

# CorVel<sup>®</sup> Town Today

VOL. 2002

The Year In Review

CorVel Corporation

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# An Unforgettable Year



*For more than ten years CorVel's services and solutions have helped save millions of dollars and their network of associates have worked to get thousands of people back to their jobs.*

IRVINE, Ca. – On paper CorVel's year in review reads like a story repeated many times in annual reports. Earnings up. Revenues up. However, like almost every business in America, the events of September 11 affected the Company in profound ways. Yet, despite the tragedy, 2001 was marked by great achievement, advancement, and appreciation.

The Company reported record earnings per share, up 15%. Revenues were up 13%. CorVel was ranked sixth out of 7,500 publicly traded companies in the Investor's Business Daily Stable 70. For the eighth consecutive year, the Company was listed as one of Forbes 200 Best Small Companies. Past investments in the development of new technologies began to pay dividends. New products, services, and tools were introduced. All things considered, it was an impressive year for CorVel.

Though the Company has no offices in Manhattan, and no employees were directly impacted by the terrorist attacks, the tragedy was felt by all. The concerns of business took a backseat to the welfare of fellow citizens as CorVel's 185 offices worked together to organize a contribution effort to assist the families of victims.

Surprisingly, the market's reaction to the fall of 2001 generated increased interest in CorVel's services. Premium rates have increased substantially over the last six months and some coverages have become difficult to obtain. This escalation has motivated



employers to actively seek improved disability management solutions.

For the past year, CorVel continued to play the role of the innovator. The Company expanded its services into new markets, such as automobile liability claims. It supported its investment in technology with new products and enhanced features. The Care<sup>MC</sup> Dashboard was created to help risk managers and claims professionals. MedCheck/ecs was enhanced to further expedite claims processing through automation.

Ultimately, the past year may prove to strengthen the Company. As CorVel continues to enhance the ways information is accessed and processed, its most important connections are those made across the country everyday by more than 3,000 employees. Desktop to desktop. Phone to phone. Face to face.

## Letter from the Editor

By Gordon Clemons



Hometowns everywhere meant more to all of us this year. Along the way we discovered just what we are all made of, and that when challenged, we come together immediately. Despite all the challenges of 2001, CorVel's services to families, employees and organizations, expanded to new record levels for the fourteenth consecutive year.

Our strategic investments in networks of healthcare professionals (PPOs) and Internet initiatives, launched several years ago, have begun to pay dividends. Return on shareholders' equity exceeded 25% after tax. We expanded our office network, launched a second generation PPO and began work in the Caribbean.

As our brand recognition expands and our technology enables us to more efficiently assist patients during episodes of care, we are increasingly working directly with very large employers. CorVel's investments in systems, a national branch office network and continued relationships with healthcare providers, have positioned us to do more and more for large organizations.

**Our Strategy** CorVel's strategy remains to excel in the service of injured or ill patients. Working collaboratively with employers, payors and healthcare professionals, we continue to steadfastly pursue the development of ever-better systems. Each incremental improvement helps us work with more synergy.

Our new CorCare Select services include improved assistance to patients needing help scheduling appointments, and to healthcare providers with the administrative tasks in their practices.

We saw increasing interest in our services during the year from the auto market. Investments made to tailor our processing to the needs of auto insurers are now paying off.

**The Company We Keep** As CorVel has grown we have increasingly worked with a very fine group of national organizations as customers. A number of the large institutional investors in CorVel have had long term positions, and have been willing to spend time assisting us in our business. I believe our investor relationships in this day of high volume trading and rapid investment turnover, are truly unique. As always, it is also a great pleasure to thank the over 3,000 employees of CorVel for their hard work and commitment this year and all the years past.

# Year Review

The Year in Review

## Forbes 200 Best Small Companies

By Kim Doneff

NEW YORK, NY. – For the eighth consecutive year, Forbes Magazine has ranked CorVel as one of the 200 Best Small Companies in America. Said Company President, Gordon Clemons, “This validates our vision. Healthcare is a local and personal issue. Even though CorVel is a national company, our network of 185 offices extends our service to thousands of people across the country. No one cares what you know, until they know how much you care.”

The latest recognition is just one of many milestones for the Company. Most recently, CorVel was ranked sixth on Investor’s Business Daily’s Stable 70 list. In 2001, they successfully implemented their eCommerce website, Care<sup>MC</sup>. They also celebrated 41 consecutive quarters of record earnings per share. They were named to the Russell 2000 Index in the previous year.

CorVel’s continued success is representative of their entrepreneurial attitude and their reputation as

innovators. “We’re a high touch, high tech organization. Being close to patients makes our service effective. Our technology helps us work efficiently,” said Clemons. “Our record of success seems smooth. But, like the duck gliding across the pond, under the surface, we are paddling like crazy.”

Each November Forbes magazine ranks the 200 Best Small Companies in America. Rankings are based on five-year return on equity results for companies with \$600 million or less in revenues. CorVel has made the list for eight years, from 1994 to 2001.



Over the past ten years, CorVel has followed a consistent strategy of growth. Revenue has increased at steady rate, as has net income and earnings per share. During that time, CorVel has maintained consistent cash flow, while making necessary investments in new technology.

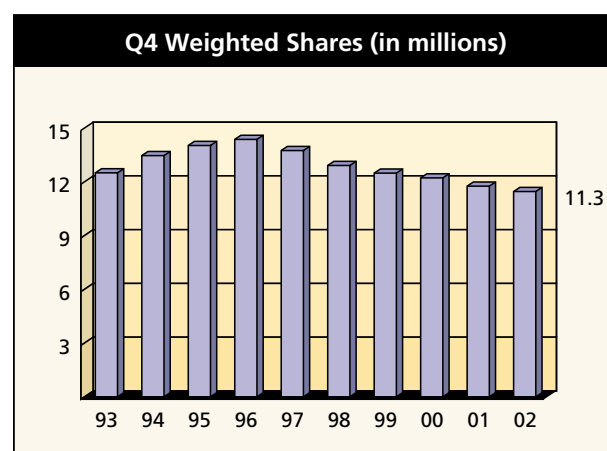
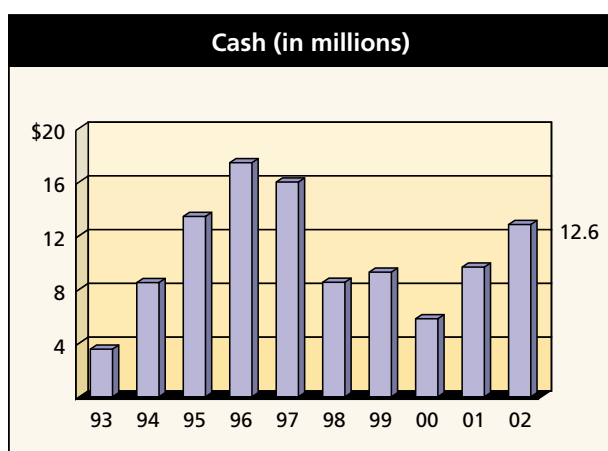
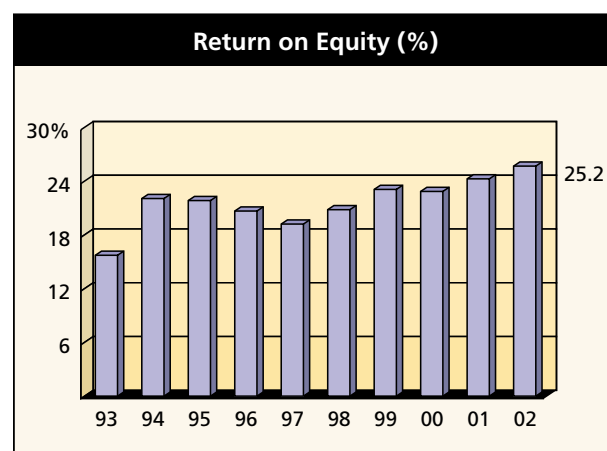
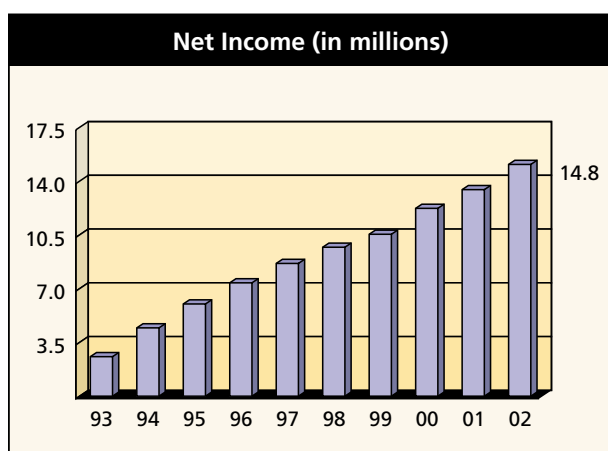
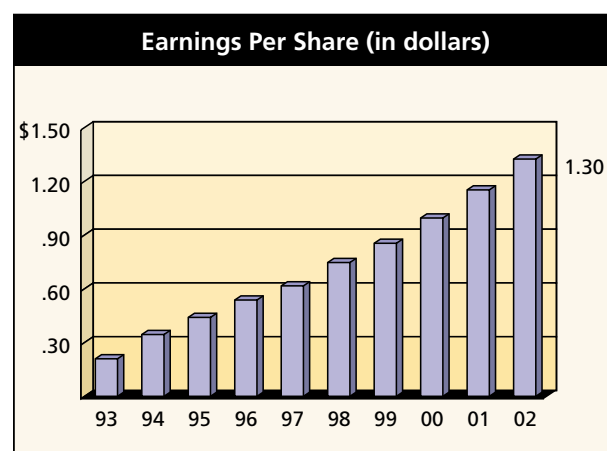
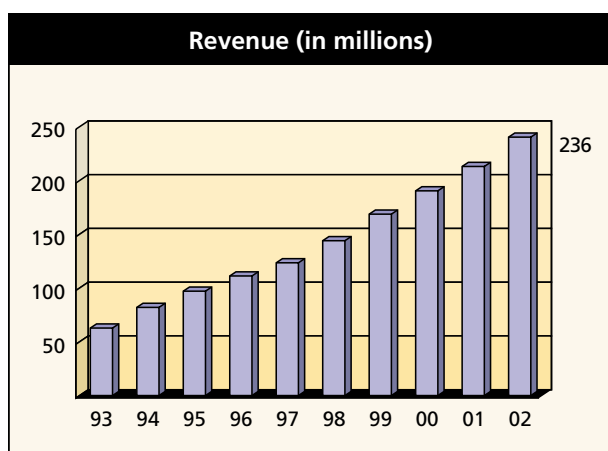
### CorVel Executes Three-for-Two Stock Split

By Richard Scheppe

NEW YORK, NY. – On August 31, 2001, CorVel distributed a 50% stock dividend to stockholders of record as of the 17th of that month. The dividend was the result of a three-for-two stock split that the Company announced on August 6.

The latest stock split is the result of the Company's improved performance in the way it manages its assets. Advanced technologies and systems that function more efficiently have made it possible to operate with less expenditure of capital.

CorVel became a publicly traded corporation on June 28, 1991 and its growth rate since that time has been over 23% a year. Today, it is funded entirely by internal operations and positive cash flow.



**OPINION:**

# Coming Soon to Managed Care

By Heather Burnham

IRVINE, Ca — Because the adoption of change in business is slow, charting future trends is a complicated enterprise. This is especially true when you consider the predominance of out-of-date legacy systems in the healthcare industry. Still, as technology advances and new ideas are embraced, it's possible to make assumptions about what the future holds and how managed care will be affected.

**Information Processing**

Technology has had a profound impact on managed care and healthcare in general. The adoption of advanced information systems will continue to accelerate claim resolution and medically related paperwork processing. Interfaces have become more effective as legacy computer and software systems are gradually upgraded. Databases can be shared and information can be gathered from a greater variety of sources. Since the information now gathered from such systems is already in digital format, the amount of manual data entry is substantially reduced. These efficiencies make using new systems much more appealing and cost effective.

In the past, automation was prevented by the limited availability of computer processing power. This is no longer a problem. Today, more companies are taking advantage of the capabilities of higher speed computers.

**Co-opetition**

One positive side effect of all this readily available information processing power, has been a change in the way companies and organizations communicate with each other.

Patient information and data has traditionally been a closely guarded asset. This is a necessary and legally enforced reality when dealing with sensitive, private

medical information. However, often the withheld data is not of a sensitive nature and only serves to delay the processing of claims.

With new, more advanced systems, companies are learning to work together and cooperate more effectively. This improvement in data interfaces may further speed the resolution of claims and improve outcomes.

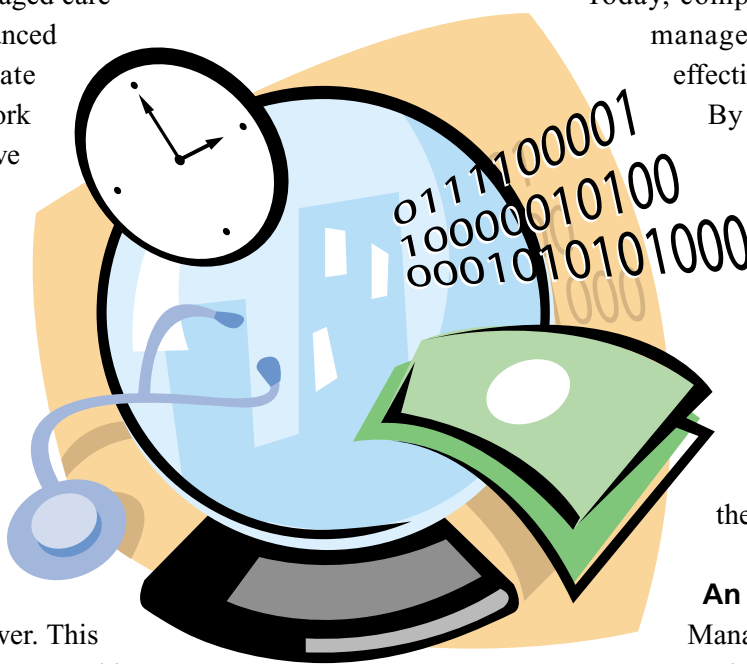
**Scheduling**

Today, companies are looking for new ideas in the way they manage their employee benefits. Care is delivered most effectively when it is delivered at the earliest possible stage. By getting involved earlier in the patient care cycle, managed care can make a significant impact by helping return employees to work.

Features like incidence reporting and absence management are increasingly becoming desirable options for many companies. When managed care is engaged promptly after injury, patients can be assisted in the scheduling of therapy treatments and doctor visits. Most importantly, they can get the help they need to meet their recovery goals.

**An Evolving Industry**

Managed care as we know it is still in its infancy. Many employers are just now learning about its time and cost savings benefits. Industries outside of the traditional healthcare realm are investigating how its systems and capabilities can positively affect their businesses. The needs of employers, providers, and insurers are driving the development of new services and products. Despite all the changes to come, the primary mission of managed care remains the same — optimizing healthcare outcomes and getting employees back to productive lives.



# CorVel Sixth On Investor's Business Daily Stable 70

By Richard Schweppe

NEW YORK, NY. — In the high-flying economy of the late 1990s, the most stable businesses were often overlooked in favor of flashy longshots with outrageous projections. Today it's a completely different story. Companies with proven earnings records and experienced management like CorVel Corporation are the ones making waves.

When Investor's Business Daily selected the country's 70 most stable publicly traded companies CorVel ranked number six out of 7500 total. Over the last ten years CorVel has been a model of steady growth. The Company's annual earnings have risen fivefold and its share price more than eightfold.

According to CEO Gordon Clemons, this success has to do with CorVel's big picture strategy. "We're a service company made up of lots of small pieces," Clemons said. "We don't do all of them as well as we should, but we focus on all of them."

Thanks to seasoned CorVel management, the Company has been able to maintain that focus. Clemons himself founded the Company and, together

with a loyal senior team, has guided its growth. Said Clemons, "The reason there's value in longevity in management is you don't stop dancing halfway through."

CorVel has also made a habit of investing in technology. Most recently, the Company dedicated significant financial resources into developing new information networking systems.

Rather than play catch-up, CorVel has taken the lead in creating new management tools for their clients. "We don't report as much profit as we would if we weren't doing that," said Clemons. "We pour a lot back into building new services."

Investor's Business Daily is one of the most respected business newspapers in the world. It is the premier source for information for thousands of leaders in the business and investment community.

Some of the criteria for inclusion in the Investor's Business Daily Stable 70 consisted of public companies with earnings and sales growth rates of at

least 10% in the most recent quarter. Companies had to have annual earnings growth rates of at least 10% for each of the past two fiscal years. Their five-year earnings growth rates had to be 10% or higher.



## Care<sup>MC</sup> Puts the Details On Your Dash

By Ty Stewart



ORANGE, Ca. – The dashboard of your car displays your vital driving information front-and-center, like your speed and gas level. Now the Care<sup>MC</sup> website does the same for your claims data. This advanced, yet surprisingly simple tool helps risk managers and claims professionals stay informed of their most important data at all times.

The Care<sup>MC</sup> Dashboard was developed after the technology and information systems team at CorVel examined the workflow of risk managers and claims professionals. They discovered how helpful it would be for them to have a tool that kept their most important information nearby. Said CorVel Product Manager, Brian Cushard, “It’s very difficult to stay focused on the big picture when you’re caught up in the details of a specific file. The Care<sup>MC</sup> Dashboard puts the big picture right on your computer desktop so you can be notified of high level trends.”

The Care<sup>MC</sup> Dashboard takes full advantage of the Internet’s most useful attributes. It’s easily customized to meet the varied needs of different users. It gathers data from a vast array of resources and displays it in simple, easy-to-understand graphics. Care<sup>MC</sup> also works in real time, automatically updating information as it changes.

The Dashboard is a direct enhancement of the capabilities of Care<sup>MC</sup>. It expands the usefulness of this web-based tool from the day-to-day management of claims into the tracking of strategic information and trends. Claims managers can use it to inform them of items that require immediate action, like Case Management Reports and Bill Review Alerts. They can also use it to stay abreast of individual savings and claims by state. Even up-to-the-minute summary reports are available.

“The Care<sup>MC</sup> Dashboard is just the latest example of how technology is changing Managed Care,” said CorVel VP of Information Systems, Tom Benson, “From here it’s only going to get better, faster and more efficient.”

Care<sup>MC</sup> is CorVel’s web-enabled medical claims management tool. It securely connects employers, claims professionals, providers and case managers with the information they need. It is designed to accelerate claims processing and improve outcomes.

## Care<sup>MC</sup> Wins “Award of Excellence”

By Tom Benson

ORANGE, Ca. – CorVel was recently honored in Business Insurance magazine’s 2001 “Best of the Web” awards. The Managed Care Company was recognized with the “Award of Excellence” in the Property/Casualty Claims Services category for caremc.com. This annual award was established to honor companies who have made advances in insurance and risk management technology.

Care<sup>MC</sup> was launched in April of 2000. It was designed to accelerate claims processing and improve healthcare outcomes. Care<sup>MC</sup> connects the different parties involved in the processing of claims with information they need in real time. With Care<sup>MC</sup>, claims that used to take days, and even weeks to process can be assigned, reviewed, or updated in minutes.

The Care<sup>MC</sup> website is easy for everyone from claims professionals to risk managers to use. Designed to

adapt to the unique needs of different users, it can perform an array of tasks quickly and automatically. A claims professional might look to Care<sup>MC</sup> for bill review and tracking. A human resources manager might utilize it to track and manage employee absences.

What may be the best feature of Care<sup>MC</sup> is how it provides a forum for different constituents, like case managers and claims professionals, to work on the same claim, while protecting patient privacy. With an authorized password, information can be retrieved from any computer with Internet access.

Business Insurance magazine is one of the leading industry publications for risk managers, insurers, and claims professionals.



The Care<sup>MC</sup> website securely connects employers, claims professionals, providers and case managers with the information they need. It’s designed to accelerate claims processing and to help improve healthcare outcomes.





# Pocket PCs Speed Information Flow to the Web

By Bill Stolte



PORTLAND, Or. – Information is critical for risk managers and claims professionals, and to facilitate the processing and resolution of their open cases. To help bring them the most up-to-date information possible, CorVel is taking advantage of the latest wireless technology applications.

CorVel case managers are using wireless Personal Data Assistants (PDAs), or Pocket PCs, in the field to input new case data directly at the point of care. The PDA data is routed directly to caremc.com on a daily basis, where users can log onto the website and review case notes and check the status of a patient's projected return to work. This means claims professionals and risk managers can access the latest developments in their cases, 24-hours a day, and leverage that information to make informed decisions.

Said CorVel Product Manager, Brian Cushard, "This is really just an extension of the services already provided by CorVel. We've just moved them off the case manager's desk and brought them into the field."

In addition to the time-saving benefits enjoyed by claims professionals and risk managers, wireless applications have liberated case managers from much of the administration tasks they normally conducted at the office. That leaves more time for case managers to assist patients during their recovery and improve return to work outcomes.

The software that CorVel uses for its wireless computing was developed expressly for the Pocket PC to work with the online applications of CareMC.

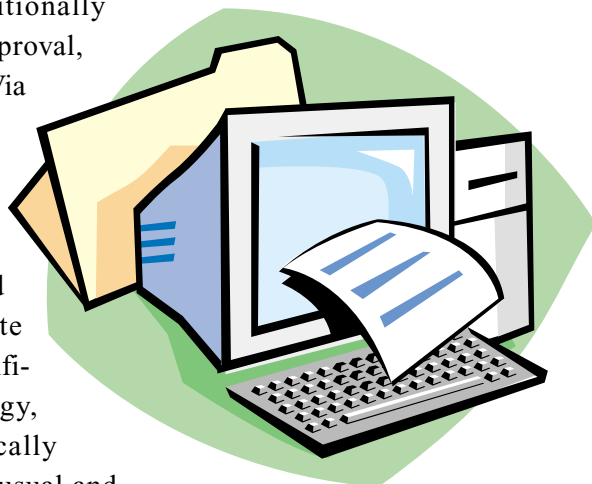


# Bill Review Hits the Web with MedCheck/ecs

By Claudia Ketrick

PORTLAND, Or. – CorVel's medical bill review software and PPO management system, MedCheck®, is moving into the future with the development of their web-based initiative, MedCheck/ecs (eCommerce Solutions). As the volume of medical bills increase, programs like this are helping to automate the claims process, while delivering savings on practically every bill.

MedCheck/ecs automates many of the functions that have traditionally delayed the submission, approval, and reimbursement of bills. Via the password-protected website, caremc.com, providers and claims professionals enter bills directly onto the website and into the system to expedite claim processing. Using artificial intelligence technology, MedCheck/ecs automatically adjudicates bills, applying usual and customary review, fee schedule analyses, and PPO discounts.



With MedCheck/ecs, medical bills can be processed and approved from your desktop. By using automated information processing, Medcheck/ecs eliminates paperwork and many time delays. In fact, it can reimburse providers for services directly after the bill has been approved for payment in real time.

# .compInsights Evaluates the Industry

By Patrick McGuigan

Since the spring of 2000, .compInsights has been surveying claims professionals, risk managers and healthcare providers about issues affecting the healthcare industry. With topics ranging from access to the Internet, the benefits of IMEs, and the costs of prescription drugs, the response has been enthusiastic. The findings have been summarized and published. Today, they provide us a better understanding of the issues affecting the managed care industry.



## CorVel Case Manager Helps Injured Firefighter!

By Sarah Gray



*When Bill Hoehne injured his shoulder, he leaned on CorVel Case Manager Micheline Rojas for support. It took three surgeries, an intensive regimen of physical therapy, and her emphatic attention to get him back to work. Today, he's back fighting fires for the LA County Fire Department.*

LOS ANGELES, Ca. – When you're the fire department, who do you call for help? In LA County, you reach out to people like CorVel's Nurse Case Manager, Micheline Rojas. That's what firefighter, Bill Hoehne did after he dislocated his shoulder in the line of duty.

In a job that calls for intense physical activity like Hoehne's, a dislocated shoulder can mean the end of a career. After he first injured himself, his shoulder just would not heal properly. It seemed every time Hoehne put any weight on it at all, like lifting a victim or a fire hose it just gave out.

*In addition to getting people back to work, the CorCare PPO network delivers real savings. In 2001 alone, one national client saved more than 5.7 million by using its services in ten different states.*

While Hoehne was an expert at fighting fires, he was a novice when it came to healthcare. His injury was so severe it required three surgeries and intense physical therapy. Needless to say, he wanted to make sure that his shoulder healed properly. He needed help and he found it in Micheline Rojas. She guided him through his entire recovery.

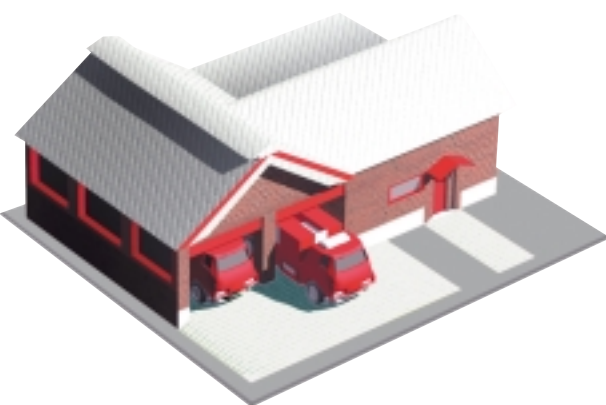
A CorVel Case Manager since practically the founding of the company, Rojas was skilled at working together with providers, insurers, and patients to get the best care. In her nearly ten years

she had helped hundreds of patients get back to work. When she was assigned Hoehne's case, she knew just what to do.

The two struck up a special friendship as Rojas helped the firefighter maintain his recovery regimen. She worked with his doctors to create a schedule for him and then helped him stick to it. She even arranged after-hour physical therapy through the CorCare Network when his long hours at the station got in the way of treatment.

Today, Hoehne has recovered completely and is doing what he loves most, helping rescue those in danger. And today Rojas continues doing what she loves, helping to get the people of CorVel Town back to work. To this day, she even makes it a point to look in on Hoehne and his fellow firefighters. Albeit, not to check his progress, but to drop off a batch of homemade cookies.

Since September of 1998, CorVel has worked with the County of Los Angeles, delivering a comprehensive service model of FNOL, case management, bill review, and outcome reporting management.



## CorCare® Network Grows to Over 450,000 Preferred Providers

By Steve Wheeler

RICHMOND, Va. – To meet the demand for high quality, choice and access, CorVel's CorCare Network has grown to include almost 450,000 preferred providers across the United States.

Additionally, the network has expanded to include a variety of specialty ancillary networks that can better service the unique needs of patients and employers. This includes Pharmacy, IME, MRI, and DME networks.

This energetic growth hasn't come at the expense of quality. CorCare providers are selected from a demanding criteria. Each one is thoroughly evaluated and credentialed, then recertified bi-annually.

The CorCare Network is a national PPO that provides employers with cost-effective, quality medical services for their employees.



# CorVel Drives into Auto Managed Care Market

By Melissa Giarratano



CorVel's Auto Managed Care Program offers a continuum of services through a national network of more than 185 field locations. Their services use advanced technology to facilitate patient care and contain medical expenses.

DENVER, Co. – To help stem the escalating costs related to automobile liability claims, CorVel has expanded its scope of services to meet the needs of this market. The reception to such a concept has been overwhelming. It seems CorVel's managed care expertise is just the sort of relief the automobile insurance industry was waiting for.

Said CorVel Director of Auto Service, Michael Williams, "For more than ten years we've saved companies money on their healthcare expenses. Applying our methods to the auto market is a natural and logical extension of CorVel's services." CorVel currently serves 13 of the 15 largest automobile

insurance carriers with its Auto Managed Care programs.

In 2001, they processed over 90,000 bills with an average penetration rate exceeding 46%. In 2000, auto related liability and medical claim losses and loss-adjustment expenses totaled more than \$73 billion. These injury claims are one of the primary expenses of auto indemnity costs and continue to drive the prices of premiums charged to policyholders.

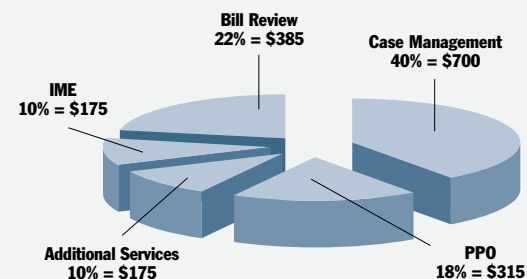
CorVel Corporation is implementing managed care techniques to help reduce the overall cost of auto

claims and the subsequent care administered to patients. In effect, CorVel functions as an independent advocate throughout the auto claim process, working with both the injured parties and providers who administer care.

One such logical extension was implementing bill review on auto injury medical bills. It's estimated that 90% of all hospital bills contain an overcharge. Also, by intervening in the claims process early CorVel is able to impact costs more dramatically.

CorVel case managers also take the extra step of working closely with patients to make sure they receive appropriate care throughout their recovery process. They refer patients to an auto PPO network of providers that help reduce costs and assure individual patients. By taking an active role in a patient's recovery, they are able to return people to work quicker and promote savings.

## \$1,750 SAVINGS POTENTIAL ON \$5,000 CLAIM



## Your Halo is Slipping

### MedCheck Select® Saves \$432,647 on Hospital Bill

By Steve Kirwan

FORT WORTH, Tx. – Here is a true story that will turn the most passionate managed care critic into a true believer.

After a major motor vehicle accident with massive injuries, a patient was fitted with a halo ring and vest assembly. For those readers who may not know what a halo is, it is a support apparatus that attaches to the skull to prevent movement of the neck. After the halo is installed onto the patient (a process that involves the drilling of pins into the skull), it is common for the halo to be adjusted on a daily basis. This is simply a maintenance procedure (what the hospital refers to as a revision) and doesn't require the drilling of new holes.

However, on this particular claim, the hospital was charging \$2,029 per day for revisions, totaling



\$225,237 for the entire bill. CorVel's MedCheck Select Nurse, experienced in care with halos, realized that the hospital was likely charging as if a new halo was being attached everyday. Aside from intense patient discomfort, they knew that this would likely cause serious injury, or even death. The good news was that the patient was recovering fine; but his insurance carrier was suffering from a severe case of bad accounting.

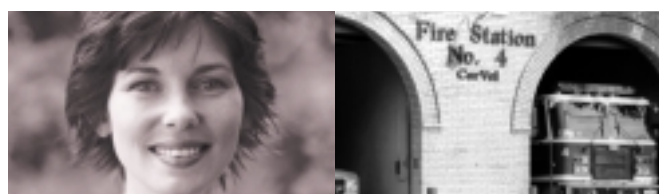
In total, after applying usual and customary analysis and correcting coding errors, MedCheck Select was able to reduce the \$1,324,350 bill down over \$400,000. Talk about divine intervention.

*It is estimated that 90% of all inpatient hospital bills contain an overcharge. MedCheck Select is CorVel's Hospital Inpatient-Outpatient Line Item Bill Review service for workers' compensation, auto, and disability management insurance markets. MedCheck Select can be delivered through CorVel's network of 185 offices.*

# A Nationwide Community Connected By Care



With 185 offices in 49 states, the CorVel community extends across America. And it's growing every year. CorVel is a nationally established managed care company and has relationships with major employers, insurers, and healthcare providers. While it's in the big business of healthcare, CorVel serves its constituents through the hands-on, friendly philosophy of a local community. Employers, major insurers, and TPAs access services through the CorVel network of providers and their web-based communications tools. Patients benefit directly from the experience of the associates at CorVel, as they guide them through their recovery process. By working to make healthcare function more efficiently, CorVel is helping thousands of people. CorVel's mission is to deliver patients the quality healthcare they need to get back to work, back to their families, friends, and communities.



The CorVel network stretches all across the United States. Most people who benefit from their services might never know who CorVel is, but the fact remains that the company saves millions of dollars in healthcare expenses. It also helps thousands of workers get back to their jobs quickly and safely.

