

**CORPORATE GOVERNANCE GUIDELINES  
OF  
HEALTHSPRING, INC.**

The Board of Directors (the “Board”) of HealthSpring, Inc. (“HealthSpring” or the “Company”) is committed to achieving business success and enhancing long-term shareholder value while maintaining the highest standards of responsibility, ethics and integrity. In that regard, the Board has adopted these guidelines and principles to provide an effective corporate governance framework for HealthSpring, thereby intending to reflect a set of core values that provide the foundation for HealthSpring’s governance and management systems and its interactions with others. These guidelines are subject to future refinement or changes as the Board may find necessary or advisable in order to achieve these objectives.

**Role of Board of Directors and Management**

The Board oversees management as it operates HealthSpring’s business with high standards of responsibility, ethics and integrity. To satisfy their respective responsibilities, the directors and members of senior management shall take a proactive, focused approach to their positions, and shall set standards to ensure that HealthSpring is committed to business success through maintaining these standards.

Furthermore, the Board also expects each director and each member of senior management to act ethically at all times and to adhere to the policies, as well as the spirit, expressed in HealthSpring’s Code of Business Conduct and Ethics. In the absence of exceptional circumstances, the Board will not permit any waiver of any ethics policy for any director or executive officer.

Responsibilities of the Board of Directors – The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stockholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors. The directors shall also be entitled to have the Company purchase reasonable directors’ and officers’ liability insurance on their behalf, and shall be entitled to the benefits of indemnification to the fullest extent permitted by law and the Company’s certificate of incorporation, and any indemnification agreements and to exculpation as provided by state law and the Company’s certificate of incorporation. The Board of Directors shall be responsible for overseeing the conduct of HealthSpring’s business and ensuring that the interests of HealthSpring’s shareholders are being served. In carrying out that oversight duty, the Board’s primary functions shall include:

1. Management planning and oversight: Selecting, evaluating and compensating the Chief Executive Officer (the “CEO”) and planning for CEO succession (as described below); and providing counsel and oversight in the selection, evaluation and compensation of, and succession planning for, other members of senior management.
2. Strategic and operational planning: Reviewing and approving long-term strategic plans and annual operating plans, and monitoring the implementation and execution of those plans.
3. Major corporate actions: Reviewing and approving significant financial and business transactions and other major corporate actions.
4. Financial reporting: Reviewing and approving publicly disclosed financial statements and related reports, and overseeing the establishment and maintenance of controls, processes and procedures designed to ensure accuracy, integrity and clarity in financial and other disclosures.
5. Governance, compliance and risk management: Overseeing the establishment and maintenance of corporate governance, compliance and risk management processes and procedures designed to ensure that HealthSpring is managed with high standards of responsibility, ethics and integrity.
6. General advice to management: Providing general advice and counsel to the CEO and other members of senior management in connection with issues arising during the course of managing HealthSpring’s business.

Responsibilities of Management - Management, under the direction of the CEO, shall be responsible for conducting HealthSpring’s business and affairs in an effective, responsible and ethical manner, consistent with the principles and direction set forth herein and established by the Board. In carrying out that duty, management is charged with the following:

1. Organizing management: Selecting qualified management and implementing an organizational structure that is efficient and appropriate for HealthSpring’s operations and culture.
2. Strategic and operational planning and implementation: Developing long-term strategic plans and annual operating plans, presenting those plans to the Board, implementing and executing approved plans, and recommending and executing changes to those plans as necessary.
3. Managing risk: Identifying and managing the risks that HealthSpring undertakes in the course of carrying out its business and managing HealthSpring’s overall risk profile.

4. Financial reporting: Ensuring the integrity of HealthSpring's financial statements and reports by implementing, and supervising the operation of, systems, controls, processes and procedures designed to allow HealthSpring to record, process, summarize and report information in a timely and accurate manner and produce financial statements and other disclosures that fairly present HealthSpring's financial condition and results of operations and permit shareholders to understand HealthSpring's business, financial soundness and risks.

## **Board Composition and Structure**

The number of directors constituting the full Board shall be determined from time to time by the Board within the limits prescribed by HealthSpring's certificate of incorporation and bylaws. In determining the number of directors constituting the full Board, the Board should consider, among other things, the size and breadth of HealthSpring's business and HealthSpring's goals and needs.

Director Qualifications – The Board believes that, following the limited transitional period provided for under the rules of the New York Stock Exchange for newly public issuers, there should be at least a majority of independent directors on the Board who meet the independence requirements of the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the rules promulgated thereunder and the applicable rules of the New York Stock Exchange.

The Nominating and Corporate Governance Committee shall review the qualifications of potential director candidates in accordance with the Nominating and Corporate Governance Committee's charter and these Corporate Governance Guidelines. The consideration of a candidate as a director will include the Nominating and Corporate Governance Committee's assessment of the individual's understanding of the Company's business, the individual's professional and educational background, skills and abilities and potential time commitment and whether such characteristics are consistent with these Corporate Governance Guidelines and other criteria established by the Nominating and Corporate Governance Committee from time to time, and otherwise fulfill the needs of the Board at that time. Each director must contribute some knowledge, experience, or skill in at least one domain that is important to the Company. To provide such a contribution to the Company, a director must possess experience in one or more of the following:

- business or management for complex and large consolidated companies or other complex and large institutions;
- accounting or finance for complex and large consolidated companies or other complex and large institutions;

- leadership, strategic planning, or crisis response for complex and large consolidated companies or other complex and large institutions;
- the healthcare industry;
- the managed care and/or Medicare industries; and
- other significant and relevant areas deemed by the Nominating Committee to be valuable to the Company.

The Nominating and Corporate Governance Committee may also adopt such procedures and criteria not inconsistent with these Corporate Governance Guidelines as it considers advisable for the assessment of director candidates.

Each director should take reasonable steps to keep informed on corporate governance “best practices” and their application in the complex, rapidly evolving managed care and Medicare environments. In addition, prior to accepting re-nomination, each director should evaluate himself or herself as to whether he or she satisfies the criteria described above. The Board should monitor the mix of skills and experience of its directors in order to assure that the Board has the necessary tools to perform its oversight functions effectively. The Nominating and Corporate Governance Committee will be responsible for reviewing shareholder proposals with respect to director nominations. It is the policy of the Company that there be no differences in the manner in which such nominees are evaluated. A shareholder who desires for the Nominating and Governance Committee to consider a nomination for director must comply with the notice, timing, and other requirements in the Company’s bylaws.

The Board shall be classified, consisting of three (3) classes. The directors in each class shall serve staggered three-year terms. Whenever a vacancy occurs in the Board, either because of a newly-created director position or the removal or retirement of an existing director, the Board, acting on the recommendation of the Nominating and Corporate Governance Committee, shall select a person to fill the vacancy and that person shall serve as a director until the next annual meeting of shareholders at which the class in which such director was designated is being elected, at which time such person (or another Board nominee) shall be submitted to the shareholders for election to the Board.

Retirement or Withdrawal of Directors; Conflicting Commitments – The Board believes that directors should serve only so long as they add value to the Board. A director’s contributions to the Board and the director’s ability to continue to contribute productively will be considered by the Nominating and Corporate Governance Committee each time a director is considered for nomination. On an annual basis, the Nominating and Corporate Governance Committee shall review the results of the annual performance evaluation of the Board and its committees. The results of these Board self-evaluations will be relevant factors in determining whether a director

should be nominated.

The Board recognizes that it is important for the Board to balance the benefits of continuity with the benefits of fresh viewpoints and experience. The Board does not believe that it should establish term limits for its members. While term limits could help insure that there are new ideas and viewpoints available to the Board, the Board recognizes the value of continuity of directors who have experience with the Company and who have gained over a period of time a level of understanding about the Company and its operations that enable the director to make a significant contribution to the deliberations of the Board. The Board believes as an alternative to term limits, it can ensure that the Board continues to evolve and consider new viewpoints through the Company's Board evaluation and nomination processes. Also, directors will not be eligible for election to the Board after their 75th birthday; provided that, the Board may make an exception to this retirement requirement under special circumstances.

It is the responsibility of each director to ensure that other commitments do not conflict or materially interfere with the director's responsibilities to the Company. If a director has any concerns about whether serving as a director of another company might conflict with his or her duties to the Company, the director should consult the Chairman of the Board in advance of accepting an invitation to serve on the other company's board and should inform the Chair of the Nominating and Corporate Governance Committee in writing of the outcome. Directors who also serve as CEOs or in other senior management positions should not serve on the boards of more than two other public companies, and other directors should not serve on the boards of more than five other public companies. Because of the Audit Committee's demanding role and responsibilities, and the time commitment attendant to committee membership, if a member of the Company's Audit Committee simultaneously serves on the audit committee of more than two other public companies, the Board must determine that such simultaneous service does not impair the ability of the member to effectively serve on the Company's Audit Committee. Directors are expected to report changes in their primary business or professional status, including retirement, to the Chairman of the Board and to the Chair of the Nominating and Corporate Governance Committee in order for the Board to consider the continued appropriateness of Board membership under the circumstances.

Directors are also expected to as soon as practicable notify the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee upon making a determination that he or she no longer qualifies as an independent director.

Director Orientation and Education – HealthSpring's management shall provide new directors with materials, briefings and additional educational opportunities to permit them to become familiar with HealthSpring and to enable them to better perform their duties. Board members are also encouraged to visit HealthSpring's facilities and to meet with HealthSpring employees throughout their tenure on the Board. In addition, Board members are encouraged to attend

accredited director education programs. The Company will reimburse a director for any out-of-pocket expenses incurred consistent with the Company's expense policies in connection with approved director education programs.

Positions of Chairman and CEO; Presiding Director – The Board selects the Company's Chairman of the Board and its CEO in the manner that it determines to be in the best interests of the Company's shareholders. If the positions of the Chairman of the Board and CEO are held by the same person, then the Chair of the Nominating and Corporate Governance Committee (as such position is filled from time to time) shall serve as the Presiding Director. The principal responsibility of the Presiding Director shall be to chair the executive sessions of the nonemployee directors (as described below) and to perform such other roles and responsibilities as may be assigned from time to time by the Nominating and Corporate Governance Committee or the full Board.

If, at any time, the Chair of the Nominating and Corporate Governance Committee is unable or unwilling to serve as the Presiding Director (or, in connection with any meeting, is absent or otherwise unable to perform the duties of Presiding Director at such meeting), then the most senior independent director (based on length of service on the Board) shall fulfill the duties and responsibilities of the Presiding Director until such time as the Chair of the Nominating and Corporate Governance Committee is again able and willing to perform those duties and responsibilities. The name of the independent director chosen to serve as the Presiding Director shall be disclosed in the Company's annual proxy statement.

### **Majority Voting Policy for Directors**

Commencing with the 2011 director nominations and elections, this Majority Voting Policy will become effective for the Company. As a requirement of nomination and in accordance with Section 141 of the Delaware General Corporation Law and any successor statute, each director nominee of the Company shall tender his or her irrevocable resignation as a director of the Company, which resignation shall be conditioned upon the director receiving a Majority Withhold Vote (as defined below) for election to the Board. The Board shall nominate for election as a director only candidates who agree to tender such irrevocable resignations that will be effective only upon (i) receiving a Majority Withhold Vote and (ii) the Board accepting such resignation.

In the case of an uncontested election of directors, if a Company nominee for election as a director of the Company receives more "Withhold" votes than "For" votes (a "Majority Withhold Vote"), the nominee's resignation from the Board shall be delivered to the Board for consideration. An uncontested election is any election of directors at which the number of nominees for election does not exceed the number of positions on the Board to be filled by election at the meeting, and shall include any election where (i) by the record date for the meeting, none of the Company's stockholders have provided the Company with notice of an

intention to nominate one or more candidates to compete with the Board's nominees in a director election for the meeting, or (ii) the Company's stockholders have withdrawn all such nominations by the day before the Company mails its notice of meeting to stockholders in connection with any meeting at which directors are to be elected. In an election of directors other than an uncontested election, this Majority Voting Policy shall not apply.

Abstentions will not be considered in the determination of a Majority Withhold Vote.

The following procedures shall apply when considering any director resignation tendered in connection with a Majority Withhold Vote:

The Board will promptly consider such tendered resignation and determine the action to be taken with respect to such tendered resignation. The decision of the Board may be, among other things, to (i) accept the resignation; (ii) defer acceptance of the resignation until a replacement director with certain necessary qualifications held by the subject director can be identified and elected to the Board; (iii) reject the resignation, but address what the Board believes to be the underlying reasons for the failure of the director to be reelected; (iv) reject the resignation, but resolve that the director will not be re-nominated in the future for election; or (v) reject the resignation. If the Board accepts the tendered resignation, the Board will also determine whether to fill the vacancy resulting from the resignation or to reduce the size of the Board.

In considering a tendered resignation, the Board is authorized to consider all factors it deems relevant to the best interests of the Company and its stockholders including, without limitation, (i) specifically expressed reasons why stockholders voted "Withhold" with respect to the subject director; (ii) what the Board believes to be the underlying reasons for the Majority Withhold Vote, including whether these reasons relate to the incumbent director's performance as a director; whether these reasons relate to the Company or another company; and whether these reasons are curable and alternatives for effecting any cure; (iii) the tenure and qualifications of the director; (iv) the director's past and expected future contributions to the Company; (v) the other policies of the Board; (vi) the overall composition of the Board, including whether accepting the resignation would cause the Company to fail to meet any applicable requirements of the Securities and Exchange Commission, the New York Stock Exchange, or any other regulatory or self-regulatory requirements; and (vii) whether the resignation of the director could result in the triggering of change in control or similar provisions under any contract by which the Company is bound or any benefit plan of the Company and, if so, the potential impact thereof.

The Board will act on the resignation no later than 90 days following certification of the stockholder vote for the stockholders' meeting at which the director received a Majority Withhold Vote. Following the Board's decision, the Company will promptly

file a Current Report on Form 8-K or issue a press release describing the Board's decision and providing an explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation.

Any director who receives a Majority Withhold Vote will not participate in the Board's consideration of his or her tendered resignation provided that any director may provide to the Board any information or a statement he or she deems relevant to the Board's consideration of his or her tendered resignation.

The Board believes this policy enhances its accountability to stockholders by formalizing the consequences of a Majority Withhold Vote and demonstrating its responsiveness to director election results, while at the same time protecting the long-term interests of the Company and its stockholders.

This Majority Voting Policy will be summarized in each proxy statement relating to the election of directors of the Company.

### **Conduct of Board Meetings**

Number of Meetings and Attendance – The Board shall be responsible for determining the appropriate number of regular meetings to hold each fiscal year, and anticipates that it shall have at least four meetings of the full Board in any fiscal year. Each director is expected to attend all regular meetings of the Board and of the committees of which he or she is a member, and is expected to make every effort to attend any specially called Board or committee meeting. Each director is strongly encouraged to attend the Company's annual meeting of shareholders. The Chairman may request members of management to attend all or portions of Board meetings for discussion purposes or to make appropriate presentations.

Meeting Agenda – The Board shall be responsible for its agenda, and each director is encouraged to suggest agenda items to the Chairman or, if applicable, the Presiding Director at any time.

Pre-Meeting Materials – Prior to each regularly scheduled Board meeting, the Chairman shall distribute appropriate written materials relating to the substantive agenda items to be discussed at that meeting (unless confidentiality or sensitivity concerns suggest that materials be distributed only at the meeting). Each director is encouraged to offer suggestions to either the Chairman or, if applicable, the Presiding Director regarding the nature or extent of information or materials that are regularly distributed in advance of Board meetings.

Executive Sessions of Non-Employee Directors – The directors who are not also HealthSpring employees shall hold "executive sessions" in which they meet without the directors who are HealthSpring employees. Generally, an executive session of the non-employee directors shall be a standing agenda item at each regular meeting of the Board and, in addition, may be called at

any time by the Presiding Director or at the request of a majority of the non-employee directors. The agenda for each executive session of the non-employee directors shall be determined by the Chairman, or, if the Chairman is also an employee, the Presiding Director. If the non-management directors include one or more directors that do not meet the definitions of “independent director” included in pertinent listing standards of the New York Stock Exchange, then the “independent directors” of the Company will at least once a year schedule an executive session including only “independent directors.”

## **Committees of the Board**

Standing Committees – The Board shall maintain an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee to assist it in discharging its oversight responsibilities. Each committee shall have the purposes and responsibilities set forth in its charter. The Board may convene other standing or special committees as it deems appropriate.

Each committee shall be governed by a written charter approved by the full Board. Once approved, each committee charter shall be considered to be an integral part of these Corporate Governance Guidelines. Each committee shall review its charter at least annually and shall report the results of such review (including any recommended changes) to the full Board.

Membership – The membership of each committee (including the number and identity of directors comprising the committee and the director designated to serve as committee chair) shall be determined by the full Board, acting with the recommendation of the Nominating and Corporate Governance Committee.

The Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee shall, following the limited transitional period provided for under the rules of the New York Stock Exchange for newly public issuers, be comprised entirely of directors who meet the independence requirements of the applicable provisions of the Exchange Act, the rules promulgated thereunder and the applicable rules of the New York Stock Exchange.

Conduct of Committee Meetings – Within the confines of its purpose (as stated in its charter), each committee shall be responsible for determining the frequency and length of committee meetings and the agenda of items to be discussed. The committee chair, in consultation with appropriate members of management, shall develop the agenda for each meeting and shall cause appropriate written materials to be prepared and distributed prior to the meeting. The committee chair, generally with the assistance of a designated member of management, shall be responsible for ensuring minutes of each committee meeting are properly recorded, and the Corporate Secretary shall incorporate these minutes into the official Board minute book. The committee chair shall be responsible for apprising the full Board on a regular basis of all committee

proceedings, determinations and recommendations.

Any director shall be entitled to attend the meeting of any committee, regardless of whether he or she is a member of that committee (excluding, when appropriate, employees who serve as directors where compensation of that director as an employee is being discussed), provided that formal action will only be through the vote of appointed committee members. Unless otherwise requested by the committee chair, appropriate members of management shall also attend committee meetings for discussion purposes or to make appropriate presentations. Board committees shall have access to, and the authority to cause the compensation of, accountants, compensation consultants, investment bankers, legal counsel or other independent consultants whose expertise or service is deemed necessary to carrying out the committees' respective missions.

### **Board Compensation**

The Board, through the Compensation Committee, will periodically review, or request management or outside consultants to review, appropriate compensation policies for the directors serving on the Board and its committees. The Compensation Committee will consider contributions to Board functions, service as committee chairs and such other factors as it may deem appropriate. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, with the concurrence of the Nominating and Corporate Governance Committee, and with discussion and concurrence by the Board. The Board believes that a meaningful portion of director compensation should be equity based to further the direct correlation of directors' and shareholders' economic interests. In addition, director compensation shall be the only compensation an Audit Committee member receives directly or indirectly from the Company.

### **Performance Evaluation; Succession Planning**

**Annual Board Self-Evaluation** – The Board will conduct an annual self-evaluation to determine whether the Board and each of its committees are functioning effectively. These evaluations will be led by the Nominating and Corporate Governance Committee and will be reviewed and discussed with the full Board.

**Annual CEO Evaluation** – The independent directors, or a committee thereof, will conduct a review at least annually of the performance of the CEO. The independent directors, or such committee, will establish the evaluation process on which the performance of the CEO is evaluated.

**Succession Planning** – As part of the annual CEO evaluation process, the independent directors, or a committee thereof, will work with the CEO to plan for such person's succession and to

develop plans for interim succession for the CEO in the event of an unexpected occurrence.

### **Access to Management and Advisors**

The Board shall have complete access to all HealthSpring officers and employees. Any meetings or contacts that a director desires to initiate may be arranged directly by the director or through the CEO or another executive officer.

The Board welcomes input from management at Board meetings. The Board also encourages management to identify any personnel who can provide additional insight into the items being discussed because of personal involvement or who have potential that management believes should be given exposure to the Board.

The Board and its committees, as well as the non-employee directors acting in executive session, may retain independent outside financial, legal or other advisors as deemed necessary or appropriate at HealthSpring's expense.

### **Board Interaction with Analysts, Institutional Investors and the Media**

It is the policy of the Board that senior management speak on behalf of the Company to analysts, institutional investors and the media. At the request of senior management, directors may be called upon from time to time to meet or otherwise communicate with analysts, institutional investors or the media, but generally directors shall not do so without the specific approval of senior management, and all inquiries or requests of directors for comment should be referred to the Company's senior management.

### **Shareholder Communications with the Board of Directors**

Shareholders may communicate with any of the Company's directors, including the chair of any of the committees of the Board and the Presiding Director, by writing to them c/o HealthSpring, Inc., 44 Vantage Way, Suite 300, Nashville, Tennessee 37228. The Corporate Secretary or, if applicable, the Company's compliance officer will review all such communications and direct appropriate communications to the appropriate director(s).