



December 14, 2006

Magellan Health Services Provides Financial Guidance for 2007

AVON, Conn.--(BUSINESS WIRE)--Dec. 14, 2006--Magellan Health Services, Inc. (Nasdaq:MGLN) said today that for fiscal year 2007 it expects to generate net revenue in the range of \$2.05 billion to \$2.15 billion; net income in the range of \$68 million to \$83 million; and segment profit in the range of \$190 million to \$210 million. These results are expected to yield earnings per share in the range of \$1.67 to \$2.04 on a diluted basis for fiscal 2007.

Cash flow from operations is expected to be in the range of \$221 million to \$254 million in 2007, with a net increase in cash, cash equivalents and unrestricted investments of \$170 million to \$215 million by the end of 2007.

See the attached tables detailing the Company's 2007 financial guidance, including guidance by segment.

"Our 2007 financial guidance reflects our view of the coming year as one of transition," said Steven J. Shulman, chairman and chief executive officer of Magellan. "Having established a platform for diversification with our acquisitions in the radiology and specialty pharmacy arenas, we are gaining traction on the sales front, most notably with our recently announced CIGNA risk radiology deal of over \$200 million in annual revenue. We expect that radiology and specialty pharmacy will become increasingly important to our overall success, diminishing the impact of previously disclosed contract terminations in our behavioral health business. Magellan continues to be the leader in the behavioral health care management field and we remain committed to this business. Despite a sometimes challenging environment in the commercial behavioral health market, we enter 2007 having sold approximately \$200 million in annualized revenue in Medicaid behavioral contracts."

"Magellan's 2007 guidance is driven primarily by new business with a projected impact in 2007 of \$400 million to \$500 million of revenue, consisting of signed new business of \$190 million, estimated unsigned new business of between \$55 million and \$150 million, and the non-binding letter of intent with CIGNA of \$160 million," said Mark S. Demilio, chief financial officer. "These new business revenues are partially offset by revenue from lost contracts, including the TennCare middle region and the WellPoint Midwest contract, both previously disclosed. The new business is expected to have lower margins than our lost business, particularly the specialty pharmacy, radiology and Medicaid new business, and thus the earnings impact from lost business is expected to be slightly greater than that of new business in 2007."

Rene Lerer, M.D., president and chief operating officer, noted, "We start the new year in an excellent position from a service operations and implementation standpoint. In recent years Magellan has earned a reputation not only for consistently excellent service delivered in a cost-effective manner, but also for our success in business transitions and implementations. In the weeks since our announcement of our letter of intent with CIGNA for radiology management, we have begun significant implementation activity and anticipate a smooth start on schedule on April 1, 2007. A number of implementations in the behavioral business are currently underway or have recently been completed, including Medicaid business in Florida, Ohio, Nevada, Texas, Indiana, and Georgia. ICORE also has sold two large pharmacy distribution accounts that we are implementing this quarter with continued ramp-up over the course of 2007. We continue to be pleased by the efforts and capabilities of our organization to successfully accomplish these integrations and implementations."

Conference Call

Management will discuss the Company's 2007 financial guidance in a conference call to be held this morning at 9:00 a.m. Eastern time. To participate in the conference call, interested parties should call 1-888-390-4698 and reference the passcode 2007 Guidance and conference leader Steve Shulman approximately 15 minutes before the start of the call. The conference call also will be available via a live Webcast at Magellan's investor relations page at www.MagellanHealth.com.

A taped replay of the conference call will be available for one week following the call. The call-in numbers for the replay are 1-866-419-2865 and 1-203-369-0760 (from outside the U.S.).

Those who plan to access the Webcast are encouraged to read Magellan's Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission on March 8, 2006 and the Form 10-Q for the quarter ended September 30, 2006 filed with the Securities and Exchange Commission on October 26, 2006 for material information regarding Magellan's operational and financial results, including the section entitled "Risk Factors." In addition, listeners are encouraged to read all other 2005 and 2006 reports filed with the Securities and Exchange Commission for material information regarding Magellan's operational and financial results.

About Magellan: Headquartered in Avon, Conn., Magellan Health Services, Inc. (Nasdaq:MGLN) is the country's leading specialty health care management organization. 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 future financial performance, including revenue, segment profit, net income, and earnings per share, future growth, new business opportunities, revenue and earnings impact of lost and new business, cash flow, 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) the risk concerning the possible election of certain of the Company's health plan customers to manage the 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 treatment services by risk members; delays, higher costs or inability to implement new business or other Company initiatives; the impact of changes in the contracting model for Medicaid contracts relating to managed health care services; termination or non-renewal of contracts by customers; the impact of new or amended laws or regulations; governmental inquiries and/or litigation; 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; the Company's inability to integrate its acquisitions of NIA and ICORE in a timely and effective manner; the risk that the Company and CIGNA will be unable to agree on the final terms of a definitive agreement regarding the management of radiology benefits for CIGNA's members; the risk that the implementation of such agreement with CIGNA is delayed; the risk that the Company will be unable to meet its new business sales assumptions for 2007; 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 "Risk Factors" in Magellan's Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission on March 8, 2006, and 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, 2005, and in the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006, filed with the Securities and Exchange Commission on October 26, 2006, which is posted on the Company's Web site.

Magellan Health Services, Inc. and Subsidiaries
Fiscal 2007 Forecast Guidance - Income Statement
(In millions, except per share amounts)

	Low	High
	-----	-----
Net revenue	\$ 2,052	\$ 2,152
Cost and expenses:		
Cost of care	(1,328)	(1,384)
Cost of goods sold	(169)	(187)
Direct service costs and other operating expenses (1)	(398)	(401)
Depreciation and amortization	(57)	(55)
Interest income, net	17	19
	-----	-----
Income from continuing operations before income taxes	117	144
Provision for income taxes	(49)	(61)
	-----	-----
Net income	\$ 68	\$ 83
	=====	=====
Weighted average shares outstanding - diluted	40.6	40.6
	=====	=====
EPS - diluted	\$ 1.67	\$ 2.04
	=====	=====

(1) Includes stock compensation expense of \$33 million and \$30 million for low and high guidance, respectively.

Magellan Health Services, Inc. and Subsidiaries
Fiscal 2007 Forecast Guidance - Cash Flow

(In millions)

	Low	High
	-----	-----
Cash flows from operating activities		
Net income	\$ 68	\$ 83
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	57	55
Non-cash stock compensation expense	33	30
Non-cash income taxes	43	56
Other net cash flows from changes in assets and liabilities	20	30
	-----	-----
Net cash provided by operating activities	221	254
	-----	-----
Cash flows from investing activities		
Capital expenditures	(30)	(20)
Cash used for acquisitions (ICORE working capital payment)	(20)	(19)
	-----	-----
Net cash used in investing activities	(50)	(39)
	-----	-----
Cash flows from financing activities		
Payments on long-term debt and capital leases	(26)	(25)
Proceeds from exercise of stock options	25	25
	-----	-----
Net cash used in financing activities	(1)	-
	-----	-----
Net increase in cash, cash equivalents and unrestricted investments	\$170	\$215
	=====	=====

Magellan Health Services, Inc. and Subsidiaries
Fiscal 2007 Forecast Guidance - Income Statement by Segment
(In millions)

	Health Plan	Employer	Public Sector	Radiology Benefits Management
	-----	-----	-----	-----
Low End of Fiscal 2007 Guidance Range				
Net revenue	\$ 668	\$115	\$ 846	\$ 212
Cost of care	(414)	(29)	(744)	(141)
Cost of goods sold	-	-	-	-
Direct service costs	(98)	(57)	(44)	(55)
Other operating expenses	-	-	-	-
Stock compensation expense				
(1)	2	1	1	1
	-----	-----	-----	-----
Segment profit (loss)	\$ 158	\$ 30	\$ 59	\$ 17
	=====	=====	=====	=====

Radiology

	Health Plan	Employer	Public Sector	Benefits Management
High End of Fiscal 2007 Guidance Range				
Net revenue	\$ 679	\$115	\$ 856	\$ 270
Cost of care	(414)	(29)	(750)	(191)
Cost of goods sold	-	-	-	-
Direct service costs	(100)	(57)	(46)	(58)
Other operating expenses	-	-	-	-
Stock compensation expense (1)	2	1	1	1
Segment profit (loss)	\$ 167	\$ 30	\$ 61	\$ 22

	Specialty Pharmaceutical Management	Corporate and Other	Consolidated
Low End of Fiscal 2007 Guidance Range			
Net revenue	\$ 211	\$ -	\$ 2,052
Cost of care	-	-	(1,328)
Cost of goods sold	(169)	-	(169)
Direct service costs	(22)	-	(276)
Other operating expenses	-	(122)	(122)
Stock compensation expense (1)	8	20	33
Segment profit (loss)	\$ 28	\$ (102)	\$ 190

	Specialty Pharmaceutical Management	Corporate and Other	Consolidated
High End of Fiscal 2007 Guidance Range			
Net revenue	\$ 232	\$ -	\$ 2,152
Cost of care	-	-	(1,384)
Cost of goods sold	(187)	-	(187)
Direct service costs	(23)	-	(284)
Other operating expenses	-	(117)	(117)
Stock compensation expense (1)	8	17	30
Segment profit (loss)	\$ 30	\$ (100)	\$ 210

The following table reconciles Segment Profit to consolidated income from continuing operations before income taxes:

	Low	High
	-----	-----
Segment profit	\$ 190	\$ 210
Stock compensation expense	(33)	(30)
Depreciation and amortization	(57)	(55)
Interest income, net	17	19
	-----	-----
Income from continuing operations before income taxes	\$ 117	\$ 144
	=====	=====

(1) Stock compensation expense is included in direct service costs and other operating expenses, however this amount is excluded from the computation of segment profit since it is managed on a consolidated basis.

CONTACT: Magellan Health Services, Inc.

Investors:

Melissa Rose,
877-645-6464

or

Media:

Erin Somers,
410-953-2405

SOURCE: Magellan Health Services, Inc.