,” to our shareholders for approval at the 2016 Annual Meeting. If approved, the 2016 Omnibus Plan will replace and supersede the 2006 Stock Plan (see “Proposal Four: Approval of the 2016 Omnibus Incentive Plan”).

Types of Long-Term Incentive Awards

During 2015, we granted annual long-term incentive awards to the named executive officers in the form of nonqualified stock options and restricted stock units. We believe stock options strongly support our objective of ensuring that pay is aligned with changes in shareholder value. In accordance with the 2006 Stock Plan, we set the exercise price of all stock options equal to or above the closing price of our common stock on the NASDAQ Global Select Market on the day of the grant. Accordingly, a stock option grant is intended to provide a return to the executive only if the executive officer remains employed during the vesting period and the market price of our common stock appreciates from the option's exercise price. We also have established performance conditions with respect to a portion of the named executive officers' stock option awards granted during 2015. Stock options subject to performance conditions will provide a return to the executive only if the performance conditions are satisfied and the conditions listed above are met.

We awarded restricted stock units during 2015 to support the goal of retaining our named executive officers and to further align the interests of our executives with shareholders by increasing their stock ownership. Because restricted stock units awarded to executives generally vest in installments over time, these awards will provide a return to the executive only if the executive remains employed during the vesting period. We also align pay with performance by establishing performance conditions with respect to a portion of the restricted stock unit awards. Half of the restricted stock unit awards granted to our named executive officers during 2015 were subject to performance conditions. With respect to any portion of an award subject to performance conditions, the award will provide a return to the executive only if the performance conditions are satisfied and the executive remains employed during the vesting period. The value of the restricted stock awards and restricted stock unit awards granted to the executive increases or decreases as the market price of our common stock increases or decreases, further supporting our objective of ensuring that pay is aligned with changes in shareholder value.

Equity Award Grant Practices

The Compensation Committee has determined that, beginning in 2015, the two long-term incentive awards historically granted in the first and fourth quarters of each year will be combined into one annual award to eligible employees, including the named executive officers, to be approved at its regularly scheduled meeting held in the first quarter of each year. We believe this change better aligns us with Peer Group practice and simplifies our equity plan administration. We also believe that a single long-term incentive award is more retentive and motivational than two smaller awards. The dates of the regularly scheduled meetings are determined in advance, typically during the fourth quarter of the preceding year. At this regularly scheduled meeting, the Compensation Committee will meet with management and F.W. Cook to discuss and consider annual long-term incentive awards, and if approved, the Compensation Committee will establish a grant date that is two business days after the date that HMS will file its annual report on Form 10-K (or, if applicable, two business days after the date that HMS will file its next quarterly report on Form 10-Q), as well as the award amounts and terms for the executive officers and other employees subject to Section 16 of the Exchange Act. For purposes of determining equity awards for our named executive officers aside from our CEO, our CEO presents the Compensation Committee with his recommendations for such officers. With respect to our CEO, the Compensation Committee considers, among other things, HMS's performance, relative shareholder return and the awards given to the CEO in past years. For a description of the factors taken into consideration by the Compensation Committee in determining annual long-term incentive awards to the CEO and other executive officers for fiscal 2015, see "2015 Annual Long-Term Incentive Compensation" below.

The Compensation Committee also approves off-cycle initial equity grants to attract and retain key new hires based on management's negotiations with new hire candidates. These off-cycle grants are generally effective as of the date a new hire commences employment with HMS and are subject to service-based vesting over four years. The Compensation Committee has delegated authority to the CEO, as a one-member committee of the Board of Directors, to grant new hire awards, subject to certain limitations, on terms pre-established by the Compensation Committee to employees who are not subject to Section 16 of the Exchange Act. Grants approved by the CEO pursuant to this delegation are reviewed at the Compensation Committee's next regularly scheduled meeting.

Equity grants that the Compensation Committee may approve from time to time that are in addition to the annual long-term incentive award have a grant date that is two business days after the date that HMS will file its next quarterly report on Form 10-Q. During 2015, the Compensation Committee approved special retention grants to the named executive officers, other than the CEO, which are discussed in more detail below under the caption "2015 Special Retention Awards."

2015 Annual Long-Term Incentive Compensation

In making its determinations with respect to granting annual long-term incentives for the 2015 fiscal year, the Compensation Committee considered the 2015 Competitive Review, the recommendations of the CEO for the other executive officers, individual performance, expected contributions going forward and the perceived retention value of the award, in addition to objective factors, including comparative share ownership and outstanding equity awards of similarly-situated executives, awards granted to each executive in prior years and HMS's financial performance. With respect to our CEO, the Compensation Committee also considered a quantitative assessment of HMS's relative shareholder return. In determining amounts of long-term incentive compensation to be awarded, no fixed or specific mathematical weighting was applied to the subjective or the objective assessment of the named executive officers' individual achievements.

The Compensation Committee also received guidance from F.W. Cook as to appropriateness of grant amounts, vesting schedules and performance conditions in light of market practices based on benchmarking data from our peer group companies. The 2015 annual long-term incentive awards were determined based upon the Compensation Committee's subjective evaluation of the factors discussed above and the appropriateness of the grant depending upon the level of responsibility of each named executive officer and competitive positioning among our peer group companies.

With advice from F.W. Cook and structurally consistent with the fourth quarter grant in 2014, in February 2015 the Compensation Committee approved an annual grant to eligible employees, including the named executive officers, in the form of non-qualified stock options and restricted stock units on an equal value basis. The Compensation Committee believes that the mix of stock options and restricted stock units is appropriate because the two forms of awards together represent a balanced approach that reinforces our emphasis on pay for performance because the numbers of shares earned depends on the performance against pre-defined goals and the value of the shares fluctuates based on the stock price. One-half of the stock options and one-half of the restricted stock units are subject to stock price performance conditions. The Compensation Committee believes that this vesting structure supports several important objectives, including retaining, incentivizing and compensating named executive officers for achievement of long-term goals intended to increase shareholder value through sustained increases in stock price and ensuring that the overall cost of the program is aligned with compensation realized by named executive officers and performance delivered to shareholders.

On March 4, 2015, the named executive officers received the following annual long-term incentive awards:

Named Executive Officer	Value of Options Granted ($)	Number of Options Granted[(1)(2)] (#)	Value of Restricted Stock Units ($)	Number of Restricted Stock Units Granted[(1)(2)] (#)
W. Lucia	1,137,500	192,976	1,137,500	67,829
J. Sherman	700,000	118,754	700,000	41,741
S. Neuman	600,000	101,789	600,000	35,778
C. Nustad	500,000	84,824	500,000	29,815
D. Williams	600,000	101,789	600,000	35,778

(1) See “Grants of Plan Based Awards For the Year Ended December 31, 2015” for a description of the vesting and other terms of the option and restricted stock unit awards.

(2) The options have an exercise price of $16.77.

2015 Special Retention Awards

In April 2015, based on the recommendation of the CEO and advice of F.W. Cook, in order to motivate and retain certain of our named executive officers who the Compensation Committee believes play a key role in the growth of HMS, the Compensation Committee approved special retention awards having an aggregate value on the date of grant of $500,000 to Messrs. Sherman and Williams and Ms. Neuman in the form of non-qualified stock options and restricted stock units on an equal value basis, effective as of May 13, 2015. One-half of the stock options and one-half of the restricted stock units are subject to stock price performance conditions. In making the awards, the Compensation Committee considered the additional responsibilities assumed by each of these officers following an internal reorganization, specifically that Mr. Sherman assumed responsibility for corporate development in addition to his responsibilities as Chief Financial Officer, Ms. Neuman assumed responsibility for product management in addition to her responsibility for overseeing clinical operations, and Mr. Williams assumed responsibility for leadership of the state and federal government markets and proposals, in addition to his responsibility for commercial health plan and employer markets and marketing. The Compensation Committee also considered the current value of each such officers’ outstanding equity awards and the perceived retention value of such awards in light of the relatively short tenure of each of such officers.

April 2015 Special Retention Awards

Named Executive Officer	Grant Date Value of Options Granted	Number of Options Granted[(1)(2)]	Grant Date Value of Restricted Stock Units Granted ($)	Number of Restricted Stock Units

	($)	(#)		Granted[1] (#)
W. Lucia	-	-	-	-
J. Sherman	250,000	42,385	250,000	15,024
S. Neuman	250,000	42,385	250,000	15,024
C. Nustad	-	-	-	-
D. Williams	250,000	42,385	250,000	15,024

(1) See “Grants of Plan Based Awards For the Year Ended December 31, 2015” for a description of the vesting and other terms of the option and restricted stock unit awards.

(2) The non-qualified stock options have an exercise price of $16.64.

In October 2015, based on the recommendation of the CEO and advice of F.W. Cook, in order to motivate and retain key members of management tasked with executing on the robust growth strategy approved by the Board of Directors in October 2015, including certain of our named executive officers, the Compensation Committee approved special retention awards to our named executive officers other than the CEO in the form of non-qualified stock options, effective November 11, 2015. One-half of the options have an exercise price equal to the fair market value on the date of grant and one-half of the options have an exercise price equal to 125% of the fair market value on the date of grant. In approving the grants, the Compensation Committee also considered objective factors, including historical grants made to the executive officers and the value of equity currently held by such executive officers and its perceived retention value in light of the stock price.

October 2015 Special Retention Awards

Named Executive Officer	**Number of Options Granted at $11.20 Exercise Price (1)(2) (#)**	**Grant Date Value of Options at $11.20 Exercise Price ($)**	**Number of Options Granted at $14.00 Exercise Price (1)(3) (#)**	**Grant Date Value of Options at $14.00 Exercise Price ($)**
W. Lucia	-	-	-	-
J. Sherman	100,000	437,040	100,000	546,300
S. Neuman	100,000	437,040	100,000	546,300
C. Nustad	75,000	327,780	75,000	409,725
D. Williams	100,000	437,040	100,000	546,300

(1) See "Grants of Plan Based Awards For the Year Ended December 31, 2015" for a description of the vesting and other terms of the option awards.

(2) The non-qualified stock options have an exercise price of $11.20.

(3) The non-qualified stock options have an exercise price of $14.00

Limited New Executive Perquisites

In order to enhance HMS's ability to recruit and retain highly qualified executive talent, on February 6, 2015, and based on input from F.W. Cook, we determined to offer Guaranteed Standard Issue, or individual disability income insurance, to employees of HMS earning more than $300,000 in annualized base salary, as well as financial counseling services to the CEO and any officers of HMS who report directly to the CEO. We believe these benefits are comparable to benefits offered by companies of a similar size to ours and better enable us to maintain competitiveness by providing high-performing executives with benefits that will facilitate strong, focused performance. The cost of these perquisites constitutes a small percentage of each executive's total compensation. Each of the named executive officers is eligible to receive these benefits. Mr. Williams opted not to receive financial counseling services during 2015, as reflected in the Summary Compensation Table.

Other Elements of Compensation Available to all Employees

Benefits and Other Compensation

We maintain broad-based benefits that are provided to all employees, including health and dental insurance, life and disability insurance and a 401(k) plan. Our named executive officers are eligible to participate in all of our employee benefit plans, in each case on the same basis as other employees.

Severance and Change-in-Control Benefits

To enable us to offer competitive total compensation packages to our senior executives, as well as to ensure the ongoing retention of these individuals when considering transactions that may create uncertainty as to their future employment with us, in 2011, the Compensation Committee approved standardizing the terms of employment of our senior executives, which included providing consistent separation and change-in-control protection.

Based on information provided by F.W. Cook, the Compensation Committee believes that the protection afforded by the revised terms of employment described above provides a level of benefits that are estimated to be within a reasonable range based on competitive practices with respect to comparable positions. We believe that the benefits provided under these agreements are consistent with HMS's objective of attracting and retaining highly qualified executives and provide reasonable assurance so that our senior executives are not distracted from their duties during the uncertainty that may accompany a possible change in control.

We have provided detailed information about Mr. Lucia's employment agreement and our agreements with the other named executive officers and the benefits provided to Mr. Lucia and the other named executive officers under their respective agreements, along with estimates of the value of such benefits under various circumstances, under the caption "Potential Payments Upon Termination of Employment or Change in Control" below.

Stock Ownership Guidelines for Executive Officers

In October 2014, the Board of Directors approved stock ownership guidelines for our directors and executive officers to ensure that they each maintain an equity stake in HMS, and by doing so, appropriately link their interests with those of other shareholders. The guidelines for executive officers are based on a multiple of the executive's base salary.

Title	Value of Shares Required to be Owned
CEO	5 X Annual Base Salary
Other Executive Officers	2 X Annual Base Salary

Each executive has five years from the date he or she becomes subject to these guidelines to meet his or her target. Shares that satisfy the stock ownership guidelines include stock owned outright, directly or indirectly, restricted stock or restricted stock units, and deferred stock units. Management monitors compliance with these guidelines on an annual basis.

The following graph summarizes the stock ownership of each of our named executive officers as of March 31, 2016, as a multiple of base salary earned for fiscal 2015, pursuant to our Stock Ownership Guidelines.

(1) Rounded down to the nearest multiple

Clawback Policy

In October 2014, the Board adopted a clawback policy that covers each current and former executive officer of HMS and applies to all forms of executive incentive compensation. Our clawback policy provides that the Board (or a Board committee) is authorized to recover from any current or former executive officer any bonus, incentive compensation or equity-based compensation gains resulting from certain misconduct occurring after January 1, 2015 that causes a restatement of HMS's financial statements. The Board is required to review all circumstances and actions causing such restatement and to take action as it deems appropriate. We are monitoring this policy to ensure that it is consistent with applicable laws, and to the extent that the SEC adopts rules for clawback policies, we will revise our policy to reflect any necessary changes.

Prohibition on Hedging and Pledging

Our Insider Trading Policy prohibits our employees and directors from, among many other actions, purchasing our securities on margin, borrowing against our securities held in a margin account, pledging our securities as collateral for a loan and entering into hedging and derivative transactions with respect to our securities.

Tax Considerations

Section 162(m) of the Code prohibits us from deducting from taxable income any compensation in excess of $1 million paid to our CEO and the three other most highly compensated named executive officers employed at the end of the year (other than our Chief Financial Officer), except to the extent that such compensation is paid pursuant to a shareholder approved plan upon the attainment of specified performance objectives. The Compensation Committee believes that tax deductibility is an important factor, but not the sole factor, to be considered in setting executive compensation policy. Accordingly, the Compensation Committee periodically reviews the potential consequences of Section 162(m) of the Code and generally intends to take such reasonable steps as are required to avoid the loss of a tax deduction due to Section 162(m) of the Code. However, the Compensation Committee may, in its judgment, authorize compensation payments or arrangements that do not comply with the exemptions in Section 162(m) of the Code when it believes that such payments are appropriate to attract and retain executive talent.

We obtained shareholder approval of the AIP and the 2006 Stock Plan in 2011 in order to qualify awards under such plans as performance-based compensation under Section 162(m) of the Code. The Board of Directors is requesting re-approval of our AIP as amended and restated at the 2016 Annual Meeting as well as approval of the material terms of the 2016 Omnibus Plan in order to continue to qualify awards under such plans as performance-based compensation that is tax deductible under Section 162(m) of the Code (see “Proposal Three: Re-Approval of the Annual Incentive Compensation Plan as Amended and Restated” and “Proposal Four: Approval of the 2016 Omnibus Incentive Plan”).

Compensation Committee Report

The Compensation Committee of the Board of Directors of HMS Holdings Corp. has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in HMS's Proxy Statement for its 2016 Annual Shareholders' Meeting, as applicable.

By the Compensation Committee of the Board of Directors of HMS Holdings Corp.

Richard H. Stowe,
Chair
Craig R. Callen

The information contained in the Compensation Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference in such filing.

Summary Compensation Table

The following table sets forth the cash and non-cash compensation awarded to or earned by our named executive officers for the fiscal years ended December 31, 2015, 2014 and 2013. Information for 2013 is not provided for Mr. Sherman because he was not employed by HMS until 2014.

Name and Principal Position	Year	**Salary[(1)] ($)**	**Bonus[(2)] ($)**	Stock Awards[(3)] **($)**	Option Awards[(4)] **($)**	Non-Equity Incentive Plan Compensation[(5)] **($)**	All Other Compensation[(6)] **($)**	Total Compen ($)
William C. Lucia	2015	650,000	-	1,137,493	1,137,498	606,385	31,491	3,562,86
Chairman, President	2014	650,000	-	1,412,490	737,497	468,000	10,400	3,278,38
and CEO	2013	650,000	-	674,988	1,200,000	-	10,200	2,535,18
Jeffrey S. Sherman	2015	500,000	-	949,997	1,933,332	303,193	28,194	3,714,71
EVP, Chief Financial	2014	136,538 (7)	355,000	337,493	1,087,493	-	-	1,916,52
Officer and Treasurer	2013	-	-	-	-	-	-	-
Semone Neuman	2015	475,000	-	849,998	1,833,332	288,033	29,893	3,476,25
EVP, Operations	2014	470,192	-	787,480	287,494	265,000	13,677	1,823,84
	2013	337,500 (8)	50,000	499,981	450,000	-	6,923	1,344,40
Cynthia Nustad	2015	425,000	-	499,997	1,237,501	257,714	29,387	2,449,59
EVP and Chief	2014	421,731	-	649,996	249,994	200,000	10,400	1,532,12
Information Officer	2013	378,413	-	524,020	469,327	-	10,200	1,381,96
Douglas M. Williams	2015	469,231	-	849,998	1,833,332	288,033	12,646	3,453,24
Division President,	2014	396,923	50,000	499,980	274,994	230,000	8,885	1,460,78
Markets	2013	15,385 (9)	-	-	399,994	-	-	415,379

(1) The amounts in this column consist of base salary earned for the fiscal year.

(2) The amounts in this column consist of (i) with respect to Mr. Sherman, a sign-on bonus of $200,000 paid in 2014 and a bonus payment of $155,000 ($150,000 of which was guaranteed) earned for 2014 and paid in 2015, (ii) with respect to Ms. Neuman, a sign-on bonus of $50,000 paid in 2013 and (iii) with respect to Mr. Williams, a sign-on bonus of $50,000 paid in 2014, pursuant to the terms of their respective employment agreements.

(3) The amounts in this column represent the aggregate grant date fair value of the restricted stock unit awards computed in accordance with FASB guidance on stock-based compensation. The relevant assumptions made in the valuations may be found in Note 10 of the Notes to the Consolidated Financial Statements in our Annual Report. The grant date fair value of restricted stock units is determined based on the number of units awarded and the fair value of our common stock on the grant date, which is the closing sales price per share of our common stock reported on the NASDAQ Global Select Market on that date.

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(4) The amounts in this column represent the aggregate grant date fair value of the stock option awards computed in accordance with FASB guidance on stock-based compensation. The relevant assumptions made in the valuations for the 2015, 2014 and 2013 stock option awards may be found in (i) Note 10 of the Notes to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K, (ii) Note 11 of the Notes to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K and (iii) Note 10 of the Notes to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K, respectively. The grant date fair value of stock options is determined based on the number of options awarded and the fair value of the stock option on the grant date, which is the Black Scholes value of closing sales price per share of our common stock reported on the NASDAQ Global Select Market on that date. Awards subject to market based performance conditions are valued on the date of grant using the Monte Carlos simulation model.

(5) The amounts in this column consist of amounts earned pursuant to the short-term (cash) incentive plan for the fiscal year reported and paid in the following fiscal year.

(6) The amounts in this column for fiscal 2013 and 2014 consist of 401(k) Savings Plan employer matching contributions. The amounts in this column for fiscal 2015 are as follows:

Name	401(k) Savings Plan Employer Matching Contributions ($)	Executive Disability Insurance ($)	Financial Counseling ($)	Tax Gross-Ups on Financial Counseling ($)	Total All Other Compensation ($)
W. Lucia	10,400	2,252	11,302	7,537	31,491
J. Sherman	10,400	2,093	11,302	4,398	28,193
S. Neuman	10,400	2,137	12,247	5,109	29,893
C. Nustad	10,400	1,670	11,343	5,974	29,387
D. Williams	10,400	2,246	-	-	12,646

(7) The amount reported consists of base salary earned by Mr. Sherman, prorated from his date of employment on September 8, 2014.

(8) The amount reported consists of base salary earned by Ms. Neuman from her date of employment on April 1, 2013.

(9) The amount reported consists of base salary earned by Mr. Williams from his date of employment on December 9, 2013.

Grants of Plan-Based Awards For the Year Ended December 31, 2015

The following table provides information concerning each grant of an award made to our named executive officers in fiscal 2015 under our AIP, 2015 STIP and 2006 Stock Plan.

			Compensation	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1]		Estimated Future Payouts Under Equity Incentive Plan Awards[2]	All Other Stock Awards: Number of Shares of Stock or Units[3]	All Other Option Awards: Number of Securities Underlying Options[4]	Exe or P Pric
Name	Award Type	Grant Date	Committee Approval Date	Target ($)	Maximum ($)	Target (#)	(#)	(#)	Opt ($/S
W. Lucia	AIP/2015 STIP			650,000	2,000,000	-	-	-	-
	Stock Options[7]	3/4/2015	2/20/2015	-	-	96,488	-	96,488	16.7
	Restricted Stock Units[7]	3/4/2015	2/20/2015	-	-	33,915	33,914	-	-
J. Sherman	AIP/2015 STIP			325,000	2,000,000	-	-	-	-
	Stock Options[7]	3/4/2015	2/20/2015	-	-	59,377	-	59,377	16.7
	Restricted Stock Units[7]	3/4/2015	2/20/2015	-	-	20,871	20,870	-	-
	Stock Options[7]	5/13/2015	4/23/2015	-	-	21,193	-	21,192	16.6
	Restricted Stock Units[7]	5/13/2015	4/23/2015	-	-	7,512	7,512	-	-
	Stock Options[8]	11/11/2015	10/28/2015	-	-	-	-	100,000	11.2
	Stock Options[8]	11/11/2015	10/28/2015	-	-	-	-	100,000	14.0
S. Neuman	AIP/2015 STIP			308,750	2,000,000	-	-	-	-
	Stock Options[7]	3/4/2015	2/20/2015	-	-	50,895	-	50,894	16.7
	Restricted Stock Units[7]	3/4/2015	2/20/2015	-	-	17,889	17,889	-	-

	Stock Options(7)	5/13/2015	4/23/2015	-	-	21,193	-	21,192	16.6
	Restricted Stock Units(7)	5/13/2015	4/23/2015	-	-	7,512	7,512	-	-
	Stock Options(8)	11/11/2015	10/28/2015	-	-	-	-	100,000	11.2
	Stock Options(8)	11/11/2015	10/28/2015	-	-	-	-	100,000	14.0
C. Nustad	AIP/2015 STIP			276,250	2,000,000	-	-	-	-
	Stock Options(7)	3/4/2015	2/20/2015	-	-	42,412	-	42,412	16.7
	Restricted Stock Units(7)	3/4/2015	2/20/2015	-	-	14,908	14,907		
	Stock Options(8)	11/11/2015	10/28/2015	-	-	-	-	75,000	11.2
	Stock Options(8)	11/11/2015	10/28/2015	-	-	-	-	75,000	14.0
D. Williams	AIP/2015 STIP			308,750	2,000,000	-	-	-	-
	Stock Options(7)	3/4/2015	2/20/2015	-	-	50,895	-	50,894	16.7
	Restricted Stock Units(7)	3/4/2015	2/20/2015	-	-	17,889	17,889	-	-
	Stock Options(7)	5/13/2015	4/23/2015	-	-	21,193	-	21,192	16.6
	Restricted Stock Units(7)	5/13/2015	4/23/2015	-	-	7,512	7,512	-	-
	Stock Options(8)	11/11/2015	10/28/2015	-	-	-	-	100,000	11.2
	Stock Options(8)	11/11/2015	10/28/2015	-	-	-	-	100,000	14.0

(1) Amounts represent the target and maximum short-term (cash) incentive compensation payouts that could be earned by the named executive officers for 2015. The target amount shown is 100% of the individual's target annual award opportunity and assumes that the named executive officer achieves all related predetermined financial and non-financial objectives. The maximum amount shown is the shareholder-approved maximum payout under the AIP. There are no threshold amounts under the 2015 STIP or the AIP. The actual short-term (cash) incentive compensation paid for 2015 is shown in the Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column. Our 2015 STIP is described in the Compensation Discussion and Analysis, under the heading "Annual Short-Term (Cash) Incentive Compensation." For 2015, Mr. Lucia's target award opportunity was 100% of his base salary. The target award opportunity for Messrs. Sherman and Williams and Mses. Neuman and Nustad was 65% of his/her base salary.

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(2) Amounts represent the portion of the award made to each named executive officer in 2015 that is dependent on certain pre-defined performance conditions for both non-qualified stock options and restricted stock units. These grants discussed in the Compensation Discussion and Analysis under the heading “Annual Long-Term Incentive Compensation.”

(3) Amounts represent the portion of the restricted stock unit award made to each named executive officer in 2015 that is conditioned on continued service. These restricted stock unit awards are discussed in the Compensation Discussion and Analysis under the heading “Annual Long-Term Incentive Compensation.”

(4) Amounts represent the portion of the non-qualified stock option award made to the named executive officers in 2015 that is conditioned on continued service. These stock option awards are discussed in the Compensation Discussion and Analysis under the heading “Annual Long-Term Incentive Compensation”.

(5) Represents the closing price of our common stock on the date of the grant, except with respect to the nonqualified stock options granted on November 11, 2015, half of which have an exercise price equal to the closing price of our common stock on the date of the grant, and half of which have an exercise price equal to 125% of the closing price of our common stock on the date of grant.

(6) Amounts in this column represent the grant date fair value of each stock option grant and each restricted stock unit grant computed in accordance with FASB guidance on stock-based compensation, assuming all performance and service conditions are met. The relevant assumptions made in the valuations may be found in Note 10 of the Notes to the Consolidated Financial Statements in our Annual Report.

(7) The non-qualified stock options and restricted stock units vest as follows: 50% vests ratably over a three-year period beginning on the first anniversary of the date of grant, and the remaining 50% vests upon HMS’s achievement of the following performance condition: HMS’s average closing price per share must be at least 25% higher than the closing price on the grant date for a period of 30 consecutive trading days preceding the first, second or third anniversaries of the grant date. If the performance condition is met prior to the first anniversary of the grant date, one-third of the performance restricted stock units will vest in three equal installments on the first, second and third anniversaries of the grant date; if the performance condition is met after the first anniversary but prior to the second anniversary of the grant date, two-thirds of the performance restricted stock units will vest on the second anniversary of the grant date and one-third will vest on the third anniversary of the grant date; if the performance condition is met after the second anniversary but prior to the third anniversary of the grant date, 100% of the performance restricted stock units will vest on the third anniversary of the grant date. If the performance condition is not achieved before the third anniversary of the grant date, the performance restricted stock units will be forfeited. The named executive officer must remain employed by HMS as of each exercise or vesting date, whichever is applicable. The non-qualified stock options are exercisable over a term of seven years.

(8) The non-qualified stock options vest ratably over a three year period beginning on November 11, 2016, and are exercisable over a term of seven years.

Outstanding Equity Awards at December 31, 2015

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested [1] **($)**	Equity Incentive Plan Awards: Number of Unearned Shares, Units or other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
W. Lucia	232,603	-	-	3.66	6/2>				

/s/BRYAN LAWRENCE Bryan Lawrence	Director	March 6, 2015
/s/BRENT BILSLAND Brent Bilsland	President, CEO and Director	March 6, 2015
/s/JOHN VAN HEUVELEN John Van Heuvelen	Director	March 6, 2015

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