

**HEALTHSPRING, INC.**  
**AUDIT COMMITTEE CHARTER**

STATEMENT OF PURPOSE

The Audit Committee is a committee of the Board of Directors of HealthSpring, Inc. (the “Company”). The Committee’s primary functions are to:

- (1) assist the Board of Directors in fulfilling its fiduciary oversight responsibilities by reviewing: (a) the integrity of financial statements, reports, and information provided to stockholders and others, (b) the performance of the Company’s internal audit function and its systems of internal controls that management and the Board of Directors have established, (c) compliance with legal and regulatory requirements by the Company and its employees relating to preparation of financial statements, reports, and information, and (d) the qualifications, independence, and performance of the Company’s independent registered public accounting firm (the “Independent Auditors”); and
- (2) prepare an audit committee report as required by the Securities and Exchange Commission (“SEC”) to be included in the Company’s annual proxy materials.

Consistent with these functions the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company’s related policies, procedures, and practices at all levels. The Audit Committee should also provide for open communication among the Independent Auditors, financial and senior management, the internal auditing function, and the Board of Directors.

STRUCTURE AND MEMBERSHIP

1. Number. The Audit Committee (the “Committee”) shall consist of at least three members of the Board of Directors.

2. Independence. Except as otherwise permitted by the applicable rules (including transitional rules) of the New York Stock Exchange (“NYSE”) and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), each member of the Audit Committee shall be “independent” as defined by such rules and the Exchange Act. Each Audit Committee member will have no material relationship with the Company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the Company), as affirmatively determined by the Board.

3. Financial Literacy. Each member of the Audit Committee shall be financially literate, as such qualification is interpreted by the Company’s Board of Directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. At least one member of the Audit Committee must have accounting or related financial management expertise, as the Board of Directors interprets such

qualification in its business judgment. Unless otherwise determined by the Board of Directors (in which case disclosure of such determination shall be made in the Company's periodic reports filed with the SEC), at least one member of the Audit Committee shall be an "audit committee financial expert" (as defined by applicable Exchange Act rules). The existence of such a member, including his or her name and whether or not he or she is independent, will be disclosed in periodic filings as required by the SEC.

4. Chair. Unless the Board of Directors designates a Chair of the Audit Committee, the Audit Committee shall elect a Chair by majority vote.

5. Compensation. The compensation of Audit Committee members shall be as determined by the Board of Directors. No member of the Audit Committee may receive any compensation from the Company other than director and committee fees (which may be in the form of equity-based awards).

6. Selection and Removal. Members of the Audit Committee shall be appointed by the Board of Directors, upon the recommendation of the Company's Nominating and Governance Committee. Unless otherwise determined by the Board of Directors (in which case disclosure of such determination shall be made in the Company's annual proxy statement), no member of the Audit Committee may serve on the audit committee of more than two other public companies. The Board of Directors may remove members of the Audit Committee, with or without cause.

## COMMITTEE AUTHORITY AND RESPONSIBILITIES

### **General**

1. The Audit Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management and the Independent Auditors, in accordance with its business judgment. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The Independent Auditors are responsible for auditing the Company's financial statements, for reviewing the Company's unaudited interim financial statements, and for issuing the reports required under Section 404 of the Sarbanes-Oxley Act of 2002. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Audit Committee to plan or conduct any audit, to determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles ("GAAP") or applicable law, or to guarantee the Independent Auditors' report.

### **Oversee Independent Auditors**

2. Selection. The Audit Committee shall be directly responsible for appointing, evaluating, and, when necessary, terminating the Independent Auditors. The Audit Committee may, in its discretion, seek stockholder ratification of the Independent Auditors it appoints.

3. Independence. At least annually, the Audit Committee shall assess the Independent Auditors' independence and present its conclusions to the Board of Directors. In connection with this assessment, the Audit Committee shall obtain and review a report by the Independent Auditors describing all relationships between the Independent Auditors and the Company, including the disclosures required by Independence Standards Board Standard No. 1, as may be modified or supplemented by such other standards as may be set by law or regulation, the NYSE rules, or the Public Company Accounting Oversight Board. The Audit Committee shall further consider whether, in order to ensure continuing auditor independence, there should be regular rotation of the Independent Auditors (in addition to rotation of the audit partner, as required by law). The Audit Committee shall engage in an active dialogue with the Independent Auditors concerning any disclosed relationships or services that might impact the objectivity and independence of the auditor.

4. Quality-Control Report. The Audit Committee shall obtain and review with the Independent Auditors at such times as it deems appropriate, but in no event less than annually, a report describing the firm's internal quality control procedures and any material issues raised by the most recent internal quality control reviews, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issue.

5. Compensation. The Audit Committee shall be directly responsible for setting the compensation of the Independent Auditors. The Audit Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of the Independent Auditors established by the Audit Committee.

6. Preapproval of Services. The Audit Committee shall preapprove all auditing services, which may entail providing comfort letters in connection with securities underwritings, and non-audit services (subject only to approval subsequent to performance of certain limited *de minimis* non-audit services as defined by Section 10A of the Exchange Act) to be provided to the Company by the Independent Auditors. The Audit Committee shall cause the Company to disclose in its periodic reports filed with the SEC and proxy statements the approval by the Audit Committee of any non-audit services to be performed by the Independent Auditors and the fees billed by the Independent Auditors for audit and non-audit services (in the manner and to the extent required by applicable Exchange Act rules).

7. Oversight. The Independent Auditors shall report directly to the Audit Committee and the Audit Committee shall be directly responsible for oversight of the work of the Independent Auditors, including resolution of any known disagreements between Company management and the Independent Auditors regarding financial reporting. In connection with its oversight role, the Audit Committee shall:

- obtain and review the reports required to be made by the Independent Auditors pursuant to paragraph (k) of Section 10A of the Exchange Act regarding:
  - critical accounting policies and practices;

- alternative treatments of financial information within GAAP that have been discussed with Company management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditors; and
  - other material written communications between the Independent Auditors and Company management, such as any management letter or schedule of unadjusted differences.
- review with the Independent Auditors:
    - audit problems or difficulties the Independent Auditors encountered in the course of the audit work and management’s response, including any restrictions on the scope of the Independent Auditors’ activities or on access to requested information;
    - analyses prepared by management or the Independent Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
    - the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company; and
    - where necessary or appropriate, the items referenced in the Commentary to NYSE Rule 303A.07(c)(iii)(F).

## **Review Audited Financial Statements**

8. Discussion of Audited Financial Statements. The Audit Committee shall meet to review and discuss with the Company’s management and independent auditor the Company’s audited financial statements, the Company’s specific disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the matters about which Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU §380) requires discussion.

9. Recommendation to the Board of Directors Regarding Financial Statements. The Audit Committee shall consider whether it will recommend to the Board of Directors that the Company’s audited financial statements be included in the Company’s Annual Report on Form 10-K.

10. Audit Committee Report. The Audit Committee shall prepare or cause to be prepared for inclusion where necessary in a proxy or information statement of the Company relating to an annual meeting of stockholders at which directors are to be elected (or special meeting or written consents in lieu of such meeting), the report described in Item 306 of Regulation S-K.

## **Review Other Financial Disclosures**

11. Independent Auditors Review of Interim Financial Statements. The Audit Committee shall direct the Independent Auditors to use its best efforts to perform all reviews of

interim financial information prior to disclosure by the Company of such information and to discuss promptly with the Company's Chief Financial Officer any matters identified in connection with the auditor's review of interim financial information which are required to be discussed by Statement on Auditing Standards Nos. 61, 71, and 90. The Audit Committee shall direct management to advise the Audit Committee in the event that the Company proposes to disclose interim financial information prior to completion of the Independent Auditors' review of interim financial information.

12. Earnings Releases. The Audit Committee shall review and discuss generally the types of information disclosed in the Company's earnings press releases (including any use of "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies.

13. Quarterly Financial Statements. The Audit Committee shall meet to review and discuss with the Company's management and Independent Auditors the Company's quarterly financial statements and the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### **Internal Controls and Procedures**

14. Oversight. The Audit Committee shall coordinate the Board of Director's oversight of the Company's internal accounting controls, and the Company's disclosure controls and procedures, and determine whether management has the proper review system in place such that the Company's financial statements, reports, and other financial information disseminated to governmental organizations and the public satisfy legal requirements. The Audit Committee shall receive and review the reports of the Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act and Rule 13a-14 of the Exchange Act (i.e., the Certification of Disclosure in Annual and Quarterly Results) prior to their submission to the SEC. The Audit Committee shall receive reports from the principal executive and financial officers of the Company regarding their evaluation of the effectiveness of the Company's disclosure controls and procedures and the Company's internal control over financial reporting; regarding all significant deficiencies in the design or operation of internal control over financial reporting which could adversely affect the Company's ability to record, process, summarize, and report financial data and whether they have identified for the outside auditors any material weaknesses in internal controls; any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting; and whether there were significant changes in internal control over financial reporting or in other factors that could significantly affect internal control over financial reporting subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. The Audit Committee shall also receive and review the Independent Auditors' attestation and report on management's assessment of the Company's internal controls required to be provided with the Company's annual report by Section 404 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC prior its submission to the SEC.

15. Internal Audit Function. The Audit Committee shall coordinate the Board of Director's oversight of the performance of the Company's internal audit function. The Committee shall review the activities, organizational structure, and qualifications of the internal audit function, and review and advise on the selection and removal of the internal audit director, if any. The Committee shall also periodically review with the internal audit director (or other personnel or provider responsible for the internal audit function) any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.

16. Risk Management. The Audit Committee shall discuss the Company's policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which the Company's exposure to risk is handled. The Audit Committee shall review material pending legal proceedings involving the Company and other contingent liabilities.

17. Hiring Policies. The Audit Committee shall establish policies regarding the hiring of employees or former employees of the Company's Independent Auditors.

18. Procedures for Complaints. The Audit Committee shall establish procedures for: (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### **Additional Powers**

19. Determine Appropriate Funding. The Company must provide for appropriate funding, as determined by the Audit Committee, for payment of:

- Compensation to any Independent Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services;
- Compensation to any independent counsel or advisers employed by the Audit Committee; and
- Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

20. Additional Powers. The Audit Committee shall take such other actions and have such other duties as may be required by law, assigned by the Company's Bylaws or Corporate Governance Guidelines, or delegated by the Board of Directors.

## **PROCEDURES AND ADMINISTRATION**

1. Meetings. The Audit Committee shall meet as often as it deems necessary in order to perform its responsibilities and may act by written consent without a meeting. A majority of the Audit Committee shall constitute a quorum, and the Audit Committee shall act only on the affirmative vote of a majority of the members present at the meeting. The Audit

Committee shall periodically meet separately with: (i) the Independent Auditors; (ii) Company management; and (iii) the personnel or providers responsible for the Company's internal audit function. The Audit Committee shall keep such records of its meetings as it shall deem appropriate.

2. Subcommittees. The Audit Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), as it deems appropriate under the circumstances. Any decision of a subcommittee to preapprove audit or non-audit services shall be presented to the full Audit Committee at its next scheduled meeting.

3. Reports to Board. The Audit Committee shall report regularly to the Board of Directors. Such reports shall include, without limitation, any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's Independent Auditors, or the performance of the Company's internal audit function.

4. Charter. At least annually, the Audit Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

5. Written Affirmation to NYSE. On an annual basis, within thirty days of the Company's Annual Meeting of Shareholders, and after each change in the composition of the Audit Committee, the Audit Committee shall direct the Company to prepare and provide to the NYSE such written confirmations regarding the membership and operation of the Audit Committee as the NYSE rules require.

6. Independent Advisors. The Audit Committee shall have the authority to engage such independent legal, accounting, and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Audit Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such advisors as established by the Audit Committee.

7. Access to Management. The Audit Committee shall have full access to the Company's executives and personnel as necessary to carry out its responsibilities.

8. Investigations. The Audit Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee, or advisor of the Company to meet with the Audit Committee or any advisors engaged by the Audit Committee.

9. Annual Self-Evaluation. At least annually, the Audit Committee shall evaluate its own performance.