



February 27, 2006

Magellan Health Services to Delay Release of Fourth Quarter and Fiscal Year 2005 Financial Results

AVON, Conn.--(BUSINESS WIRE)--Feb. 27, 2006--

Company Continues Evaluation of Tax Accounting Treatment of Certain Deferred Tax Assets, Expects to Report 2005 Segment Profit of \$246 Million and Reaffirms 2006 Segment Profit Guidance

Magellan Health Services, Inc. (Nasdaq:MGLN) today announced that it will delay the release of its fourth quarter and fiscal year 2005 financial results and conference call because it is continuing to evaluate the accounting treatment of the use of deferred tax assets that existed prior to the Company's emergence from bankruptcy. Specifically, the Company is evaluating whether the use of deferred tax assets, other than net operating losses, generated prior to its emergence from bankruptcy should be credited to goodwill as opposed to the Company's treatment in 2004 and 2005 of reducing its provision for income taxes. This evaluation is not with respect to the Company's use of the deferred tax assets, but only with respect to the accounting treatment of such use. Such evaluation could affect the Company's resulting net income and earnings per share reported for those years and subsequently, but will not affect segment profit or cash flow. Once the Company completes its analysis, if it determines there is a material change to a previously reported amount, it would restate the reported results for such period as appropriate.

The Company expects to report 2005 segment profit of \$246 million, which exceeds its previously announced guidance range of \$220 million to \$240 million. It also reaffirmed that it expects to generate segment profit in 2006 in the range of \$173 million to \$193 million, including the impact of the NIA acquisition.

"Financially, operationally and strategically, 2005 was an excellent year for Magellan," said Steven J. Shulman, chairman and chief executive officer of Magellan. "While we are disappointed in having to delay our earnings release to continue our evaluation, we are very pleased with our results for 2005. We exceeded our financial expectations, continued to demonstrate excellence in service to members, customers and providers, and ramped up development of our new product suite. We have since completed our acquisition of NIA, which is a significant step forward in realizing our strategy of managing a greater portion of the health care dollar. We look forward to providing more information in our upcoming earnings call."

The Company anticipates that it will complete its evaluation within the next week to 10 days and will issue a subsequent announcement regarding the new date and time of its earnings release and conference call. The Company will not be holding the conference call it had previously scheduled for February 28.

About Magellan: Headquartered in Avon, Conn., Magellan Health Services, Inc. (Nasdaq:MGLN) is the country's leading manager of behavioral health care and radiology benefits. Its customers include health plans, corporations and government agencies.

Cautionary Statement: Certain of the statements made in this press release including, without limitation, statements regarding estimates of segment profit and other matters constitute forward-looking statements contemplated under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and are subject to known and unknown uncertainties and risks which could cause actual results to differ materially from those contemplated or implied by such forward-looking statements, including (among others) risk concerning the possible election of certain of the Company's health plan customers to manage the behavioral health care services of their members directly; renegotiation of rates paid to and/or by the Company by customers and/or to providers; higher utilization of behavioral health treatment services by members; delays, higher costs or inability to implement the Company's initiatives; termination or non-renewal of contracts by customers; the impact of new or amended laws or regulations; governmental inquiries and/or litigation; and the impact of increased competition on the Company's ability to maintain or obtain contracts; the impact of increased competition on rates paid to or by the Company; and other factors. Any forward-looking statements made in this document are qualified in their entirety by the more complete discussion of risks set forth in the section entitled "Cautionary Statements" in Magellan's Annual Report on Form 10-K for the year ended December 31, 2004 and in the section entitled "Forward-Looking Statements" in Magellan's Form 10-Q for the quarter ended September 30, 2005 previously filed with the Securities and Exchange Commission, each of which is currently posted on the Company's Web site, and the section entitled "Risk Factors" in the prospectus and prospectus supplement filed with the Securities and Exchange Commission in connection with the November 2005 secondary offering of Magellan common stock by certain shareholders, also posted on the Company's Web site. Segment profit information referred to in this press release may be considered a non-GAAP financial measure. Further

information regarding this measure, including the reasons management considers this information useful to investors, is included in Magellan's Annual Report on Form 10-K for the year ended December 31, 2004, and a reconciliation to the comparable GAAP measure is contained in Magellan's Form 10-Q for the quarter ended September 30, 2005.

CONTACT: Magellan Health Services, Inc.

Investor Contact:

Melissa Rose, 877-645-6464

or

Media Contact:

Erin Somers, 410-953-2405

SOURCE: Magellan Health Services, Inc.