

MAGELLAN HEALTH INC  
Form DEF 14A  
April 29, 2019

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

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

Filed by the Registrant

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))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**Magellan Health, Inc.**

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(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

- 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:
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**MAGELLAN HEALTH, INC.**

**4800 N. Scottsdale Road, Suite 4400  
Scottsdale, Arizona 85251  
*MagellanHealth.com***

April 29, 2019

Dear Shareholder:

You are cordially invited to attend the 2019 annual meeting of shareholders of Magellan Health, Inc., to be held on Friday, June 21, 2019 at 7:30 a.m., local time, at 15 Metrotech Center, 11<sup>th</sup> Floor, Brooklyn, NY 11201.

This year, seven (7) directors are nominated for election to our board of directors. At the meeting, shareholders will be asked to: (i) elect seven (7) directors to serve until our 2020 annual meeting; (ii) approve, in an advisory vote, the compensation of our named executive officers; (iii) ratify the appointment of Ernst & Young LLP as our independent auditor for fiscal year 2019; and (iv) transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The accompanying proxy statement provides a detailed description of these proposals. We urge you to read the accompanying materials so that you may be informed about the business to be addressed at the annual meeting.

It is important that your shares be represented at the annual meeting. Accordingly, we ask you, whether or not you plan to attend the annual meeting, to complete, sign and date a proxy and submit it to us promptly or to otherwise vote in accordance with the instructions on your proxy card or other notice. If you received notice of how to access the proxy materials over the Internet, a proxy card and voting instruction card were not sent to you, but you may vote over the Internet or by email. If you received a proxy card and other proxy materials by mail, you may submit your proxy card or voting instruction card for the annual meeting by completing, signing, dating and returning your proxy card or voting instruction card in the enclosed envelope. If you attend the meeting, you may vote in person, even if you have previously submitted your proxy. However, if you hold your shares in a brokerage account ("*street name*"), you will need to obtain a proxy form from the institution that holds your shares reflecting your stock ownership as of the record date, to be able to vote by ballot at the meeting.

We look forward to seeing you at the meeting.

*IF YOU PLAN TO ATTEND THE MEETING:*

*Registration and seating will begin at 7:00 a.m. Shareholders and their guests will be asked to sign-in and may be asked to present a valid picture identification. Shareholders holding stock in street name will need to obtain a proxy form from their broker or other institution that holds their shares to evidence their stock ownership as of the record date.*

*Sincerely,*

Barry M. Smith  
*Chairman and Chief Executive Officer*

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**MAGELLAN HEALTH, INC.**

4800 N. Scottsdale Road  
Suite 4400  
Scottsdale, AZ 85251  
*MagellanHealth.com*

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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**TIME AND DATE:** 7:30 a.m., local time, on Friday, June 21, 2019

**PLACE:** 15 Metrotech Center, 11<sup>th</sup> Floor, Brooklyn, NY 11201

**PURPOSE:**

- (1) To elect seven (7) members of the board of directors to serve until our 2020 annual meeting;
- (2) To approve, in an advisory vote, the compensation of our named executive officers;
- (3) To ratify the appointment of Ernst & Young LLP as our independent auditor for the fiscal year 2019; and
- (4) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

**RECORD DATE:** You can vote if you were a shareholder of record at the close of business on April 25, 2019.

**PROXY VOTING:** It is important that you vote your shares. You can vote your shares by completing and returning the proxy card sent to you, or by following the online voting instructions. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the accompanying proxy statement.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on June 21, 2019:** On or about April 29, 2019, we mailed to our shareholders either (i) a copy of the proxy statement and proxy card and a 2018 Annual Report, or (ii) a Notice of Internet Availability of Proxy Materials, which indicates how to access the proxy materials on the Internet. We believe furnishing the proxy materials to our shareholders on the Internet provides our shareholders with the information they need while lowering the costs of delivery and reducing the environmental impact of the distribution process.

Daniel N. Gregoire  
*Secretary*

Scottsdale, Arizona  
April 29, 2019

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**MAGELLAN HEALTH, INC.**

4800 N. Scottsdale Road, Suite 4400  
Scottsdale, Arizona 85251

**PROXY STATEMENT FOR ANNUAL MEETING  
OF SHAREHOLDERS TO BE HELD JUNE 21, 2019**

**INTRODUCTION**

This proxy statement is being furnished to shareholders of Magellan Health, Inc., a Delaware corporation (the "*company*" or "*we*" or "*us*"), in connection with the solicitation of proxies by our board of directors for use at our annual meeting of shareholders to be held on Friday, June 21, 2019, at 7:30 a.m., local time, at 15 Metrotech Center, 11<sup>th</sup> Floor, Brooklyn, NY 11201, and any adjournment or postponement thereof. This proxy statement is dated April 29, 2019, and is first being distributed to shareholders along with the related form of proxy on or about April 29, 2019.

**ABOUT THE MEETING**

***Why did I receive a "Notice of Internet Availability of Proxy Materials" but no proxy materials?***

We are distributing our proxy materials this year to certain shareholders via the Internet under the "Notice and Access" approach permitted by SEC rules. This approach conserves natural resources and reduces our distribution costs, while providing a timely and convenient method of accessing the materials and voting. On April 29, 2019, we mailed to our shareholders either (i) a copy of the proxy statement and proxy card and a 2018 Annual Report, or (ii) a "Notice of Internet Availability of Proxy Materials" containing instructions on how to access the proxy materials on the Internet.

If you received a Notice of Internet Availability of Proxy Materials (an "*Availability Notice*") by mail, you will not receive a printed copy of the proxy materials unless you request one. The Availability Notice will tell you how to access and review the proxy materials on the Internet at <http://www.astproxyportal.com/ast/25120>. The Availability Notice also tells you how to access your proxy card to vote on the Internet. If you received an Availability Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions on the Availability Notice for doing so.

***What is the purpose of the annual meeting?***

At the annual meeting, shareholders will be asked to consider and vote upon three proposals: (i) to elect seven (7) directors to serve until the 2020 annual meeting ("*Proposal Number One*"); (ii) to approve, in an advisory vote, the compensation of our named executive officers ("*Proposal Number Two*"); and (iii) to ratify the appointment of Ernst & Young LLP as our independent auditor for the fiscal year 2019 ("*Proposal Number Three*"). In addition, management will respond to your questions.

***Who is entitled to vote at the meeting?***

Only shareholders of record at the close of business on April 25, 2019, the date our board of directors has fixed as the record date for determining holders of outstanding shares of our Common Stock, par value \$.01 per share ("*shares*" or "*common stock*"), who are entitled to notice of and to vote at the annual meeting, are entitled to vote at the meeting.

***What constitutes a quorum and why is one required?***

The presence at the meeting, in person or by proxy, of shareholders representing a majority of the votes which all shareholders are entitled to cast on the election of directors or any other matter on the record date, will constitute a quorum. A quorum is the minimum number of shares required by law to





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be present or represented by proxy at the annual meeting for any action to be taken at the annual meeting. As of April 25, 2019, the approximate number of holders of record of our common stock was 227 and 24,043,858 shares of our common stock were issued and outstanding. The presence, in person or by proxy, of the holders of common stock representing at least 12,021,930 votes is required to establish a quorum.

Under our by-laws, proxies that withhold authority in the vote on directors or abstain on other matters and broker non-votes are counted for purposes of determining the number of shares represented at the meeting. Broker non-votes occur when a broker nominee, holding shares in street name for the beneficial owner of the shares, has not received voting instructions from the beneficial owner and does not have discretionary authority to vote. Under stock exchange rules and rules of the U.S. Securities and Exchange Commission (the "SEC"), brokerage firms holding shares on behalf of their clients do not have the authority to vote on discretionary matters, including Proposals Number One and Two.

A properly executed proxy marked "WITHHOLD AUTHORITY" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum at the meeting.

***How do I vote?***

Registered shareholders: There are three ways you can cast your vote:

Vote on the Internet at [www.voteproxy.com](http://www.voteproxy.com) using the control number provided to you by 11:59 p.m. Eastern Time on June 20, 2019;

If you received a proxy card, complete and properly sign, date and return it in the postage paid envelop provided. If voting by mail, please allow sufficient time for the postal service to deliver your proxy card before the annual meeting; or

Attend the annual meeting and deliver your completed proxy card or complete a ballot in person.

Beneficial ("*in street name*") shareholders: There are three ways you can cast your vote:

Vote on the Internet using the instructions provided to you in the Availability Notice by 11:59 p.m. Eastern Time on June 20, 2019;

Complete and properly sign, date and return a voting instruction form from the institution holding your shares. Please allow sufficient time for your instructions to be received by the institution before the annual meeting; or

Obtain a legal proxy from the institution holding your shares to vote in person at the annual meeting, following the instructions set forth in the Availability Notice.

Unless your proxy specifies otherwise, proxies will be voted (a) FOR the election of the nominated directors in Proposal Number One; (b) FOR approval of the compensation of our named executive officers in Proposal Number Two; and (c) FOR the ratification of Ernst & Young LLP as our independent auditor for the fiscal year 2019 in Proposal Number Three. We expect that our current executive officers and members of our board of directors will vote their shares (representing approximately 14.9% of the shares of common stock issued and outstanding as of April 25, 2019, as calculated according to SEC rules) in favor of election of the director nominees in Proposal Number One, in favor of approval of our executive compensation in Proposal Number Two, and in favor of ratification of our auditors for the fiscal year 2019 in Proposal Number Three, as presented in this proxy statement.

Table of Contents***Can I change my vote?***

Any shareholder who has given a proxy has the power to revoke that proxy at any time before it is voted by either: (i) filing a written revocation of the proxy or filing a duly executed proxy bearing a later date, by mail or other delivery method and received before the annual meeting, with Daniel N. Gregoire, our Secretary, at Magellan Health, Inc., 4800 N. Scottsdale Road, Suite 4400, Scottsdale, Arizona 85251; or (ii) appearing at the annual meeting and voting in person. Attendance at the annual meeting will not in and of itself constitute the revocation of a proxy. Voting by those present during the conduct of the annual meeting will be by ballot.

***What vote is required to approve each proposal?***

You have the right to vote "FOR" or "WITHHOLD AUTHORITY" for each director nominee and "FOR" or "AGAINST" each other proposal, or to "ABSTAIN" from voting. The following table summarizes the vote required for approval regarding the director elections and each other proposal, as well as the board's voting recommendation:

Proposal Number	Proposal	Board Recommendation	Affirmative Vote Required For Approval	Broker Discretionary Voting Allowed	Effect of Broker Non-Votes	Effect of Abstentions
1	Elect as directors seven (7) nominees to serve until the 2020 annual meeting	FOR each Nominee	Majority of votes cast(1)	No	None(2)	None(2)
2	Cast an advisory vote to approve our executive compensation	FOR	Majority of votes present and entitled to vote	No	None(3)	Against(4)
3	Ratify the appointment of Ernst & Young LLP as our independent auditor for fiscal year 2019	FOR	Majority of votes present and entitled to vote	Yes	None(3)	Against(4)

- (1) Under applicable law, the affirmative vote of a plurality of the votes of shares that are present in person or represented by proxy at the annual meeting and entitled to vote in the election of directors is required to elect the directors. However, the company's board has adopted a majority voting policy for directors. Under this policy, in an uncontested election, if a director nominee receives a greater number of votes to WITHHOLD AUTHORITY compared to votes FOR the director, then the nominee must tender his or her resignation. The board will then either accept or reject the resignation. See the question below entitled, "*What is the Effect of Broker Non-Votes, Withholding Authority and Abstentions?*"
- (2) In the vote on the election of directors, abstentions and unvoted shares (including broker non-votes) will not be taken into account. See the question below entitled, "*What is the Effect of Broker Non-Votes, Withholding Authority and Abstentions?*"
- (3) Broker non-votes are not considered to be shares entitled to vote on the matter.
- (4) Abstentions are considered to be shares entitled to vote on the matter. As a result, abstentions will have the same effect as votes against the proposal. See the question below entitled, "*What is the Effect of Broker Non-Votes, Withholding Authority and Abstentions?*"

***What is the effect of broker non-votes, withholding authority and abstentions?***

Stock exchange and SEC rules govern how shares held in brokerage accounts are voted on several types of matters. If you hold shares through a brokerage firm and you do not direct the broker on how to vote your shares on Proposal Number One (election of directors) or Proposal Number Two (compensation of named executive officers), your brokerage firm cannot vote them for you and, as a result, your shares

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will remain unvoted. Therefore, it is very important that you direct the vote of your shares on all items, including the election of directors, by completing and submitting a proxy through one of the means described under "*How do I vote?*" above. Such broker non-votes are not considered to be entitled to vote, so they will not be counted either for or against those proposals.

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Whether you hold your shares through a broker or registered in your own name or in any other manner, a properly executed proxy marked "WITHHOLD AUTHORITY" with respect to the election of one or more directors will not be voted with respect to that nominee, and will have no effect on the determination whether that nominee received a plurality of the votes. It will, however, have the effect of a vote against the director under our majority voting policy for directors.

A proposal on which the shareholder abstains from voting will have the same effect as a vote against that proposal, as the shares are considered to be entitled to vote but will not count toward the majority vote needed to approve the proposal. See "*Corporate Governance Majority Voting Policy*" below.

We will file with the SEC a Current Report on Form 8-K reporting the results of the voting after the meeting.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

*Who are the largest owners of your stock?*

The following table sets forth certain information as of April 25, 2019 (except as otherwise noted) with respect to any person known by the company to be the beneficial owner of more than 5% of the outstanding shares of our common stock:

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership(1)</b>	<b>Percent of Class 1(1)</b>
BlackRock, Inc.(2) 55 East 52 <sup>nd</sup> Street New York, NY 10055	3,568,720	14.8
The Vanguard Group, Inc.(3)  100 Vanguard Boulevard Malvern, PA 19355	2,524,921	10.5
Starboard Value LP(4)  777 Third Avenue, 18 <sup>th</sup> Floor New York, NY 10017	2,369,100	9.9
Dimensional Fund Advisors LP(5)  Building One 6300 Bee Cave Road Austin, TX 78746	2,048,731	8.5

(1) The information regarding the beneficial ownership of common stock by each named entity is included in reliance on its reports filed with the SEC, except that the percentage of common stock beneficially owned is based upon the company's calculations made in reliance upon the number of shares reported to be beneficially owned by such entity in such report and on 24,043,858 shares of common stock issued and outstanding as of 4/25/19.

(2) Based on information set forth in Amendment No. 11 to Schedule 13G filed on 01/29/19. BlackRock, Inc. is the parent holding company of the following investment adviser subsidiaries which exercise investment control over accounts that hold company shares: BlackRock Fund Advisors, BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock Asset Management Schweiz AG, BlackRock Institutional Trust Company, N.A., BlackRock Asset Management Canada Limited, BlackRock Investment Management, LLC, BlackRock Asset Management Ireland Limited, BlackRock Investment Management (UK) Ltd., BlackRock Investment Management

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(Australia) Limited, BlackRock Life Limited and BlackRock (Netherlands) B.V. Of such subsidiaries, BlackRock Fund Advisors itself owns greater than 5% of the outstanding common stock. The above figure represents sole dispositive power; BlackRock, Inc. also holds sole voting power over 3,506,586 shares. BlackRock reports having knowledge that its client iShares Core S&P Small-Cap ETF has an interest in more than 5% of the outstanding common stock.

- (3) Based on information set forth in Amendment No. 9 to Schedule 13G filed on 02/11/19. The Vanguard Group, Inc. is the investment manager of collective trust accounts which hold company shares. Includes shares held by Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., each a wholly-owned subsidiary which is an investment manager. The above figure includes 2,499,716 shares over which Vanguard holds sole disposition power and 24,438 shares over which Vanguard holds sole voting power.
- (4) Based on information set forth in Schedule 13D Amendment No. 2 filed on 03/29/19. Starboard Value LP is an investment manager for Starboard Value and Opportunity Master Fund Ltd. and Starboard Value and Opportunity C LP, and the manager of Starboard Value and Opportunity S LLC. The above figure represents shares over which Starboard Value LP has sole voting and sole dispositive power. For information regarding an agreement among various Starboard affiliates and the company regarding certain governance matters, see "*Proposal Number One Election of Directors Starboard Agreement.*"
- (5) Based on information set forth in Amendment No. 4 to Schedule 13G filed on 02/08/19. Dimensional Fund Advisors LP is a registered investment adviser which advises various registered investment companies and certain other commingled funds, group trusts and separate accounts which beneficially own the above shares. The above figure represents sole dispositive power. Dimensional Fund Advisors LP holds sole voting power over 2,008,149 shares.

***How much stock do your executive officers and directors own?***

The following table sets forth information regarding the beneficial ownership of our common stock as of April 25, 2019 (except as otherwise noted) by: (i) each director and nominee for director;

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(ii) each of the executive officers named in the Summary Compensation Table; and (iii) all directors and executive officers (including those listed under "*Executive Officers*" below) as a group.

Name of Beneficial Owner	Amount and Nature of Beneficiary Ownership(1)(2)	Percent of Class(3)
Swati Abbott	1,685	*
John O. Agwunobi, M.D.	9,267	*
Eran Broshy	9,645	*
Michael S. Diament	36,114	*
Peter A. Feld	2,369,100(4)	9.9
Perry G. Fine, M.D.	10,456	*
G. Scott MacKenzie	5,432	*
William J. McBride	36,114	*
Leslie V. Norwalk		*
Guy P. Sansone	2,275	*
Steven J. Shulman	10,000	*
Matthew J. Simas	1,685	*
Barry M. Smith	716,464	2.9
Jonathan N. Rubin	169,121	*
Mostafa Kamal	41,361	*
Daniel N. Gregoire	33,589	*
Caskie Lewis-Clapper	72,523	*
Sam K. Srivastava(5)	214,234	*
All directors and executive officers as a group (18) persons(6)	3,739,065	14.9

\*

Less than 1.0% of total outstanding.

(1)

Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. This table is based upon information supplied by the directors and executive officers.

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- (2) Includes as beneficially owned stock options held by such individuals which are exercisable or vest within 60 days of 4/25/19, in accordance with SEC Rule 13d-3(d)(1). The above ownership figures include the following stock options:

Name of Option Holder	Options Held
Swati Abbott	
John O. Agwunobi, M.D	
Eran Broshy	
Michael S. Diament	
Peter A. Feld	
Perry G. Fine, M.D	
G. Scott MacKenzie	
William J. McBride	
Leslie V. Norwalk	
Guy P. Sansone	
Steven J. Shulman	
Matthew J. Simas	
Barry M. Smith	674,344
Jonathan N. Rubin	137,830
Mostafa Kamal	38,863
Daniel N. Gregoire	15,866
Caskie Lewis-Clapper	56,492
Sam K. Srivastava	208,880
All directors and executive officers as a group	1,132,275

- (3) The percentage of common stock beneficially owned is based upon 24,043,858 shares of common stock issued and outstanding as of the above date, plus those shares considered outstanding under SEC Rule 13d-3(d)(1), as detailed in Note 2 for each holder or group of holders.
- (4) Includes 1,619,353 shares held by Starboard Value and Opportunity Master Fund, Ltd., 228,603 shares held by Starboard Value and Opportunity S LLC, 130,301 shares held by Starboard Value and Opportunity C LP, 85,229 shares held by Starboard Value and Opportunity Master Fund L LP and 305,614 shares held by Managed Account of Starboard Value LP as reported on his Form 3. Mr. Feld disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.
- (5) Mr. Srivastava's employment with the company ended on December 28, 2018. The specified ownership figure is based on the last public filings available and has not been reviewed or affirmed by him.
- (6) The group of executive officers currently serving does not include Mr. Srivastava, whose employment ended on December 28, 2018. See "*Executive Officers*."

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports of ownership and changes in ownership of our common stock with the SEC. Those persons are required by the SEC to furnish us with copies of all Section 16(a) reports that they file.

Based on our review of the copies of such reports, or written representations from certain reporting persons that no reports on Form 3, 4 or 5 were required for those persons, we believe that all reports required by Section 16(a) to be filed by our current executive officers, directors and greater than 10% shareholders during 2018 were filed on a timely basis.



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**CORPORATE GOVERNANCE AND RELATED MATTERS**

**Corporate Governance Highlights**

We are committed to meeting high standards of corporate governance, business conduct and ethical behavior in operating our business. To this end, we have adopted the following practices:

**Director Independence** All of our directors, other than Mr. Smith, our CEO, are independent.

**Lead Director** Because our Chairman is also our CEO, we have appointed a lead director who leads our independent outside directors.

**Nominating/Corporate Governance Committee** We have formed a committee of our board of directors to review and implement corporate governance policies and practices.

**Majority Voting Policy** We have adopted a policy which requires any director who does not obtain a majority vote of the shareholders to submit his or her resignation for consideration by our Nominating/Corporate Governance Committee.

**Stock Ownership Guidelines** Our directors are required to maintain a share ownership position equal to at least five times their annual retainer. Our executive officers are also required to maintain specified share ownership levels, including five times his base salary for our CEO.

**Independent Compensation Consultant** We annually consult with a nationally-recognized independent consultant to provide us with comparable company and other compensation information supporting our executive compensation decisions.

**Clawback Policy** We have adopted a clawback compensation recovery policy which applies in the event of a material financial restatement, and our incentive compensation plans include forfeiture and clawback provisions for conduct injurious to the company.

**Absence of Rights Plan** We do not have a shareholder rights plan, commonly known as a "poison pill."

**Ethics Codes** We have adopted codes of ethics for our directors and for our senior executive officers and a code of conduct which covers all of our employees.

**Anti-Hedging and Pledging Policy** Our equity plans and our stock trading policy prohibit recipients of equity awards from engaging in hedging transaction or from pledging equity securities as collateral for a loan.

**Double-Trigger Change of Control Benefits** Our change of control payments to our executives are payable only if they are terminated without cause or terminate their employment for good reason in connection with a change of control, commonly known as a "double-trigger" arrangement.

**Board Declassification** At our 2017 annual meeting, our shareholders approved our proposal to declassify our board of directors. We are currently implementing the declassification of our board, and from 2020 and onward all directors will be

subject to annual election after they finish serving their current terms of office.

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**General**

The business and affairs of the company are managed under the direction of the board of directors. The size of the board is currently fixed at thirteen (13) directors. Prior to March 28, 2019, the board consisted of nine (9) directors, and on that date four (4) additional directors were appointed to the board under the terms of agreement (the "*Starboard Agreement*") with Starboard Value LP and certain of its affiliates (collectively, "*Starboard*"). Following the meeting, the size of the board will be reduced to ten (10) directors under the terms of the Starboard Agreement. See "*Proposal Number One Election of Directors Starboard Agreement*."

Directors previously served for staggered three-year terms. Under a proposal approved at our 2017 annual meeting, beginning in 2018 and onward, as the directors' three-year terms of office expire, they are subject to annual reelection. As a result, beginning with the 2020 annual meeting, our board will be fully declassified and all directors will be subject to annual election.

Several provisions of the company's by-laws and the policies adopted by the board are designed to promote effective and independent governance of the company. Under the by-laws, the board is required to present to the shareholders nominees for election as director and to take other corporate actions to cause the composition of the board, and in particular its Audit and Management Compensation Committees, to meet all applicable independence requirements. As described under "*Director Independence*" below, the listing standards of the NASDAQ Global Market ("*NASDAQ*") require the company's board to be comprised of a majority of independent directors. Additional independence requirements under NASDAQ and SEC rules apply to the composition of the Audit and Management Compensation Committees. Our board also has a Nominating/Corporate Governance Committee to identify and recommend individuals to the board for nomination as members of the board and to review corporate governance principles which apply to the company.

Our chairman of the board, Mr. Smith, currently also serves as our chief executive officer. Because our chairman of the board is not considered independent under applicable rules, our by-laws provide for the designation of a lead director to fulfill various leadership functions on behalf of the non-employee directors for which the chairman of the board otherwise would be responsible. Due to Mr. Smith's service as our chief executive officer, he is not considered independent for these purposes, and the lead director provisions of our by-laws are applicable, as described below. The board has also adopted corporate governance guidelines which address several issues with how the board functions; these guidelines are posted on the Investor Relations Corporate Governance section of our website [aMagellanHealth.com](http://MagellanHealth.com).

**Lead Director**

Mr. McBride currently serves as the lead director of the board of directors. In that role, Mr. McBride chairs the executive sessions of our independent outside (non-management) directors and communicates regularly with Mr. Smith regarding major corporate strategies and policies. As part of all regularly-scheduled meetings of the board, the outside directors meet in executive session, with Mr. McBride chairing the meeting, to discuss pending board matters. At present, all of the directors except Mr. Smith are independent outside directors.

In addition, Mr. McBride has been designated the lead director for purposes of receiving communications from interested parties and from shareholders. You may express your concerns to the independent directors by contacting the lead director through the communication channels set forth in the section entitled "*Communications with Directors and Management*" below.

Table of Contents**Management of Risk**

The board believes that risk management oversight forms an integral part of formulating and carrying out its business strategy and plans for the company. Several risk management functions are assigned in the first instance to the Audit Committee, which oversees the company's internal audit function, the engagement of independent auditors, the design and results of the annual independent audit, the assessment of internal financial and other controls, and the risk management function of the company's legal and compliance staffs. However, the full board regularly considers risk management issues during its normal decision-making processes. In addition, the Management Compensation Committee considers the risks arising out of the company's compensation policies and practices.

The Audit Committee oversees an enterprise-wide risk management process which is coordinated by the company's internal auditors and includes the identification and evaluation of risks through interviews with key members of management. The Audit Committee is charged under its charter with reviewing the effectiveness of the company's processes for assessing and managing significant risks and reviewing the steps that management has taken to minimize those risks. It considers and reviews with management, the company's independent auditors and the head of the company's internal audit function, the effectiveness of or weaknesses in the company's internal controls, including information systems and security, the overall control environment and accounting and financial controls. It reviews, with the head of the company's internal audit function (independent of other members of senior management) and the independent auditors, the coordination of their audit efforts to assure completeness of coverage of key business controls and risk areas, reduction of redundant efforts and the effective use of audit resources. The Audit Committee also regularly reviews risk management matters with the company's general counsel.

**Committees of the Board of Directors**

The board of directors currently has four committees: an Audit Committee, a Management Compensation Committee, a Nominating/Corporate Governance Committee and a Strategic Committee, each of which is comprised solely of independent directors.

The following shows the current membership of our committees:

	Audit	Management Compensation	Nominating/ Corporate Governance	Strategic(1)
Swati Abbott			M	
John O. Agwunobi, M.D	M#			
Eran Broshy			C	
Michael S. Diamant	C*#	M		M
Peter A. Feld		M		C
Perry G. Fine, M.D	M#			
G. Scott MacKenzie		C		M
William J. McBride			M	
Leslie V. Norwalk		M		
Guy P. Sansone	M#			
Matthew J. Simas		M		
Barry M. Smith				
Steven J. Shulman			M	M
No. of Meetings in 2018	10	4	4	

C  
Chairperson

M  
Member

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\*  
Audit committee financial expert, under SEC rules, and has financial sophistication under NASDAQ listing standards

#  
All members of the Audit Committee are financially literate.

All of the incumbent directors attended at least 75% of the aggregate number of meetings of the full board and the committees during 2018. All of the incumbent directors attended the 2018 annual meeting. The full board of directors held six meetings in 2018.

(1)  
The Strategic Committee was formed on March 28, 2019. Fees for service on the committee have not yet been determined.

*Audit Committee.* The primary function of the Audit Committee is to assist the board of directors in fulfilling its financial oversight responsibility by reviewing the company's financial statements, the other financial information that is provided to our shareholders, our periodic financial reports filed with the SEC, our system of internal controls, and the audit process. The Audit Committee has a written charter adopted by the board of directors which is available in the Investor Relations Corporate Governance section of our website [aMagellanHealth.com](http://aMagellanHealth.com). The Audit Committee has the power to conduct or authorize investigations into any matter within the scope of its responsibilities and has unrestricted access to management, the company's internal audit staff and current and former independent auditors and attorneys. The Audit Committee is responsible for selecting and engaging the independent auditors and the head of the company's internal audit functions, reviewing the scope and approach of the annual audit with the independent auditors, and pre-approving any audit and non-audit services to be performed by the independent auditors. The Audit Committee is also required to review and approve the company's "whistle blower" policies and procedures for employees to report fraud, accounting irregularities or other wrongdoing. It is authorized to retain independent counsel, accountants and others to assist it at the company's expense.

The members of the Audit Committee are appointed annually by the board, and the Audit Committee must be composed of at least three directors, one of whom is appointed chairperson. The committee is required to meet at least five times per year, or more frequently as circumstances dictate.

*Management Compensation Committee.* The Management Compensation Committee is responsible for overseeing our management compensation philosophies, policies, programs and practices. It has a written charter adopted by the board of directors which is available in the Investor Relations Corporate Governance section of our website [aMagellanHealth.com](http://aMagellanHealth.com). The committee establishes our general compensation philosophy and oversees the development and implementation of compensation programs. It also reviews and approves the means used for applying corporate goals and setting performance objectives to be used in determining the compensation of our chief executive officer, other executive officers and other members of senior management. The committee also reviews and approves the compensation of the chief executive officer and the other executive officers designated in this proxy statement as Named Executive Officers.

*Nominating/Corporate Governance Committee.* The Nominating/Corporate Governance Committee oversees the company's ongoing efforts to ensure high standards of corporate governance, reviews and makes recommendations to the board concerning governance issues, and identifies and recommends individuals to the board for nomination as members of the board and its committees. In nominating candidates, the committee takes into consideration the factors that it deems appropriate, including those described in the Nominating/Corporate Governance Committee Charter, which is available in the Investor Relations Corporate Governance section of our website [aMagellanHealth.com](http://aMagellanHealth.com). As provided in the company's by-laws, candidates for election to the board may also be nominated by shareholders who meet certain requirements. The process which the Nominating/Corporate Governance Committee follows in selecting nominees is described under "Process for Selecting Nominees to the Board" below.

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The Nominating/Corporate Governance Committee is also responsible for considering whether to accept the resignation of any director whose election or reelection does not receive a majority vote under our majority voting policy for directors. See "*Majority Voting Policy*" below.

***Directors' Compensation***

The following table sets forth, for the year ended December 31, 2018, the compensation paid by the company to its non-executive directors. The company does not pay any compensation in their capacity as directors to any directors who are also executive officers of the company. During 2018, Mr. Smith served as an executive officer and director.

Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards(2) (\$)	Total (\$)
Swati Abbott	76,658	150,049	226,707
John O. Agwunobi, M.D.	95,000	150,049	245,049
Eran Broshy	110,000	150,049	260,049
Michael S. Diament	125,000	150,049	275,049
Perry G. Fine, M.D.	93,750(3)	150,049	243,799
G. Scott MacKenzie	106,250	150,049	256,299
William J. McBride	120,000	150,049	270,049
Matthew J. Simas	76,658	150,049	226,707

(1) Messrs. Feld, Sansone and Shulman and Ms. Norwalk were appointed to the board on March 28, 2019.

(2) The amounts shown in this column represent the grant date fair values of restricted share awards calculated in accordance with FASB ASC Topic 718 on the basis of the number of shares awarded (1,685 for each of the directors) multiplied by the closing price of the company's stock on the day of the award, 5/24/18 (\$89.05). These figures differ from the \$150,000 values of stock awards contemplated by company policy due to rounding to the nearest whole share. Each of these restricted shares remained held by each director as of December 31, 2018.

(3) Of the cash fees paid for Dr. Fine, \$70,000 was paid to a deferred compensation trust for his benefit.

*Annual Board Fees.* For their services to the company in 2018, the individuals who served as members of the board of directors during the year received the fees listed below. No compensation was

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paid to those members who also served as employees of the company. The fees for service on the Strategic Committee, which was formed on March 28, 2019, have not yet been determined.

Type of Fee	Committee	2018 Fee (\$)
Annual Retainer all non-employee directors	N/A	80,000
Committee Chair	Audit	35,000
	Management Compensation	30,000
	Nominating/Corporate Governance	30,000
Committee Member	Audit	15,000
	Management Compensation	10,000
	Nominating/Corporate Governance	10,000
Lead Director	N/A	30,000

*Equity Compensation.* For their services in 2018, independent directors serving as of the date of the 2018 annual meeting received awards of restricted shares under the 2016 Management Incentive Plan ("2016 MIP") with an aggregate fair market value at that time equal to \$150,000, as measured by the closing price of the company's stock on that date. Directors whose service commences after the date of an annual meeting are eligible to receive an award with a lesser aggregate fair market value as determined by the board. The restricted shares vest after a one-year restriction period.

Under the Company's Director Share Ownership Policy, non-employee directors are required to maintain a minimum share ownership position equal in value to five times the annual retainer fee applicable to board members generally. For 2018, this annual retainer fee was \$80,000, and directors were required to hold shares with an aggregate fair market value equal to no less than \$400,000. In order to meet this requirement, directors are permitted to accumulate shares over time through regular grants as described above. However, directors are not allowed to sell any shares unless they will retain share ownership with an aggregate fair market value equal to or greater than the required amount.

Currently, all non-employee directors meet this requirement except Ms. Abbott and Mr. Simas, who were elected as directors for the first time in 2018, and Messrs. Feld, Sansone and Shulman and Ms. Norwalk, who were appointed as directors for the first time in 2019, and are phasing into this requirement. Those directors who are also executive officers are subject to a separate equity ownership policy which is described below under "*Executive Compensation Compensation Discussion and Analysis Equity Ownership Policy.*"

### ***Process for Selecting Nominees to the Board***

The Nominating/Corporate Governance Committee is responsible for identifying, evaluating and recommending to the board and shareholders candidates for election as members of the board. The board has adopted a set of Corporate Governance Guidelines and a Policy for Selecting Nominees for Election as Directors, which are available in the Investor Relations Corporate Governance section of the company's website at *MagellanHealth.com*. Shareholders may participate in the nomination of directors by two methods: by recommending individual nominees for consideration for selection as nominees by the board of directors or by directly nominating individuals to be voted on by shareholders. For further information on the nomination of directors directly by shareholders, see "*Direct Shareholder Nominations*" below. The Nominating/Corporate Governance Committee will evaluate and make recommendations to the board regarding individuals properly presented by shareholders as candidates for nomination by the board.

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In general, no specific search effort must be completed to fill a director position, but the Nominating Committee may in its discretion conduct a search. In the case of a vacancy in a director position, the committee recommends to the board an individual to fill that vacancy either through appointment by the board or through election by the shareholders at the next annual meeting. The Policy for Selecting Nominees for Election as Directors provides that the committee may take into consideration the factors that it considers appropriate. The factors listed in the policy include the candidate's ability to complement the skills of the other directors and potential directors in building a board that is effective, collegial and responsive to the needs of the company; the candidate's personal qualities and characteristics; accomplishments and reputation in the business community; the candidate's current knowledge and contacts in the communities in which the company does business and in the company's industry; the candidate's experience with businesses and other organizations of comparable size; the candidate's ability and willingness to commit adequate time to board and committee matters, and diversity of viewpoints, background, experience and other demographics. The Nominating/Corporate Governance Committee has maintained diversity in business experience and viewpoints among board members by selecting individuals as nominees who have backgrounds in and outside of the managed healthcare industry and the pharmacy benefit management industry and in finance, accounting and government.

The Nominating/Corporate Governance Committee may consider candidates proposed by management, but it is not required to do so. The committee conducts appropriate inquiries into the background and qualifications of possible candidates. With respect to incumbent directors, the Nominating/Corporate Governance Committee reviews the director's overall service to the company during his or her term, including the number of meetings attended, level of participation, quality of performance, and any circumstances that have presented or are expected to present a conflict of interest with the company.

In cases where members of the Nominating/Corporate Governance Committee are subject to re-election at the next annual meeting, those directors exclude themselves from any committee discussion or action on their nomination.

The Nominating/Corporate Governance Committee also develops and recommends to the board standards to be applied in making determinations as to the absence of any material relationship between the company and a director and as to a director being otherwise considered independent under the NASDAQ rules.

The Nominating/Corporate Governance Committee also identifies board members qualified to fill vacancies on any committee of the board (including the Nominating/Corporate Governance Committee) and recommends the appointment of members to fill those vacancies. In nominating a candidate for committee membership, the Nominating/Corporate Governance Committee takes into consideration the factors set forth in the charter of the committee, if any, and any other factors it deems appropriate.

*Shareholder Recommendations*

Shareholders who wish to recommend an individual for consideration by the Nominating/Corporate Governance Committee as a prospective nominee for election to the board may do so by writing to our corporate secretary at 4800 N. Scottsdale Road, Suite 4400, Scottsdale, Arizona 85251, with whatever supporting material the shareholder considers appropriate. All such shareholder-recommended candidates should satisfy the following criteria established by the Nominating/Corporate Governance Committee for its nominees for board membership:

The candidate should be an individual of accomplishment in his or her career.



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The candidate should be able in carrying out his or her responsibilities as a director to make independent business judgments in an analytical manner and should exhibit practical wisdom and mature judgment.

The candidate should possess the highest personal and professional ethics, integrity and values, and should be committed to promoting the long-term interests of the company's shareholders, free of any relationship that may on a regular basis create a conflict of interest between his or her directorial role and personal or associative interests.

The candidate should have expertise and experience in an area pertinent to the company's business, and have the time to and, by personality, be capable of, effectively providing advice and guidance to management of the company based on that expertise and experience.

In order for shareholder-recommended candidates to be considered in an orderly manner, generally, names and other supporting materials should be submitted not later than six months prior to the anniversary of the mailing date of the company's most recent past annual meeting proxy statement, which will be October 29, 2019 for the 2020 annual meeting. Materials in support of a shareholder-recommended candidate should include:

All information about the candidate that is required to be disclosed in solicitations of proxies for election of directors or otherwise required under Regulation 14A under the Exchange Act, including a written consent to being named in the board's proxy statement as a nominee and to serving as a director if elected.

An indication of whether the candidate qualifies as "independent" under the NASDAQ listing standards, including the additional requirements relating to service on the Audit Committee.

The name and address of the recommending shareholder, as they appear on the company's books, and of any beneficial owner on whose behalf the recommendation is made.

The class and number of shares of the company's stock that are beneficially owned and held of record by such shareholder or beneficially owned by such beneficial owner.

Information regarding whether the recommending shareholder, beneficial owner or candidate or their affiliates have any plans or proposals for the company, including for any extraordinary transaction.

Whether the recommending shareholder, beneficial owner or candidate seeks to use the nomination to redress personal claims or grievances against the company or to further personal interests or special interests not shared by shareholders at large.

*Direct Shareholder Nominations*

In order to provide for the orderly consideration by shareholders of all nominees to be presented for election as directors by vote of the shareholders, our by-laws require that certain advance notice be given to the company of a nomination made by a shareholder. No shareholder nomination will be considered if the shareholder has not provided the requisite notice for presentation of a nominee to be voted on at the upcoming annual meeting. To nominate an individual to be voted on for election as a director at a future shareholder meeting, notice of the nomination must be given in writing to our corporate secretary at 4800 N. Scottsdale Road, Suite 4400, Scottsdale, Arizona 85251 by a shareholder entitled to notice of and to vote at the meeting. To be effective, the nomination must be received not later than 90 days prior to the anniversary date of the previous year's annual meeting, provided that if the date of the annual meeting is more than 30 days before or after the anniversary date of the previous annual meeting, the nomination must be received within 15 days after the public



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announcement by the company of the date of the annual meeting. The nomination must contain the following information to the extent known by the shareholder:

The name, age, business address, and residence address of the proposed nominee(s) and of the notifying shareholder.

The principal occupation of the proposed nominee.

A representation that the notifying shareholder intends to appear in person or by proxy at the meeting to nominate the person(s) specified in the notice.

The class and total number of shares of capital stock and other company securities that are beneficially owned by the notifying shareholder and by the proposed nominee and, if such securities are not owned solely and directly by the notifying shareholder or the proposed nominee, the manner of beneficial ownership.

A description of all arrangements or understandings between the notifying shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination(s) are to be made by the notifying shareholder.

Such other information regarding the nominee proposed by such shareholder as would be required to be included in a proxy statement filed with the SEC pursuant to Regulation 14A under the Exchange Act had the nominee been nominated by the board.

The consent of the nominee to serve as a director of the company if so elected.

The company may request any proposed nominee to furnish such other information as may reasonably be required by the company to determine the qualifications of the proposed nominee to serve as a director of the company, including information bearing on the proposed nominee's independence under relevant rules and factors. Within 15 days after receipt by the secretary of a shareholder notice of nomination, the board must instruct the secretary to advise the notifying shareholder of any deficiencies in the notice. The notifying shareholder must cure the deficiencies within 15 days of receipt of such notice. Nominations that are not in compliance with the by-laws will not be given effect.

***Majority Voting Policy***

Our Corporate Governance Guidelines include a policy providing for majority voting for directors. This policy states that, in an uncontested election, if any director nominee receives an equal or greater number of votes "WITHHELD" from his or her election as compared to votes "FOR" such nominee (a "*majority withheld vote*") and no successor has been elected at the meeting, the director nominee must tender his or her resignation following certification of the shareholder vote.

In such an event, the Nominating/Corporate Governance Committee will promptly consider the resignation offer and a range of possible responses based on the circumstances that led to the majority withheld vote, if known, and make a recommendation to the full board as to whether to accept or reject the tendered resignation, or whether other action should be taken. The committee in making its recommendation, and the board in making its decision, may consider any factors or other information that they consider appropriate and relevant, including but not limited to:

the stated reasons, if any, why shareholders withheld their votes;

possible alternatives for curing the underlying cause of the withheld votes;

the director's tenure, qualifications and record;

the director's expected future contributions to the company; and

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the overall composition of the board, including independence, skills, diversity and other factors.

The board is required to act on the Nominating/Corporate Governance Committee's recommendation within 90 days following certification of the shareholder vote. Then the board will promptly publicly disclose in a report furnished to the SEC its decision regarding the tendered resignation. If the board accepts a director's resignation, or if a nominee for director is not elected and the nominee is not an incumbent director, then the board, in its sole discretion, may fill any resulting vacancy in accordance with our by-laws. If a director's resignation is not accepted by the board, the director will continue to serve until the next annual meeting and until his or her successor is duly elected, or until his or her earlier resignation or removal.

A director who tenders his or her resignation under this policy will not participate in the Nominating/ Corporate Governance Committee recommendation or board action regarding whether to accept the resignation.

Through this policy the board seeks to be accountable to all shareholders and to respect the rights of shareholders to express their views through their vote for directors. However, the board also considers it important to have sufficient flexibility to make sound decisions based on the relevant circumstances in the event of a majority withheld vote.

***Director Independence***

NASDAQ listing standards require that a majority of the company's board of directors qualify as independent directors. Under NASDAQ rules, no director qualifies as independent unless the director is not an officer or employee of the company and was not employed by the company during the preceding three years, and the board determines that the director has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

For various corporate governance purposes, including the composition of the Nominating/Corporate Governance Committee and the Management Compensation Committee, we have separately adopted a standard for determining when a director is independent which is identical to the NASDAQ standard. This standard is set forth below. In addition, the charters of the committees of the board contain additional considerations which bear on a determination whether their members are independent for purposes of service on those committees.

Our Nominating/Corporate Governance Committee as one of its key functions periodically monitors and reviews the independence status of the directors. At its meeting held on February 26, 2019, the committee reported to the full board on its review of director independence regarding the incumbent directors. As part of receiving the committee report, the board reviewed and considered transactions and relationships between each incumbent director or any member of his or her immediate family and the company and its subsidiaries. With respect to the new directors appointed on March 28, 2019, the board considered their independence status and whether they or any family member had any transactions and/or relationships with the company and its subsidiaries on March 28, 2019. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent. In making this determination, the board applied the following NASDAQ standards, in addition to considering any other relevant facts and circumstances:

A director who is, or at any time during the past three years was, employed by the company, is not considered independent.

A director who accepted, or who has a family member who accepted, any payments from the company in excess of \$120,000 during any period of twelve consecutive months within the three preceding years, except compensation for board or committee service, compensation paid to a family member who is an employee (other than an executive officer) of the company, and

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benefits under a tax-qualified retirement plan or non-discretionary compensation, is not considered independent.

A director who is a family member of an individual who is, or at any time during the past three years was, employed by the company as an executive officer, is not considered independent.

A director who is, or who has a family member who is, a partner in, or a controlling stockholder or any executive officer of, any organization to which the company made, or from which the company received, payments for property or services in the current or any of the past three fiscal years that exceeded 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than payments arising from investments in the company's securities and payments under non-discretionary charitable contribution matching programs, is not considered independent.

A director who is, or who has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the company served on the compensation committee of such other entity, is not considered independent.

A director who is, or who has a family member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years, is not considered independent.

The NASDAQ standards impose additional independence and qualification standards on the members of our Audit and Management Compensation Committees. Under these standards, each committee member, in addition to meeting the definition of independence applicable to all non-employee directors, is prohibited from accepting directly or indirectly any consulting, advisory or other compensatory fee from the company or from being an affiliated person of the company or any subsidiary or affiliate of any subsidiary of the company, and must not have participated in the preparation of the company's financial statements at any time during the past three years.

Under the standards set forth above, the board determined that all of its members, including each of the members of our existing Audit Committee, Management Compensation Committee and Nominating/Corporate Governance Committee, are independent as of the date of this proxy statement, except Mr. Smith (our chairman and chief executive officer).

***Compensation Committee Interlocks and Insider Participation***

The Management Compensation Committee during 2018 consisted of Scott MacKenzie (chair), Michael Diament and Matthew Simas.

None of the members of the Management Compensation Committee was an officer or employee of the company during 2018 or was formerly an officer of the company. None of the company's executive officers serves as a member of the compensation committee (or other board committee performing equivalent functions) of another entity that has one or more executive officers who serves on the company's board or on the Management Compensation Committee, and none of the company's executive officers serves as a director of another entity one of whose executive officers serves on the Management Compensation Committee.

***Review of Related Person Transactions***

The board has adopted a Related Person Transaction Policy, the purpose of which is to address the reporting, review and approval or ratification of transactions with related persons. The company generally seeks to avoid related person transactions because they can involve potential or actual

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conflicts of interest and pose the risk that they may be, or be perceived to be, based on considerations other than the company's best interests. However, the company recognizes that in some circumstances transactions between the company and related persons may be incidental to the normal course of business or provide an opportunity that is in the best interests of the company, or that is not inconsistent with the best interests of the company and where it is not efficient to pursue an alternative transaction. A copy of the policy is available in the Investor Relations Corporate Governance section of our website at [MagellanHealth.com](http://MagellanHealth.com). The policy applies to the following persons:

each director and executive officer of the company;

any nominee for election as a director of the company;

any security holder who is known to the company to own of record or beneficially more than five percent of any class of the company's voting securities; and

any immediate family member of any of the above persons.

For purposes of the policy, a related person transaction means any transaction or arrangement or series of transactions or arrangements in which the company participates (whether or not the company is a party) and a related person has a direct or indirect interest that is material to the related person. A related person's interest in a transaction or arrangement will be presumed material to that person unless it is clearly incidental in nature or has been determined in accordance with the policy to be immaterial in nature such that further review is not warranted.

Under the policy, a director, nominee for director or executive officer who intends to enter into a related person transaction must disclose all material facts with respect to the transaction to the Audit Committee. Also, any officer or employee who intends to cause the company to enter into any related person transaction must disclose all material facts with respect to the transaction to his or her superior, who is responsible for reporting that information to the Audit Committee. As part of disclosing the material facts with respect to the transaction, the person proposing the transaction must provide specific details about his or her interest in the transaction, a description of the connection that person has with the transaction, the business justification for the transaction and other specific details. The Audit Committee must then review the related person transaction and approve the transaction before the transaction will be given effect.

In approving or ratifying a related person transaction, the Audit Committee will consider whether the transaction is in, or is not inconsistent with, the best interests of the company, including the following factors:

the position within or the relationship of the related person with the company;

the materiality of the transaction to the related person and the company;

the business purpose for and reasonableness of the transaction, taken in the context of alternatives available to the company;

whether the transaction is comparable to a transaction that could be available on an arms-length basis or is on terms that the company offers generally to persons who are not related;

whether the transaction is in the ordinary course of the company's business and was proposed and considered in the ordinary course of business; and

the effect of the transaction on the company's business and operations.

*Codes of Ethics*

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The board has adopted a Code of Ethics for Directors, covering directors only, and a Code of Ethics for Covered Officers, covering senior executives and individuals reporting directly to the chief



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executive officer and finance department employees at a vice president level or above. In addition, the company has adopted a Code of Conduct covering all employees.

The Code of Ethics for Directors deals with conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws, insider trading and personal loans to executive officers and directors. The Code of Ethics for Covered Officers deals with good faith and fair dealing in all negotiations and transactions, actual and apparent conflicts of interest, responsible use and protection of company assets, disclosures filed with the SEC or otherwise communicated to the public, compliance with laws, prompt reporting of violations of the code of ethics and other applicable policies, and accountability with respect to compliance with the code of ethics.

The Code of Conduct, among other things, contains a whistleblower policy that sets forth steps an employee should take if he or she has a question about a legal or ethical issue related to his or her job or the company, and prohibits retribution against any person raising an issue.

The company will provide to any person without charge, upon request, copies of its Code of Ethics for Directors, Code of Ethics for Covered Officers and Code of Conduct for all employees. Any such request should be made in writing to the Investor Relations Department, Magellan Health, Inc., 4800 N. Scottsdale Road, Suite 4400, Scottsdale, Arizona 85251. The Code of Ethics for Directors, Code of Ethics for Covered Officers and Code of Conduct are also available in the Investor Relations Corporate Governance section of our website at *MagellanHealth.com*. The company intends to disclose any future material amendments to the provisions of the codes of ethics and material waivers from such codes of ethics, if any, made with respect to any of its directors and executive officers on its website.

***Disclosure Controls and Procedures***

We have adopted disclosure controls and procedures that are designed to ensure that all public disclosures are accurate, complete and timely. We have also created a disclosure committee, which is responsible for ensuring our compliance with the disclosure controls and procedures and for the evaluation of those procedures. If you become aware that our public disclosures are not accurate, complete or timely, or become aware of a transaction or development you believe may require disclosure, you should report the matter as soon as practicable to our corporate secretary at 4800 N. Scottsdale Road, Suite 4400, Scottsdale, Arizona 85251.

***Communications with Directors and Management***

We have several communications channels established for employees, shareholders and other interested parties to communicate with our management and/or our board of directors or committees thereof.

***Member and Provider Communications:*** Our members and providers have specific mechanisms for contacting us regarding such matters as benefits, claims or other administrative matters. Member and provider contact information is available on our website at *MagellanHealth.com*. Although our employees and members of management address most of these matters, significant issues are brought to the attention of senior management and, in certain cases, the board of directors.

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*Investor Relations:* We maintain an investor relations department that is responsible for communicating with current or prospective shareholders and addressing any issues raised by them. The contact information for our investor relations department is as follows:

*Email:* [ir@MagellanHealth.com](mailto:ir@MagellanHealth.com)

*Post Office Address:* Investor Relations Department  
Magellan Health, Inc.  
4800 N. Scottsdale Road, Suite 4400  
Scottsdale, Arizona 85251

*Telephone:* (877) 645-6464

*Lead Director:* You may communicate with Mr. McBride, our lead director, through the following channels:

*Email:* [leaddirector@MagellanHealth.com](mailto:leaddirector@MagellanHealth.com)

*Post Office Address:* Communications with Lead Director  
c/o Magellan Health, Inc.  
4800 N. Scottsdale Road, Suite 4400  
Scottsdale, Arizona 85251

You may communicate with the board of directors as a group through the lead director.

All communications to the lead director will be treated confidentially. Communications should clearly identify the issue being raised, the name of the party initiating the communication and contact information for potential follow-up.

These communications will initially be received by a designee of the lead director who will log, track and summarize the matters raised in the communication. After consideration of the communication by the lead director, he may direct that such communications be presented to the full board of directors, the non-management directors, one or more board committees or management and may direct that matters raised in the communications be investigated by outside advisors or counsel or by management.

**PROPOSAL NUMBER ONE**

**ELECTION OF DIRECTORS**

Our certificate of incorporation previously provided for a board of directors divided into three groups, each with a staggered three-year term of office, an arrangement known as a "classified board." At our 2017 annual meeting, our shareholders approved our proposal to declassify our board and to make our directors subject to annual election beginning with our 2018 annual meeting and onward, as the existing three-year terms of our directors expire in 2018, 2019 and 2020. Beginning in 2020, all of our directors will be subject to annual election.

The size of the board is currently set at thirteen (13) directors: Michael S. Diament, Barry M. Smith, Eran Broshy, Matthew J. Simas, Swati Abbott, William J. McBride, Perry G. Fine, M.D., John O. Agwunobi, M.D., G. Scott MacKenzie, Peter A. Feld, Guy P. Sansone, Steven J. Shulman and Leslie V. Norwalk. The currently-outstanding terms of office of Michael S. Diament, Barry M. Smith, Eran Broshy, Matthew J. Simas and Swati Abbott expire at the 2019 annual meeting, and Michael S. Diament, Barry M. Smith and Swati Abbott are nominated for reelection for one-year terms. Eran Broshy and Matthew J. Simas decided to retire from the board effective at the meeting and will not stand for re-election. In addition, John O. Agwunobi, M.D., whose term of office runs until 2020, will retire from the board and will resign on the date of the meeting. Messrs. Broshy and Simas and

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Dr. Agwunobi will continue to serve as directors through the date of the meeting. Peter A. Feld, Guy P. Sansone, Steven J. Shulman and Leslie V. Norwalk were appointed as directors by the board on March 28, 2019 and are nominated for election to the board for one-year terms for the first time at the 2019 annual meeting. *See "Starboard Agreement."*

Following the meeting, the size of the board will be reduced to ten (10) directors under the terms of the Starboard Agreement.

Under our board declassification plan, William J. McBride, Perry G. Fine, M.D., and G. Scott MacKenzie, whose current terms of office expire in 2020, will be subject to annual reelection at and after the 2020 annual meeting.

Proxies in the accompanying form, if properly signed and notarized, will be voted FOR the election of Michael S. Diament, Barry M. Smith, Swati Abbott, Peter A. Feld, Guy P. Sansone, Steven J. Shulman and Leslie V. Norwalk as directors unless marked WITHHOLD AUTHORITY. Each nominee has indicated his or her willingness to serve on the board, if elected, and the board of directors has no reason to believe that any nominee will decline or be unable to serve as a director. However, if a nominee will be unavailable for any reason, then the proxies may be voted for the election of such person as may be recommended by the board of directors.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU  
VOTE "FOR" THE NOMINEES IN PROPOSAL NUMBER ONE**

*Certain Information Regarding Our Directors and Executive Officers*

The following table lists the age and committee memberships as of the date of this proxy statement of each director. A description of each director's business experience during the past five years is set forth in the next section, entitled "*Directors*" below.

**NOMINEES FOR ELECTION FOR TERMS EXPIRING IN 2020**

<b>Name</b>	<b>Age</b>	<b>Committee Membership</b>	<b>Director Since</b>	<b>Independent?</b>
Michael S. Diament	50	Audit (Chair); Management Compensation; Strategic	2004	Yes
Barry M. Smith	65		2011	No; CEO
Swati Abbott	55	Nominating/Corporate Governance	2018	Yes
Peter A. Feld	40	Management Compensation; Strategic (Chair)	2019	Yes
Leslie V. Norwalk	53	Management Compensation	2019	Yes
Guy P. Sansone	54	Audit	2019	Yes
Steven J. Shulman	67	Nominating/Corporate Governance; Strategic	2019	Yes

Table of Contents**DIRECTORS WHOSE TERMS EXPIRE IN 2020**

<b>Name</b>	<b>Age</b>	<b>Committee Membership</b>	<b>Director Since</b>	<b>Independent?</b>
William J. McBride	74	Nominating/Corporate Governance; Lead Director	2004	Yes
Perry G. Fine, M.D.	66	Audit	2014	Yes
G. Scott MacKenzie	55	Management Compensation (Chair); Strategic	2016	Yes

**Directors**

The company's by-laws require a majority of directors to be independent in accordance with NASDAQ's listing standards. Upon the recommendation and with the assistance of the Nominating/Corporate Governance Committee, the board of directors has determined that, except for Mr. Smith, who is the company's chairman and chief executive officer, all directors who are currently serving are independent, as that term is defined by the NASDAQ listing standards. For a discussion of these independence standards see "*Corporate Governance and Related Matters Director Independence*" above.

*Nominees for Election for Terms Expiring in 2020*

*Michael S. Diament* was first appointed to the board in 2004 and was elected for the first time in 2007. He formerly served as portfolio manager and director of bankruptcies and restructurings from January 2001 to February 2006 for Q Investments, an investment management firm. He currently serves on the board of directors of Centrus Energy (formerly named USEC Inc. (NYSE: LEU)), an enriched uranium supply company. Mr. Diament was last nominated for re-election as a director in 2016 due to his financial sophistication and his favorable record serving as a director since 2004.

*Barry M. Smith* was elected to the board in 2011 and was named chief executive officer in January 2013 and executive chairman in January 2014. He previously served as a director from 2004 to 2008. Prior to 2013, Mr. Smith served as an operating partner for Health Evolution Partners, a private fund which invests in rapidly growing companies across the healthcare industry. He also previously served as chief executive officer and chairman of B&J Associates, Inc. and B&J Smith Investments, LLC, both of which are private investment management companies. He founded and served as chairman, president and chief executive officer of VistaCare, Inc., a national provider of hospice services, from 1996 to 2002, and he served as chairman of VistaCare in 2003. Mr. Smith currently serves on the board of directors of The Ensign Group, Inc. (NASDAQ: ENSG), a diversified provider of healthcare services. Mr. Smith was last nominated for re-election as a director in 2016 due to his healthcare experience and expertise and favorable previous service as a director of the company from 2004 to 2008, and due to his appointment as the company's chief executive officer as of January 1, 2013.

*Swati Abbott* was first elected to the board in 2018. She currently serves as the president and chief executive officer of Health Intelligence Company LLC, doing business as Blue Health Intelligence, a healthcare data and analytics company, a post that she has held since 2011. Prior to joining Blue Health Intelligence, Ms. Abbott served as the president of MEDai, Inc., an industry leader in predictive analytics which was acquired by Reed Elsevier in 2008. She also served as managing director for the Medical Management Strategic Business Unit at ViPS. Ms. Abbott was nominated for the first time for election as a director in 2018 due to her knowledge and experience in healthcare data analytics and managed care generally.

*Peter A. Feld* is nominated for election as a director for the first time at the meeting. He serves as a managing member and head of research of Starboard Value LP, a New York-based investment adviser, a position he has held since April 2011. From November 2008 to April 2011, Mr. Feld served as a managing director of Ramius LLC and a portfolio manager of Ramius Value and Opportunity

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Master Fund Ltd. Mr. Feld currently serves as a member of the board of directors of Symantec Corporation (NASDAQ:SYMC), a cybersecurity software and services company. Mr. Feld previously served on the boards of directors of several public companies during the last five years, including Marvell Technology Group Ltd. (NASDAQ:MRVL); The Brink's Company (NYSE:BCO); Insperity, Inc. (NYSE:NSP); Darden Restaurants, Inc. (NYSE:DRI); Tessera Technologies, Inc. (n/k/a Xperi Corporation) (formerly NASDAQ:TSRA); and Integrated Device Technology, Inc. (NASDAQ: IDTI), a developer of system-level electronic solutions. Mr. Feld was appointed to the board in March 2019 and has been nominated for election to the company's board of directors for the first time due to his knowledge of the capital markets, corporate finance, and public company governance practices, together with his significant public company board experience.

*Guy P. Sansone* is nominated for election as a director for the first time at the meeting. He serves as a managing director at Alvarez & Marsal in New York, a financial advisory and consulting firm notable for its work in turnaround management and performance improvement, where he serves as chairman of the firm's Healthcare Industry Group. Mr. Sansone also serves on the boards of directors of HealthPRO Heritage, a leading national provider of therapy management and consulting services; and Carisk, a privately-held company which specializes in complex care management for complicated workers compensation claims. He previously served as a director of Civitas Solutions, Inc. (NYSE: CIVI) until its acquisition by Celtic Intermediate Corp. in March 2019. From November 2014 through December 2016, Mr. Sansone served as the interim chief executive officer of the Visiting Nurse Service of New York, the largest post-acute home-based services provider in New York State. He also served as interim president of Life Cell Corporation and as chief restructuring officer of Erickson Retirement Communities (n/k/a Erickson Living). From 2009 to 2010, Mr. Sansone was the chief implementation officer to the Saint Barnabas Health Care System (n/k/a Saint Barnabas Medical Center, an affiliate of RWJBarnabas Health), one of New Jersey's largest integrated health care delivery systems. From 2005 to 2007, Mr. Sansone served as the chief executive officer and chief restructuring officer at Saint Vincent Catholic Medical Centers in New York, where he led the organization through a successful Chapter 11 reorganization. Mr. Sansone was appointed to the board in March 2019 and has been nominated for election to the company's board for the first time due to his more than 25 years of experience working as an adviser, investor and senior manager of underperforming companies, particularly to those in the healthcare industry.

*Steven J. Shulman* is nominated for election as a director for the first time at the meeting. He serves as the managing partner at Shulman Family Ventures, Inc., a healthcare private equity firm. He previously served as an operating partner at Water Street Healthcare Partners, LLC, a healthcare-focused private equity firm, from 2008 until March 2015; and Tower Three Partners LLC, from 2008 until 2013. From 2002 to 2008, Mr. Shulman served as chairman and chief executive officer of Magellan Health Services, Inc. (n/k/a Magellan Health, Inc.), where he spearheaded its turnaround and restructuring following bankruptcy. Mr. Shulman previously served as chairman and chief executive officer of Internet Healthcare Group, LLC and as chairman, president and chief executive officer of Prudential Healthcare, Inc., a healthcare insurer. Prior to that, Mr. Shulman served in senior executive positions at Value Health, Inc. (NYSE:VH), a specialty managed care company he founded and took public. Mr. Shulman currently serves as chairman of both Quartet Health, Inc., a healthcare technology company which connects primary care and mental health providers; and CareCentrix, Inc., a post-acute managed care company. He also serves as a director of several other privately-held companies, including VillageMD, a national provider of primary care; Facet, a medical device company; and Pager, Inc., a mobile healthcare technology company. Mr. Shulman was appointed to the board in March 2019 and has been nominated for election to the company's board for the first time due to his extensive expertise in private equity investment and the healthcare industry, as the former chairman and chief executive officer of the company.

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*Leslie V. Norwalk, Esq.* is nominated for election as a director for the first time at the meeting. She has served as strategic counsel to Epstein Becker Green, P.C., a law firm with a focus on healthcare and life science, and two healthcare consulting agencies, EBG Advisors, Inc. and National Health Advisors, since September 2007. Additionally, since 2008, Ms. Norwalk has served as an advisor to three private equity firms including Warburg Pincus, LLC, Peloton Equity, LLC and Enhanced Equity Fund, L.P., where she has also served as an operating partner since 2008. From 2006 to 2007, she was the acting administrator of the Centers for Medicare & Medicaid Services, where she managed the operations of federal health care programs, including Medicare and Medicaid. From 2002 to 2005, she was the agency's deputy administrator. Prior to that, Ms. Norwalk practiced law with Epstein Becker & Green, P.C., from 1996 to 2001. She also previously served in the George H.W. Bush Administration in the White House Office of Presidential Personnel and the Office of the US Trade Representative. Currently, Ms. Norwalk serves on the boards of directors of Providence Service Corporation (NASDAQ: PRSC), a social services corporation; Endologix, Inc. (NASDAQ: ELGX), a developer and marketer of innovative treatments for aortic disorders; and NuVasive, Inc. (NASDAQ: NUVA), a medical device company. Within the past five years, Ms. Norwalk served on the board of Volcano Corporation (formerly NASDAQ: VOLC), a medical device company, until its acquisition by Royal Philips NV; and Press Ganey Associates, Inc. (formerly NASDAQ: PGND), a health care company known for developing and distributing patient satisfaction surveys. Ms. Norwalk also within the last five years served on the boards of directors of a dozen private healthcare companies. Ms. Norwalk was appointed to the board in March 2019 and has been nominated for election to the company's board for the first time due to her knowledge of, and experience with, the healthcare industry and government regulations.

*Directors Whose Terms Expire in 2020*

*William J. McBride* was first appointed to the board in 2004 and was elected for the first time in 2008. Mr. McBride is currently retired. Prior to his retirement in 1995, Mr. McBride was a director of Value Health, Inc. (NYSE: VH), a specialty managed-care company, which included Value Behavioral Health, one of the largest behavioral health managed care companies at the time. From 1987 to 1995, Mr. McBride served as president and chief operating officer of Value Health, Inc., overseeing all operational activities of the company and its subsidiaries. Prior to his tenure at Value Health, Mr. McBride spent 15 years in a variety of positions with INA Corporation and its successor, Cigna Corporation (NYSE: CI), including serving as president and chief executive officer of Cigna Healthplan, Inc. Mr. McBride currently serves on the board of directors of Internet Healthcare Group, LLC, a venture capital group. Mr. McBride was last nominated for re-election as a director in 2017 due to his experience in the managed healthcare industry and his favorable record serving as a director since 2004.

*Perry G. Fine, M.D.* was first elected to the board in 2014. Dr. Fine is a professor in the Department of Anesthesiology of the School of Medicine at the University of Utah, where he serves on the faculty in the Pain Research Center, and is an attending physician in the Pain Management Center. He currently serves on the board of directors of Ossipee Lake Alliance, a non-profit environmental organization. He is past president of the American Academy of Pain Medicine. He was last nominated for reelection as a director in 2017 due to his extensive experience in managed care and clinical issues as well as his experience serving on many boards of directors, including past service on the board of directors of a public company, VistaCare, Inc.

*G. Scott MacKenzie* was first appointed to the board in November 2016 and was nominated for election for the first time at the annual meeting in 2017. He currently serves as the chief executive officer of RevSpring, a leading provider of consumer engagement, billing and payment solutions. He previously served as the chief executive officer of M\*Modal, Inc., a privately held clinical documentation technology and services company, a position which he held from 2014 to 2019. He also

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served as the president of Experian Health from 2013 to 2014 and as chief executive officer of Passport Health Communications from 2009 to 2014. Mr. MacKenzie serves on the board of directors of MedHost, Inc., a privately-held healthcare information technology company. Mr. MacKenzie was last nominated for election as a director in 2017 due to his experience with healthcare technology and in the healthcare industry generally.

***Starboard Agreement***

On December 13, 2018, Starboard Value LP and certain of its affiliates (collectively, "*Starboard*") announced that they had acquired beneficial ownership of approximately 9.8% of the company's outstanding stock. On February 22, 2019, Starboard notified the company and announced its intention to nominate six director candidates for election at the meeting in opposition to the company's director candidates. On March 28, 2019, the Company entered into an agreement with Starboard regarding, among other things, the membership and composition of the board and committees thereof (the "*Starboard Agreement*"). Under the terms of the Starboard Agreement, the Company appointed Messrs. Feld, Sansone and Shulman and Ms. Norwalk to serve on the board and agreed to nominate them for election to the board at the annual meeting. The Starboard Agreement also provides that, effective immediately following the election of directors at the annual meeting, the size of the board will be decreased from 13 to 10 directors. In addition, the company agreed that, during the period commencing upon the conclusion of the annual meeting and continuing until the expiration of the standstill period (as defined below), the size of the board will not be increased to greater than 10 directors without the consent of Starboard.

Under the terms of the Starboard Agreement, the board formed a Strategic Committee for the purpose of exploring strategic alternatives for the company, with the goal of creating value for the company's shareholders, and appointed Messrs. Feld, Shulman, Diamant and MacKenzie to that committee, with Mr. Feld serving as its chairman. The board also appointed Mr. Sansone to the Audit Committee, Ms. Norwalk and Mr. Feld to the Management Compensation Committee and Mr. Shulman to the Nominating/Corporate Governance Committee.

With respect to the annual meeting, Starboard has agreed, among other things, to withdraw its slate of director nominees and vote all shares of the company's common stock beneficially owned by Starboard in favor of the company's director nominees and, subject to certain conditions, vote in accordance with the board's recommendations on all other proposals.

The Starboard Agreement also includes, among other provisions, certain "standstill" provisions restricting certain conduct and activities by Starboard during the period commencing on March 29, 2019 through the earlier of (x) 15 business days prior to the deadline for the submission of stockholder nominations for the company's 2020 annual meeting of stockholders and (y) 90 days prior to the first anniversary of the annual meeting (the "*standstill period*"), procedures for determining any replacements for the Starboard-appointed directors, non-disparagement covenants, expense reimbursement and other items that are addressed in the Starboard Agreement.

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**EXECUTIVE COMPENSATION**

*Compensation Discussion and Analysis*

**2018 Highlights**

**Business Results**

During 2018, our revenues increased by 25.3%, from \$5.8 billion to \$7.3 billion.

Segment profit decreased by 27% from \$311 million to \$228 million in 2018 compared to 2017.

Adjusted net income decreased by 57%, from \$145 million in 2017 to \$62 million in 2018.

**Key Developments and Initiatives**

In May 2018, the company was named to the annual Fortune 500 list of America's largest corporations by revenue for the first time in the company's history.

Because of the contraction of earnings in 2018 despite growth in revenue, the company launched an initiative to increase adjusted net income margins above 2% within the next 2 to 3 years. The primary areas of focus for that initiative are as follows:

Managing cost of care while improving quality of care in our healthcare business segment;

Continuing to grow our pharmacy benefit management business, retaining specialty carve-out contracts and lowering cost of goods sold for our pharmacy business; and

Driving operational improvements for increased efficiency across the company.

**2018 Executive Compensation Program**

Overall in 2018, 89% of our chief executive officer's actual total compensation was awarded in long-term incentives, and his total compensation was 89% performance-based.

Our annual bonus pool funding for 2018 was based 80% on our segment profit performance and 20% on growth in company-wide adjusted net income. Because we did not achieve minimum performance levels for our segment profit and growth in adjusted net income, the bonus pool was not funded, and none of our Named Executive Officers received a bonus payout for 2018.

As part of our long-term equity incentive program, we granted performance-based restricted stock units ("PSUs") that are earned based on our total shareholder return over a three year performance period relative to a group of peer companies. For our grants made in 2018, PSUs made up 50% of the targeted award value of our Named Executive Officers' equity



compensation.

**Executive Compensation Policies and Practices**

Require **double trigger acceleration of vesting** of equity awards in the event of a change in control.

Regularly **monitor share utilization** relative to historic standards and versus our industry peers.

Conduct **competitive benchmarking** of compensation with an independent consultant.

Maintain **robust stock ownership requirements**.

Conduct an **annual assessment of risk** in our compensation programs and mitigate any inappropriate risk.

Provides for **clawbacks** in the event of a material financial restatement and for conduct injurious to the company.

**Prohibits** recipients of equity awards from engaging in **hedging transactions or pledging equity securities**.

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*Elements of our 2018 Compensation Program*

The various elements of our 2018 executive compensation program for our Named Executive Officers ("NEOs") are described below:

<b>Compensation Element</b>	<b>Objective</b>	<b>Description</b>
Base Salary	Attract and retain high-quality executive talent and provide basic financial security	Based on a number of factors including the executive's role, individual performance and competitive compensation for similar roles in our industry
Annual Cash Incentive	Motivate executives to achieve annual financial and other performance goals that are key to achievement of our growth initiatives	Based on segment profit results company-wide and by business segment, and for 2018, company-wide growth in adjusted net income and individual performance
Long-Term Equity Incentives	Align the long-term interests of executives with those of our shareholders, motivate executives to achieve long-term performance objectives and retain key talent	Based on a combination of 50% PSUs, whose ultimate value is measured based on total shareholder return relative to companies in the S&P Health Care Services Industry Index, and 50% stock options, whose ultimate value depends on creating shareholder value
Deferred Compensation	Provide an opportunity to save and prepare for retirement	Offered through our 401(k) savings plan and our non-qualified deferred compensation program, which includes company and elective contributions
Employee Benefits (Health and Welfare)	Provide protection for executives and their families in the event of death, disability or illness	Offered through our medical, dental and vision plans, as well as supplemental life insurance and supplemental disability insurance

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The mix of elements of our 2018 executive compensation program, illustrated below, is designed so that a substantial portion of the target compensation is performance-based (91% for our CEO and 79% on-average for our other NEOs) and tied to our financial and stock price performance results.

**CEO Target Annual  
Direct Compensation**

**Average NEO Target Annual  
Direct Compensation(1)**

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(1) Figures are based on the simple average of the target figures for Messrs. Rubin, Kamal and Gregoire, Ms. Lewis-Clapper and Mr. Srivastava.

*Role of the Management Compensation Committee*

The Management Compensation Committee (the "*committee*") of our board of directors in 2018 was comprised of three members of the board who were not current or former employees of the company and who the board determined were independent for purposes of the NASDAQ listing standards. See "*Corporate Governance and Related Matters Director Independence*" above. The duties and responsibilities of the committee included:

establishment of our general compensation philosophy, and oversight of the development and implementation of compensation programs;

review and approval of the means used for applying our corporate goals and our specific company-wide, business unit and individual performance objectives to be used in determining the compensation of our chief executive officer, our other NEOs and other members of senior management;

review and approval of the actual compensation awards for our chief executive officer and our other NEOs; and

development of recommendations to our board with respect to our various compensation plans and programs and overseeing the activities of the individuals and committees responsible for administering those plans.

In practice, the committee specifically determined the compensation payable to the NEOs and our other executive officers with input from the chief executive officer and the committee's independent compensation consultants.

*Compensation Consultants*

The committee engaged nationally-recognized independent compensation consultants to provide the committee with information supporting compensation decisions with respect to our NEOs, other

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executive officers and key employees for their compensation in 2018 and 2019. Prior to July 2018, the committee was advised by Steven Hall & Partners ("*SH&P*"), after which time it engaged Frederic W. Cook & Co. ("*FW Cook*") to advise the company on its management compensation plans and programs, when the committee's principal advisor moved to that firm. The compensation consultant is engaged directly by the committee, although it periodically interacts with management to gather relevant data, to implement compensation plans and programs and to assist in the preparation of the company's proxy statement and other public filings. The committee annually reviews the independence status of the compensation consultant and, for 2018 and 2019, determined that neither SH&P nor FW Cook had a conflict of interest in their respective roles as compensation consultant to the committee. The committee has sole authority to determine the compensation for and to terminate the compensation consultant's services. The committee annually instructs the compensation consultant to perform a market analysis and develop competitive market data of comparable companies for all elements of compensation. The compensation consultant also provides advice to the committee on which companies it may consider comparable for these purposes. Based on its market analysis, the compensation consultant formulates a range of values within major elements of compensation, which the committee considers in making its compensation decisions. The compensation consultant does not determine the amount or form of executive and director compensation; its role is limited to providing data and advice to the committee for its consideration.

*Our Peer Group and Other Market Data Sources*

As a specialty managed healthcare company operating in multiple business segments, we have few similar peer companies with which we directly compete in the marketplace. However, we compete generally in the market for superior healthcare executive talent and seek to structure our incentives and compensation to attract, reward and retain those individuals. As a result, the committee instructed SH&P in late 2017 to perform a broad multi-industry market analysis and an analysis of publicly-traded healthcare provider, service and pharmacy benefit management companies, to develop competitive market data to support compensation decisions regarding our NEOs and other executive officers. SH&P compiled aggregated data from broad-based market surveys confidentially completed by hundreds of companies operating in the healthcare and various other industry sectors of comparable size and provided the committee with a proprietary statistical summary of this information, presented in chart form. This summary information consisted of marketplace consensus median and 75th percentile amounts for all elements of direct compensation (e.g., base salary, annual incentive, total cash compensation, long-term incentive compensation and total remuneration) for executive officer positions which were considered comparable to that of each of the company's NEOs.

SH&P also reviewed for comparative purposes the public compensation reported by the following companies in the industry which include lines of business in which our company is engaged, including managed care companies, pharmacy benefit management companies and specialized healthcare services companies with annual revenues ranging from 27% to 527% of our estimated revenues for 2017 (the "*Peer Group*"). The Company's revenues ranked at the 51<sup>st</sup> percentile within the Peer Group. The group of companies in our Peer Group may change from year to year depending on the evolution of our and their businesses. Consensus figures were developed by weighting the Peer Group values by 33% and the other surveys by 67%. SH&P also provided information to the committee about the peer groups used by Institutional Shareholder Services, Inc. and Glass Lewis & Co., LLC in analyzing the company's executive compensation information; as those firms provide voting guidance to institutional shareholders.

Centene Corp.	Molina Healthcare, Inc.
Diplomat Pharmacy, Inc.	PharMerica Corp.
Envision Healthcare Holdings, Inc.	Triple-S Management Corp.
Laboratory Corporation of America Holdings	Universal Health Services, Inc.
MEDNAX, Inc.	WellCare Health Plans, Inc.

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Compared to the Peer Group, Mr. Smith's target and actual base salary were above median but below the 75<sup>th</sup> percentile, and his target total cash compensation was above the 75<sup>th</sup> percentile, while his actual total cash compensation was substantially below median, and his target and actual total long-term compensation and total direct compensation were above median but below the 75<sup>th</sup> percentile, as shown in the following table:

**Magellan CEO Target and Actual Compensation Compared to Peer Group**

	Target	Percentile of Peer Group	Actual	Percentile of Peer Group	Peer Group*	
					Median	75 <sup>th</sup> Percentile
Base Salary	\$ 1,200,000	67	\$ 1,200,002	67	\$ 1,075,000	\$ 1,237,500
Total Cash Compensation	\$ 3,000,000	89	\$ 1,200,002	17	\$ 2,261,600	\$ 2,891,600
Total Long-Term Compensation	\$ 10,200,000	68	\$ 10,199,942	68	\$ 5,011,000	\$ 14,080,800
Total Direct Compensation	\$ 13,200,000	68	\$ 11,399,944	64	\$ 7,013,500	\$ 16,990,900

\*

Information for the Peer Group included certain information which was publicly-disclosed in 2017 and relates to service at those companies in 2016.

*Mix of Compensation*

The committee annually sets target compensation for each of the NEOs which is allocated among a three-part program which includes base salary and benefits, annual bonuses under our Incentive Compensation Plan ("ICP") and long-term incentive equity awards. In general, base salary and bonus opportunities are determined by an assessment of the degree of impact the individual has over company performance and competitive compensation for similar positions. Bonuses are funded based on segment profit performance company-wide and by business unit and, for 2018, company-wide growth in adjusted net income. Long-term incentive equity awards are made by determining a target value representing a percentage of base salary, divided by a per share value yielded by the Black-Scholes model, Monte Carlo simulation or other applicable valuation model for the type of equity instrument awarded. The committee believes that this three-part program, which is heavily-weighted toward performance-based compensation, and within the performance-based component is heavily-weighted toward long-term equity compensation, incentivizes management to maximize the sustainability of the company's performance over the long-term and is in the best interests of shareholders.

The charts below demonstrate that the performance-based elements of our executive compensation program, which consist of ICP awards and equity awards, made up the majority of our NEOs' compensation in 2018. As a result of the company's performance during 2018, no bonus payments were made to the NEOs under the ICP.

**Targeted and Actual Mix of Compensation for 2018**

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(1)

Base salary rates used in this graph represent rates which were effective 4/1/18.

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- (2) Base salary used in this graph represents actual base salary paid during 2018.
- (3) Equity awards are valued at their grant values. The actual realized values of the equity awards will depend on increases in the company's stock price, in the case of stock options, and the company's relative total shareholder return over a three-year period as compared to a group of peer companies, in the case of PSUs, and the PSUs are settled based on a percentage of the target award. See "Equity Awards" below.

*Base Salary*

The committee determines base salaries for each of our NEOs based on several factors, including the following:

Evaluation of individual performance;

Competitive market data provided through survey and peer group data for comparable roles;

Scope, complexity, difficulty and criticality of the individual executive's role; and

Consideration of the need to retain the individual.

The employment agreements we have entered into with each of our NEOs specify an initial amount which is subject to annual review and adjustment. Base salary amounts may also be adjusted when an executive is promoted or assumes additional responsibilities. The following table shows the percent increase and base salary rate for our NEOs effective April 1, 2018:

**2018 Base Salary Rates**

Named Executive Officer	Percent Increase	Base Salary Rate
Mr. Smith	0%	\$ 1,200,000
Mr. Rubin	3%	\$ 612,850
Mr. Kamal	3%	\$ 535,600
Mr. Gregoire	2%	\$ 497,760
Ms. Lewis-Clapper	3%	\$ 425,905
Mr. Srivastava	2%	\$ 649,230

In setting Mr. Smith's base salary for 2018, the committee considered Mr. Smith's performance and the base salary paid by our Peer Group, and noted that his base salary was meaningfully increased in 2017, and determined to maintain his base salary at \$1,200,000. To determine the 2018 adjustments to base salaries for the other NEOs, Mr. Smith completed an analysis of each executive's current base salary compared to competitive market rates and each executive's individual performance, and recommended salary increases to the committee based on his analysis. The committee reviewed Mr. Smith's recommendations for base salary increases for 2018 and adjusted the increases in its discretion. Based on its review of relevant data, the committee determined that these increases were consistent with market increases at comparable companies and our NEOs' individual performance.

In determining adjustments to base salary rates payable in 2019, the committee and Mr. Smith followed the same process outlined above. After considering 2018 performance, competitive market rates, the emphasis on performance-related total compensation, and the meaningful increase made for him in 2017, the committee determined not to increase Mr. Smith's base salary, which remained at \$1,200,000. The committee then reviewed Mr. Smith's recommendations and decided to increase the base salary rate for Mr. Rubin by 3%, Mr. Kamal by 5%, Mr. Gregoire by 3% and Ms. Lewis-Clapper by 3% over the rates payable in 2018. Mr. Smith's recommendations were made after considering competitive market rates for base salary as well as total compensation, and each NEO's individual performance in 2018.



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The NEOs also participate in our ICP. The ICP provides annual incentive cash bonuses and is available to all management-level employees, including our NEOs. At the beginning of each year, the committee establishes performance targets and corresponding funding factors for achievement of segment profit, considered on a company-wide basis and at the individual's specific business segment, and, for 2018, growth in the company's adjusted net income. After the end of the year, the committee reviews the company's performance in relation to these targets, assesses the recommendations of the chief executive officer, and determines the amount of individual ICP awards for the NEOs for that year. Segment profit is determined based on the following segments of our business: Magellan Healthcare, Magellan Rx Management and overall Magellan Health.

ICP awards are calculated so that the funding factor varies from 40% at threshold up to a maximum of 200% of the target award opportunity. If threshold segment profit performance is not attained for the company overall, no awards are paid to any NEOs, regardless of which business segment they are measured against. Additionally, if an individual business segment does not achieve its threshold segment profit performance target, no awards are paid to NEOs that are part of that business segment, even if they would have been eligible for a payout based on overall company results. The ICP was funded for 2018 with an 80% weighting based on segment profit performance and a 20% weighting based on growth in company-wide adjusted net income. Target segment profit performance for 2018 was set at \$411.0 million before adjusting for the ICP target and actual award payouts, and the target growth in adjusted net income percentage was set at 10%. The chart below shows performance and payout at threshold, target and maximum performance levels.

	Segment Profit 80% Weighing			Growth in Adjusted Net Income 20% Weighing			
	Performance as a % of Target	Segment Profit Amount*	Payout as a % of Target	Performance as a % of Target	YOY Growth in Adjusted Net Income		Payout as a % of Target
					Performance	Weighting	
Maximum	135%	\$ 554.9	200%	300%	30%	200%	
Target	100%	\$ 411.0	100%	100%	10%	100%	
Threshold	80%	\$ 328.8	40%	10%	1%	40%	

\*

Dollars in millions. Segment profit amounts set forth above are before adjusting for the ICP target and actual awards.

For our CEO, Mr. Smith, the ICP provided that his 2018 award would vary, depending on company-wide segment profit and growth in company-wide adjusted net income. Company-wide segment profit, after adjusting for the ICP target and actual awards, was less than 80% of target for 2018, which resulted in a segment profit percentage payout factor of 0%. Because the company did not achieve threshold segment profit performance, the overall percentage payout was 0% of target. The company's segment profit disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-K Annual Report for the fiscal year ended December 31, 2018 differs from the adjusted segment profit amount used for purposes of determining ICP awards because the cost of the ICP awards at target and actual is added back to the original target, which is net of the ICP awards.

Under the ICP as in effect for 2018, the bonus awards of the chief executive officers of our business segments were determined by a 20% weighting based on company-wide segment profit and growth in company-wide adjusted net income, a 60% weighting based on segment profit for their specific business segment and growth in company-wide adjusted net income and a 20% weighting based on their individual performance against a pre-determined scorecard. Based on the results of the company's segment profit performance in 2018, no bonuses were paid to Mr. Srivastava, whose service was terminated without cause on December 28, 2018, and Mr. Kamal. The bonus for executives who

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are designated as chief officers of a company-wide function (e.g. chief financial officer) was determined by an 80% weighting of company-wide segment profit and growth of company-wide adjusted net income and a 20% weighting of individual performance against a pre-determined scorecard. Based on the results of our company-wide segment profit in 2018, no bonuses were paid to Mr. Rubin, Mr. Gregoire and Ms. Lewis-Clapper.

In the case of each NEO for whom the CEO makes a recommendation, the individual performance objectives included the following:

*Mr. Rubin:* Areas of responsibility included: (i) overall leadership of the finance and investor relations functions; (ii) support and execution of acquisition activities; (iii) support of cross-functional management teams to ensure that pricing, underwriting and sales strategy are aligned with financial performance targets; (iv) attainment of budget targets; and (v) compliance with all regulatory requirements. For 2018, Mr. Rubin's goals were focused on the following: achieving growth, retention and profitability targets through new business revenue; successful implementation of key contracts and key accounts, and managing capital expenditures; executing on M&A opportunities in support of the company's growth strategy; providing leadership to the risk management process; providing analytical support for value proposition and product development needs; and talent development.

*Mr. Kamal:* Areas of responsibility included: (i) overall leadership of Magellan Rx Management segment; (ii) leadership of Magellan Rx Management strategy, operations and product development; (iii) execution of business implementations; (iv) acquisition strategy, selection and integration activities regarding our Rx Management segment and input on acquisition strategy, evaluation, selection and integration activities of other segment acquisition targets; (v) growth of diversified pharmacy product lines; and (vi) attainment of budget targets for the Magellan Rx Management segment. For 2018, Mr. Kamal's goals were focused on growth, new product development, acquisition strategies, market diversification and creating a growth culture with key talent; and talent development.

*Mr. Gregoire:* Areas of responsibility included: (i) overall leadership of the legal and compliance functions; (ii) support of review and implementation of acquisitions, customer contracting and product development; (iii) leadership of all SEC filings and disclosures; (iv) leadership of legal support for other corporate and corporate governance matters and overall legal and regulatory compliance; and (v) attainment of budget targets. For 2018, Mr. Gregoire's goals were focused on the following: support growth through organic expansion and acquisitions; enhance legal support for all business lines; new customer and product implementations and customer relationships; successfully resolve litigation/arbitration cases; maximize high levels of regulatory compliance; expand employee awareness and training on compliance and security matters; and talent development.

*Ms. Lewis-Clapper:* (i) overall leadership of the company's human resources function, including HR business consulting, talent acquisition and development, compensation, benefits, workforce analytics, HR management systems, HR Service Center, and Payroll; (ii) support of diligence and implementation of acquisitions; (iii) development and implementation of workforce capability and engagement strategy to enable successful execution of the company's business goals; (iv) compliance with all human resource-related regulatory requirements; and (v) attainment of financial targets. For 2018, Ms. Lewis-Clapper's goals were focused on the following: workforce optimization, talent engagement, organization design and integrations.

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We define "*segment profit*" as profit or loss from operations before stock compensation expense, depreciation and amortization, interest expense, interest and other income, changes in fair value of contingent consideration recorded in relation to acquisitions, gain on sale of assets, special charges or benefits, and income taxes. We use segment profit information for internal and external reporting and control purposes and consider it important in making decisions regarding the allocation of capital and other resources, risk assessment and employee compensation, among other matters. Segment profit information referred to in this proxy statement may be considered a non-GAAP financial measure.

Further information regarding this measure, including the reasons management considers this information useful to investors, and a reconciliation to the GAAP measures set forth under "*Results of Operations*," is included under "*Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Segment Results*" and "*Non-GAAP Measures*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on February 28, 2019, and will be included in our Quarterly Reports on Form 10-Q to be filed with the SEC as required.

Segment profit is an appropriate measure of company and business segment performance for purposes of determining annual bonuses. In addition, we discuss segment profit when reporting our financial results and believe many shareholders and analysts use it as an important measure of overall company performance. Setting annual bonus performance targets based upon segment profit is designed to align incentives for our executives and employees with the interests of our shareholders.

We define "*adjusted net income*" to reflect certain adjustments made for acquisitions completed after January 1, 2013, including non-cash stock compensation expense resulting from restricted stock purchases by sellers, changes in the fair value of contingent consideration, amortization of identified acquisition intangibles, as well as impairment of identified acquisition intangibles. For purposes of determining ICP awards, adjusted net income may be further adjusted for the reversal of tax contingencies and other unusual events as determined by the committee

Each individual's ICP bonus target is determined as a percent of base salary. Set forth below is the range of values which may be awarded under the ICP to the NEOs and the amount of the actual bonus awards:

**2018 Bonus Ranges**

Named Executive Officer	Base Salary (1)	Below Threshold (2)	Target Percentage (3)	Target Amount	Maximum Percentage (4)	Maximum Amount (5)	Actual 2018 Bonus Amount
Mr. Smith	\$ 1,200,000	\$ 0	150%	\$ 1,800,000	300%	\$ 3,600,000	\$ 0
Mr. Rubin	\$ 612,850	\$ 0	85%	\$ 520,923	170%	\$ 1,041,845	\$ 0
Mr. Kamal	\$ 535,600	\$ 0	80%	\$ 428,480	160%	\$ 856,960	\$ 0
Mr. Gregoire	\$ 497,760	\$ 0	65%	\$ 323,544	130%	\$ 647,088	\$ 0
Ms. Lewis-Clapper	\$ 425,905	\$ 0	65%	\$ 276,838	130%	\$ 553,677	\$ 0
Mr. Srivastava	\$ 649,230	\$ 0	80%	\$ 519,384	160%	\$ 1,038,768	\$ 0

(1) Base salary represents the rate of pay effective 4/1/18 for the NEOs.

(2) The threshold for payment of a bonus was the achievement of \$328.8 million of company-wide segment profit, before adjusting for target and actual ICP awards, regardless of which business segment the executive was assigned. For our business segment leaders, threshold for payment of a bonus was also \$250.7 million of segment profit for the Magellan Healthcare segment and \$152.2 million of segment profit for the Magellan Rx Management segment, both amounts before adjusting for target and actual ICP awards.

(3) Target bonus is specified as a percentage of base salary rates in effect at December 31, 2018.

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- (4) The maximum bonus is calculated at 200% of the target amount, and is expressed above as a percentage of base salary.
- (5) A maximum bonus would be awarded if segment profit performance targets are exceeded by 135% or more and 300% or more for growth in adjusted net income. Maximum bonuses are reserved for instances where performance significantly exceeds measures and expectations.

The failure to make any ICP bonus awards for 2018 reflected actual company-wide adjusted net income growth of less than 1% and achievement of less than 80% of our company-wide segment profit target, less than 80% of our Magellan Healthcare segment profit target and less than 80% of our Magellan Rx Management segment profit target. Individual performance was not taken into account for the NEOs or Mr. Smith, since the Company did not achieve minimum segment profit performance.

*2019 ICP Performance Targets*

For 2019, the committee has revised the ICP bonus pool weighting to 70% based on achievement of segment profit targets for company-wide and business unit performance and 30% based on achievement of specified strategic objectives.

*2019 Bonus Targets*

Based on the annual market review conducted by the committee's independent compensation consultant, for 2019, the committee kept Mr. Smith's annual bonus target percentage in relation to his base salary unchanged, as well as the annual bonus target percentages for the other NEOs.

*Equity Awards*

In 2018 we provided our NEOs with equity awards under our 2016 Management Incentive Plan (the "2016 MIP"). The equity awards are designed to act as a long-term incentive vehicle to promote a focus on longer term goals, to build shareholder value and to retain our senior executives. Our equity awards for our NEOs, when added to base salary and annual bonus under the ICP, are targeted at or above the 50<sup>th</sup> percentile of total compensation in the marketplace consensus prepared by the committee's compensation consultant. Our policy is to grant options only at an exercise price not less than the closing price of the shares on NASDAQ on the date the option is granted, which for the annual grants made in 2018 was the closing price reported on NASDAQ on March 5, 2018. We typically make equity awards once annually on the third business day of March. We may grant equity awards at other times during the year when we hire new executives or when an executive's role is expanded. See "Equity Award Procedures Generally" below.

Consideration of annual equity awards is made as part of the annual review of other compensation components, and is based on both competitive market analysis and individual and company performance assessments. The equity awards to Messrs. Rubin, Kamal and Gregoire, Ms. Lewis-Clapper and Mr. Srivastava, and our other executive officers, were approved by the committee on the recommendation of the chief executive officer and were subject to adjustment at its discretion.

In 2018, our annual equity awards to our NEOs consisted of non-qualified stock options and PSUs with a mix of 50% of the value in the form of stock options and 50% of the value in the form of PSUs. Options granted to the NEOs under the 2016 MIP in 2018 have ten-year terms and vest ratably over three years. The PSUs vest 100% after three years from the grant date, and the number of shares issuable under the PSUs will depend on the company's total shareholder return ("TSR") during a three-year performance period compared with the TSR of the companies included in the S&P Health Care Services Industry Index as of January 1, 2018.

Our annual equity awards for 2019 to our NEOs were made on March 5, 2019 and also consisted of non-qualified stock options and PSUs with a grant value of 50% and 50%, respectively, of the

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aggregate value of the award to each executive. The options granted in 2019 similarly have ten-year terms and vest ratably over three years, and the PSUs vest 100% after three years from the grant date based on the company's TSR performance during the three-year period compared with the TSR of the companies included in the S&P Health Care Services Industry Index as of January 1, 2019. Options and PSUs also automatically vest, and become immediately exercisable in the case of options, if the employment of our NEOs is terminated by us "without cause" or by the executive for "good reason" following a change in control of the company. See "*Compensation of Named Executive Officers on Change in Control and Other Termination of Employment*" below.

The committee determines equity awards to our NEOs based on the following:

- (1) The value of the equity award is based on a percentage of the individual's base salary, taking into account several factors including the person's performance in the prior year, the nature of the executive's role, his or her potential contribution to the long term success of the company, and the importance of retaining and incenting that executive to achieve long-term results.
- (2) The number of shares associated with equity awards is calculated by dividing 50% of the total value of the award by a per share value yielded by a Black-Scholes valuation model for stock options and 50% of the total value of the award by a per share value yielded by a Monte Carlo simulation of performance outcomes for PSUs.

The committee believes that determining an equity award based on a percentage of each executive's base salary and performance is consistent with best practices of the Peer Group and is the most appropriate basis on which to make equity awards, properly size the awards, recognize past performance and create incentives for future performance. The committee also considered the long-term incentive award data available to it in the Peer Group and consensus analyses. The following table shows the base salary rate in effect as of January 1, 2018 and the target value of each of the NEOs' annual equity awards in 2018 as a percentage of that base salary:

**2018 Annual Equity Award Targets**

Named Executive Officer	Base Salary(1)	Equity Award Target(2)
Mr. Smith	\$ 1,200,000	850%
Mr. Rubin	\$ 595,000	350%
Mr. Kamal	\$ 520,000	350%
Mr. Gregoire	\$ 488,000	250%
Ms. Lewis-Clapper	\$ 413,500	250%
Mr. Srivastava	\$ 636,500	350%

- (1) Represents the rate of base salary established and effective as of 1/1/18. Base salary rates were subsequently increased as of 4/1/18. See "*Base Salary*" above.
- (2) Stock options are valued using the Black-Scholes model and PSUs are valued using a Monte Carlo simulation model. For further information on how these values were determined, see below.

We have historically placed a large emphasis on stock options because the committee believes that stock options are closely aligned with the creation of shareholder value, since the options do not have value unless our stock price increases. The stock options will only have the same value as the target grant values if our stock price increases by an amount which is equal to the per-share Black-Scholes value we use in determining the initial award.

We also grant to our NEOs PSUs whose value is tied to our TSR over a three year performance period as compared to the S&P Health Care Services Industry Index during that period. If TSR performance relative to the index is below median, NEOs will receive fewer shares at the end of the performance period, and if the company's TSR is below threshold levels, they will not receive any shares.

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The following table summarizes the equity awards made to the NEOs during 2018:

**2018 Equity Awards**

Named Executive Officer	Options		PSUs		Total Value
	Number (#)	Value(1) (\$)	Number (#)	Value(2) (\$)	
Mr. Smith	138,700	5,099,999	36,014	5,099,943	10,199,942
Mr. Rubin	28,318	1,041,253	7,353	1,041,258	2,082,511
Mr. Kamal	24,748	909,984	6,426	909,986	1,819,970
Mr. Gregoire	16,590	610,014	4,308	610,056	1,220,070
Ms. Lewis-Clapper	14,057	516,876	3,650	516,877	1,033,753
Mr. Srivastava	30,293	1,113,874	7,866	1,113,904	2,227,778

(1) Options were valued for purposes of the award at \$36.77 per share using the Black-Scholes valuation model.

(2) PSUs were valued for purposes of the award at \$141.61 per share using a Monte Carlo simulation.

The options awarded to the NEOs have an exercise price of \$99.45 per share, the closing price of the common stock on March 5, 2018, the date of the awards. The options awarded to the NEOs vest as to one-third on each of March 5, 2019, 2020 and 2021. The options are not subject to additional minimum performance thresholds, as they are inherently subject to the performance hurdle that they will only yield actual value if the company's stock price increases in the future.

The PSUs will entitle the NEOs to receive a number of shares of the company's common stock determined over a three-year performance period beginning on January 1, 2018 and ending on December 31, 2020 and will be settled on March 5, 2021, provided that the grantee remains in the service of the company on that settlement date. The number of shares for which the PSUs will be settled will be a percentage of the shares for which the award is targeted and will depend on the company's "Relative Total Shareholder Return," expressed as a percentile ranking of the company's TSR as compared to the performance of the companies included in the S&P Health Care Services Industry Index on January 1, 2018. The number of shares for which the PSUs will be settled will vary from 0% to 200% of the target number of shares specified in the grant, as follows:

Relative Total Shareholder Return Ranking over Measurement Period	Payout Percentage Level
75th Percentile or Higher	200%
50th Percentile	100%
25th Percentile	50%
<25th Percentile	0%

Under this formula, for every 1% of percentile ranking of TSR that the company achieves above the median of the companies included in the index, the PSU recipient will receive an additional 4% of target payout shares up to a maximum of 200% of target, and for every 1% of percentile ranking of TSR by which the company is below the median of the companies included in the index, the grant recipient will receive a reduced 2% of target payout shares down to 50% of target. Below the 25<sup>th</sup> percentile of TSR of the index companies, however, the PSU recipient will receive no payout shares. For example, if the company achieves a TSR for the measuring period which ranks 21st among 51 index companies (and thus falls at the 60<sup>th</sup> percentile), the grant recipient will receive on the settlement date 140% of the shares for which the grant is targeted. The S&P Health Care Services Industry Index was selected by the committee and includes a range of healthcare companies operating in several business segments including the company.

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For purposes of the PSU awards, TSR is determined by dividing the average closing share price of the company's common stock over the 30 trading days preceding January 1, 2021 by the average closing share price of the company's common stock over the 30 trading days beginning on January 1, 2018, with a deemed reinvestment of any dividends (if any) declared during the performance period. The vesting of the PSUs may accelerate upon a termination of employment following a change in control of the company as provided in the pertinent award notice.

The following table shows the range of shares which may be issued upon settlement of the PSU awards at various relative total shareholder return levels:

Name	<25 <sup>th</sup> Percentile		25 <sup>th</sup> Percentile		50 <sup>th</sup> Percentile		75 <sup>th</sup> Percentile or More		
	Target # of Shares	%	# of Shares	%	# of Shares	%	# of Shares	%	# of Shares
	Mr. Smith	36,014	0	0	50	18,007	100	36,014	200
Mr. Rubin	7,353	0	0	50	3,677	100	7,353	200	14,706
Mr. Kamal	6,426	0	0	50	3,213	100	6,426	200	12,852
Mr. Gregoire	4,308	0	0	50	2,154	100	4,308	200	8,616
Ms. Lewis-Clapper	3,650	0	0	50	1,825	100	3,650	200	7,300
Mr. Srivastava	7,866	0	0	50	3,933	100	7,866	200	15,732

The total equity award packages to the individuals were valued for purposes of determining the awards at \$10,199,942, \$2,082,511, \$1,819,970, \$1,220,070, \$1,033,753 and \$2,227,778 for Messrs. Smith, Rubin, Kamal and Gregoire, Ms. Lewis-Clapper and Mr. Srivastava, respectively. The NEOs will only realize 50% of these values with respect to the stock options when the company's stock price exceeds the values indicated in the table below. The award values of the stock options were determined by our compensation consultant for purposes of determining the awards (and not for financial reporting purposes), based on the following assumptions:

Date of Grant	Market Value/Exercise Price	Expected Term	Expected Volatility	Risk-Free Interest Rate	Expected Dividend Yield	Black-Scholes Value	If Black-Scholes Value is Realized	
							Stock Price	Increase in Market Cap
03/05/18	\$ 99.45	7 years	28.87%	2.89%	0.0%	\$ 36.77	\$ 136.22	\$ 899 million

Increase in market capitalization was estimated using weighted average fully-diluted shares outstanding of 24,440,000 as of December 31, 2017, as reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

The award values of the PSUs were determined for purposes of determining the award, based on the following assumptions:

Date of Award	Award Value	Performance Term	30-day Average Stock Price	Valuation Date Stock Price	Expected Volatility	Expected Dividend Yield
03/05/18	\$ 141.61	36 months	\$ 98.15	\$ 99.45	30.90%	0.00%

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On March 5, 2019 the company awarded to the NEOs then serving the following options and PSUs under the 2016 MIP:

**2019 Equity Awards**

Named Executive Officer	Options		PSUs		Total Value
	Number (#)	Value(1) (\$)	Number (#)	Value(2) (\$)	
Mr. Smith	114,286	3,000,008	29,907	2,999,971	5,999,979
Mr. Rubin	35,020	919,275	9,164	919,241	1,838,516
Mr. Kamal	40,808	1,071,210	10,679	1,071,210	2,142,420
Mr. Gregoire	23,703	622,204	6,203	622,223	1,244,427
Ms. Lewis-Clapper	20,281	532,376	5,307	532,345	1,064,721

(1) Options were valued for purposes of the award at \$26.25 per share using the Black-Scholes valuation model.

(2) PSUs were valued for purposes of the award at \$100.31 per share using a Monte Carlo simulation.

*Retirement Vehicles/Deferred Compensation*

We maintain a 401(k) savings plan which permits employees to defer compensation and to which the company makes matching contributions on behalf of the NEOs on the same basis as all other participants. We have never maintained a defined-benefit pension plan. We also operate a Supplemental Accumulation Plan (the "SAP"), a non-qualified deferred cash compensation plan that is designed to enhance opportunities for retirement savings in the absence of any retirement programs other than our 401(k) plan. The SAP includes a discretionary component funded by us which is determined on an annual basis as a fixed percentage of an executive's base salary, and a voluntary deferral component under which the participant may make contributions from base or incentive compensation. The discretionary component is offered to a limited group of executive officers who historically have received this contribution, but the committee does not plan to offer it to any newly promoted or newly hired executives in the future. For a description of the SAP, see "Narrative to the Summary Compensation Table and the Grants of Plan-Based Awards Table - Deferred Compensation Plan" below. Awards for a given year are generally made in March of the following year. For 2018, Messrs. Smith, Rubin and Gregoire and Ms. Lewis-Clapper were each awarded in March 2019 a company contribution of 11% of base salary. No SAP awards were made to Messrs. Srivastava and Kamal.

*Perquisites*

We have historically provided certain perquisites to a small number of our NEOs depending on his or her level within the company and the provisions of that person's employment agreement. The perquisite benefits we provide to the NEOs are designed as protection benefits (e.g., supplementing life and disability insurance to ensure three times base salary and 60% of salary coverage, respectively). These perquisites have historically been offered to a limited group of executive officers; however, we do not plan to offer them to any newly promoted or newly hired executives in the future. For further information on the perquisites provided to each NEO in 2018, see "Summary Compensation Table" below.

*Adjustments or Clawbacks of Compensation*

Under certain circumstances, we may have the right or the duty to adjust compensation before it is paid to our NEOs or to claw-back compensation after it is paid to our NEOs. Under Section 304 of the



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Sarbanes-Oxley Act of 2002, if we are required to prepare an accounting restatement due to material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, our chief executive officer and chief financial officer must reimburse the company for any bonus or other incentive-based or equity-based compensation received by them during the 12-month period following the first public issuance or filing with the SEC (whichever first occurs) of the document embodying that financial reporting requirement and any profits realized by them from the sale of our securities during that 12-month period. We have also adopted a specific compensation recovery policy that covers our executive officers and other designated key employees under which our Management Compensation Committee has the discretion to recover any excess performance-based compensation (including performance-based equity and bonus awards) paid to the covered person, which is based on a material financial restatement. The committee has the right to recover such excess compensation by a variety of means, to the extent allowed by law, including the cancellation or forfeiture of any vested or unvested incentive-based compensation, forfeiture of severance payments due or repayment of any incentive-based compensation previously paid. The committee also has the discretion to forego or reduce the amount of the recovery, including if the person's conduct did not cause or contribute to the material restatement. Under a provision of the Dodd-Frank Act which appears in Section 10D of the Exchange Act, the SEC and NASDAQ are to promulgate rules which require listed companies to recover incentive-based compensation paid during the previous three years that is based on financial information which the company is required to restate due to a material non-compliance with financial reporting requirements. The SEC and NASDAQ have not yet promulgated these rules.

Under Section 12 of the 2016 MIP and predecessor equity plans, and by the terms of our equity award agreements, we have the right to declare equity awards to be forfeited or to recover any gains realized under any award under those plans, either during the term of a participant's employment or during the one year period following his or her termination of employment, if the participant engages in certain types of conduct described in the plans and considered injurious to the company. Section 12 of the 2016 MIP and predecessor equity plans also provide that any clawback or recoupment provision required under the Dodd-Frank Act will apply to awards under that plan.

*Equity Award Procedures Generally*

Our Policy Regarding Awards of Equity-Based Incentive Arrangements to Executive Officers and Other Employees deals with the terms, timing and pricing of equity awards and the process for the grant and approval of awards. The policy provides that the committee determines the number of shares covered by awards for our NEOs and the terms of those awards, including specified performance goals. It also provides that the committee establishes a pool of options, restricted shares, RSUs and PSUs which the chief executive officer has the power to award to other executive officers and employees generally. The actual number of options, restricted shares, RSUs and PSUs awarded annually to employees other than our NEOs and other senior executives is determined under the policy by our chief executive officer under delegated authority from the committee; awards are then made on the same date as the awards to our NEOs. Awards generally are made only once annually to officers and employees who are hired prior to January 1 of that year on the third business day in March unless otherwise determined by the committee. Awards of stock options must have an exercise price which is not less than the fair market value of the company's stock on the date of the award, measured by the closing price on NASDAQ. The purpose of this practice is to communicate and price equity awards to executive officers and employees early in the year, and to encourage them to attain the company's strategic objectives during the year. In a case where an executive or other employee is newly-hired or promoted or under other special circumstances, the award is made on the first business day of the month following the event giving rise to the award.

The committee met in early February 2018 to tentatively set the percentage of base salary for which equity awards would be made. The 2018 equity awards were then approved on February 21, 2018

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and awards were valued and made on March 5, 2018, as required by the company's equity award policy. The grant date of the awards followed the public announcement on February 27, 2018 of the company's annual financial results for 2017.

We also grant stock options and RSUs in connection with the hiring of certain executives, and in connection with the signing of new or revised employment agreements with certain executives. We may also grant equity awards outside of the yearly cycle to an executive who undertakes substantial additional responsibilities during the year. Under our policy, awards made in connection with new hires, promotions or under other special circumstances, are made effective on the first business day of the month following the relevant event.

In most cases, our equity plans restrict the transferability of awards, permitting only transfers to certain family members and entities held by or established for the benefit of family members.

The company recognizes compensation expense for financial statement reporting purposes under Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718, "Stock Compensation" ("ASC Topic 718") based on the grant-date value of the awards. The company recognizes substantially all of the compensation cost associated with the awards of stock options, PSUs and RSUs on a straight-line basis over the specified service period, which is generally the three-year vesting term. The Black-Scholes grant-date values of option awards are recognized as compensation expense on a straight-line basis over the vesting period. Awards of PSUs are valued using a Monte Carlo simulation of performance outcomes, and the value is recognized as stock compensation expense on a straight-line basis over the vesting period. For further information on our accounting methods for equity awards, see Notes 2 and 6 to the consolidated financial statements included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed on February 28, 2019.

*Equity Ownership Policy*

Our board has adopted an equity ownership policy which requires our executive officers to maintain ownership of a specified minimum value of our stock and other equity-linked securities, in order to ensure that their financial interests remain aligned with those of our shareholders. The policy applies to our chief executive officer, chief financial officer, our other officers who are considered "executive officers" under Section 16(b) of the Exchange Act and certain other officers who report directly to our chief executive officer. Under the policy, our chief executive officer is required to hold equity with a current fair market value equal to at least five times his base salary; our chief financial officer is required to hold equity with a current fair market value equal to at least three times his base salary; and various other executive officers are required to maintain equity with a current fair market value equal to at least two times their base salary. The policy prohibits a covered executive officer from making any sales or other transfers of equity if its requirements are not then met by the executive officer or if any such sale or other transfer would cause the executive officer not to meet those requirements.

*Equity Hedging and Pledging Policies*

Our stock trading policy includes a policy which prohibits our directors, officers and employees from transferring to another person all or any part of the economic risk (either positive or negative) of any equity award, either by contract, by substituting securities or any other arrangement which has that effect. The policy also prohibits directors, officers and employees from purchasing equity securities of the company on margin or pledging such equity securities as collateral for a loan.

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*Compensation of Named Executive Officers upon a Change in Control and Other Termination of Employment*

The company has agreed under the terms of the employment and applicable award agreements with its NEOs to provide them with the following payments and other benefits upon termination under the specified scenarios. The company considers these severance and change in control benefits to be an important part of its executive compensation program and consistent with competitive market practices. Providing appropriate severance benefits helps the company to attract and retain highly-qualified executives by mitigating the risks associated with leaving a previous employer, and by providing income continuity following an unexpected termination. Change in control benefits also help to mitigate any executive's personal concerns and to focus on the company's and its shareholders' interests in a change in control situation.

**Severance Benefits**

	Without Cause/For Good Reason				Change in Control(1)			
	Severance Pay	Annual Bonus	Other Benefits(2)	Vesting of Equity	Severance Pay	Annual Bonus	Other Benefits(2)	Vesting of Equity(3)
Mr. Smith	2x Base Salary	2x Target	18 months	All Awards(4)	3x Base Salary(5)	3x Target(5)	18 months	All Awards
Mr. Rubin	1x Base Salary	Prorated	12 months	All Awards(6)	2x Base Salary	Prorated + 2x Target	18 months	All Awards
Mr. Kamal	1x Base Salary	Prorated	12 months		2x Base Salary	Prorated + 2x Target	18 months	All Awards
Mr. Gregoire	1x Base Salary	Prorated	12 months		2x Base Salary	Prorated + 2x Target	18 months	All Awards
Ms.Lewis-Clapper	1x Base Salary	Prorated	12 months		2x Base Salary	Prorated + 2x Target	18 months	All Awards
Mr. Srivastava	1x Base Salary	Prorated	12 months		2x Base Salary	Prorated + 2x Target	18 months	All Awards

- (1) Termination will be considered in connection with a change in control if it occurs within 2 years after the change in control without cause or for good reason by the executive.
- (2) Other Benefits includes medical, dental, vision and prescription drug coverage. If the executive elects COBRA at termination, the company will pay the employer portion of the COBRA premium for the period of time indicated.
- (3) Unvested stock options will vest immediately and the executive will have the remaining term to exercise them. Unvested PSUs will vest immediately at targeted share amounts.
- (4) Stock options will vest immediately and Mr. Smith will have one year to exercise them, or the remaining term of the option, whichever is less. PSUs will vest immediately at targeted share amounts.
- (5) These amounts are payable in a lump sum upon termination.
- (6) Mr. Rubin's employment agreement provides that if he retires from employment with the company as defined under the company's Equity Retirement Policy, except the requirement he be age 65 or older, all his outstanding and unvested stock options, RSUs and PSUs will continue to vest in accordance with their terms as if he were still employed.

*Review of Risks and Incentives*

We seek to implement compensation policies and practices that encourage the careful management of operating and financial risk. We believe that our compensation policies and practices as they relate to our executive officers and employees are currently well-aligned with this

risk-management objective. Each year the committee reviews all of the compensation programs that the NEOs and all other

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employees participate in to determine the level of risk and whether it is appropriate and the controls that are in place for mitigating risk.

In order to manage our risk in compensation decisions and to align the incentives that we provide to our executive officers and employees with the interests of our shareholders, we provide a diversified set of incentives. These are carefully balanced between fixed cash compensation (base salary), short-term variable cash incentives (awards under the ICP) and long-term incentives (awards of PSUs which depend on company TSR performance relative to TSR performance of a set of index companies, non-qualified stock options, restricted stock units and phantom cash unit awards under the 2016 MIP and predecessor equity plans). Our base salary is designed to provide basic financial security to our executive officers and other employees, with the amount set at a level designed to reflect the degree of influence which the recipient has over company performance and to be competitive for the employee's role as compared to similar roles in organizations that are similar in size and industry as reported in salary surveys.

Awards of short-term bonuses under our ICP are based on a percentage of an executive officer's or other employee's base salary, to reflect the level of impact that the individual has over our corporate performance and to provide an incentive appropriate to the individual's position in the company. Our ICP awards are based in large part on achievement of the segment profit targets set for the company or for particular business segments of our overall business set on an annual basis by the board and to a lesser degree on the annual growth of company-wide adjusted net income, which is reflected in our audited year-end financial statements. See "*Annual Bonuses*" above. Higher target bonus percentages are assigned to the NEOs who face a higher degree of accountability for the company's annual performance and to be competitive in order to recruit and retain the level of executive talent we need to be successful. We believe that this individualized approach serves as a factor mitigating the operating and financial risk that we face in awarding short-term cash bonuses. Another factor mitigating the risks of awarding short-term cash bonuses is that our mix of total compensation is weighted heavily toward long-term equity incentives, which motivates our NEOs to build long-term shareholder value.

In making long-term equity awards, we have sought to carefully balance the risks and incentives posed by stock options and PSU awards. In 2018, we awarded options with a value equal to 50% of the total equity award and PSUs with a value equal to 50% of the total award. The stock option awards have a term of 10 years and vest over a three-year period. The result is that the incentive is long-term in nature, is earned over a period of years, and provides for participation in future value creation as measured by the company's stock price performance. The PSU awards are designed to expose the recipient to the risk that the company's TSR will underperform relative to a peer group of companies and provide a retention incentive due to the value that is received upon vesting. These awards also vest over a three-year period, creating a long-term incentive for the recipient to maintain and increase the company's stock price. Our PSU awards are earned based on relative TSR performance and are settled after a three-year performance period, mitigating any risk that the settlement will be based on short and potentially unrepresentative performance. See "*Equity Awards*" above. While our stock price may be subject to periodic short-term fluctuation in response to factors other than long-term company performance, we believe that the terms of our equity awards create incentives to create real, long-term value in our stock, while avoiding risks that are reasonably likely to have a material adverse effect on the company.

Under the terms of the 2016 MIP and other equity plans and our equity award agreements, we have the right to adjust compensation before it is paid or to claw-back compensation after it is paid, if the participant engages in certain types of conduct considered injurious to the company. See "*Adjustments or Clawbacks of Compensation*" above. In addition, Section 304 of the Sarbanes-Oxley Act affords the company clawback rights against the chief executive officer and chief financial officer if an accounting restatement is necessary due to misconduct. We have also adopted a formal compensation recovery policy which allows our Management Compensation Committee to recover any excess

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performance-based compensation if we declare a material financial restatement. These clawback rights are designed to mitigate several risks by removing incentives for different types of negative conduct and help assure accountability if the situations to which they apply should arise. Our equity ownership policy, which is described above under "*Equity Ownership Policy*," is also designed to mitigate the risks of awarding equity to our Named Executive Officers by requiring them to always have personal economic exposure to the company's stock price performance which is material relative to their base salary.

*Consideration of Shareholder Votes on Executive Compensation*

At our 2018 annual meeting, we held an advisory vote on the compensation of our NEOs. Our shareholders voted to approve our executive compensation, with 96.9% of all of the shares that voted on the matter (excluding abstentions and broker non-votes) voting in favor.

Prior to the 2018 shareholder meeting, both ISS and Glass Lewis issued a positive recommendation regarding our executive compensation vote. ISS's positive recommendation was based on its assessment that pay and performance were reasonably aligned in the company's compensation programs. Glass Lewis' positive recommendation was based on its assessment that the company had performance which was in-line with its peer groups but paid its CEO less than the peer group. Based on these recommendations and the large majority vote in favor of our NEO compensation at our 2018 annual meeting, we believe that our NEO compensation is aligned with our financial performance.

We last held an advisory vote on how often we should hold our advisory vote on the compensation of our NEOs at our 2014 annual meeting. At that meeting, our shareholders voted, by a large majority, for an annual vote. Based on these voting results, we determined to hold our advisory vote on executive compensation on an annual basis.

*Loans to Executive Officers and Board Members*

The committee has determined not to provide loans of any sort, including but not limited to relocation loans and loans to pay the exercise price of stock options, to our NEOs or members of the board of directors. No such loans are currently outstanding.

*Deductibility of Executive Compensation*

Section 162(m) of the Internal Revenue Code (the "*IRC*") generally limits the deductibility of compensation paid each year to a publicly-held company's chief executive officer and to its three most highly paid senior executive officers, other than the chief financial officer, to \$1 million per person. Prior to the adoption of the Tax Cuts and Jobs Act in December 2017, compensation in excess of the \$1 million limitation was excluded from this limit if it was based on, among other things, pre-established performance criteria. The Tax Cuts and Jobs Act eliminated this performance-based exclusion going-forward, but allows companies to continue to deduct excess performance-based compensation paid under a written, binding contract in effect as of November 2, 2017, provided that the terms of that contract are not modified in any material way.

While in previous years the committee attempted to structure our compensation programs to maximize the deductibility of compensation under Section 162(m), this will no longer be possible in the future. As a result, a large portion of our executive compensation in excess of \$1 million was not deductible in 2018.

*Report of Management Compensation Committee*

The Management Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on that review and discussion, has recommended to the board that the Compensation Discussion and Analysis be included in this proxy statement.

The Management Compensation Committee

G. Scott MacKenzie (Chair)

Matthew J. Simas

Michael S. Diament

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*Summary Compensation Table for 2018, 2017 and 2016*

The following table sets forth, for the three years ended December 31, 2018, 2017 and 2016, the compensation paid by the company to our principal executive officer, principal financial officer and the three next most highly compensated executive officers serving at December 31, 2018 and one former executive officer who was highly compensated in 2018 but was not serving at December 31, 2018 (collectively, the "Named Executive Officers" or "NEOs"):

Name and Principal Position	Year	Base Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive		Total (\$)
					Plan Compensation (\$)	All Other Compensation (\$)	
Barry M. Smith Chief Executive Officer	2018	1,200,002	5,099,943	3,621,334	0	241,437	10,162,716
	2017	1,150,000	3,150,008	2,044,562	846,000	244,376	7,434,946
	2016	1,000,000	2,500,024	1,686,496	2,110,275	154,588	7,451,383
Jonathan N. Rubin Chief Financial Officer	2018	608,389	1,041,258	739,358	0	98,076	2,487,081
	2017	581,450	676,020	438,762	237,703	96,836	2,030,771
	2016	535,600	650,016	438,485	659,295	82,717	2,366,113
Mostafa M. Kamal Chief Executive Officer Magellan Rx Management	2018	531,701	909,986	646,148	0	8,250	2,096,085
	2017	494,000	520,033	337,508	177,216	30,450	1,559,207
	2016	412,000	500,005	337,296	492,204	30,300	1,771,805
Daniel N. Gregoire General Counsel	2018	495,321	610,056	433,150	0	100,620	1,639,147
	2017	484,450	414,593	269,085	149,084	93,086	1,410,298
	2016	470,350	345,016	232,737	361,386	78,582	1,488,071
Caskie Lewis-Clapper Chief Human Resources Officer	2018	422,805	516,877	367,016	0	67,423	1,374,121
Sam K. Srivastava Former Chief Exec. Officer Magellan Healthcare(1)	2018	646,049	1,113,904	790,923	0	8,250	2,559,126
	2017	630,375	764,992	496,529	267,839	8,100	2,167,835
	2016	609,000	749,958	505,944	784,036	7,950	2,656,888

(1) Mr. Srivastava's employment with the company ended on December 28, 2018.

*Base Salary Column*

The figures shown in the Base Salary column above represent amounts actually paid to the NEOs during the fiscal year. New pay rates are typically effective as of April 1 of each year.

*Stock Awards Column*

The figures shown in the Stock Awards column above represent the aggregate grant date fair values for financial reporting purposes of PSUs awarded in 2018, 2017 and 2016, computed in accordance with ASC Topic 718, without any discount attributable to estimated forfeitures. The PSU awards made in 2018 were valued for financial reporting purposes using a Monte Carlo simulation at the following value using the following assumptions:

Date of Award	Award Value	Performance Term	30-Day Average Stock Price	Valuation Date Stock Price	Expected Volatility	Expected Dividend Yield
03/5/18	\$ 141.61	36 months	\$ 98.15	\$ 99.45	30.90%	0.00%

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For further information regarding the determination of the fair value of the PSUs, see Note 6 to our financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.



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The PSU awards that were made in 2016 were settled and shares were issued on 3/3/19 at 78% of the shares in the target awards based on the company's TSR during the period 1/1/16 to 12/31/18. The shares for which the awards were settled are listed in the "Outstanding Equity Awards at December 31, 2018" table below. The settlement share figures are set forth below:

Name	Target Award (# of shs)	Award as Settled (# of shs)
Mr. Smith	25,615	19,980
Mr. Rubin	6,660	5,195
Mr. Kamal	5,123	3,996
Mr. Gregoire	3,535	2,757
Ms. Lewis-Clapper	2,882	2,248

*Option Awards Column*

The amounts shown in the Option Awards column above represent the grant date fair values of the options awarded in 2018, 2017 and 2016, computed in accordance with ASC Topic 718. The values and assumptions used to determine the compensation expense of the awards for financial reporting purposes differ from the values and assumptions used by the Management Compensation Committee to determine the size of the awards, which are described under "Compensation Discussion and Analysis Equity Awards." The option awards made in 2018 were valued for financial reporting purposes based on the following assumptions:

Date of Grant	Risk-Free Interest Rate	Expected Life	Expected Volatility	Expected Dividend Yield	Term	Market Value/Exercise Price	Award Value
03/05/18	2.54%	4 years	28.20%	0.00%	10 yrs.	\$ 99.45	\$ 26.109110

For further information regarding the determination of the fair value of the options, see Note 6 to our financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

*Non-Equity Incentive Plan Compensation Column*

The amounts shown in Non-Equity Incentive Plan Compensation column above represent performance-based cash compensation amounts actually awarded under the ICP for service during the indicated year but paid in the following year. For 2018, no ICP bonuses were awarded, due to the company's performance in 2018. See "Compensation Discussion and Analysis Compensation Program Components and Rationale for our Named Executive Officers Annual Bonuses" above for a discussion of the targets and criteria for the awards.

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*All Other Compensation Column*

The amounts set forth in the All Other Compensation column above include:

Name	Company Matching 401(k) Contributions (\$)	SAP Contribution (\$)	Supplemental Life Insurance (\$)	Supplemental LTD (\$)	Tax Gross-Up (\$)
Mr. Smith	8,250	132,000	17,943	43,427	39,817
Mr. Rubin	8,250	67,414	1,535	10,494	10,384
Mr. Kamal	8,250	0	0	0	0
Mr. Gregoire	8,250	54,754	16,222	6,592	14,802
Ms. Lewis-Clapper	8,250	46,850	1,294	7,400	3,629
Mr. Srivastava	8,250	0	0	0	0

Supplemental LTD amounts are supplemental long-term disability insurance coverage provided to certain executives. Tax gross-up payment amounts are described below under "Narrative to the Summary Compensation Table and the Grants of Plan-Based Awards Table Perquisites."

The figures set forth in the above table for Mr. Srivastava for 2019 do not include severance payments and post-termination benefits in the aggregate amount of \$665,127 payable to him during 2019, provided that he complies with certain restrictive covenants during the one-year period following termination of his employment. See "Executive Officers Estimated Benefits upon Various Termination Scenarios."

**Grants of Plan-Based Awards for 2018**

The following table sets forth, for the year ended December 31, 2018, information regarding grants of non-equity incentive plan awards and all other stock and option awards to the NEOs.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Option Awards (# of Sh)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
Barry M. Smith		720,000	1,800,000	3,600,000						
	3/5/18				18,007	36,014	72,028			5,099,943
	3/5/18							138,700	99.45	3,621,334
Jonathan N. Rubin		208,369	520,923	1,041,846						
	3/5/18				3,677	7,353	14,706			1,041,258
	3/5/18							28,318	99.45	739,358
Mostafa M. Kamal		171,392	428,480	856,960						
	3/5/18				3,213	6,426	12,852			909,986
	3/5/18							24,748	99.45	646,148
Daniel N. Gregoire		129,418	323,544	647,088						
	3/5/18				2,154	4,308	8,616			610,056
	3/5/18							16,590	99.45	433,150
Caskie Lewis-Clapper		110,735	276,838	553,676						
	3/5/18				1,825	3,650	7,300			516,877
	3/5/18							14,057	99.45	367,016
Sam K. Srivastava		207,754	519,384	1,038,768						
	3/5/18				3,933	7,866	15,732			1,113,904
	3/5/18							30,293	99.45	790,923



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*Estimated Future Payouts Under Non-Equity Incentive Plan Awards Columns*

The values in these columns above represent possible cash awards under the ICP. For a discussion of the operation of the ICP, see "Compensation Discussion and Analysis Annual Bonuses" above. No actual awards were made under the ICP for service in 2018, as set forth under the column "Non-Equity Incentive Plan Compensation" in the "Summary Compensation Table for 2018, 2017 and 2016" above. The threshold award represents 40% and the maximum award represents 200% of the applicable target award, which is a specified percentage of the NEO's base salary. The committee retains discretion to award a higher amount under the ICP if it considers warranted.

*Estimated Future Payouts Under Equity Incentive Plan Awards Columns*

The values in these columns above represent settlement of PSUs at target share award levels. The actual number of shares settled depends on the Company's TSR for the three-year performance period relative to the S&P Health Services Index, as described under "Compensation Discussion and Analysis Equity Awards" above.

*Grant Date Fair Value of Stock and Option Awards Column*

The grant date fair values of options shown in this column above represent the amounts used by the company for financial reporting purposes calculated in accordance with ASC Topic 718, as set forth in the "Summary Compensation Table" above. The grant date fair values of the option awards for purposes of determining awards and the assumptions used in calculating those values is described under "Compensation Discussion and Analysis Equity Awards" above. The grant date fair values of PSUs shown in this column represent the amounts used by the company for financial reporting purposes calculated in accordance with ASC Topic 718. The grant date fair values of the PSU awards for purposes of determining the size of the awards and the assumptions used in calculating those values are described above under "Compensation Discussion and Analysis Equity Awards."

*Narrative to the Summary Compensation Table and the Grants of Plan-Based Awards Table*

**Base Salary.** The base salary and the other terms of our employment agreements with our NEOs are set forth under "Compensation Discussion and Analysis Base Salary" and "Compensation of Named Executive Officers upon a Change of Control and Other Terminations of Employment" above, and under "Executive Officers Employment Contracts and Termination of Employment and Change of Control Payments" below.

**Annual Incentive Plan.** In 2018, the executive officers were eligible to participate in the company's ICP, which was designed to provide bonus awards to officers and other employees based on the achievement of individual goals that were aligned with company and business segment goals tied to financial performance and our growth strategy. In 2018, the target bonus award levels for the executive officers ranged from 65% to 150% of base salary, generally as specified in their employment agreements. For 2018, Messrs. Smith, Rubin, Kamal and Gregoire, Ms. Lewis-Clapper and Mr. Srivistava were entitled to an annual target bonus opportunity of 150%, 85%, 80%, 65%, 65% and 80%, respectively. Based on performance in relation to applicable targets, the amount of bonus can range from 0% to 200% of this target percentage, depending on individual and company performance, with significantly more emphasis on company performance for our executive officers. Awards were based on the company meeting or exceeding specified financial goals, as described in "Compensation Discussion and Analysis Annual Bonuses" above. For 2018, the Company did not achieve threshold

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performance levels for segment profit or growth in adjusted net income and, therefore, no awards were paid under the 2018 ICP

	<b>Bonus Payment Amount</b>	<b>Percent of Target</b>	<b>Base Salary + Bonus Payment</b>	<b>Base Salary and Bonus as a Percent of Total Compensation*</b>
	(\$)	(%)	(\$)	(%)
Mr. Smith	0	0	1,200,002	12
Mr. Rubin	0	0	608,389	24
Mr. Kamal	0	0	531,701	25
Mr. Gregoire	0	0	495,321	30
Ms. Lewis-Clapper	0	0	422,805	31
Mr. Srivastava	0	0	646,049	25

\*  
Total compensation is as set forth in the Total column in the Summary Compensation Table.

*2016 Management Incentive Plan.* The shareholders originally approved the 2016 MIP at the annual meeting of shareholders held on May 18, 2016. The shareholders also approved an amendment which increased the number of shares available for awards under the plan to 4,000,000 on May 18, 2016. The 2016 MIP is administered by the Management Compensation Committee of the board and allows several types of long-term incentives including stock options, stock appreciation rights, restricted stock awards, restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs") and performance-based cash awards. The plan authorizes awards covering a total of up to 4,000,000 shares of common stock, plus the amount of future forfeitures and expirations under the 2011 Management Incentive Plan, the 2008 Management Incentive Plan, the 2006 Management Incentive Plan, the 2003 Management Incentive Plan and the 2006 Directors' Equity Compensation Plan. The 2016 MIP also permits grants of equity to non-employee directors. On March 5, 2018, the company awarded to Messrs. Smith, Rubin, Kamal and Gregoire, Ms. Lewis-Clapper and Mr. Srivastava non-qualified stock options under the 2016 MIP for 138,700, 28,318, 24,748, 16,590, 14,057 and 30,293 shares exercisable at a price of \$99.45 per share, vesting in three equal annual installments on March 5, 2019, 2020 and 2021. All of the options have a term of 10 years and vesting is conditional on the grantee's continued service with the company on those vesting dates. The grant date values of the option awards and the assumptions used in calculating them, used for purposes of determining the size of the awards, are described under "*Compensation Discussion and Analysis Equity Awards*" above.

The company also issued to Messrs. Smith, Rubin, Kamal and Gregoire, Ms. Lewis-Clapper and Mr. Srivastava on March 5, 2018 under the 2016 MIP PSUs for 36,014, 7,353, 6,426, 4,308, 3,650 and 7,866 shares, respectively. The PSUs entitle the grantee to receive a number of shares determined over a three year performance period ending on December 31, 2020 and vesting on March 5, 2021, the settlement date, provided that the grantee remains in the company's service on that settlement date. The number of shares for which the PSUs will be settled will be a percentage of the shares for which the award is targeted and will depend on the company's relative total shareholder return expressed as a percentile ranking of the company's total shareholder return as compared with a company-selected peer group, which includes the companies comprising the S&P Health Care Services Industry Index on January 1, 2018. The grant date values of these PSU awards and the assumptions used in calculating them used for purposes of determining the awards and the performance conditions and other terms of the PSUs is described under "*Compensation Discussion and Analysis Equity Awards*" above.

*Perquisites.* Mr. Smith is only provided the same perquisites as other senior executive officers. The employment agreements with Messrs. Rubin, Kamal and Gregoire, Ms. Lewis-Clapper and Mr. Srivastava entitle them to the benefits of employment as are from time to time provided to salaried

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employees of the company or adopted for employees at their level of responsibility. Under the company's benefit arrangements, each of them (except Messrs. Srivastava and Kamal) receives supplemental life and disability insurance. The company does not provide perquisites other than supplemental life and disability insurance and does not plan to offer perquisites in the future to executives. The company also provides a gross-up payment to cover the tax cost of receiving the supplemental insurance and health care benefits to Messrs. Smith, Rubin and Gregoire and Ms. Lewis-Clapper, as set forth above in the "Summary Compensation Table for 2018, 2017 and 2016" table, under "All Other Compensation" and the related footnote. For a summary of various provisions in those employment agreements in the event of a termination of employment without cause or for good reason, see "Employment Contracts and Termination of Employment and Change of Control Payments" below. Certain of the NEOs have the right to receive gross-up payments in connection with a change in control or termination of employment with respect to the excise tax under Section 4999 of the IRC, as described in that section below.

*Deferred Compensation Plan.* The Supplemental Accumulation Plan (the "SAP") is a deferred compensation plan which is designed to promote the retention of key executives. Annually, the Management Compensation Committee approves a percentage contribution for certain executive officers. It may also be funded by the executive officers through voluntary deferrals of base and/or incentive compensation. For 2018, the Company awarded Messrs. Smith, Rubin and Gregoire and Ms. Lewis-Clapper a company contribution of 11% of base salary under the SAP. Both company and voluntary contributions are paid to a trust sponsored by a third party administrator and credited with investment in one or more mutual funds selected by the respective executive officer. Returns on each individual's account balance are based on the performance of his or her selected investment options.

The fixed percentage amount contributed to the trust and any appreciation thereon is paid to the executive officer based on his or her distribution election following termination from the company, provided that the executive officer has complied with covenants not to compete with the company during that time period and the termination was not "for cause."

The terms of the SAP provide that the amounts deposited in the trust on behalf of executive officers are to be immediately and fully vested upon a change in control of the company (as defined in the SAP plan document).

The company does not maintain any defined benefit pension plans.

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**Outstanding Equity Awards at December 31, 2018**

The following table sets forth for the NEOs the number of shares and the value of option and stock awards outstanding as of December 31, 2018.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised 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)
	Exercisable (#)	Unexercisable (#)			(#)	(\$)
Barry M. Smith	227,375		\$ 51.79	02/01/23		
	210,674		\$ 63.95	03/04/25		
	73,068	36,533(2)	\$ 64.87	03/03/26		
	40,230	80,460(3)	\$ 68.50	03/03/27		
		138,700(4)	\$ 99.45	03/05/28		
					19,980(5)	1,136,662
					41,317(6)	2,350,524
					36,014(7)	2,048,836
Jonathan N. Rubin	58,863		\$ 60.39	03/05/24		
	23,764		\$ 53.72	11/02/25		
	18,998	9,498(2)	\$ 64.87	03/03/26		
	8,634	17,266(3)	\$ 68.50	03/03/27		
		28,318(4)	\$ 99.45	03/05/28		
					5,195(5)	295,544
					8,867(6)	504,444
					7,353(7)	418,312
Mostafa M. Kamal	16,666		60.55	08/03/25		
		7,306(2)	64.87	03/03/26		
		13,282(3)	68.50	03/03/27		
		24,748(4)	99.45	03/05/28		
						3,996(5)
					6,821(6)	388,047
					6,426(7)	365,575
Daniel N. Gregoire		5,041(2)	64.87	03/03/26		
		10,589(3)	68.50	03/03/27		
		16,590(4)	99.45	03/05/28		
					2,757(5)	156,846
					5,438(6)	309,368
					4,308(7)	245,082
Caskie Lewis-Clapper	30,843		63.95	03/04/25		
	8,220	4,110(2)	64.87	03/03/26		
	4,317	8,632(3)	68.50	03/03/27		
		14,057(4)	99.45	03/05/28		
						2,248(5)
					4,433(6)	252,193
					3,650(7)	207,649
Sam K. Srivastava(8)	60,000		61.32	10/01/23		
	22,791		60.39	03/05/24		
	25,000		57.12	08/01/24		
	69,399		63.95	03/04/25		

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21,920	64.87	03/03/26
9,770	68.50	03/03/27

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(1)

Market value is calculated based on the closing price of \$56.89 on 12/31/18.



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- (2) The options were awarded on 3/3/16 and the remaining unvested options vest on 3/3/19.
- (3) The options were awarded on 3/3/17 and vest as to 50% on each of 3/3/19 and 3/3/20.
- (4) The options were awarded on 3/5/18 and vest as to 33<sup>1</sup>/<sub>3</sub>% on each of 3/5/19, 3/5/20 and 3/5/21.
- (5) The indicated numbers of shares represent PSU awards with a target award made on 3/3/16, and the indicated number represents the shares for which the award was actually settled on the basis of a three-year performance period ending on 12/31/18 and was issued on the third anniversary of the award date if the recipient remained employed on that date. The award was actually settled for 78% of the target number of shares.
- (6) The PSU award represents a target award made on 3/3/17 and the number of shares for which the award will actually be settled will be determined at the end of a three-year performance period extending through 12/31/19.
- (7) The PSU award represents a target award made on 3/5/18 and the number of shares for which the award will actually be settled will be determined at the end of a three-year performance period extending through 12/31/20.
- (8) The PSUs previously awarded to Mr. Srivastava in 2016, 2017 and 2018 were terminated upon his termination of employment on 12/28/18, which was prior to the end of the performance measuring period and settlement date for those PSUs. The unvested stock options held by him on the date of his termination of employment terminated on that date, and the stock options which vested prior to his termination of employment will remain exercisable for a period of six months following such termination.

***Option Exercises and Stock Vested for 2018***

The following table sets forth for the NEOs the number of shares acquired and the value realized upon the exercise of stock options and the vesting of stock awards during the year ended December 31, 2018.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#)	(\$)
Barry M. Smith	93,617	4,164,815	25,534	2,646,160
Jonathan N. Rubin	47,529	2,015,554	2,420	162,914
Mostafa M. Kamal	17,094	563,052	902	93,012
Daniel N. Gregoire	22,875	774,111	4,107	427,128
Caskie Lewis-Clapper	0	0	3,367	350,168
Sam K. Srivastava	0	0	7,577	788,008

- (1) The value realized on exercise of stock options is equal to the sale price reported in the executive's Form 4, where options were exercised and the shares issued under those options were immediately sold, less the exercise price, multiplied by the number of shares acquired.

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*Value Realized on Stock Options Exercised*

The values realized on exercise of stock options in 2018 set forth above were calculated as follows:

Name	Date of Award	Exercise Date	No. of Options Exercised (#)	Sale Price (\$)	Value Realized on Exercise (\$)
Mr. Smith	02/01/13	01/02/18	13,367	95.9400	590,153
	02/01/13	02/01/18	13,375	99.1974	634,074
	02/01/13	03/01/18	13,375	101.1961	660,806
	02/01/13	04/02/18	13,375	103.5202	691,892
	02/01/13	05/01/18	13,375	86.0244	457,886
	02/01/13	06/01/18	13,375	92.2113	540,636
	02/01/13	07/02/18	13,375	95.8550	589,370
Mr. Rubin	11/02/15	01/02/18	17,443	96.0720	738,746
	11/02/15	01/03/18	30,086	96.1586	1,276,809
Mr. Kamal	03/04/15	03/05/18	1,480	98.9351	51,778
	03/03/16	03/05/18	7,307	99.0568	249,803
	03/03/17	03/05/18	6,641	99.0418	202,828
	04/01/15	04/02/18	1,666	106.2000	58,643
Mr. Gregoire	03/04/15	03/05/18	12,538	99.0469	440,045
	03/03/16	03/05/18	5,042	99.0469	172,320
	03/03/17	03/05/18	5,295	99.0469	161,746

*Value Realized on Vesting of Stock Awards*

The values realized on vesting of stock awards in 2018 set forth above were calculated as follows:

Name	Date of Award	Type of Award(1)	Vesting Date	# of Shares Vested	# of Shares Withheld	Net # of Shares Issued	Market Price (\$)	Net Value Realized (\$)
Mr. Smith	02/01/13	PRSU	02/01/18	2,534	1,065	1,469	100.30	254,160
	03/04/15	PRSU	03/07/18	23,000	9,671	13,329	104.00	2,392,000
Mr. Rubin	11/02/15	RSU	11/02/18	2,420	1,121	1,299	67.32	162,914
Mr. Kamal	03/04/15	RSU	03/04/18	175	53	122	99.45	17,404
	03/04/15	PRSU	03/07/18	727	336	391	104.00	75,608
Mr. Gregoire	03/04/15	PRSU	03/07/18	4,107	1,533	2,574	104.00	427,128
Ms. Lewis-Clapper	03/04/15	PRSU	03/07/18	3,367	1,622	1,745	104.00	350,168
Mr. Srivastava	03/04/15	PRSU	03/07/18	7,577	3,516	4,061	104.00	788,008

(1) "PRSUs" are performance-vesting RSUs, and "RSUs" are time-vesting RSUs.

Table of Contents**Nonqualified Deferred Compensation**

The following table sets forth for the NEOs information regarding contributions, earnings, withdrawals and balances for our SAP, a nonqualified deferred compensation plan, for the year ended December 31, 2018 and as of that date. For further information regarding our SAP, see "*Compensation Discussion and Analysis Retirement Vehicles/Deferred Compensation*" above.

Name	Executive Contributions in 2018 (\$)	Company Contributions in 2018(1) (\$)	Aggregate Earnings/ (Losses) in 2018(2) (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at 12/31/2018(2) (\$)
Barry M. Smith		132,000	(247,250)		3,785,457
Jonathan N. Rubin		65,450	(20,912)		685,119
Mostafa M. Kamal					
Daniel N. Gregoire		53,680	(7,568)		678,198
Ms. Lewis-Clapper		45,485	(45,321)		708,633
Sam K. Srivastava					

- (1) The contributions included in this column were made in March 2018 for service in 2017. The contributions included in this column do not include SAP contributions made by the company in March 2019 for service in 2018 in the following amounts: \$132,000 for Mr. Smith, \$67,414 for Mr. Rubin, \$0 for Mr. Kamal, \$54,754 for Mr. Gregoire, \$46,850 for Ms. Lewis-Clapper and \$0 for Mr. Srivastava. These contributions are included in the "*Summary Compensation Table for 2018, 2017 and 2016*" above under the column "*All Other Compensation*" and the related footnotes.
- (2) The amounts included in this column are not included in the individual's compensation specified in the "*Summary Compensation Table for 2018, 2017 and 2016*" above. The amounts are based on contributions and returns generated in their SAP accounts for all plan years held in a separate trust and administered by a third party.

Table of Contents**EXECUTIVE OFFICERS***Executive Officers of the Company*

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Year Appointed</b>
Barry M. Smith	65	Chief Executive Officer	2013
Jonathan N. Rubin	55	Chief Financial Officer	2008
Mostafa M. Kamal	37	Chief Executive Officer, Magellan Rx Management	2015
Daniel N. Gregoire	62	General Counsel and Secretary	2005
Caskie Lewis-Clapper	54	Chief Human Resources Officer	2004

Information for Barry M. Smith, our current chief executive officer, is presented above under "Directors."

*Jonathan N. Rubin.* Prior to joining the company in 2008, Mr. Rubin served as senior vice president, Dental and Vision for Cigna Health and senior vice president and chief financial officer of the HealthCare Division of Cigna Healthcare, Cigna's largest division, from 2004 to 2008. He previously served in various capacities with Cigna from 1985 to 2004. He currently serves on the boards of directors of American School for the Deaf, Jewish Teen Learning Connections and Connecticut Children's Medical Center.

*Mostafa M. Kamal.* Mr. Kamal previously served as senior vice president and general manager of Magellan Rx Management's specialty pharmacy business, as well as its chief underwriting officer. From 2011 to 2014, Mr. Kamal was vice president of pricing, underwriting and analytics. Before joining the company, he served as director of strategy and analytics at Medco Health Solutions, Inc. (now known as Express Scripts). He currently serves as a director of the Pharmaceutical Care Management Association.

*Daniel N. Gregoire.* Prior to joining the company in 2005, Mr. Gregoire was executive vice president, general counsel and secretary of Oxford Health Plans, Inc., a New York Stock Exchange-listed managed care company, from 2000 to 2004. Prior to joining Oxford, Mr. Gregoire was an attorney and shareholder with Sheehan Phinney Bass & Green PA, a Manchester, New Hampshire-based law firm, from 1981 to 2000.

*Caskie Lewis-Clapper.* Ms. Lewis-Clapper has held several senior positions in human resources since joining the company in 1999. Prior to joining Magellan, Ms. Lewis-Clapper served as Human Resources Operations lead for Helix Health, a Baltimore, Maryland-based health care system. Prior to joining Helix, she was with General Physics Corporation, where as a staff consultant she worked with clients across several industries on learning, organizational development and performance improvement initiatives.

***Employment Contracts and Termination of Employment and Change of Control Payments***

The following is a description of certain provisions of employment agreements between the company and the NEOs.

*Barry M. Smith.* The company appointed Mr. Smith to the position of chief executive officer effective as of January 1, 2013, after entering into an employment agreement with him on December 10, 2012. The agreement was for a one-year term and automatically renews for one-year periods unless either party gives notice of non-renewal at least 180 days prior to the next renewal date or unless the agreement is sooner terminated as provided in the agreement. Any failure to renew the agreement by the company is considered a termination without cause. The agreement was automatically renewed by the company for an additional one-year term on December 31, 2018. The company is

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required to pay Mr. Smith a base salary of \$900,000, with annual review for increase by the board or a duly authorized committee. Mr. Smith's base salary was set at \$1,200,000 in 2017 and was maintained at that amount in 2018. Mr. Smith is entitled to an annual target bonus opportunity of 150% of base salary with the ability to earn up to 300% of base salary based on the performance of the company and at the discretion of the board or a duly authorized committee. The agreement also provides for benefits commensurate with Mr. Smith's position on a basis at least as favorable as other senior level executives of the company. The agreement also provides for severance payments upon termination as follows:

*Termination due to resignation by Mr. Smith:* If Mr. Smith resigns without good reason as described below, he would receive all base salary accrued through the date of termination and the vested portion of any deferred compensation or other benefit plan, and only vested options would be exercisable for a period of six months after termination.

*Termination without cause by the company or with good reason by Mr. Smith:* Upon any such termination, Mr. Smith would receive all base salary accrued through the date of termination and pro rata earned bonus for the year in which termination occurs, severance equal to two times the sum of base salary plus target bonus payable in a single cash installment immediately after termination, accelerated vesting of his sign-on option award and all other option awards, which will remain exercisable for one year after termination, and all of his sign-on RSU award and his outstanding PSU awards will vest and be settled when they would have vested and settled had he remained employed with the company through the term of those RSUs and PSUs, and reimbursement of the company's portion of health insurance premiums for a period of up to 18 months after the date of termination.

*Termination without cause by the company or with good reason by Mr. Smith in connection with, or within two years after, a change in control:* Upon any such termination, Mr. Smith would receive all base salary accrued through the date of termination and pro rata target bonus for the year in which termination occurs, severance equal to three times the sum of base salary plus target bonus payable in a single cash installment immediately after termination, accelerated vesting of his sign-on option award, which will remain exercisable for one year after the termination, and all of his sign-on RSU award will vest and be settled when it would have vested and settled had he remained employed with the company through the terms of those RSUs, his outstanding PSU awards will vest on an accelerated basis and be settled at target on the vesting date, and reimbursement of the company's portion of health insurance premiums for a period of up to 18 months after the date of termination.

*Termination with cause:* Upon any such termination, Mr. Smith would receive all base salary accrued through the date of termination, any other amounts earned but not yet paid as of the date of termination and other payments payable under applicable benefit plans, and all stock options and other unvested equity awards would be forfeited on the date of termination.

*Termination for death or disability:* Upon any such termination, Mr. Smith (or his estate) would receive all base salary accrued through the effective date of the termination and pro rata earned bonus for the year in which termination occurs, and only vested options would be exercisable for a period of 12 months after termination.

Following termination of employment, Mr. Smith will be subject to a non-competition covenant and covenants prohibiting him from soliciting any company customers or employees for a period equal to the longer of one year or the number of years in respect of which his is paid base salary on termination, although receipt of any payment described above has not been conditioned on fulfillment of these covenants.

*Jonathan N. Rubin.* In connection with his appointment as the company's chief financial officer, the company entered into an employment agreement with Mr. Rubin on August 11, 2008. The

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agreement provided for an initial one-year term beginning on September 8, 2008, the date on which he began serving as the chief financial officer, which was automatically renewed for successive one year terms unless either party provided notice of non-renewal at least 180 days prior to the end of any then-existing term. The company is required to pay Mr. Rubin a base salary of \$400,000 per year, with annual review for increase by the company. His salary was increased by 3% to \$612,850 on April 1, 2018. Mr. Rubin was entitled to an annual target bonus opportunity of 85% of his base salary in 2018. Mr. Rubin is also entitled to benefits and participation in other compensation plans, including annual incentive and long-term incentive plans, on a basis at least as favorable as other similarly situated senior level executives of the company. The agreement was amended most recently on October 26, 2015 when the company and Mr. Rubin agreed that he would remain with the company despite his earlier decision to terminate his employment without cause in connection with the relocation of the company's headquarters from Avon, Connecticut to Scottsdale, Arizona and on May 10, 2016 when Mr. Rubin agreed to remove from the agreement a provision giving him the right to receive a gross-up payment if he is liable for any excise tax in connection with any change of control payments which may be made to him. The agreement provides for severance payments upon termination as follows:

*Termination due to resignation by Mr. Rubin:* If Mr. Rubin resigns without good reason as described below, he would receive all base salary and paid time off accrued through the date of termination, any other amounts earned but not yet paid as of the date of termination and any other payments payable under applicable benefit plans. If Mr. Rubin's resignation is due to "retirement" and he does not become a full-time employee with another employer, his unvested stock options and his outstanding RSUs and PSUs will continue to vest in accordance with the terms of those awards as if he were still employed.

*Termination without cause by the company:* Upon any such termination, Mr. Rubin would receive all base salary and paid time off accrued through the date of termination, and any other payments payable under applicable benefit plans, the vested portion of any retirement, deferred compensation or other benefit plan, including vested stock options, PSU and RSU awards, and the continued payment of his base salary for a period of twelve months after the date of termination. Also, the company may in its discretion pay him a pro rata portion of any bonus that he would have earned had he been employed for the full calendar year, conditioned on the satisfaction of financial targets established by the board in the ICP. The agreement is considered terminated without cause by the company if, among other things, Mr. Rubin's position is relocated or there is a material reduction in his base salary, or if the company provides notice of non-renewal of a then-existing term of the agreement.

*Termination without cause by the company or with good reason by Mr. Rubin in connection with, or within two years after, a change in control:* Upon any such termination, Mr. Rubin would be entitled to receive all base salary and paid time off accrued through the date of termination and pro rata target bonus for the year in which termination occurs, severance equal to two times the sum of base salary plus target bonus payable in a single cash installment immediately after termination, accelerated vesting of all outstanding equity awards not yet vested, and any other payments payable under applicable benefit plans, the vested portion of any retirement, deferred compensation or other benefit plan, including vested stock options, PSU and RSU awards. Under the employment agreement, good reason for termination by Mr. Rubin for these purposes includes a material reduction in his salary (unless the reduction is comparable in degree to reductions taking place for all other employees of comparable rank) or his bonus opportunity, a material diminution in his duties or responsibilities or a relocation.

*Termination with cause:* Upon any such termination, Mr. Rubin would receive all base salary accrued through the date of termination, any other amounts earned but not yet paid as of the date of termination and any other payments payable under applicable benefit plans, and all unvested equity awards would be forfeited on the date of termination.

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*Termination for death or disability:* Upon any such termination, Mr. Rubin (or his estate) would receive all base salary and paid time off accrued through the date of termination, any other amounts earned but not yet paid as of the date of termination and any other payments payable under applicable benefit plans, and only vested options would be exercisable for a limited time after termination. Also, the company may in its discretion pay him (or his estate) a pro rata portion of any bonus that he would have earned had he been employed for the full calendar year, conditioned on the satisfaction of company financial hurdles established by the board in the ICP.

Following his termination under any circumstances, Mr. Rubin will be subject to a non-competition covenant and covenants prohibiting him from soliciting any company customers or soliciting or hiring employees for a period of 12 months from the date of his termination.

*Mostafa M. Kamal.* The company entered into an employment agreement with Mr. Kamal dated June 29, 2015, when he was promoted to serve as chief executive officer of Magellan Rx Management. The agreement is for a one-year term ending on July 1, 2016, with automatic renewals for additional one-year terms, unless sooner terminated as provided in the agreement. Any failure to renew the agreement by the company is considered termination without cause. The agreement was automatically renewed as of July 1, 2018. The company will pay Mr. Kamal a base salary of \$400,000 per year, with annual review for increase. Mr. Kamal's base salary for 2018 was increased by 3% to \$535,600 on April 1, 2018. Mr. Kamal was entitled to an annual target bonus opportunity of 80% of base salary in 2018. The agreement provides for benefits commensurate with Mr. Kamal's position. The agreement also provides for severance payments upon termination as follows:

*Termination due to resignation by Mr. Kamal:* If Mr. Kamal resigns without good reason as described below, he would receive all base salary accrued through the date of termination, accrued paid time off and the vested portion of his account under the company's deferred compensation and other benefit plans, including stock option, PSU and RSU awards.

*Termination without cause by the company:* Upon any such termination, Mr. Kamal would be entitled to receive all base salary and paid time off accrued through the date of termination and pro rata target bonus for the year in which termination occurs, severance equal to twelve months of base salary, and any other payments payable under applicable benefit plans, the vested portion of any retirement, deferred compensation, or other benefit plan, including vested stock option, PSU and RSU awards. Under the employment agreement, termination will be considered without cause if he terminates his employment within 18 months following the company's notice of intent not to renew the agreement, his position will be relocated to an office more than 50 miles away from his prior location, a material reduction in his base salary to an amount less than the initial base salary set forth in his employment agreement, and the company fails to correct any such situation.

*Termination without cause by the company or for good reason by Mr. Kamal in connection with or within two years after a change in control:* Upon any such termination, Mr. Kamal would be entitled to receive all base salary and paid time off accrued through the date of termination and pro rata target bonus for the year in which termination occurs, severance equal to two times the sum of his base salary plus target bonus payable in a single installment immediately after termination, and any other payments payable under applicable benefit plans, the vested portion of any retirement, deferred compensation, or other benefit plan, including vested stock option, PSU and RSU awards. Mr. Kamal's outstanding PSU awards will vest on an accelerated basis at target. Under the employment agreement, good reason for termination by Mr. Kamal for these purposes includes a relocation of his reporting office by more than 50 miles, a material diminution of his duties and responsibilities, a material reduction of his base salary unless such

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reduction is comparable to a reduction that takes places for all other company employees of comparable rank or a material reduction in his target bonus opportunity.

*Termination with cause:* Upon any such termination, Mr. Kamal would receive all base salary accrued through the date of termination, accrued paid time off and the vested portion of his account under the company's deferred compensation and other benefit plans, including stock option, PSU and RSU awards.

*Termination for death or disability:* Upon any such termination, Mr. Kamal (or his estate) would receive all base salary accrued through the date of termination, accrued paid time off and the vested portion of his account under the company's deferred compensation and other benefit plans, including stock option, PSU and RSU awards. Also, the company may in its discretion pay him (or his estate) a pro rata portion of any bonus that he would have earned had he been employed for the full calendar year, subject to achievement of applicable company financial performance targets.

Following his termination under any circumstances, Mr. Kamal will be subject to a non-competition covenant and covenants prohibiting him from soliciting any company customers or soliciting or hiring employees for a period of one year following his termination or any longer period for which he continues to receive base salary or in respect of which base salary is paid in a lump sum.

*Daniel N. Gregoire.* Under the employment agreement between Mr. Gregoire and the company, effective January 24, 2005, Mr. Gregoire serves as executive vice president, general counsel and secretary of the company. The agreement was for a one-year term ending on December 31, 2005, with automatic renewals for additional one-year terms, unless sooner terminated as provided in the agreement. Any failure to renew the agreement by the company is considered a termination without cause. The agreement was automatically renewed as of January 1, 2019. The company will pay Mr. Gregoire a base salary of \$325,000 per year, with annual review for increase by the board or a duly authorized committee thereof. His base salary was increased by 2% to \$497,760 on April 1, 2018. Mr. Gregoire was entitled to an annual target bonus opportunity of 65% of base salary in 2018. The agreement provides for benefits commensurate with Mr. Gregoire's position. The agreement also provides for severance payments upon termination as follows:

*Termination due to resignation by Mr. Gregoire:* If Mr. Gregoire resigns without good reason as described below, he would receive all base salary accrued through the date of termination, accrued paid time off and the vested portion of his account under the company's deferred compensation and other benefit plans, including stock option, PSU and RSU awards.

*Termination without cause by the company or for good reason by Mr. Gregoire:* Upon any such termination, Mr. Gregoire would receive all base salary accrued through the date of termination, if termination occurs after June 30, pro rata target bonus for the year in which termination occurs, severance equal to the sum of base salary plus target bonus payable in a single cash installment immediately after termination, any other amounts accrued and unpaid as of the date of termination and any other payments payable under applicable benefit plans, including the company's deferred compensation plan and his stock options, PSU and RSU awards. Under the employment agreement, good reason for termination by Mr. Gregoire includes a reduction in his base salary, a material diminution in his duties and authorities, a change in reporting responsibility or a relocation.

*Termination without cause by the company or for good reason by Mr. Gregoire in connection with or within two years after a change in control:* Upon any such termination, Mr. Gregoire would receive all base salary accrued through the date of termination and pro rata target bonus for the year in which termination occurs, severance equal to two times the sum of base salary and target bonus payable in a single cash installment immediately after termination, accelerated vesting of



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all outstanding equity awards not yet vested, the company portion of COBRA benefits for eighteen months after termination and any other amounts accrued and unpaid as of the date of termination. Mr. Gregoire's outstanding PSU awards will vest on an accelerated basis. Under the employment agreement, good reason for termination by Mr. Gregoire for these purposes includes a material reduction in his salary (unless the reduction is comparable in degree to reductions taking place for all other employees of comparable rank) or his bonus opportunity, a material diminution in his duties or responsibilities or a relocation.

*Termination with cause:* Upon any such termination, Mr. Gregoire would receive base salary accrued through the date of termination, accrued paid time off and the vested portion of his account under the company's deferred compensation and other benefit plans, including stock options, PSU and RSU awards.

*Termination for death or disability:* Upon any such termination, Mr. Gregoire (or his estate) would receive all base salary and accrued paid time off through the date of termination and the vested portion of any retirement, deferred compensation or other benefit plan, including stock option, PSU or RSU awards. In addition, the company may pay Mr. Gregoire a pro rata portion of any bonus for any bonus plan in which he participates in the year of termination, subject to achievement of applicable company financial performance targets.

In addition, if any of the payments or benefits received by Mr. Gregoire in connection with a change of control or termination of employment is subject to excise tax under Section 4999 of the IRC, then the company is required to pay Mr. Gregoire an additional gross-up amount such that the net amount retained by him after the payment of the excise tax and any income and excise tax due on such additional amount will equal the amount to which he was entitled before the imposition of such income and excise tax on him. The company estimates that Mr. Gregoire would not have received a gross-up payment with respect to excise tax under Section 4999 if his employment had terminated on December 31, 2018.

*Caskie Lewis-Clapper:* Under the employment agreement between Ms. Lewis-Clapper and the company, effective August 2, 2004, Ms. Lewis-Clapper serves as chief human resources officer of the company. The agreement was for a one-year term ending on August 1, 2005, with automatic renewals for additional one-year terms, unless sooner terminated as provided in the agreement. Any failure to renew the agreement is considered a termination without cause. The agreement was automatically renewed as of August 2, 2018. The company will pay Ms. Lewis-Clapper a base salary of \$250,000 per year, with annual review for increase by the board or a duly authorized committee thereof. Her base salary was increased by 3% to \$425,905 on April 1, 2018. Ms. Lewis-Clapper is not entitled to any specific annual bonus opportunity under the agreement but her annual bonus opportunity for 2018 and 2019 was set at 65% of base salary. Ms. Lewis-Clapper is also not entitled to any specific equity awards under her agreement. The agreement provides for severance payments upon termination as follows:

*Termination due to resignation by Ms. Lewis-Clapper:* If Ms. Lewis-Clapper resigns without good reason as described below, she would receive all base salary accrued through the date of termination, accrued paid time off and the vested portion of her account under the company's deferred compensation and other benefit plans, including stock option, PSU and RSU awards.

*Termination without cause by the company:* Upon any such termination, Ms. Lewis-Clapper would receive all base salary and paid time off accrued through the date of termination, and any other payments payable under applicable benefit plans, including the company's deferred compensation plan and her stock options, PSU and RSU awards. She would also be entitled to a continuation of her base salary as of the date of termination for a period of twelve months after the date of termination. The company may in its discretion pay her on a pro-rated basis the amount of bonus that she would have earned had she been employed for the full calendar year, conditioned on the satisfaction of financial targets established by the board. The agreement is

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considered terminated without cause by the company if, among other things, Ms. Lewis-Clapper's position is relocated or her base salary is reduced.

*Termination without cause by the company or with good reason by Ms. Lewis-Clapper in connection with or within two years after a change in control:* Upon any such termination, Ms. Lewis-Clapper would receive all base salary accrued through the date of termination and pro rata target bonus for the year in which termination occurs, severance equal to two times the sum of base salary and target bonus payable in a single cash installment immediately after termination, COBRA benefits for eighteen months after termination and any other amounts accrued and unpaid as of the date of termination. Under the employment agreement, good reason for termination by Ms. Lewis-Clapper for these purposes includes a reduction in her salary (unless the reduction is comparable in degree to reductions taking place for all other employees of comparable rank) or her bonus opportunity, a material diminution in her duties or responsibilities or a relocation.

*Termination with cause:* Upon any such termination, Ms. Lewis-Clapper would receive base salary accrued through the date of termination, accrued paid time off and the vested portion of her account under the company's deferred compensation and other benefit plans, including stock options and restricted stock awards.

*Termination for death or disability:* Upon any such termination, Ms. Lewis-Clapper would receive all base salary and accrued paid time off through the date of termination and the vested portion of any retirement, deferred compensation or other benefit plan, including stock options, PSU or RSU awards. In addition, the company may pay Ms. Lewis-Clapper a pro rata portion of any bonus for any bonus plan in which she participates in the year of termination, subject to achievement of applicable performance targets.

In addition, if any of the payments or benefits received by Ms. Lewis-Clapper in connection with a change of control or termination of employment is subject to excise tax under Section 4999 of the IRC, then the company is required to pay Ms. Lewis-Clapper an additional gross-up amount such that the net amount retained by her after the payment of the excise tax and any income and excise tax due on such additional amount, will equal the amount to which she was entitled before the imposition of such income and excise tax on her. The company estimates that Ms. Lewis-Clapper would not have received a gross-up payment with respect to excise tax under Section 4999 of the IRC if her employment had terminated on December 31, 2018.

Following her termination, Ms. Lewis-Clapper will be subject to a non-competition covenant and covenants prohibiting her from soliciting any company customers or employees for a period of one year following her termination or any longer period for which she continues to receive or is paid in a lump sum base salary, although receipt of any payment described above has not been conditioned on fulfillment of these covenants.

*Sam K. Srivastava.* Under the employment agreement between Mr. Srivastava and the company, dated September 18, 2013, Mr. Srivastava served as chief executive officer of Magellan Healthcare during most of 2018. The agreement was for a one-year term ending on September 22, 2014, with automatic renewals for additional one-year terms, unless sooner terminated as provided in the agreement. Any failure to renew the agreement by the company was to be considered termination without cause. Mr. Srivastava's employment was terminated without cause effective on December 28, 2018. Mr. Srivastava's base salary for 2018 was increased by 2% to \$649,230 on April 1, 2018. Mr. Srivastava was entitled to an annual target bonus opportunity of 80% of base salary in 2018.

Under the circumstances of his termination without cause, Mr. Srivastava was entitled to receive all base salary and paid time off accrued through the date of termination and pro rata target bonus for 2018, severance equal to twelve months of base salary, and any other payments payable under applicable benefit plans, the vested portion of any retirement, deferred compensation, or other benefit

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plan, including vested stock option, PSU and RSU awards, payable in monthly installments in 2019, subject to his compliance with his restrictive covenants described below. The company did not pay him an ICP bonus for 2018 due to the fact that the company did not achieve the minimum payment thresholds for 2018.

In the wake of his termination, Mr. Srivastava is subject to a non-competition covenant and covenants prohibiting him from soliciting any company customers or soliciting or hiring company employees for a period of one year following his termination.

*Estimated Benefits upon Various Termination Scenarios*

The following table summarizes the payments and other benefits payable to the company's NEOs, assuming a termination of employment or a change in control of the company as of December 31, 2018, except that the information for Mr. Srivastava is presented for December 28, 2018, the date of his actual termination of employment. The figures which appear in the table are based on the provisions of the employment agreements summarized above and applicable award agreements.

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Name	Estimated Benefits			
	Without Cause/ For Good Reason	Change In Control	Death/ Disability	
	(\$)	(\$)	(\$)	(\$)
<b>Mr. Smith</b>				
Cash Payments	6,000,000	9,000,000		
Bonus	(1)		(1)	(1)
Insurance Benefits	18,142	18,142		
Acceleration of Options		(2)		
Acceleration of PSUs	5,856,598(2)	5,856,598		
<b>Total</b>	<b>11,874,740</b>	<b>14,874,740</b>		
<b>Mr. Rubin</b>				
Cash Payments	612,850	2,267,545		
Bonus	(1)		(1)	(1)
Insurance Benefits	15,897	23,846		
Acceleration of Options		(3)		
Acceleration of PSUs	(3)	1,301,643		
<b>Total</b>	<b>628,747</b>	<b>3,593,034</b>		
<b>Mr. Kamal</b>				
Cash Payments	535,600	1,928,160		
Bonus	(1)		(1)	(1)
Insurance Benefits	6,483	9,724		
Acceleration of Options				
Acceleration of PSUs		1,045,069		
<b>Total</b>	<b>542,083</b>	<b>2,982,953</b>		
<b>Mr. Gregoire</b>				
Cash Payments	497,760	1,642,608		
Bonus	(1)		(1)	(1)
Insurance Benefits	12,095	18,142		
Acceleration of Options				
Acceleration of PSUs		755,556		
<b>Total</b>	<b>509,855</b>	<b>2,416,306</b>		
<b>Ms. Lewis-Clapper</b>				
Cash Payments	425,905	1,405,486		
Bonus	(1)		(1)	(1)
Insurance Benefits	15,897	23,846		
Acceleration of Options				
Acceleration of PSUs		623,799		
<b>Total</b>	<b>441,802</b>	<b>2,053,131</b>		
<b>Mr. Srivastava(4)</b>				
Cash Payments	649,230			
Bonus	(1)			
Insurance Benefits	15,897			
Acceleration of Options				
Acceleration of PSUs				

Total 665,127

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(1) The company did not pay any ICP bonuses for 2018, based on its operating performance.

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- (2) Mr. Smith's agreement provides that his outstanding and unvested stock options will immediately vest and PSUs will continue to vest and will be settled when originally granted.
- (3) In the event of Mr. Rubin's retirement under certain circumstances, outstanding and unvested stock options, RSUs and PSUs will continue to vest as if he was still employed.
- (4) Mr. Srivastava's employment with the company ended on December 28, 2018 and was considered a termination without cause. The figures presented for him are actual figures determined as of that date. Payment of the listed cash severance and other insurance benefits is made in monthly installments during 2019 and is subject to Mr. Srivastava's compliance with his restrictive covenants during the one-year term thereof.

*Change in Control Definitions*

Under Mr. Smith's employment agreement, a "change in control" will occur if (i) any person or group becomes the beneficial owner of 30% or more of the company's voting stock, (ii) a majority of the members of the board no longer consist of individuals serving on the date the agreement was entered into or whose election or nomination was supported by two-thirds of the incumbent directors, (iii) the company adopts a plan of liquidation providing for the distribution of all or substantially all of the company's assets, (iv) all or substantially all of the assets of the company are disposed of through a merger, consolidation, share exchange, reorganization or other transaction unless the existing shareholders continue to own a majority of the voting interests in the entity that succeeds to the company's business, or (v) the company combines with another company and is the surviving corporation but the existing shareholders own 50% or less of the voting interests in the combined company. For purposes of the employment agreements for Messrs. Rubin, Kamal and Gregoire and Ms. Lewis-Clapper, a "change in control" will occur if (i) any person or group becomes the beneficial owner of 51% or more of the company's voting stock, (ii) a majority of the members of the board no longer consist of individuals serving on the date of their employment agreement amendments or whose election or nomination was supported by a majority of the incumbent directors, (iii) the company's board and, if required, the shareholders approve the dissolution of the company or a plan of liquidation or comparable plan providing for the disposition of all or substantially all of the company's assets, (iv) all or substantially all of the assets of the company are disposed of through a merger, consolidation, share exchange, reorganization or other transaction unless the existing shareholders continue to own a majority of the voting interests in the entity that succeeds to the company's business, or (v) the company merges or combines with another company and the existing shareholders own 50% or less of the voting interests in the successor company.

*Pay Ratio Disclosure*

Under SEC rules, we are required to disclose in this proxy statement the ratio of the annual total compensation of our chief executive officer, Mr. Smith, for the 2018 fiscal year to the median annual total compensation of all of our employees (including employees of our subsidiaries) other than Mr. Smith for that year. That ratio was not calculated or taken into consideration by our Management Compensation Committee in setting the compensation of Mr. Smith or any of our other NEOs for 2018, and pay ratio data relating to the Peer Group companies was not reviewed by the committee.

For 2018, the annual total compensation of the employee identified at median of all of our employees, excluding Mr. Smith, was \$64,573. The 2018 annual total compensation of Mr. Smith as set forth in the *Summary Compensation Table for 2018, 2017 and 2016* was \$10,162,716. Based on this information, the 2018 ratio of the annual total compensation of our CEO, Mr. Smith, to the median of the annual total compensation of all of our employees was estimated to be 157 to 1.

To determine the median of the annual total compensation of all of our employees, we used the same methodology as we did in 2017, although the median employee identified in 2017 was terminated prior to December 31, 2018. We compared annualized base salary as of December 31, 2018 for our

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employee population, which excluded Canadian employees (as they represent less than 1% of our total employee population), interns and contingent workers. We then determined the annual total compensation of the median employee by collecting actual base salary, bonus paid, 401(k) employer match and other benefits paid during the 12 month period ending December 31, 2018.

***Report of Audit Committee***

The primary function of the Audit Committee is to assist the board of directors in fulfilling its financial oversight responsibility by reviewing the company's financial statements, the other financial information that is proposed to be provided to the shareholders, the periodic financial reports filed with the SEC, the system of internal controls which management and the board of directors have established and the audit process. The committee operates pursuant to a written charter, a copy of which is available on the Investor Relations Corporate Governance section of the company's website at *MagellanHealth.com*. As set forth in the charter, management of the company is responsible for the preparation, presentation and integrity of the company's financial statements and for maintaining appropriate internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out a proper audit of the company's financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States and on the company's internal controls over financial reporting. The independent auditors are accountable to the board and the Audit Committee. The Audit Committee has the authority and responsibility to retain and terminate the company's independent auditors.

In performance of this oversight function, the committee has reviewed and discussed the audited financial statements with management and the independent auditors. The committee has also discussed with the independent auditors the matters required to be discussed by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 16, *Communications with Audit Committees*, as currently in effect. The committee has also received from the independent auditors the written disclosures regarding the auditors' independence required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, and has discussed with the independent auditors the independent auditors' independence.

The members of the Audit Committee are advised by the independent auditors. The independent auditors are experts in the fields of accounting and auditing, including in respect of auditor independence. Members of the committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. Accordingly, management is solely responsible for maintaining appropriate accounting and financial reporting principles and policies and internal control and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the company's financial statements has been carried out in accordance with generally accepted auditing standards or that the company's auditors are in fact "independent."

Based upon the review and discussions described in this report, and subject to the limitations on the role and responsibilities of the committee referred to above and in the charter, the committee recommended to the board that the audited financial statements be included in the company's Annual

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Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission.

The Audit Committee  
Michael S. Diament (Chair)  
John O. Agwunobi, M.D.  
Perry G. Fine, M.D.

*The information set forth above under the headings "Report of Management Compensation Committee" and "Report of Audit Committee" does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the filing specifically incorporates such information by reference therein.*



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**PROPOSAL NUMBER TWO**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (the "*Exchange Act*"), we are including in this proxy statement a separate resolution subject to shareholder vote to approve, in a non-binding, advisory vote, the compensation of our Named Executive Officers as disclosed in this proxy statement pursuant to Item 402 of SEC Regulation S-K. The vote does not cover the compensation paid to our directors or our policies for compensating employees as they relate to risk management. The text of the resolution in respect of Proposal Number Two is as follows:

"RESOLVED, that the compensation paid to the company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED."

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**2018 Highlights**

**Business Results**

During 2018, our revenues increased by 25.3%, from \$5.8 billion to \$7.3 billion.

Segment profit decreased by 27% from \$311 million to \$228 million in 2018 compared to 2017.

Adjusted net income decreased by 57%, from \$145 million in 2017 to \$62 million in 2018.

**Shareholder Value Creation**

In May 2018, the company was named to the annual Fortune 500 list of America's largest corporations by revenue for the first time in the company's history.

Because of the contraction of earnings in 2018 despite growth in revenue, the company launched an initiative to increase adjusted net income margins above 2% within the next 2 to 3 years. The primary areas of focus for that initiative are as follows:

Managing cost of care while improving quality of care in our healthcare business segment;

Continuing to grow our pharmacy benefit management business, retaining specialty carve-out contracts and lowering cost of goods sold for our pharmacy business; and

Driving operational improvements for increased efficiency across the company.

**2018 Executive Compensation Program**

Overall in 2018, 89% of our chief executive officer's actual total compensation was awarded in long-term incentives, and his total compensation was 89% performance-based.

Our annual bonus pool funding for 2018 was based 80% on our segment profit performance and 20% on growth in company-wide adjusted net income. Because we did not achieve minimum performance levels for our segment profit and growth in adjusted net income, the bonus pool was not funded, and none of our Named Executive Officers received a bonus payout for 2018.

As part of our long-term equity incentive program, we granted performance-based restricted stock units ("*PSUs*") that are earned based on our total shareholder return over a three year performance period relative to a group of peer companies. For our grants made in 2018, PSUs made up 50% of the targeted award value of our Named Executive Officers' equity compensation.

**Executive Compensation Policies and Practices**

Require **double trigger acceleration of vesting** of equity awards in the event of a change in control.

Regularly **monitor share utilization** relative to historic standards and versus our industry peers.

Conduct **competitive benchmarking** of compensation with an independent consultant.

Maintain **robust stock ownership requirements**.

Conduct an **annual assessment of risk** in our compensation programs and mitigate any inappropriate risk.

Provides for **clawbacks** in the event of a material financial restatement and for conduct injurious to the company.

**Prohibits** recipients of equity awards from engaging in **hedging transactions or pledging equity securities**.

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As described in detail above under the heading "*Compensation Discussion and Analysis*," our executive compensation programs are designed to attract, retain and reward our executive officers in order to deliver value to our shareholders. The executive compensation programs are designed and administered by our Management Compensation Committee (the "*committee*"), which consists of three independent directors, with advice and support from independent compensation consultants. Our compensation programs have been developed using the following principles:

Our compensation programs are designed to reward performance on an individual level within the executive's area of responsibility and the performance of the company as a whole.

We use comparable company compensation data to set the base salary compensation of our executive officers at levels near the median paid by comparable companies in order to recruit and retain appropriate executive talent, and to set incentive compensation at levels that are above median where performance is correspondingly above median.

Our compensation programs are designed to support achievement of both the short-term and long-term financial, operating and other goals of the company.

Our compensation programs balance the need to incent and reward short-term results with the need to build long-term value for our shareholders.

Under our Incentive Compensation Plan ("*ICP*"), bonuses for 2018 were weighted 80% to achievement of annual segment profit targets for the company and the relevant business unit and 20% to achievement of annual growth of company-wide adjusted net income for 2018. The ICP is designed to reward our NEOs for achieving our strategy of growing our increasingly diversified business segments.

In 2018 our long-term equity incentive awards were granted 50% in the form of stock options and 50% in the form of performance-based restricted stock units, under which the actual number of shares earned depends on the company's total shareholder return as compared to the return generated by the group of companies included in the S&P Health Care Services Industry Index over a three-year performance period. This mix of awards ensures the performance focus of our long-term equity incentive program.

We are recommending that shareholders vote for approval of the compensation to our NEOs for 2018. In deciding how to vote on this proposal, we encourage you to read the Compensation Discussion and Analysis and review the compensation tables. We believe that our compensation programs as described above continue to directly link our executives' compensation to performance as measured by achievement of the company's growth and alignment with the long-term interests of our shareholders. We believe our compensation programs appropriately demonstrate the link between performance, long-term value creation and our executives' compensation.

The affirmative vote of the holders of a majority of the votes that are present in person or represented by proxy at the annual meeting and entitled to vote on the matter is required to approve Proposal Number Two.

The shareholder vote on Proposal Number Two is advisory and therefore not binding on the company and the committee. However, our board of directors and the committee value the opinions of our shareholders, and the committee will review and consider the voting results when acting on our executive compensation programs in the future. The next shareholder vote on executive compensation will be in connection with the 2020 annual meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE  
"FOR" PROPOSAL NUMBER TWO**

Table of Contents**PROPOSAL NUMBER THREE****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR**

Following the recommendation of our Audit Committee, our board of directors has appointed, and recommends shareholder ratification of the appointment of, Ernst & Young LLP as our independent auditor for the fiscal year 2019. Representatives of Ernst & Young LLP will be present at the meeting to respond to appropriate questions and to make such statements as they may desire.

**THE BOARD OF DIRECTORS RECOMMENDS  
THAT YOU VOTE "FOR" PROPOSAL NUMBER THREE**

*Audit, Audit-Related, Tax and Other Fees and Approval of Audit and Non-Audit Services*

Ernst & Young LLP was our independent auditor for the year ending December 31, 2018, and has been selected by our Audit Committee to be our independent auditor for the year ending December 31, 2019, subject to shareholder ratification under Proposal Number Three. Under the Audit Committee's policy, all audit, audit-related, tax and all other services must be pre-approved by the Audit Committee. The policy does not provide for a de minimus exception to the pre-approval requirements. Accordingly, all of the 2018 fees described below were pre-approved by the full Audit Committee.

*2018 and 2017 Audit, Audit-Related, Tax and Other Fees*

The table below sets forth the total fees and expenses billed and expected to be billed by Ernst & Young for audit, audit-related, tax and other services during 2018 and 2017.

**Audit, Audit-Related, Tax and Other Fees**

	2018 Actual Fees	2017 Actual Fees
Audit Fees(1)	\$ 4,200,171	\$ 4,509,834
Audit-Related Fees(2)	\$ 523,660	\$ 658,977
Tax Fees	\$ 142,651	\$ 86,258
Other Fees		
<b>Total Fees(3)</b>	<b>\$ 4,866,482</b>	<b>\$ 5,255,069</b>

- (1) Includes fees and expenses related to the fiscal year audit and quarterly reviews, notwithstanding when the fees and expenses were billed or when the services were rendered.
- (2) Consists of fees related to review of service organization controls in 2018.
- (3) Total fees include direct out-of-pocket expenses.

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**ADDITIONAL INFORMATION**

***Shareholder Proposals***

In order to be considered for inclusion in our proxy statement and form of proxy relating to the 2020 annual meeting of shareholders pursuant to Rule 14a-8 under the Exchange Act, a shareholder proposal must be received by our Secretary at our principal offices in Scottsdale, Arizona, on or before December 31, 2019. A shareholder proposal submitted for inclusion in our proxy statement and form of proxy must also comply with the other requirements set forth in SEC Rule 14a-8. Any shareholder proposal to be presented at the 2020 annual meeting of shareholders that is not submitted in accordance with Rule 14a-8 will be untimely unless it is received by our Secretary at least 90 days prior to the anniversary of the 2019 annual meeting of shareholders (March 23, 2020) and may not be presented for a vote unless it is also otherwise in compliance with the requirements set forth in our by-laws.

***Solicitation***

All costs and expenses associated with soliciting proxies will be borne by the company. In addition to the use of the mails, proxies may be solicited by the directors, officers and our employees by personal interview, telephone or telegram. Such directors, officers and employees will not be additionally compensated for such solicitation but may be reimbursed for out-of-pocket expenses incurred in connection therewith. Arrangements will also be made with custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of our common stock held of record by such persons, and we will reimburse such custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses incurred in connection therewith. In addition, we have retained MacKenzie Partners, Inc., a proxy-soliciting firm, to assist in the solicitation of proxies and will pay that firm a fee of \$47,500 plus reimbursement for out-of-pocket expenses. The company will bear the total amount of those fees and expenses. The company's engagement of MacKenzie Partners, Inc. provides for the solicitation of institutions, money managers and other professional investors and individual investors, and strategic advice on proxy solicitation matters.

**OTHER MATTERS**

As of the date of this proxy statement, the board of directors is not aware of any other business or matters to be presented for consideration at the meeting other than as set forth in the notice of meeting attached to this proxy statement. However, if any other business shall come before the meeting or any adjournment or postponement thereof and is to be voted upon, the enclosed proxy shall be deemed to confer discretionary authority on the individuals named to vote the shares represented by such proxy as to any such matters.

**REQUESTS FOR MORE INFORMATION**

Certain information referred to herein is incorporated by reference to portions of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. **We will promptly provide without charge to each beneficial holder of our common stock on the record date, upon the written or oral request of any such person, a copy of our Annual Report on Form 10-K (without exhibits) for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission.** We will also provide to any person without charge, upon request, a copy of our Code of Ethics for Directors, Code of Ethics for Covered Officers and Code of Conduct for all employees. Any such requests should be made in writing or by telephone to the Investor Relations Department, Magellan Health, Inc., 4800 N. Scottsdale Road, Suite 4400, Scottsdale, Arizona 85251, tel. (877) 645-6464. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (without exhibits), Code of Ethics for Directors, Code of Ethics for Covered Officers, Code of Conduct, and other Securities and Exchange Commission filings are also available in the Investor Relations section of our website at *MagellanHealth.com*. We intend to disclose future amendments to the provisions of the codes of ethics and handbook and material waivers from such codes of ethics and handbook, if any, made with respect to any of our directors and executive officers on our website.



















