

HEALTHWAYS, INC.
RECONCILIATION OF NON-GAAP MEASURES TO GAAP MEASURES
(Unaudited)

Reconciliation of Adjusted Net Income (Loss) Attributable to Healthways, Inc. ("Adjusted Net Income (Loss)") and Adjusted Net Income (Loss) Per Share to Net Income (Loss) Attributable to Healthways, Inc., GAAP Basis and Net Income (Loss) Per Share Attributable to Healthways, Inc., GAAP Basis

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014		Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	\$ in thousands	Per Share	\$ in thousands	Per Share	\$ in thousands	Per Share	\$ in thousands	Per Share
Adjusted Net Income (Loss) ⁽¹⁾	\$ 4,189	\$ 0.11	\$ 494	\$ 0.01	\$ 2,320	\$ 0.06	\$ (2,079)	\$ (0.06)
Net loss attributable to non-cash interest charges ⁽²⁾	(1,069)	(0.03)	(1,011)	(0.03)	(2,113)	(0.06)	(1,997)	(0.06)
Net loss attributable to CEO transition-related expenses ⁽³⁾	(2,700)	(0.07)	—	—	(2,700)	(0.08)	—	—
Net loss attributable to legal settlement charges ⁽⁴⁾	—	—	—	—	—	—	(6,037)	(0.17)
Net Income (Loss) Attributable to Healthways, Inc., GAAP Basis ⁽⁵⁾	\$ 420	\$ 0.01	\$ (517)	\$ (0.01)	\$ (2,493)	\$ (0.07)	\$ (10,113)	\$ (0.29)

(1) Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per share are non-GAAP financial measures. The Company excludes net loss attributable to non-cash interest, CEO transition-related expenses, and legal settlement charges from these measures because of their comparability to the Company's historical operating results. The Company believes it is useful to investors to provide disclosures of its operating results and guidance on the same basis as that used by management. You should not consider Adjusted Net Income (Loss) or Adjusted Net Income (Loss) per share in isolation or as a substitute for net income (loss) attributable to Healthways, Inc. or net income (loss) per share attributable to Healthways, Inc. determined in accordance with accounting principles generally accepted in the United States.

(2) Net loss attributable to non-cash interest charges represents the amortization of a debt discount. Total pre-tax charges were \$1,769,000 and \$1,672,000 for the three months ended June 30, 2015 and 2014, respectively, and \$3,495,000 and \$3,303,000 for the six months ended June 30, 2015 and 2014, respectively. The tax rate applied to these non-cash interest charges was 39.55%, which represented the combined estimated U.S. federal and state statutory tax rate.

(3) Net loss attributable to CEO transition-related expenses represents the after-tax impact of expenses associated with the termination in May 2015 of our former President and Chief Executive Officer. Total pre-tax charges were \$4,467,000 for the three and six months ended June 30, 2015. The tax rate applied to these CEO transition-related expenses was 39.55%, which represented the combined estimated U.S. federal and state statutory tax rate.

(4) Net loss attributable to legal settlement charges represents the after-tax impact of the Company's settlement of a contractual dispute recorded in the first quarter of 2014. Total pre-tax charges of \$9,363,000 were recorded at a tax rate of 35.52%, which represented the estimated annualized effective tax rate for domestic operations at the time the charge was recorded.

(5) Figures may not add due to rounding.

**Reconciliation of Adjusted Cash Flows provided by Operating Activities
to Net Cash Flows provided by Operating Activities, GAAP Basis
(In millions)**

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Guidance for Twelve Months Ending December 31, 2015
Adjusted net cash flows provided by operating activities ⁽⁶⁾	\$ 28.4	\$ 43.0	\$ 65.0-75.0
Less: Legal settlement payments ⁽⁷⁾	(1.2)	(14.0)	(14.0)
Net cash flows provided by operating activities, GAAP basis	<u>\$ 27.2</u>	<u>\$ 29.0</u>	<u>\$ 51.0-61.0</u>

(6) Adjusted net cash flows provided by operating activities is a non-GAAP financial measure. The Company excludes legal settlements paid from this measure because of its comparability to the Company's historical operating results and guidance. The Company believes it is useful to investors to provide disclosures of its operating results and guidance on the same basis as that used by management. You should not consider adjusted net cash flows provided by operating activities in isolation or as a substitute for net cash flows provided by operating activities determined in accordance with accounting principles generally accepted in the United States.

(7) Legal settlement payments include \$12.8 million paid in the first quarter of 2015 and \$1.2 million paid in the second quarter of 2015. These amounts were reflected in the Company's results of operations for 2014.

**Reconciliation of Adjusted Earnings Per Share (“EPS”) Guidance
to EPS Guidance, GAAP Basis**

	Twelve Months Ending December 31, 2015
Adjusted EPS guidance ⁽⁸⁾	\$ 0.07-0.15
EPS (loss) guidance attributable to non-cash interest charges ⁽⁹⁾	(0.12)
EPS (loss) guidance attributable to CEO transition-related expenses ⁽¹⁰⁾	(0.08)
EPS (loss) guidance, GAAP basis	\$ (0.13)-(0.05)

(8) Adjusted EPS guidance is a non-GAAP financial measure. The Company excludes EPS (loss) guidance attributable to non-cash interest charges from this measure because of its comparability to the Company's historical operating results. The Company believes it is useful to investors to provide disclosures of its operating results and guidance on the same basis as that used by management. You should not consider adjusted EPS guidance in isolation or as a substitute for EPS guidance determined in accordance with accounting principles generally accepted in the United States.

(9) EPS (loss) guidance attributable to non-cash interest charges consists of pre-tax charges of \$7.1 million for the twelve months ending December 31, 2015 associated with amortization of a debt discount.

(10) EPS (loss) guidance attributable to CEO transition-related expenses consists of pre-tax charges of \$4.5 million for the twelve months ending December 31, 2015 associated with the termination in May 2015 of our former President and Chief Executive Officer and does not include potential costs, if any, associated with hiring a new CEO.

**Reconciliation of Adjusted EBITDA
to Net Income (Loss) Including Non-Controlling Interest, GAAP Basis
(In thousands)**

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Growth
Adjusted EBITDA ⁽¹¹⁾	\$ 21,862	\$ 17,238	27%
CEO transition-related expenses ⁽¹²⁾	(4,467)	—	
Depreciation and amortization	(12,217)	(13,536)	
Interest expense	(4,561)	(4,516)	
Income tax (expense) benefit	(500)	297	
Net income (loss) including non-controlling interest, GAAP basis	\$ 117	\$ (517)	

(11) Adjusted EBITDA is a non-GAAP financial measure. The Company excludes CEO transition-related expenses from this measure because of its comparability to the Company's historical operating results. The Company believes it is useful to investors to provide disclosures of its operating results and guidance on the same basis as that used by management. You should not consider adjusted EBITDA in isolation or as a substitute for net income (loss) including non-controlling interest determined in accordance with accounting principles generally accepted in the United States.

(12) CEO transition-related expenses consists of pre-tax charges of \$4.5 million for the three months ended June 30, 2015 associated with the termination in May 2015 of our former President and Chief Executive Officer.