

May 2004

**HMS HOLDINGS CORP.
COMPENSATION COMMITTEE CHARTER**

Purpose

The Compensation Committee of the Board of Directors (the “Board”) of HMS Holdings Corp. (the “Company”) is appointed by the Board to discharge the Board’s responsibilities relating to compensation of the Company’s Chief Executive Officer (the “CEO”) and all of the Company’s executive officers (the “Senior Executives”). The Committee has overall responsibility for approving and evaluating all compensation plans, policies and programs of the Company as they affect the CEO and the Senior Executives.

The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company’s proxy statement.

Committee Membership

The Compensation Committee shall consist of no fewer than three members. The members of the Compensation Committee shall satisfy the independence requirements of the NASDAQ Stock Market with respect to compensation committees.

The members of the Compensation Committee shall be appointed by the Board. Compensation Committee members may be replaced by the Board.

Authority and Responsibilities

1. The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist it in the evaluation of CEO or Senior Executive compensation and shall have sole authority to approve the consultant’s fees and the other terms and conditions of the consultant’s retention. The Compensation Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
2. The Compensation Committee shall annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of those goals and objectives, and recommend to the Board the CEO’s overall compensation levels based on this evaluation. In evaluating the long-term incentive components of CEO compensation, the Compensation Committee shall consider, among other matters, the Company’s performance and relative shareholder return and the awards given to the CEO in past years. Notwithstanding the foregoing, if any grant or award to the CEO is intended to qualify for the performance-based compensation exemption from the limitations on deductibility of executive compensation imposed by Section 162(m) of the Internal Revenue Code or any successor thereto, the Compensation Committee, or

any independent subcommittee thereof, rather than the Board, shall approve such award, but it may refer such award to the Board for ratification.

3. The Compensation Committee shall, at least annually, review and approve the annual base salaries and annual incentive opportunities of the CEO and the Senior Executives. In addition, periodically and as and when appropriate, the Compensation Committee shall review and approve the following as they affect the CEO and the Senior Executives: (a) all other incentive awards and opportunities, including both cash-based and equity-based awards and opportunities; (b) any employment agreements and severance arrangements; and (c) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits. In addition, the Compensation Committee shall receive periodic reports on the Company's compensation programs as they affect all employees. Finally, the Compensation Committee shall review and approve any special or supplemental compensation and benefits for the CEO and the Senior Executives and persons who formerly served as the CEO and/or as Senior Executives, including supplemental retirement benefits and the perquisites provided to them during and after employment.

4. The Compensation Committee shall monitor the Company's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to 401(k) plans and loans to directors and officers and with all other applicable laws affecting employee compensation and benefits.

5. The Committee shall oversee the Company's compliance with any applicable requirements under NASDAQ rules that shareholders approve equity compensation plans.

Procedures and Administration

1. The Compensation Committee shall meet as often as necessary to carry out its responsibilities.

Compensation Committee meetings will be governed by the quorum and other procedures generally applicable to meetings of the Board under the Company's By-laws, unless otherwise stated by resolution of the Board.

2. The Compensation Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), as it deems appropriate from time to time under the circumstances.

3. The Compensation Committee shall report to the Board on at least an annual basis.

4. The Compensation Committee shall annually review its own performance. In addition, at least annually, the Compensation Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board.