CORVEL CORP
Form 10-K
June 10, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2016

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 0-19291

CorVel Corporation

(Exact name of registrant as specified in its charter)

Delaware	**33-0282651**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
2010 Main Street, Suite 600, Irvine, California	**92614**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code:

(949) 851-1473

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of each exchange on which registered:**
Common Stock	**The NASDAQ Global Select Market, LLC**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant s most recently completed second fiscal quarter:

As of September 30, 2015, the aggregate market value of the Registrant s voting and non-voting common equity held by non-affiliates of the Registrant was approximately $330,421,000 based on the closing price per share of $32.30 for the Registrant s common stock as reported on the Nasdaq Global Select Market on such date multiplied by 10,229,765 shares (total outstanding shares of 19,787,279 less 9,557,514 shares held by affiliates) of the Registrant s common stock which were outstanding on such date. For the purposes of the foregoing calculation only, all of the Registrant s directors, executive officers and persons known to the Registrant to hold ten percent or greater of the Registrant s outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate the number of shares outstanding of each of the Registrant s classes of common stock, as of the latest practicable date: As of June 3, 2016, there were 19,574,261 shares of the Registrant s common stock, par value $0.0001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Items 10 through 14 of Part III of this Form 10-K, to the extent not set forth herein, is incorporated herein by reference to portions of the Registrant s definitive proxy statement for the Registrant s 2016 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year ended March 31, 2016. Except with respect to the information specifically incorporated by reference in this Form 10-K, the Registrant s definitive proxy statement is not deemed to be filed as a part of this Form 10-K.

CORVEL CORPORATION

2016 FORM 10-K ANNUAL REPORT

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In this report, the terms CorVel , Company , we , us , and our refer to CorVel Corporation and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the Exchange Act), including, but not limited to, the statements about our plans, strategies and prospects under the headings Business and Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report. Words such as expects , anticipates , intends , plans , predicts , believes , seeks , estimates , potential , continue , strive , ongoing , may , should , and variations of these words or similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on management s current expectations, estimates and projections about our industry, management s beliefs, and certain assumptions made by management, and we can give no assurance that we will achieve our plans, intentions or expectations. Certain important factors could cause actual results to differ materially from the forward-looking statements we make in this report. Representative examples of these factors include (without limitation):

- General industry and economic conditions, including a decreasing number of national claims due to decreasing number of injured workers;
- Cost of capital and capital requirements;
- Competition from other managed care companies;
- The Company s ability to renew and/or maintain contracts with its customers on favorable terms or at all;
- The ability to expand certain areas of the Company s business;
- Possible litigation and legal liability in the course of operations, and the Company s ability to settle or otherwise resolve such litigation;
- The ability of the Company to produce market-competitive software;
- Increases in operating expenses, including employee wages, benefits and medical inflation;
- Changes in regulations affecting the workers compensation, insurance and healthcare industries in general;
- The ability to attract and retain key personnel;

Shifts in customer demands; and

The availability of financing in the amounts, at the times, and on the terms necessary to support the Company s future business.

The section entitled Risk Factors set forth in this report discusses these and other important risk factors that may affect our business, results of operations and financial condition. The factors listed above and the factors described under the heading Risk Factors and similar discussions in our other filings with the Securities and Exchange Commission are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. Investors should consider these factors before deciding to make or maintain an investment in our securities. The forward-looking statements included in this annual report on Form 10-K are based on information available to us as of the date of this annual report. We expressly disclaim any intent or obligation to update any forward-looking statements to reflect subsequent events or circumstances.

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PART I

Item 1. *Business.*
INTRODUCTION

CorVel is a national provider of workers compensation solutions for employers, third party administrators, insurance companies, and government agencies seeking to control costs and promote positive outcomes. The Company applies technology, intelligence, and a human touch to the challenges of risk management so that their clients can intervene early and often while being connected to the critical intelligence they need to proactively manage risk. CorVel specializes in applying advanced communication and information technology to improve healthcare management for workers compensation, group health, auto and liability claims management. With a technology platform at its core, the Company s connected solution is delivered by a national team of associates who are committed to helping clients deliver programs that meet their organization s performance goals.

The Company s services include claims management, bill review, preferred provider networks, utilization management, case management, pharmacy services, directed care and Medicare services. CorVel offers its services as a bundled solution (i.e. claims management), as a standalone service, or as add-on services to existing customers. Customers of the Company that do not purchase a bundled solution generally use another provider, use an in-house solution, or choose not to utilize such a service to manage their workers compensation costs. When customers purchase several products from CorVel, the pricing of the products sold is generally the same as if the product were sold on an individual basis. Bundled products are generally delivered in the same accounting period.

The Company was incorporated in Delaware in 1987, and its principal executive offices are located at 2010 Main Street, Suite 600, Irvine, California, 92614. The Company s telephone number is 949-851-1473.

INDUSTRY OVERVIEW

Workers compensation is a federally mandated, state-legislated insurance program that requires employers to fund medical expenses, lost wages and other costs resulting from work-related injuries and illnesses. Workers compensation benefits and arrangements vary extensively on a state-by-state basis and are often highly complex. State statutes and court decisions control many aspects of the compensation process, including claims handling, impairment or disability evaluation, dispute settlement, benefit amount guidelines and cost-control strategies.

In addition to the compensation process, cost containment and claims management continue to be significant employer concerns and many look to managed care vendors and third party administrators for cost savings solutions. The Company believes that cost drivers in workers compensation include: implementing effective return to work and transitional duty programs, coordinating medical care, medical cost management, recognizing fraud and abuse, and improving communications with injured workers. CorVel provides solutions using a holistic approach to cost containment and by looking at a complete savings solution. Often one of the biggest cost drivers is not recognizing a complex claim at the onset of an injury often resulting in claims being open longer and resulting in a delayed return to work. CorVel uses an integrated claims model that controls claims costs by advocating medical management at the onset of the injury to decrease administrative costs and to shorten the length of the disability.

Some states have adopted legislation for managed care organizations (MCO) in an effort to allow employers to control their worker s compensation costs. A managed care plan is organized to serve the medical needs of injured workers in an efficient and cost-effective manner by managing the delivery of medical services through appropriate health care professionals. CorVel is registered wherever legislation mandates, where it is beneficial for the Company to obtain a license, or where the MCO is an effective utilized mandate. Since MCO legislation varies by state, CorVel s state offerings vary as well. CorVel continually evaluates new legislation to ensure it is in compliance and can offer services to its customers and prospects.

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FISCAL 2016 DEVELOPMENTS

Company Stock Repurchase Program

During fiscal 2016, the Company continued to repurchase shares of its common stock under a plan originally approved by the Company s Board of Directors in 1996. In November 2015, the Company s Board of Directors increased the number of shares of common stock authorized to be repurchased over the life of the plan by 1,000,000 shares of common stock to 35,000,000 shares of common stock. During fiscal 2016, the Company spent $31.5 million to repurchase 893,771 shares of its common stock. Since commencing this program in the fall of 1996, the Company has repurchased 33,886,259 shares of its common stock through March 31, 2016, at a cost of $392 million. These repurchases were funded primarily from the Company s operating cash flows.

BUSINESS SERVICES

The Company offers services in two general categories, network solutions and patient management, to assist its customers in managing the increasing medical costs of workers compensation, group health and auto insurance, and monitoring the quality of care provided to claimants. CorVel reduces claims costs by advocating medical management at the onset of an injury to decrease administrative costs and to shorten the length of the disability. These solutions offer personalized treatment programs that use precise treatment protocols to advocate timely, quality care for injured workers.

Network Solutions

CorVel offers a complete medical savings solution for all in-network and out-of-network medical bills including PPO management, specialty networks, medical bill repricing, true line item review, expert fee negotiations, professional nurse review, automated adjudication and electronic reimbursement. Each feature focuses on increasing processing efficiencies and maximizing savings opportunities.

Bill Review

Many states have adopted fee schedules, which regulate the maximum allowable fees payable under workers compensation, for procedures performed by a variety of health treatment providers. Developed in 1989, CorVel s proprietary bill review and claims management technology automates the review process to provide customers with a faster turnaround time, more efficient bill review and a higher total savings. CorVel s artificial intelligence engine includes over sixty million individual rules, which creates a comprehensive review process that is more efficient than traditional manual bill review processes.

Payors are able to review and approve bills online as well as access savings reports through an online portal, CareMC. The process is paperless, through scanning and electronic data interface (EDI), while proving to be cost effective and efficient. CorVel s solutions are fully customizable and can be tailored to meet unique payor requirements.

Bill Review Services include:

- Coding review and re-bundling

Reasonable and customary review

Fee schedule analysis

Out-of-network bill review

Pharmacy review

PPO management

Repricing

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PPO Management

PPOs are groups of hospitals, physicians and other healthcare providers that offer services at pre-negotiated rates to employee groups. The Company believes that PPO networks offer the employer an additional means of managing healthcare costs by reducing the per-unit price of medical services provided to employees. CorVel began offering a proprietary national PPO network in 1992 and today it is comprised of over 750,000 board-certified providers. The Company provides the convenience of a PPO Provider look-up mobile application for use with iPhone, iPad and Android. The application is available to the public and makes it convenient to locate a provider in the CorVel network. Users can search providers based on quality, range of services and location.

CorVel has a long-term strategy of network development, providing comprehensive networks to our customers and customization of networks to meet the specific needs of our customers. The Company believes that the combination of its national PPO strength and presence and the local PPO developers commitment and community involvement enables CorVel to build, support and strengthen its PPO in size, quality, depth of discount, and commitment to service.

The Company has a team of national, regional and local personnel supporting the CorVel network. This team of PPO developers are responsible for local recruitment, contract negotiations, credentialing and re-credentialing of providers, and working with customers to develop customer specific provider networks. Each bill review operation has provider relations support staff to address provider grievances and other billing issues.

Providers are selected from criteria based on quality, range of services, price and location. Each provider is thoroughly evaluated and credentialed, then re-credentialed every three years. Through this extensive evaluation process, we are able to provide significant hospital, physician and ancillary medical savings, while maintaining high quality care. Provider network services include a national network for all medical coverages, board-certified physicians, provider credentialing, patient channeling, online PPO look-up, printable directories and driving directions, and Managed Care Organizations (MCO).

CERiS^{SM}

CERiS, CorVel s enhanced bill review program, allows claim payors to adjust individual line item charges on all bills to reasonable and customary levels while removing all error and billing discrepancies with professional review. The enhanced bill review program scrutinizes each hospital line description and charge as a separate and distinct claim for reimbursement. CorVel s proprietary Universal Chargemaster defines each code and description, enabling its registered nurses to identify errors, duplicate charges, re-bundle exploded charges, correct quantity discrepancies and remove unused supplies.

Professional Review

CorVel s services offer a complete audit and validation of facility bill accuracy. This solution also includes review of in-network facility bills. The Company s experienced nurse auditors have clinical backgrounds in all areas of medicine, medical billing and coding to ensure an accurate, consistent and thorough review. If a bill is identified for professional review, the bill image and its associated medical reports are routed within the system to an experienced medical nurse for review and auditing.

Provider Reimbursement

One of the interfaces of CorVel s bill review service is the automated issuance of provider reimbursements. CorVel s provider reimbursement service allows the ability to determine dollars spent and bills reviewed and to assist in setting reserves through charts available online. Through the bill review system, CorVel has the capability to provide check writing or provider reimbursement services for its customers. The provider payment check can be added to the bill analysis to produce one combined document.

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Pharmacy Services

CorVel provides patients with a full-feature pharmacy program that offers formulary management, discounted prescriptions, drug interaction monitoring, utilization management and eligibility confirmation. Our pharmacy network of nationally recognized pharmacies provides savings off the retail price of prescriptions associated with a workers   compensation claim. The Company   s pharmacy services program includes preferred access to a national pharmacy network, streamlined processing for pharmacies at point of sale, first fill and next fill programs, mail order and 90-day retail options, out-of-network management, medication review services and clinical modeling.

Directed Care Services

CorVel offers a national directed care network that provides access to specialty medical services which may be required to support an injured worker   s medical treatment plan. CorVel has contracted with medical imaging, physical therapy, diagnostics and ancillary service networks to offer convenient access, timely appointments and preferred rates for these services. The Company manages the entire coordination of care from appointment scheduling through reimbursement, working to achieve timely recovery and increased savings. The Company has directed care networks for CT and bone scans, diagnostic imaging, physical and occupational therapy, independent medical evaluations, durable medical equipment and transportation and translation.

Medicare Solutions

The Company offers solutions to help manage the requirements mandated by the Centers for Medicare and Medicaid Services (CMS). Services include Medicare Set Asides and Agent Reporting Services to help employers comply with new CMS reporting legislation. As an assigned agent, CorVel can provide services for Responsible Reporting Entities (RRE) such as insurers and employers. As an experienced information-processing provider, CorVel is able to electronically submit files to the CMS in compliance with timelines and reporting requirements.

Clearinghouse Services

CorVel   s proprietary medical review software and claims management technology interfaces with multiple clearinghouses. The Company   s clearinghouse services provide for medical review, conversion of electronic forms to appropriate payment formats, seamless submittal of bills for payments and rules engines used to help ensure jurisdictional compliance.

Patient Management

CorVel offers a unique approach to claims administration and patient management. This integrated service model controls claims by advocating medical management at the onset of the injury to decrease administrative costs and to shorten the length of the disability. This automated solution offers a personalized treatment program for each injured worker, using precise treatment protocols to meet the changing needs of patients on a frequent basis. The Company offers these services on a stand-alone basis or as an integrated component of its medical cost containment services.

Claims Management

CorVel has been a third party administrator (TPA   ) offering claims management services since January 2007. The Company serves customers in the self-insured or commercially-insured markets. Incidents and injuries are reported through a variety of intake methods that include a 24/7 nurse triage call center, website, mobile applications, toll-free call centers and traditional methods of paper and fax reporting. They are immediately processed by CorVel   s proprietary rules engine, which provides alerts and recommendations throughout the life of a claim. This technology instantly assigns an expert claims professional, while simultaneously determining if a claim requires any immediate attention for triage.

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Through this service, the Company serves clients in the self-insured or commercially-insured market through alternative loss funding methods, and provides them with a complete range of services, including claims administration, case management, and medical bill review. In addition to the field investigation and evaluation of claims, the Company also may provide initial loss reporting services for claims, loss mitigation services such as medical bill review and vocational rehabilitation, administration of trust funds established to pay claims and risk management information services.

Some of the features of claims management services include: automated first notice of loss, three-point contact within 24 hours, prompt claims investigations, detailed diary notes for each step of the claim, graphical dashboards and claim history scorecards, and litigation management and expert testimony.

Case Management

CorVel s case management and utilization review services address all aspects of disability management and recovery including utilization review (pre-certification, concurrent review and discharge planning), early intervention, telephonic, field and catastrophic case management as well as vocational rehabilitation.

The medical management components of CorVel s program focus on medical intervention, management and appropriateness. In these cases, the Company s case managers confer with the attending physician, other providers, the patient and the patient s family to identify the appropriate rehabilitative treatment and most cost-effective healthcare alternatives. The program is designed to offer the injured party prompt access to appropriate medical providers who will provide quality cost-effective medical care. Case managers may coordinate the services or care required and may arrange for special pricing of the required services.

The Telephonic Case Manager (TCM) continues to impact the direction of the case, focusing on early return to work, maximum medical improvement (MMI) and appropriate duration of disability. Facilitation of appropriate treatment, assertive negotiation with medical providers and directing the care of the injured worker continues to be the Case Manager s role until the closure criteria is met. Utilization review of provider treatment remains ongoing until discharge from treatment.

In the event that a claim may require an onsite referral, a Field Case Manager (FCM) will be assigned to the claim. Cases can be referred to CorVel based on geographic location and injury type to the most appropriate FCM. Specialized case management services include catastrophic management, life care planning, and vocational rehabilitation services. All FCMs have iPads that provide access to the Company s proprietary mobile applications that provide instant access to detailed case information and the ability to enter case notes. An additional feature of our iPad applications is the ability to electronically approve and email signed case management forms and documentation.

24/7 Nurse Triage

Injured workers can call at the time of injury or incident and speak with a registered nurse who specializes in occupational injuries. An assessment is immediately made to recommend self-care, or referral for further medical care if needed. CorVel is able to provide quick and accurate care intervention, often preventing a minor injury from becoming an expensive claim. The 24/7 nurse triage services provide channeling to a preferred network of providers, allows employer access to online case information, comprehensive incident gathering, and healthcare advocacy for injured workers.

Utilization Management

Utilization Management programs review proposed care to determine appropriateness, frequency, duration and setting. These programs utilize experienced registered nurses, proprietary medical treatment protocols and systems technology to avoid unnecessary treatments and associated costs. Processes in Utilization Management include: injury review, diagnosis and treatment planning; contacting and negotiating provider treatment requirements; certifying appropriateness of treatment parameters, and responding to provider requests for additional treatment. Utilization management services include: prospective review, retrospective review, concurrent review, professional nurse review, second opinion, peer review, precertifications and independent medical evaluation.

Vocational Rehabilitation

CorVel s Vocational Rehabilitation program is designed for injured workers needing assistance returning to work or retaining employment. This comprehensive suite of services helps employees who are unable to perform previous work functions and who face the possibility of joining the open labor market to seek re-employment. These services are available unbundled, on an integrated basis as dictated by the requirement of each case and client preference, or by individual statutory requirements. Vocational rehabilitation services include ergonomic assessments, rehabilitation plans, transferable skills analysis, labor market services, job seeking skills, resumé development, job analysis and development, job placement, career counseling and expert testimony.

Life Care Planning

Life Care Planning is used to project long-term future needs, services and related costs associated with a catastrophic injury. CorVel s Life Care Plans summarize extensive amounts of medical data and compile it into a comprehensive report for future care requirements, aiding improved outcomes and timely resolution of claims. The Life Care Plans also provide working guidelines and points of reference for the family of a disabled person. Some of the features of the Company s Life Care Planning services include: comprehensive documentation, projecting future care requirements, customized reporting, certified documentation and costs specific to local areas.

Disability Management

CorVel s disability management programs offer a continuum of services for short and long-term disability coverages that advocate an employee s early return to work. Disability management services include absence reporting, disability evaluations, national preferred provider organizations, independent medical examinations, utilization review, medical case management, return to work coordination and integrated reporting.

Liability Claims Management

CorVel also offers liability claims management services that can be sold as a stand-alone service or part of patient management. The Company s services include auto liability, general liability, product liability, personal injury, professional liability and property damage, accidents and weather-related damage. This service includes claims management, adjusting services, litigation management, claims subrogation, and investigations.

Auto Claims Management

Injury claims are one of the largest components of auto indemnity costs. Effective management of these claims and their associated costs, combined with an optimal healthcare management program, helps CorVel s customers reduce claim costs. The Company s auto claims services include national preferred provider organizations, medical bill review, first and third party bill review, first notice of loss, demand packet reviews and reporting and analytics.

SYSTEMS AND TECHNOLOGY

Infrastructure and Data Center

The Company utilizes a Tier III-rated data center as its primary processing site. Redundancy is provided at many levels in power, cooling, and computing resources, with the goal of ensuring maximum uptime and system availability for the Company s production systems. The Company has fully embraced server virtualization and consolidation techniques to push the fault-tolerance of systems even further. These technologies bring increased availability, speed-to-production and scalability.

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Adoption of Imaging Technologies and Paperless Workflow

Utilizing scanning and automated data capture processes allows the Company to process incoming paper and electronic claims documents, including medical bills, with less manual handling and which has improved the Company s workflow processes. This has benefited both the Company, in terms of cost-savings, and the Company s customers, in improved savings results. Through the Company s internet portal, www.caremc.com, customers can review the bills as soon as they are processed and approve a bill for payment, streamlining the customer s own workflows and expediting the payment process.

Redundancy Center

The Company s national data center is located near Portland, Oregon. The Company has migrated its redundancy center from Fort Worth, Texas to Las Vegas, Nevada. The redundancy center is the Company s backup processing site in the event that the Portland data center suffers catastrophic loss. Currently, the Company s data is continually replicated to Las Vegas in near-real time, so that in the event the Portland data center is offline, the redundancy center can be activated with current information quickly. The Las Vegas data center also hosts duplicates of the Company s websites. The Las Vegas systems are maintained and exercised on a continuous basis as they host demonstration and pilot environments that mirror production, with the goal of ensuring their ongoing readiness.

CareMC[SM]

CareMC (www.caremc.com) has become the application platform for all of the Company s primary service lines and delivers immediate access to customers. CareMC offers customers direct access to the Company s primary services. CareMC allows for electronic communication and reporting between providers, payers, employers and patients. Features of the website include: report an incident/injury, request for service, appointment scheduling, online bill review, claims information management, treatment calendar, medical bill adjudication and automated provider reimbursement.

Through the CareMC Website, users can:

- Request services online;
- Manage files throughout the life of the claim;
- Receive and relay case notes from case managers; and
- Integrate information from multiple claims management sources into one database.

The CareMC website facilitates healthcare transaction processing. Using artificial intelligence techniques, the website provides situation alerts and event triggers, to facilitate prompt and effective decisions. Users of CareMC can quickly see where event outliers are occurring within the claims management process. If costs exceed pre-determined thresholds or activities fall outside expected timelines, decision-makers can be quickly notified. Large amounts of information are consolidated and summarized to help customers focus on the critical issues.

Scanning Services

We continue to leverage our scanning technologies which include scanning, optical character recognition and document management services. We continue to expand our existing office automation service line and all offices are selling scanning and document management. We have added scanning operations to most of the Company s larger offices around the country, designating them Capture Centers. Our scanning service also offers a web interface (www.onlinedocumentcenter.com) providing immediate access to documents and data called the Online Document Center (ODC). Secure document review, approval, transaction workflow and archival storage are available at subscription-based pricing.

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Claims Processing

We continue to develop our claims system capabilities which fit well with the Company s preference for owning and maintaining our own software assets. Integration projects, some already completed, are underway to present more of this claims-centric information available through the CareMC web portal. The Company s goal is to continue to modernize user interfaces, and to streamline the delivery of this information to our customers, giving more rapid feedback and putting real-time information in the hands of our customers.

INDUSTRY, CUSTOMERS AND MARKETING

CorVel serves a diverse group of customers that include insurers, third party administrators, self-administered employers, government agencies, municipalities, state funds, and numerous other industries. CorVel is able to provide workers compensation services to virtually any size employer and in any state or region of the United States. No single customer of the Company represented more than 10% of revenues in fiscal 2014, 2015 and 2016. Many claims management decisions in workers compensation are the responsibility of the local claims office of national or regional insurers. The Company s national branch office network enables the Company to market and offer its services at both a local and national account level. The Company is placing increasing emphasis on national account marketing. The sales and marketing activities of the Company are conducted primarily by account executives located in key geographic areas.

COMPETITION AND MARKET CONDITIONS

The healthcare cost containment industry is competitive and is subject to economic pressures for cost savings and legislative reforms. CorVel s primary competitors in the workers compensation market include third party administrators, managed care companies, large insurance carriers and numerous independent companies. Many of the Company s competitors are significantly larger and have greater financial and marketing resources than the

Company. Moreover, the Company s customers may establish the in-house capability of performing services offered by the Company. If the Company is unable to compete effectively, it will be difficult to add and retain customers, and the Company s business, financial condition and results of operations will be materially and adversely affected.

The past few years have seen acceleration in the technology world, and advancements seem to be progressing at a pace that few, if any, have ever witnessed. The proliferation of smart phones and tablet computers allows the Company s clients to stay connected at any time, from anywhere. This capability provides immediate access and begins to present business opportunities that were previously predicated on a less connected environment. The Company continues to leverage the new wave of technology in order to connect all of the parties involved in the workers compensation process in ways that were unimaginable in the past. As with general health, the workers compensation line continues to migrate to being a medical management business, with policymakers, employers, and carriers struggling to manage and control the costs of medical care (Source National Council on Compensation Insurance). The Company will continue to focus the execution of its strategy to provide industry leading claims management and cost containment solutions to the market.

We are required to be licensed or receive regulatory approval in nearly every state and foreign jurisdiction in which we do business. In addition, most jurisdictions require individuals who engage in claim adjusting and certain other insurance service activities to be personally licensed. These licensing laws and regulations vary from jurisdiction to jurisdiction. In most jurisdictions, licensing laws and regulations generally grant broad discretion to supervisory authorities to adopt and amend regulations and to supervise regulated activities.

GOVERNMENT REGULATIONS

General

Managed healthcare programs for workers compensation are subject to various laws and regulations. Both the nature and degree of applicable government regulation vary greatly depending upon the specific activities involved. Generally, parties that actually provide or arrange for the provision of healthcare services, assume financial risk related to the provision of those services or undertake direct responsibility for making payment or payment decisions for those services. These parties are subject to a number of complex regulatory requirements that govern many aspects of their conduct and operations.

In contrast, the management and information services provided by the Company to its customers typically have not been the subject of regulation by the federal government or the states. Since the managed healthcare field is a rapidly expanding and changing industry and the cost of providing healthcare continues to increase, it is possible that the applicable state and federal regulatory frameworks will expand to have a greater impact upon the conduct and operation of the Company s business.

Under the current workers compensation system, employer insurance or self-funded coverage is governed by individual laws in each of the 50 states and by certain federal laws. The management and information services that make up the Company s managed care program serve markets that have developed largely in response to needs of insurers, employers and large TPAs, and generally have not been mandated by legislation or other government action. On the other hand, the vocational rehabilitation case management marketplace within the workers compensation system has been dependent upon the laws and regulations within those states that require the availability of specified rehabilitation services for injured workers. Similarly, the Company s fee schedule auditing services address market needs created by certain states enactment of maximum permissible fee schedules for workers compensation services. Changes in individual state regulation of workers compensation may create a greater or lesser demand for some or all of the Company s services or require the Company to develop new or modified services in order to meet the needs of the marketplace and compete effectively in that marketplace.

Medical Cost Containment Legislation

Historically, governmental strategies to contain medical costs in the workers compensation field have been generally limited to legislation on a state-by-state basis. For example, many states have implemented fee schedules that list maximum reimbursement levels for healthcare procedures. In certain states that have not authorized the use of a fee schedule, the Company adjusts bills to the usual and customary levels authorized by the payor. Opportunities for the Company s services could increase if more states legislate additional cost containment strategies. Conversely, the Company would be materially and adversely affected if states elect to reduce the extent of medical cost containment strategies available to insurance carriers and other payors, or adopt other strategies for cost containment that would not support a demand for the Company s services.

SHAREHOLDER RIGHTS PLAN

During fiscal 1997, the Company s Board of Directors approved the adoption of a Shareholder Rights Plan. The Shareholder Rights Plan provides for a dividend distribution to CorVel stockholders of one preferred stock purchase right for each outstanding share of CorVel s common stock under certain circumstances. In April 2002, the Board of Directors of CorVel approved an amendment to the Shareholder Rights Plan to extend the expiration date of the rights to February 10, 2012, set the exercise price of each right at $118, and enable Fidelity Management & Research Company and its affiliates to purchase up to 18% of the shares of common stock of the Company without triggering the stockholder rights, with the limitations under the Shareholder Rights Plan remaining in effect for all other stockholders of the Company. In November 2008, the Company s Board of Directors approved an amendment to the Shareholder Rights Plan to extend the expiration date of the rights to February 10, 2022, remove the ability of Fidelity Management & Research Company and its affiliates to purchase up to 18% of the shares of common stock of the Company without triggering the stockholder rights, substitute Computershare Trust Company, N.A. as the rights agent and effect certain technical changes to the Shareholder Rights Plan.

The rights are designed to assure that all shareholders receive fair and equal treatment in the event of any proposed takeover of the Company and to encourage a potential acquirer to negotiate with the Board of Directors prior to attempting a takeover. The rights have an exercise price of $118 per right, subject to subsequent adjustment. The rights trade with the Company s common stock and will not be exercisable until the occurrence of certain takeover-related events.

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Generally, the Shareholder Rights Plan provides that if a person or group acquires 15% or more of the Company s common stock without the approval of the Board, subject to certain exception, the holders of the rights, other than the acquiring person or group, would, under certain circumstances, have the right to purchase additional shares of the Company s common stock having a market value equal to two times the then-current exercise price of the right.

In addition, if the Company is thereafter merged into another entity, or if 50% or more of the Company s consolidated assets or earning power are sold, then the right will entitle its holder to buy common shares of the acquiring entity having a market value equal to two times the then-current exercise price of the right. The Company s Board of Directors may exchange or redeem the rights under certain conditions.

EMPLOYEES

As of March 31, 2016, CorVel had 3,508 employees, including nurses, therapists, counselors and other employees. No employees are represented by any collective bargaining unit. Management believes the Company s relationship with its employees to be good.

AVAILABLE INFORMATION

Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, and other filings made with the Securities and Exchange Commission, are available free of charge through our Web site (http://www.corvel.com, under the Investor section) as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission. The inclusion of our Web site address and the address of any of our portals, such as www.caremc.com and www.onlinedocumentcenter.com, in this report does not include or incorporate by reference into this report any information contained on, or accessible through, such Web sites.

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Item 1A. ***Risk Factors***

Past financial performance is not necessarily a reliable indicator of future performance, and investors in our common stock should not use historical performance to anticipate results or future period trends. Investing in our common stock involves a high degree of risk. Investors should consider carefully the following risk factors, as well as the other information in this report and our other filings with the Securities and Exchange Commission, including our consolidated financial statements and the related notes, before deciding whether to invest or maintain an investment in shares of our common stock. If any of the following risks actually occurs, our business, financial condition and results of operations would suffer. In this case, the trading price of our common stock would likely decline. The risks described below are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial also may impair our business operations.

If we fail to grow our business internally or through strategic acquisitions we may be unable to execute our business plan, maintain high levels of service or adequately address competitive challenges.

Our strategy is to continue internal growth and, as strategic opportunities arise in the workers compensation managed care industry, to consider acquisitions of, or relationships with, other companies in related lines of business. As a result, we are subject to certain growth-related risks, including the risk that we will be unable to retain personnel or acquire other resources necessary to service such growth adequately. Expenses arising from our efforts to increase our market penetration may have a negative impact on operating results. In addition, there can be no assurance that any suitable opportunities for strategic acquisitions or relationships will arise or, if they do arise, that the transactions contemplated could be completed. If such a transaction does occur, there can be no assurance that we will be able to integrate effectively any acquired business. In addition, any such transaction would be subject to various risks associated with the acquisition of businesses, including, but not limited to, the following:

- an acquisition may negatively impact our results of operations because it may require incurring large one-time charges, substantial debt or liabilities; it may require the amortization or write down of amounts related to deferred compensation, goodwill and other intangible assets; or it may cause adverse tax consequences, substantial depreciation or deferred compensation charges;

- we may encounter difficulties in assimilating and integrating the business, technologies, products, services, personnel or operations of companies that are acquired, particularly if key personnel of the acquired company decide not to work for us;

- an acquisition may disrupt ongoing business, divert resources, increase expenses and distract management;

- the acquired businesses, products, services or technologies may not generate sufficient revenue to offset acquisition costs;

- we may have to issue equity or debt securities to complete an acquisition, which would dilute the position of stockholders and could adversely affect the market price of our common stock; and

- the acquisitions may involve the entry into a geographic or business market in which we have little or no prior experience.

There can be no assurance that we will be able to identify or consummate any future acquisitions or other strategic relationships on favorable terms, or at all, or that any future acquisition or other strategic relationship will not have an adverse impact on our business or results of operations. If suitable opportunities arise, we may finance such transactions, as well as internal growth, through debt or equity financing. There can be no assurance, however, that such debt or equity financing would be available to us on acceptable terms when, and if, suitable strategic opportunities arise.

If we are unable to increase our market share among national and regional insurance carriers and large, self-funded employers, our results may be adversely affected.

Our business strategy and future success depend in part on our ability to capture market share with our cost containment services as national and regional insurance carriers and large, self-funded employers look for ways to achieve cost savings. We cannot assure you that we will successfully market our services to these insurance carriers and employers or that they will not resort to other means to achieve cost savings. Additionally, our ability to capture additional market share may be adversely affected by the decision of potential customers to perform services internally instead of outsourcing the provision of such services to us. Furthermore, we may not be able to demonstrate sufficient cost savings to potential or current customers to induce them not to provide comparable services internally or to accelerate efforts to provide such services internally.

If competition increases, our growth and profits may decline.

The markets for our network services and patient management services are also fragmented and competitive. Our competitors include national managed care providers, preferred provider networks, smaller independent providers and insurance companies. Companies that offer one or more workers compensation managed care services on a national basis are our primary competitors. We also compete with many smaller vendors who generally provide unbundled services on a local level, particularly companies with an established relationship with a local insurance company adjuster. In addition, several large workers compensation insurance carriers offer managed care services for their customers, either by performance of the services in-house or by outsourcing to organizations like ours. If these carriers increase their performance of these services in-house, our business may be adversely affected. In addition, consolidation in the industry may result in carriers performing more of such services in-house.

Our sequential revenue may not increase and may decline. As a result, we may fail to meet or exceed the expectations of investors or analysts which could cause our common stock price to decline.

Our sequential revenue growth may not increase and may decline in the future as a result of a variety of factors, many of which are outside of our control. If changes in our sequential revenue fall below the expectations of investors or analysts, the price of our common stock could decline substantially. Fluctuations or declines in sequential revenue growth may be due to a number of factors, including, but not limited to, those listed below and identified throughout this Risk Factors section: the decline in manufacturing employment, the decline in workers compensation claims, the decline in healthcare expenditures, the considerable price competition in a flat-to-declining workers compensation market, litigation, the increase in competition, and the changes and the potential changes in state workers compensation and automobile-managed care laws which can reduce demand for our services. These factors create an environment where revenue and margin growth is more difficult to attain and where revenue growth is less certain than historically experienced. Additionally, our technology and preferred provider network face competition from companies that have more resources available to them than we do. Also, some customers may handle their managed care services in-house and may reduce the amount of services which are outsourced to managed care companies such as CorVel. These factors could cause the market price of our common stock to fluctuate substantially. There can be no assurance that our growth rate in the future, if any, will be at or near historical levels.

In addition, the stock market has in the past experienced price and volume fluctuations that have particularly affected companies in the healthcare and managed care markets resulting in changes in the market price of the stock of many companies, which may not have been directly related to the operating performance of those companies.

Due to the foregoing factors, and the other risks discussed in this report, investors should not rely on period-to-period comparisons of our results of operations as an indication of our future performance.

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The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. The stock market has in the past experienced price and volume fluctuations that have particularly affected companies in the healthcare and managed care markets resulting in changes in the market price of the stock of many companies, which may not have been directly related to the operating performance of those companies. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.

We cannot assure our stockholders that our stock repurchase program will enhance long-term stockholder value and stock repurchases, if any, could increase the volatility of the price of our common stock and will diminish our cash reserves.

In 1996, our Board of Directors authorized a stock repurchase program and has periodically increased the number of shares authorized for repurchase under the repurchase program. The most recent increase occurred in November 2015 and brought the number of shares authorized for repurchase over the life of the program to 35,000,000 shares. There is no expiration date for the repurchase program. The timing and actual number of shares repurchased, if any, depend on a variety of factors including the timing of open trading windows, price, corporate and regulatory requirements, and other market conditions. The program may be suspended or discontinued at any time without prior notice. Repurchases pursuant to our stock repurchase program could affect our stock price and increase its volatility. The existence of a stock repurchase program could also cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, repurchases under our stock repurchase program will diminish our cash reserves, which could impact our ability to pursue possible future strategic opportunities and acquisitions and could result in lower overall returns on our cash balances. There can be no assurance that any further stock repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares of stock. Although our stock repurchase program is intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program s effectiveness.

If the referrals for our patient management services decline, our business, financial condition and results of operations would be materially adversely affected.

In some years, we have experienced a general decline in the revenue and operating performance of patient management services. We believe that the performance decline has been due to the following factors: the decrease of the number of workplace injuries that have become longer-term disability cases; increased regional and local competition from providers of managed care services; a possible reduction by insurers on the types of services provided by our patient management business; the closure of offices and continuing consolidation of our patient management operations; and employee turnover, including management personnel, in our patient management business. In the past, these factors have all contributed to the lowering of our long-term outlook for our patient management services. If some or all of these conditions continue, we believe that the performance of our patient management revenues could decrease.

Declines in workers compensation claims may materially harm our results of operations.

Within the past few years, the economy has performed below historical averages which leads to fewer workers on a national level and could lead to fewer work-related injuries. If declines in workers compensation costs occur in many states and persist over the long-term, it would have a material adverse impact on our business, financial condition and results of operations.

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We provide an outsource service to payors of workers compensation and auto healthcare benefits. These payors include insurance companies, TPAs, municipalities, state funds, and self-insured, self-administered employers. If these payors reduce the amount of work they outsource, our results of operations would be materially adversely affected.

Healthcare providers are becoming increasingly resistant to the application of certain healthcare cost containment techniques; this may cause revenue from our cost containment operations to decrease.

Healthcare providers have become more active in their efforts to minimize the use of certain cost containment techniques and are engaging in litigation to avoid application of certain cost containment practices. Recent litigation between healthcare providers and insurers has challenged certain insurers claims adjudication and reimbursement decisions. Although these lawsuits do not directly involve us or any services we provide, these cases may affect the use by insurers of certain cost containment services that we provide and may result in a decrease in revenue from our cost containment business.

Our failure to compete successfully could make it difficult for us to add and retain customers and could reduce or impede the growth of our business.

We face competition from PPOs, TPAs and other managed healthcare companies. We believe that as managed care techniques continue to gain acceptance in the workers compensation marketplace, our competitors will increasingly consist of nationally-focused workers compensation managed care service companies, insurance companies, HMOs and other significant providers of managed care products. Legislative reform in some states has been considered, but not enacted to permit employers to designate health plans such as HMOs and PPOs to cover workers compensation claimants. Because many health plans have the ability to manage medical costs for workers compensation claimants, such legislation may intensify competition in the markets served by us. Many of our current and potential competitors are significantly larger and have greater financial and marketing resources than we do, and there can be no assurance that we will continue to maintain our existing customers, our past level of operating performance or be successful with any new products or in any new geographical markets we may enter.

A breach of security may cause our customers to curtail or stop using our services.

We rely largely on our own security systems, confidentiality procedures and employee nondisclosure agreements to maintain the privacy and security of our Company s and our customers proprietary information. Accidental or willful security breaches or other unauthorized access by third parties to our information systems, the existence of computer viruses in our data or software and misappropriation of our proprietary information could expose us to a risk of information loss, litigation and other possible liabilities which may have a material adverse effect on our business, financial condition and results of operations. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our software are exposed and exploited, and, as a result, a third party obtains unauthorized access to any customer data, our relationships with our customers and our reputation will be damaged, our business may suffer and we could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Exposure to possible litigation and legal liability may adversely affect our business, financial condition and results of operations.

We, through our utilization management services, make recommendations concerning the appropriateness of providers medical treatment plans of patients throughout the country, and as a result, could be exposed to claims for adverse medical consequences. We do not grant or deny claims for payment of benefits and we do not believe that we engage in the practice of medicine or the delivery of medical services. There can be no assurance, however, that we will not be subject to claims or litigation related to the authorization or denial of claims for payment of benefits or allegations that we engage in the practice of medicine or the delivery of medical services.

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In addition, there can be no assurance that we will not be subject to other litigation that may adversely affect our business, financial condition or results of operations, including but not limited to being joined in litigation brought against our customers in the managed care industry. We maintain professional liability insurance and such other coverages as we believe are reasonable in light of our experience to date. If such insurance is insufficient or unavailable in the future at reasonable cost to protect us from liability, our business, financial condition or results of operations could be adversely affected.

If lawsuits against us are successful, we may incur significant liabilities.

We provide to insurers and other payors of healthcare costs managed care programs that utilize preferred provider organizations and computerized bill review programs. Health care providers have brought, against us and our customers, individual and class action lawsuits challenging such programs. If such lawsuits are successful, we may incur significant liabilities.

We make recommendations about the appropriateness of providers proposed medical treatment plans for patients throughout the country. As a result, we could be subject to claims arising from any adverse medical consequences. Although plaintiffs have not to date subjected us to any claims or litigation relating to the granting or denial of claims for payment of benefits or allegations that we engage in the practice of medicine or the delivery of medical services, we cannot assure you that plaintiffs will not make such claims in future litigation. We also cannot assure you that our insurance will provide sufficient coverage or that insurance companies will make insurance available at a reasonable cost to protect us from significant future liability.

If the utilization by healthcare payors of early intervention services continues to increase, the revenue from our later-stage network and healthcare management services could be negatively affected.

The performance of early intervention services, including injury occupational healthcare, first notice of loss, and telephonic case management services, often result in a decrease in the average length of, and the total costs associated with, a healthcare claim. By successfully intervening at an early stage in a claim, the need for additional cost containment services for that claim often can be reduced or even eliminated. As healthcare payors continue to increase their utilization of early intervention services, the revenue from our later stage network and healthcare management services will decrease.

An interruption in our ability to access critical data may cause customers to cancel their service and/or may reduce our ability to effectively compete.

Certain aspects of our business are dependent upon our ability to store, retrieve, process and manage data and to maintain and upgrade our data processing capabilities. Interruption of data processing capabilities for any extended length of time, loss of stored data, programming errors or other system failures could cause customers to cancel their service and could have a material adverse effect on our business and results of operations.

In addition, we expect that a considerable amount of our future growth will depend on our ability to process and manage claims data more efficiently and to provide more meaningful healthcare information to customers and payors of healthcare. There can be no assurance that our current data processing capabilities will be adequate for our future growth, that we will be able to efficiently upgrade our systems to meet future demands, or that we will be able to develop, license or otherwise acquire software to address these market demands as well or as timely as our competitors.

We face competition for staffing, which may increase our labor costs and reduce profitability.

We compete with other healthcare providers in recruiting qualified management and staff personnel for the day-to-day operations of our business, including nurses and other case management professionals. In some markets, the scarcity of nurses and other medical support personnel has become a significant operating issue to healthcare providers. This shortage may require us to enhance wages to recruit and retain qualified nurses and

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other healthcare professionals. Our failure to recruit and retain qualified management, nurses and other healthcare professionals, or to control labor costs could have a material adverse effect on profitability.

The increased costs of professional and general liability insurance may have an adverse effect on our profitability.

The cost of commercial professional and general liability insurance coverage has risen significantly in the past several years, and this trend may continue. In addition, if we were to suffer a material loss, our costs may increase over and above the general increases in the industry. If the costs associated with insuring our business continue to increase, it may adversely affect our business. We believe our current level of insurance coverage is adequate for a company of our size engaged in our business. Additionally, we may have difficulty getting carriers to pay under coverage in certain circumstances.

Changes in government regulations could increase our costs of operations and/or reduce the demand for our services.

Many states, including a number of those in which we transact business, have licensing and other regulatory requirements applicable to our business. Approximately half of the states have enacted laws that require licensing of businesses which provide medical review services such as ours. Some of these laws apply to medical review of care covered by workers compensation. These laws typically establish minimum standards for qualifications of personnel, confidentiality, internal quality control and dispute resolution procedures. These regulatory programs may result in increased costs of operation for us, which may have an adverse impact upon our ability to compete with other available alternatives for healthcare cost control. In addition, new laws regulating the operation of managed care provider networks have been adopted by a number of states. These laws may apply to managed care provider networks having contracts with us or to provider networks which we may organize. To the extent we are governed by these regulations, we may be subject to additional licensing requirements, financial and operational oversight and procedural standards for beneficiaries and providers.

Regulation in the healthcare and workers compensation fields is constantly evolving. We are unable to predict what additional government initiatives, if any, affecting our business may be promulgated in the future. Our business may be adversely affected by failure to comply with existing laws and regulations, failure to obtain necessary licenses and government approvals or failure to adapt to new or modified regulatory requirements. Proposals for healthcare legislative reforms are regularly considered at the federal and state levels. To the extent that such proposals affect workers compensation, such proposals may adversely affect our business, financial condition and results of operations.

In addition, changes in workers compensation, auto and managed health care laws or regulations may reduce demand for our services, require us to develop new or modified services to meet the demands of the marketplace or reduce the fees that we may charge for our services.

The introduction of software products incorporating new technologies and the emergence of new industry standards could render our existing software products less competitive, obsolete or unmarketable.

There can be no assurance that we will be successful in developing and marketing new software products that respond to technological changes or evolving industry standards. If we are unable, for technological or other reasons, to develop and introduce new software products cost-effectively, in a timely manner and in response to changing market conditions or customer requirements, our business, results of operations and financial condition may be adversely affected.

Developing or implementing new or updated software products and services may take longer and cost more than expected. We rely on a combination of internal development, strategic relationships, licensing and acquisitions to develop our software products and services. The cost of developing new healthcare information

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services and technology solutions is inherently difficult to estimate. Our development and implementation of proposed software products and services may take longer than originally expected, require more testing than originally anticipated and require the acquisition of additional personnel and other resources. If we are unable to develop new or updated software products and services cost-effectively on a timely basis and implement them without significant disruptions to the existing systems and processes of our customers, we may lose potential sales and harm our relationships with current or potential customers.

The failure to attract and retain qualified or key personnel may prevent us from effectively developing, marketing, selling, integrating and supporting our services.

We are dependent, to a substantial extent, upon the continuing efforts and abilities of certain key management personnel. In addition, we face competition for experienced employees with professional expertise in the workers compensation managed care area. The loss of key personnel, especially V. Gordon Clemons, Sr., our Chairman, President, and Chief Executive Officer, or the inability to attract qualified employees, could have a material unfavorable effect on our business and results of operations.

If we lose several customers in a short period, our results may be materially adversely affected.

Our results may decline if we lose several customers during a short period. Most of our customer contracts permit either party to terminate without cause. If several customers terminate, or do not renew or extend their contracts with us, our results could be materially and adversely affected. Many organizations in the insurance industry have consolidated and this could result in the loss of one or more of our customers through a merger or acquisition. Additionally, we could lose customers due to competitive pricing pressures or other reasons.

We are subject to risks associated with acquisitions of intangible assets.

Our acquisition of other businesses may result in significant increases in our intangible assets and goodwill. We regularly evaluate whether events and circumstances have occurred indicating that any portion of our intangible assets and goodwill may not be recoverable. When factors indicate that intangible assets and goodwill should be evaluated for possible impairment, we may be required to reduce the carrying value of these assets. We cannot currently estimate the timing and amount of any such charges.

If we are unable to leverage our information systems to enhance our outcome-driven service model, our results may be adversely affected.

To leverage our knowledge of workplace injuries, treatment protocols, outcomes data, and complex regulatory provisions related to the workers compensation market, we must continue to implement and enhance information systems that can analyze our data related to the workers compensation industry. We frequently upgrade existing operating systems and are updating other information systems that we rely upon in providing our services and financial reporting. We have detailed implementation schedules for these projects that require extensive involvement from our operational, technological and financial personnel. Delays or other problems we might encounter in implementing these projects could adversely affect our ability to deliver streamlined patient care and outcome reporting to our customers.

Our Internet-based services are dependent on the development and maintenance of the Internet infrastructure.

The Internet has experienced a variety of outages and other delays as a result of damages to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of

Internet usage, as well as the availability of the Internet to us for delivery of our Internet-based services. In addition, our customers who use our Web-based services depend on Internet service providers, online service providers and other website operators for access to our website. All of these providers have experienced

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significant outages in the past and could experience outages, delays and other difficulties in the future due to system failures unrelated to our systems. Any significant interruptions in our services or increases in response time could result in a loss of potential or existing users, and, if sustained or repeated, could reduce the attractiveness of our services.

We are sensitive to regional weather conditions that may adversely affect our operations.

Our operations are directly affected in the short term by the weather conditions in certain regions of operation. Therefore our business is sensitive to the weather conditions of these regions. Unusually inclement weather, including significant rain, snow, sleet, freezing rain or ice can temporarily affect our operations if clients are forced to close operational centers. Accordingly, our operating results may vary from quarter to quarter, depending on the impact of these weather conditions.

Natural and other disasters may adversely affect our business.

We may be vulnerable to damage from severe weather conditions or natural disasters, including hurricanes, fires, floods, earthquakes, power loss, communications failures and similar events, including the effects of war or acts of terrorism. If a disaster were to occur, our ability to operate our business could be seriously or completely impaired or destroyed. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties.***

The Company s principal executive office is located in Irvine, California in approximately 13,000 square feet of leased space. The lease expires in January 2020. The Company leases approximately 87 branch offices in 43 states, which range in size from 200 square feet up to 94,000 square feet. The lease terms for the branch offices range from monthly to ten years and expire at various dates through 2023. The Company believes that its facilities are adequate for its current needs and that suitable additional space will be available as required.

Item 3. ***Legal Proceedings.***

The Company is involved in litigation arising in the normal course of business. Management believes that resolution of these matters will not result in any payment that, in the aggregate, would be material to the financial position or results of the operations of the Company.

Item 4. ***Mine Safety Disclosures.***

Not applicable.

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Market Information

The Company s common stock is traded on the NASDAQ Global Select Market under the symbol CRVL. The quarterly high and low per share sales prices for the Company s common stock for fiscal years 2015 and 2016 as reported by NASDAQ are set forth below for the periods indicated. These prices represent prices among dealers, do not include retail markups, markdowns or commissions, and may not represent actual transactions.

	High	Low
Fiscal Year Ended March 31, 2015:		
Quarter Ended June 30, 2014:	$ 52.63	$ 42.18
Quarter Ended September 30, 2014:	47.21	28.08
Quarter Ended December 31, 2014:	38.34	31.47
Quarter Ended March 31, 2015:	37.93	31.91
Fiscal Year Ended March 31, 2016:		
Quarter Ended June 30, 2015:	$ 39.29	$ 31.13
Quarter Ended September 30, 2015:	34.62	29.27
Quarter Ended December 31, 2015:	46.20	30.61
Quarter Ended March 31, 2016:	46.92	38.64

Holders. As of June 3, 2016, there were approximately 1,038 holders of record of the Company s common stock according to the information provided by the Company s transfer agent.

Dividends. The Company has never paid any cash dividends on its common stock and has no current plans to do so in the foreseeable future. The Company intends to retain future earnings, if any, for use in the Company s business. The payment of any future dividends on its common stock will be determined by the Board of Directors in light of conditions then existing, including the Company s earnings, financial condition and requirements, restrictions in financing agreements, business conditions and other factors.

Unregistered Sales of Equity Securities. None.

Issuer Purchases of Equity Securities: The following table summarizes purchases of the Company s common stock made by or on behalf of the Company for the quarter ended March 31, 2016 pursuant to a publicly announced plan.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced	Maximum Number of Shares that may yet be Purchased Under

			Program	**the Program**
January 1 to January 31, 2016	42,569	$ 43.42	42,569	1,182,409
February 1 to February 29, 2016	41,596	43.19	41,596	1,140,813
March 1 to March 31, 2016	27,072	40.59	27,072	1,113,741
Total	111,237	$ 42.65	111,237	1,113,741

In 1996, the Company s Board of Directors authorized a stock repurchase program initially for up to 100,000 shares of the Company s common stock. The Company s Board of Directors has periodically increased the number of shares of common stock authorized for repurchase under the program. In November 2015, the Company s Board of Directors increased the number of shares of common stock authorized to be repurchased over the life of the plan by 1,000,000 shares of common stock to 35,000,000 shares of common stock. As of March 31, 2016, the Company has repurchased 33,886,259 shares of its common stock over the life of the program. There is no expiration date for the plan.

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STOCK PERFORMANCE GRAPH

The graph depicted below shows a comparison of cumulative total stockholder returns for the Company, the NASDAQ and the NASDAQ Health Services Index over a five year period beginning on March 31, 2011. The data depicted on the graph are as set forth in the chart below the graph. The graph assumes that $100 was invested in the Company s Common Stock on March 31, 2011, and in each index, and that all dividends were reinvested. No cash dividends have been paid or declared on the Common Stock. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

	2011	2012	2013	2014	2015	2016
CorVel Corporation	100.00	75.01	93.06	187.14	129.41	148.25
U.S. NASDAQ	100.00	111.16	117.49	150.98	176.22	175.11
U.S. NASDAQ Healthcare Services	100.00	114.36	146.82	203.76	275.69	221.74

Notwithstanding anything to the contrary set forth in any of our previous filings made under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings made by us under those statutes, neither the preceding Stock Performance Graph, nor the information relating to it, is soliciting material or is filed or is to be incorporated by reference into any such prior filings, nor shall such graph or information be incorporated by reference into any future filings made by us under those statutes.

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Item 6. ***Selected Financial Data.***
The selected consolidated financial data of the Company appears in a separate section of this Annual Report on Form 10-K immediately preceding the Management s Discussion and Analysis of Financial Condition and Results of Operations section and is incorporated herein by this reference.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations.***
Management s Discussion and Analysis of Financial Condition and Results of Operations appears in a separate section of this Annual Report on Form 10-K and is incorporated herein by this reference.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk.***
As of March 31, 2016, the Company held no market risk sensitive instruments for trading purposes and the Company did not employ any derivative financial instruments, other financial instruments, or derivative commodity instruments to hedge any market risk.

Item 8. ***Financial Statements and Supplementary Data.***
The Company s consolidated financial statements, as listed under Item 15, appear in a separate section of this Annual Report on Form 10-K and are incorporated herein by this reference. The financial statement schedule is included below under Item 15(a) (2).

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***
None.

Item 9A. ***Controls and Procedures.***
Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2016, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining a system of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America; providing reasonable assurance that our receipts and expenditures are made in accordance with authorizations of our management and directors; and providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control Integrated Framework* (2013 COSO framework). Based on this assessment, our management concluded that our internal control over financial reporting was effective as of March 31, 2016 to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Our independent registered public accounting firm, Haskell & White LLP, has issued an audit report on the effectiveness of our internal control over financial reporting as of March 31, 2016 as stated in their report that is included in Part II, Item 8 herein.

Changes to Internal Control over Financial Reporting

During the quarter ended March 31, 2016, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***
None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information in the sections titled Proposal One: Election of Directors, Corporate Governance, Board Composition and Board Committees, Executive Officers of CorVel, and Section 16(a) Beneficial Ownership Reporting Compliance appearing in the Company s Definitive Proxy Statement for the 2016 Annual Meeting of Stockholders is incorporated herein by reference.

The Board of Directors has adopted a code of ethics and business conduct that applies to all of the Company s employees, officers and directors. The full text of the Company s code of ethics and business conduct is posted on the Company s web site at www.corvel.com under the Investor Relations section. The Company intends to disclose future amendments to certain provisions of the Company s code of ethics and business conduct, or waivers of such provisions, applicable to the Company s directors and executive officers, at the same location on the Company s web site identified above. The inclusion of the Company s web site address in this report does not include or incorporate by reference the information on the Company s web site into this report.

Item 11. Executive Compensation.

The information in the sections titled Executive Compensation, Compensation Discussion and Analysis, Compensation Committee Interlocks and Insider Participation, Compensation Committee Report, and Compensation of Directors, appearing in the Company s Definitive Proxy Statement for the 2016 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information in the sections titled Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matter and Equity Compensation Plan Information appearing in the Company s Definitive Proxy Statement for the 2016 Annual Meeting of Stockholders is incorporated herein by reference.

Item 13. Certain Relationships and Related Party Transactions, and Director Independence.

The information in the sections titled Certain Relationships and Related Person Transactions, Proposal One: Election of Directors, and Corporate Governance, Board Composition and Board Committees appearing in the Company s Definitive Proxy Statement for the 2016 Annual Meeting of Stockholders is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information under the captions Principal Accountant Fees and Services , Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors and Ratification of Appointment of Independent Auditors appearing in the Company s Definitive Proxy Statement for the 2016 Annual Meeting of Stockholders is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.
(a)(1) Financial Statements:

The Company s financial statements appear in a separate section of this Annual Report on Form 10-K beginning on the pages referenced below:

(2) Financial Statement Schedule:

The Company s consolidated financial statements, as listed under Item 15(a) (1), appear in a separate section of this Annual Report on Form 10-K. The Company s financial statement schedule is as follows:

Schedule II Valuation and Qualifying Accounts

	Balance at Beginning of Year	Additions Charged to Cost and Expenses	Deductions	Balance at End of Year
Allowance for doubtful accounts:				
Fiscal Year Ended March 31, 2016:	$ 1,645,000	$ 1,357,000	$ (1,181,000)	$ 1,821,000
Fiscal Year Ended March 31, 2015:	1,745,000	1,730,000	(1,830,000)	1,645,000
Fiscal Year Ended March 31, 2014:	2,295,000	1,332,000	(1,882,000)	1,745,000

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(3) Exhibits:

EXHIBITS

Exhibit No.	Title	Method of Filing
3.1	Amended and Restated Certificate of Incorporation of the Company	Incorporated herein by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed on August 10, 2011.
3.2	Amended and Restated Bylaws of the Company	Incorporated herein by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006 filed on August 14, 2006.
3.3	Certificate of Designation Increasing the Number of Shares of Series A Junior Participating Preferred Stock	Incorporated herein by reference to Exhibit 3.1 to the Company s Form 8-K filed on November 24, 2008.
4.1	Second Amended and Restated Preferred Shares Rights Agreement, dated as of November 17, 2008, by and between CorVel Corporation and Computershare Trust Company, N.A., including the original Certificate of Designation, the Certificate of Designation Increasing the Number of Shares, the form of Right Certificate (as amended) and the Summary of Rights (as amended) attached thereto as Exhibits A-1, A-2, A-3, B and C, respectively	Incorporated herein by reference to Exhibit 4.1 to the Company s Form 8-K filed on November 24, 2008.
10.1*	Nonqualified Stock Option Agreement between V. Gordon Clemons, Sr., the Company and North Star together with all amendments and addendums thereto	Incorporated herein by reference to Exhibit 10.6 to the Company s Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991.
10.2*	Supplementary Agreement between V. Gordon Clemons, Sr., the Company and North Star	Incorporated herein by reference to Exhibit 10.7 to the Company s Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991.
10.3*	Amendment to Supplementary Agreement between V. Gordon Clemons, Sr., the Company and North Star	Incorporated herein by reference to Exhibit 10.5 to the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 1992 filed on June 29, 1992.
10.4*	Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option Plan)	Incorporated herein by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended September 30,

2015 filed on November 5, 2015.

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Exhibit

No.	Title	Method of Filing
10.5*	Forms of Notice of Grant of Stock Option, Stock Option Agreement and Notice of Exercise Under the Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option)	Incorporated herein by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 filed on November 9, 2006, Exhibits 10.7, 10.8 and 10.9 to the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 1994 filed on June 29, 1994, Exhibits 99.2, 99.3, 99.4, 99.5, 99.6, 99.7 and 99.8 to the Company s Registration Statement on Form S-8 (File No. 333-94440) filed on July 10, 1995, and Exhibits 99.3 and 99.5 to the Company s Registration Statement on Form S-8 (File No. 333-58455) filed on July 2, 1998.
10.6*	Employment Agreement of V. Gordon Clemons, Sr.	Incorporated herein by reference to Exhibit 10.12 to the Company s Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991.
10.7*	Restated 1991 Employee Stock Purchase Plan, as amended	Incorporated herein by reference to Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015 filed on November 5, 2015.
10.8	Fidelity Master Plan for Savings and Investment, and amendments	Incorporated herein by reference to Exhibits 10.16 and 10.16A to the Company s Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991.
10.9	Second Amended and Restated Preferred Shares Rights Agreement, dated as of November 17, 2008, by and between CorVel Corporation and Computershare Trust Company, N.A., including the original Certificate of Designation, the Certificate of Designation Increasing the Number of Shares, the form of Rights Certificate (as amended) and the Summary of Rights (as amended) attached thereto as Exhibits A-1, A-2, A-3, B and C, respectively	Incorporated herein by reference to Exhibit 4.1 to the Company s Form 8-K filed on November 24, 2008.
10.10	Credit Agreement dated May 28, 2009 by and between CorVel Corporation and Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.16 to the Company s Current Report on Form 8-K filed on June 4, 2009.
10.11	Revolving Line of Credit Note dated May 28, 2009 by CorVel Corporation in favor of Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.17 to the Company s Current Report on Form 8-K filed on June 4, 2009.

10.12	First Amendment to Credit Agreement dated June 2, 2010 by and between CorVel Corporation and Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on June 7, 2010.

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Exhibit No.	Title	Method of Filing
10.13	Revolving Line of Credit Note dated June 2, 2010 by CorVel Corporation in favor of Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on June 7, 2010.
10.14*	Stock Option Agreement dated December 6, 2010 between the company and Diane J. Blaha, providing performance vesting.	Incorporated herein by reference to Exhibit 10.32 to the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2014 filed on June 12, 2014.
10.15	Second Amendment to Credit Agreement dated September 1, 2011 by and between CorVel Corporation and Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on August 31, 2011.
10.16	Revolving Line of Credit Note dated September 1, 2011 by CorVel Corporation in favor of Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on August 31, 2011.
10.17*	Stock option agreement dated November 3, 2011, between the Company and Diane J. Blaha, providing performance vesting.	Incorporated herein by references to Exhibit 10.19 to the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2015 filed on June 11, 2015.
10.18	Third Amendment to Credit Agreement dated September 1, 2012 by and between CorVel Corporation and Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on September 7, 2012.
10.19	Revolving Line of Credit Note dated September 1, 2012 by CorVel Corporation in favor of Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on September 7, 2012.
10.20*	Stock option agreement dated March 1, 2013, between the Company and V. Gordon Clemons, Sr., providing performance vesting.	Refiled herewith.
10.21*	Stock option agreement dated March 1, 2013, between the Company and Scott McCloud, providing performance vesting.	Refiled herewith.
10.22*	Stock option agreement dated March 1, 2013, between the Company and Donald C. McFarlane, providing performance vesting.	Refiled herewith.
10.23*	Stock option agreement dated March 1, 2013, between the Company and Diane J. Blaha, providing performance vesting.	Refiled herewith.
10.24	Fourth Amendment to Credit Agreement dated September 1, 2013 by and between CorVel	Incorporated herein by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed

Corporation and Wells Fargo Bank, National Association.	on September 5, 2013.

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Exhibit

No.	Title	Method of Filing
10.25	Revolving Line of Credit Note dated September 1, 2013 by CorVel Corporation in favor of Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on September 5, 2013.
10.26*	Stock option agreement dated November 4, 2013, between the Company and Scott McCloud, providing performance vesting.	Refiled herewith.
10.27*	Stock option agreement dated November 4, 2013, between the Company and Donald C. McFarlane, providing performance vesting.	Refiled herewith.
10.28*	Stock option agreement dated November 4, 2013, between the Company and Diane J. Blaha, providing performance vesting.	Refiled herewith.
10.29*	Stock option agreement dated November 4, 2013, between the Company and Richard J. Schweppe, providing performance vesting.	Refiled herewith.
10.30*	Stock option agreement dated March 1, 2013, between the Company and Richard J. Schweppe, providing performance vesting.	Refiled herewith
10.31	Fifth Amendment to Credit Agreement dated September 1, 2014 by and between CorVel Corporation and Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on September 5, 2014.
10.32	Revolving Line of Credit Note dated September 1, 2014 by CorVel Corporation in favor of Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on September 5, 2014.
10.33*	Stock option agreement dated November 10, 2014, between the Company and Richard J. Schweppe, providing performance vesting.	Refiled herewith.
10.34*	Stock option agreement dated November 10, 2014, between the Company and Diane J. Blaha, providing performance vesting.	Refiled herewith.
10.35	Sixth Amendment to Credit Agreement dated September 1, 2015 by and between CorVel Corporation and Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on September 4, 2015.
10.36	Revolving Line of Credit Note dated September 1, 2015 by CorVel Corporation in favor of Wells Fargo Bank, National Association.	Incorporated herein by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on September 4, 2015.
10.37*		

Stock option agreement dated November 10, 2015, between the Company and Richard J. Schweppe, providing performance vesting.	Incorporated herein by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on November 12, 2015.

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Exhibit No.	Title	Method of Filing
10.38*	Stock option agreement dated November 10, 2015, between the Company and Michael G. Combs, providing performance vesting.	Incorporated herein by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on November 12, 2015.
10.39*	Stock option agreement dated November 10, 2015, between the Company and Diane J. Blaha, providing performance vesting.	Incorporated herein by reference to Exhibit 10.3 to the Company s Current Report on Form 8-K filed on November 12, 2015.
21.1	Subsidiaries of the Company	Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm, Haskell & White LLP.	Filed herewith.
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.0	The following materials from CorVel Corporation s Annual Report on Form 10-K for the fiscal year ended March 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2016 and March 31, 2015; (ii) Consolidated Statements of Income for the fiscal years ended March 31, 2016, 2015 and 2014; (iii) Consolidated Statements of Stockholders Equity for the fiscal years ended March 31, 2016, 2015 and 2014; (iv) Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2016, 2015 and 2014; and (v) Notes to Consolidated Financial Statements	

* Denotes management contract or compensatory plan or arrangement.

Confidential treatment has been requested for certain confidential portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. In accordance with Rule 24b-2, these confidential portions have been omitted from this exhibit and filed separately with the Securities and Exchange Commission.

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(b) Exhibits

The exhibits filed as part of this report are listed under Item 15(a)-(3) of this Annual Report on Form 10-K.

(c) Financial Statement Schedule

The Financial Statement Schedules required by Regulation S-X and Item 8 of Form 10-K are listed under Item 15(a)(2) of this Annual Report on Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORVEL CORPORATION

By: /S/ V. GORDON CLEMONS, SR.
V. Gordon Clemons, Sr.
Chairman of the Board, President, and Chief Executive Officer

Date: June 10, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ V. GORDON CLEMONS, SR. V. Gordon Clemons, Sr.	Chairman of the Board, Chief Executive Officer, and President (Principal Executive Officer)	June 10, 2016
/S/ RICHARD J. SCHWEPPE Richard J. Schweppe	Chief Financial Officer (Principal Financial and Accounting Officer)	June 10, 2016
/S/ ALAN R. HOOPS Alan R. Hoops	Director	June 10, 2016
/S/ STEVEN J. HAMERSLAG Steven J. Hamerslag	Director	June 10, 2016
/S/ R. JUDD JESSUP R. Judd Jessup	Director	June 10, 2016
/S/ JEAN H. MACINO Jean H. Macino	Director	June 10, 2016
/S/ JEFFREY J. MICHAEL	Director	June 10, 2016

Jeffrey J. Michael

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data for each of the five fiscal years ended March 31, 2016, have been derived from the Company s audited consolidated financial statements. The following data should be read in conjunction with the Company s Consolidated Financial Statements, the related notes thereto, and Management s Discussion and Analysis of Financial Condition and Results of Operations. The following amounts are in thousands, except per share data.

	Fiscal Year Ended March 31,				
	2012	**2013**	**2014**	**2015**	**2016**
Income Statement Data:					
Revenues	$ 412,668	$ 429,310	$ 478,816	$ 492,625	$ 503,584
Cost of revenues	318,826	337,650	370,335	392,656	399,040
Gross profit	93,842	91,660	108,481	99,969	104,544
General and administrative	50,405	47,765	51,974	54,405	58,484
Income before income taxes	43,437	43,895	56,507	45,564	46,060
Income tax provision	16,885	17,165	22,115	16,974	17,535
Net income	$ 26,552	$ 26,730	$ 34,392	$ 28,590	$ 28,525
Net income per share:					
Basic	$ 1.16	$ 1.20	$ 1.63	$ 1.38	$ 1.44
Diluted	$ 1.14	$ 1.19	$ 1.61	$ 1.37	$ 1.43
Shares used in computing net income per share:					
Basic	22,952	22,256	21,104	20,669	19,826
Diluted	23,254	22,458	21,372	20,890	20,004
Return on beginning of year equity	26.6%	24.2%	30.9%	22.6%	22.3%
Return on beginning of year assets	16.2%	15.6%	18.9%	13.3%	13.5%

	2012	**2013**	**2014**	**2015**	**2016**
Balance Sheet Data as of March 31,					
Cash and cash equivalents	$ 6,597	$ 19,822	$ 34,866	$ 25,516	$ 32,779
Accounts receivable, net	49,334	49,105	57,229	57,537	59,747
Working capital	36,485	40,145	49,120	37,959	42,693
Total assets	171,882	182,382	214,481	211,573	220,269
Retained earnings	275,046	301,776	336,168	364,758	393,283
Treasury stock	(270,574)	(301,301)	(328,480)	(360,278)	(391,803)
Total stockholders equity	110,382	111,402	126,522	127,923	131,948

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management s Discussion and Analysis of Financial Condition and Results of Operations may include certain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including (without limitation) statements with respect to anticipated future operating and financial performance, growth and acquisition opportunities and other similar forecasts and statements of expectation. Words such as expects, anticipates, intends, plans, predicts, be seeks, estimates, potential, continue, strive, ongoing, may, will, would, could, and should and words and similar expressions, are intended to identify these forward-looking statements. Forward-looking statements made by the Company and its management are based on estimates, projections, beliefs and assumptions of management at the time of such statements and are not guarantees of future performance.

The Company disclaims any obligations to update or revise any forward-looking statement based on the occurrence of future events, the receipt of new information or otherwise. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements made by the Company and its management as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, including a decreasing number of national claims due to a decreasing number of injured workers; cost of capital and capital requirements; existing and possible litigation and legal liability in the course of operations and the Company s ability to resolve such litigation; cost of capital and capital requirements; competition from other managed care companies; the ability to expand certain areas of the Company s business; shifts in customer demands; the ability of the Company to produce market-competitive software; changes in operating expenses including employee wages, benefits and medical inflation; governmental and public policy changes, including but not limited to legislative and administrative law and rule implementation or change; dependence on key personnel; the continued availability of financing in the amounts and at the terms necessary to support the Company s future business; and the other risks identified under the heading Risk Factors appearing elsewhere in the report.

Overview

CorVel Corporation is an independent nationwide provider of medical cost containment and managed care services designed to address the escalating medical costs of workers compensation and auto claims. The Company s services are provided to insurance companies, third-party administrators (TPA s), governmental entities, and self-administered employers to assist them in managing the medical costs and monitoring the quality of care associated with healthcare claims.

Network Solutions Services

The Company s network solutions services are designed to reduce the price paid by its customers for medical services rendered in workers compensation cases, auto policies and, to a lesser extent, group health policies. The network solutions offered by the Company include automated medical fee auditing, preferred provider services, retrospective utilization review, independent medical examinations, and inpatient bill review. Network solutions services also includes revenue from the Company s directed care network (CareIQ), including imaging and physical therapy.

Patient Management Services

In addition to its network solutions services, the Company offers a range of patient management services, which involve working on a one-on-one basis with injured employees and their various healthcare professionals, employers and insurance company adjusters. The services are designed to monitor the medical necessity and appropriateness of healthcare services provided to workers compensation and other healthcare claimants and to

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expedite return to work. The Company offers these services on a stand-alone basis, or as an integrated component of its medical cost containment services. Patient management services include the processing of claims for self-insured payors to property and casualty insurance.

Organizational Structure

The Company s management is structured geographically with regional vice-presidents who report to the Chief Executive Officer of the Company. Each of these regional vice-presidents is responsible for all services provided by the Company in his or her particular region and responsible for the operating results of the Company in multiple states. These regional vice presidents have area and district managers who are also responsible for all services provided by the Company in their given area and district.

Business Enterprise Segments

The Company operates in one reportable operating segment, managed care. The Company s services are delivered to its customers through its local offices in each region and financial information for the Company s operations follows this service delivery model. All regions provide the Company s patient management and network solutions services. FASB ASC 280-10, *Segment Reporting*, establishes standards for the way that public business enterprises report information about operating segments in annual and interim consolidated financial statements. The Company s internal financial reporting is segmented geographically, as discussed above, and managed on a geographic rather than service line basis, with virtually all of the Company s operating revenue generated within the United States.

Under FASB ASC 280-10, two or more operating segments may be aggregated into a single operating segment for financial reporting purposes if aggregation is consistent with the objective and basic principles, if the segments have similar economic characteristics, and if the segments are similar in each of the following areas: 1) the nature of products and services; 2) the nature of the production processes; 3) the type or class of customer for their products and services; and 4) the methods used to distribute their products or provide their services. The Company believes each of its regions meet these criteria as each provides similar services and products to similar customers using similar methods of productions and similar methods to distribute the services and products.

Because we believe we meet each of the criteria set forth above and each of our regions have similar economic characteristics, we aggregate our results of operations in one reportable operating segment, managed care.

Seasonality

While we are not directly impacted by seasonal shifts, we are affected by the change in working days in a given quarter. There are generally fewer working days for our employees to generate revenue in the third fiscal quarter as we experience vacations, inclement weather and holidays.

Summary of Fiscal 2016 Annual Results

The Company had record revenues of $504 million for fiscal year ended March 31, 2016, an increase of $11 million, or 2.2%, compared to $493 million for fiscal year ended March 31, 2015. The increase was primarily due to growth in the TPA services and network solutions offset by a decrease in CERiS and a nominal decrease in case management.

During fiscal 2016, the Company s gross profit increased to $104.5 million from $100.0 million in fiscal 2015, an increase of $4.6 million, or 4.6%. This increase was primarily due to cost of revenues increasing at a lower rate than revenues, partially due to a decrease in headcount.

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During fiscal 2016, the Company s general and administrative expenses increased to $58.5 million from $54.4 million in fiscal 2015, an increase of $4.1 million, or 7.5%. The increase was primarily due to an increase in legal and IT expenses.

During fiscal 2016, the Company s operating income increased to $46.1 million from $45.6 million in fiscal 2015, an increase of $0.5 million, or 1.1%. This increase was primarily due to the aforementioned increase in revenues and gross profit.

Income tax expense increased by $0.6 million, or 3.3%, from $17.0 million in fiscal 2015 to $17.5 million in fiscal 2016. This increase was primarily due to increase in pre-tax income.

Weighted diluted shares decreased from 20.9 million shares in fiscal 2015 to 20.0 million shares in fiscal 2016, a decrease of 886,000 shares, or 4.2%. This decrease was primarily due to the repurchase of 893,771 shares of common stock in fiscal 2016. In November 2015, the Company s Board of Directors increased the number of shares authorized to be repurchased over the life of the plan to 35,000,000 shares. Since commencing this program in the fall of 1996, the Company has repurchased 33,886,259 shares of its common stock through March 31, 2016, at a cost of $392 million**.** These repurchases were funded primarily from the Company s operating cash flows.

Diluted earnings per share increased from $1.37 in fiscal 2015 to $1.43 in fiscal 2016, an increase of $0.06 per share, or 4.4%. The increase in diluted earnings per share was primarily due to a reduction in the number of shares outstanding of 4.2% due to shares repurchases.

Results of Operations

The Company derives its revenues from providing patient management and network solutions services to payors of workers compensation benefits, auto insurance claims and health insurance benefits. Patient management services include utilization review, medical case management, vocational rehabilitation, and claims processing. Network solutions revenues include fee schedule auditing, hospital bill auditing, independent medical examinations, diagnostic imaging review services and preferred provider referral services. The percentages of total revenues attributable to patient management and network solutions services for the fiscal years ended March 31, 2014, 2015, and 2016 are listed below.

	2014	2015	2016
Patient management services	51.9%	54.5%	55.1%
Network solutions services	48.1%	45.5%	44.9%
	100.0%	100.0%	100.0%

As noted in the table above, from fiscal 2014 to fiscal 2016, the mix of the Company s revenues moved 3.2 percentage points from network solutions to patient management. This mix shift is primarily due to the Company s increased focus in the sale of TPA services which are included with patient management services. The Company expects to have more growth in the sale of TPA services than its other services because we are focusing more of our efforts in this area and because we believe the opportunities for growth in revenue and gross profits are better in this area.

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The following table shows the consolidated income statements for the past three fiscal years and the dollar changes as well as the percentage changes for each fiscal year in thousands, except for per share information.

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Amount Change from Fiscal 2014 to 2015	Amount Change from Fiscal 2015 to 2016	Percent Change from Fiscal 2014 to 2015	Percent Change from Fiscal 2015 to 2016
Revenues	$ 478,816	$ 492,625	$ 503,584	$ 13,809	$ 10,959	2.9%	2.2%
Cost of revenues	370,335	392,656	399,040	22,321	6,384	6.0	1.6
Gross profit	108,481	99,969	104,544	(8,512)	4,575	(7.8)	4.6
General and administrative	51,974	54,405	58,484	2,431	4,079	4.7	7.5
Income before income taxes	56,507	45,564	46,060	(10,943)	496	(19.4)	1.1
Income tax provision	22,115	16,974	17,535	(5,141)	561	(23.2)	3.3
Net income	$ 34,392	$ 28,590	$ 28,525	($ 5,802)	($ 65)	(16.9%)	(0.2%)
Net income per share:							
Basic	$ 1.63	$ 1.38	$ 1.44	$ (0.25)	$ 0.06	(15.3%)	4.3%
Diluted	$ 1.61	$ 1.37	$ 1.43	$ (0.24)	$ 0.06	(14.9%)	4.4%
Shares used in net income per share:							
Basic	21,104	20,669	19,826	(435)	(843)	(2.1%)	(4.1%)
Diluted	21,372	20,890	20,004	(482)	(886)	(2.3%)	(4.2%)

As previously identified in the section titled Risk Factors in this report, the Company s ability to maintain or grow revenues is subject to several risks including, but not limited to, changes in government regulations, exposure to litigation and the ability to add or retain customers. Any of these, or a combination of all of them, could have a material and adverse effect on the Company s results of operations going forward.

The following table sets forth, for the periods indicated, the percentage of revenues represented by certain items reflected in the Company s consolidated income statements. The Company s past operating results are not necessarily indicative of future operating results. The percentages for the three fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

Income Statement Percentages	2014	2015	2016
Revenues	100.0%	100.0%	100.0%
Cost of revenues	77.3%	79.7%	79.2%

Gross profit	22.7%	20.3%	20.8%
General and administrative	10.9%	11.0%	11.6%
Income before income taxes	11.8%	9.3%	9.2%
Income tax provision	4.6%	3.4%	3.5%
Net Income	7.2%	5.9%	5.7%

Revenue

The Company derives its revenues from providing patient management and network solutions services to payors of workers compensation benefits, auto insurance claims and health insurance benefits. Patient management services include claims administration, utilization review, medical case management and vocational rehabilitation. Network solutions revenues include fee schedule auditing, hospital bill auditing, independent medical examinations, diagnostic imaging review services, directed care services and preferred provider referral services.

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Change in Revenue

Fiscal 2016 Compared to Fiscal 2015

Revenues increased by 2.2%, to $504 million in fiscal 2016, from $493 million in fiscal 2015, an increase of $11 million. The increase was primarily due to growth in the TPA services within patient management due to an increase in customers. Patient management revenues, which include TPA services, increased by $8.6 million, or 3.2%, from $269 million in fiscal 2015 to $277 million in fiscal 2016. This increase in revenues from TPA services was due to a 7% increase in the number of customers, which contributed to a 7% increase in the total number of claims opened during the fiscal year. Network solutions services revenues increased by $2.3 million, or 1.0%, from $224 million in fiscal 2015 to $226 million in fiscal 2016.

Fiscal 2015 Compared to Fiscal 2014

Revenues increased by 2.9%, to $493 million in fiscal 2015, from $479 million in fiscal 2014, an increase of $14 million. The increase was primarily due to growth in the TPA services within patient management due to an increase in customers. Patient management revenues, which include TPA services, increased by $21 million, or 8.5%, from $248 million in fiscal 2014 to $269 million in fiscal 2015. This increase in revenues from TPA services was due to a 5% increase in the number of customers, which contributed to an 11% increase in the total number of claims opened during the fiscal year. Network solutions services revenues decreased by $6.0 million, or 2.6%, from $230 million in fiscal 2014 to $224 million in fiscal 2015, due to a 5% decrease in the number of bills processed slightly offset by a 2% increase in the revenue per bill.

Cost of Revenue

The Company s cost of revenues consist of direct expenses, costs directly attributable to the generation of revenue, and field indirect costs which are incurred in the field to support the operations in the field offices which generate the revenue. Direct costs are primarily case manager salaries, bill review analysts, related payroll taxes and fringe benefits, and costs for Independent Medical Examinations (IME), prescription drugs, and MRI providers. Most of the Company s revenues are generated in offices which provide both patient management services and network solutions services. The largest of the field indirect costs are manager salaries and bonus, account executive base pay and commissions, administrative and clerical support, field systems personnel, PPO network developers, related payroll taxes, fringe benefits, office rent, and telephone expense. During fiscal 2015 and 2016, approximately 32% of the costs incurred in the field are field indirect costs which support both the patient management services and network solutions operations of the Company s field operations.

Change in Cost of Revenue

Fiscal 2016 Compared to Fiscal 2015

The Company s cost of revenues increased from $393 million in fiscal 2015 to $399 million in fiscal 2016, an increase of 1.6%, or $6 million. The increase in cost of revenues was primarily due to the 2.2% increase in revenues noted above. The increase in cost of revenues also was due to an increase in lower margin patient management TPA services due to competitive pricing and a decrease in higher margin bill review services. Pharmacy costs increased from $61 million to $64 million due to an increase in revenue in this line of business, which is due to an increase in volume. Additionally, our direct labor costs increased from $107 million to $113 million due to increased headcount in TPA services.

Fiscal 2015 Compared to Fiscal 2014

The Company s cost of revenues increased from $370 million in fiscal 2014 to $393 million in fiscal 2015, an increase of 6.0%, or $22 million. The increase in cost of revenues was primarily due to the 2.9% increase in revenues noted above. The cost of revenues increased at a higher rate than revenue due to an increase in lower margin patient management TPA services and a decrease in higher margin bill review services. Pharmacy costs increased from $59 million to $61 million due to an increase in revenue in this line of business. Additionally, headcount increased which is reflected in our direct labor costs that increased from $99 million to $107 million due to increased services to TPA customers.

General and Administrative Expense

During fiscal years 2014, 2015 and 2016, approximately 59%, 61%, and 60% respectively, of general and administrative costs consisted of corporate systems costs, which include the corporate systems support, implementation and training, rules engine development, national information technology (IT) strategy and planning, depreciation of the hardware costs in the Company s corporate offices and backup data center, the Company s national wide area network, and other systems related costs. The Company includes all IT related costs managed by the corporate office in general and administrative whereas the field IT related costs are included in the cost of revenues. The remaining general and administrative costs consist of national marketing, national sales support, corporate legal, corporate insurance, human resources, accounting, product management, new business development, and other general corporate expenses.

Change in General and Administrative Expense

Fiscal 2016 Compared to Fiscal 2015

General and administrative expense increased 7.5%, from $54.4 million in fiscal 2015 to $58.5 million in fiscal 2016. Legal expenses increased $2.1 million due to the settlement of two lawsuits during the last quarter of fiscal 2016. IT expenses increased from $33 million in fiscal 2015 to $34 million in fiscal 2016 due to hardware and internally developed software depreciation.

Fiscal 2015 Compared to Fiscal 2014

General and administrative expense increased 4.7% from $52 million in fiscal 2014 to $54.4 million in fiscal 2015. In fiscal 2015, the Company increased IT expenses related to a new data center being brought online to increase system capacity. IT expenses increased from $31 million in fiscal 2014 to $33 million in fiscal 2015.

Income Tax Provision

Fiscal 2016 Compared to Fiscal 2015

The Company s income tax expense was $17.0 million for fiscal year 2015 and $17.5 million for fiscal year 2016. The income tax expense was calculated based on a 37.3% tax rate for fiscal year 2015 and 38.1% for fiscal year 2016. The increase of $0.5 million was primarily due to an increase in income before income taxes and a higher tax rate. The income tax provision rates were based upon management s review of the Company s estimated annual income tax rate, including state taxes. This effective tax rate differed from the statutory federal tax rate of 35.0% primarily due to state income taxes and certain non-deductible expenses offset by tax credits.

Fiscal 2015 Compared to Fiscal 2014

The Company s income tax expense was $22 million for fiscal year 2014 and $17 million for fiscal year 2015. The income tax expense was calculated based on a 39% tax rate for fiscal year 2014 and 37.3% for fiscal year 2015. The decrease of $5 million was primarily due to a decrease in income before income taxes. Additionally, the rate decreased during fiscal year 2015 due to review of the state tax filings and the Company s apportionment. The Company expects the rate to normalize in the next fiscal year. The income tax provision rates were based upon management s review of the Company s estimated annual income tax rate, including state taxes. This effective tax rate differed from the statutory federal tax rate of 35.0% primarily due to state income taxes and certain non-deductible expenses offset by tax credits.

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Net Income

Fiscal 2016 Compared to Fiscal 2015

The Company s net income for fiscal years 2015 and 2016 were $28.6 million and $28.5 million, respectively, a decrease of $0.1 million. The Company s net income was relatively unchanged due to an increase in gross profit, which was offset by an increase in general and administrative expense and an increase in the tax rate.

Fiscal 2015 Compared to Fiscal 2014

The Company s net income for fiscal years 2014 and 2015 was $34.4 million and $28.6 million, respectively. The Company s net income in fiscal 2015 decreased due to a decrease in gross profit margin due to an increase in lower margin TPA business.

Earnings per Share

Fiscal 2016 Compared to Fiscal 2015

The Company s diluted earnings per share for fiscal years 2015 and 2016 were $1.37 and $1.43, respectively, an increase of $0.06. The Company s earnings per share in fiscal 2016 increased primarily due to a decrease in diluted weighted shares outstanding because of shares repurchased in the Company s share repurchase program.

Fiscal 2015 Compared to Fiscal 2014

The Company s diluted earnings per share for fiscal years 2014 and 2015 were $1.61 and $1.37, respectively. The Company s earnings per share in fiscal 2015 decreased due to a decrease in net income of $5.8 million.

Liquidity and Capital Resources

Introduction

The Company manages its liquidity and financial position in the context of its overall business strategy. The Company continually forecasts and manages its cash, investments, working capital balances and capital structure to meet the short- and long-term obligations of its businesses while seeking to maintain liquidity and financial flexibility. Cash flows generated from operating activities are principally from earnings before non-cash expenses. The risk of decreased operating cash flow from a decline in earnings is partially mitigated by the diversity of the Company s services, geographies and customers, and the Company has had virtually no interest-bearing debt for the past 25 years.

The Company has historically funded its operations and capital expenditures primarily from cash flow from operations, and to a lesser extent, stock option exercises. The Company s net accounts receivables have averaged below 43 days of average sales for the past two fiscal years and were at 42 days at March 31, 2016. The Company expects days sales outstanding (DSO) to remain in the low to mid 40-day range. Property, net of accumulated depreciation, has historically averaged approximately 11% or less of annual revenue. The Company s historical profit margins and historical ratio of investments in assets used in the business has allowed the Company to generate sufficient cash flow to repurchase $392 million of its common stock during the past nineteen fiscal years, on inception-to-date net earnings of $393 million. The Company repurchases shares during periods of excess liquidity which has occurred in all 25 years the Company has been public. Should the Company have lower income or cash flows, it could reduce or eliminate the share repurchase program until earnings and cash flow improves. Working capital increased from $38 million to $43 million from March 31, 2015 to March 31, 2016.

The Company believes that cash from operations and funds from exercises of stock options granted to employees are adequate to fund existing obligations, repurchase shares of the Company s common stock under its current share repurchase program, introduce new services, and continue to develop healthcare related businesses for at least the next twelve months. The Company regularly evaluates cash requirements for current operations, commitments, and for capital acquisitions and other strategic transactions. The Company may elect to raise additional funds for these purposes, through debt or equity financings or otherwise, as appropriate. Additional equity or debt financing may not be available when needed, on terms favorable to us or at all.

As of March 31, 2016, the Company had $33 million in cash and cash equivalents, invested primarily in short-term, interest-bearing highly liquid investment-grade securities with maturities of 90 days or less.

In September 2015, the Company renewed a line of credit agreement. The line is with a financial institution to provide a revolving credit facility with borrowing capacity of up to $10 million. Borrowings under this agreement, as amended, bear interest, at the Company s option, at a fixed LIBOR-based rate plus 1.50% or at a fluctuating rate determined by the financial institution to be 1.50% above the daily one-month LIBOR rate. The loan covenants require the Company to maintain the current assets to liabilities ratio of at least 1.25:1, debt to tangible net worth not greater than 1.25:1 and have positive net income. There were no outstanding revolving loans as of March 31, 2016, but letters of credit in the aggregate amount of $4.5 million have been issued separate from the line of credit and therefore do not reduce the amount of borrowings available under the revolving credit facility. The credit agreement expires in September 2016.

The Company believes that the cash balance at March 31, 2016 along with anticipated internally generated funds, and the credit facility would be sufficient to meet the Company s expected cash requirements for at least the next twelve months.

Operating Cash Flows

Fiscal 2016 Compared to Fiscal 2015

Net cash provided by operating activities was $44 million in fiscal 2015 and $51 million in fiscal 2016. This increase was primarily due to the fact that in the prior year, the Company had a higher prepaid tax balance than the current year. During fiscal 2016, the Company s prepaid tax is closer to the actual tax liability as compared to fiscal 2015.

Fiscal 2015 Compared to Fiscal 2014

Net cash provided by operating activities was $55 million in fiscal 2014 and $44 million in fiscal 2015. Net income decreased by $5.8 million, there was also a decrease in accounts and taxes payable. This was due to a decrease in the tax rate, which was partially offset by an increase in accounts receivable.

Investing Activities

Fiscal 2016 Compared to Fiscal 2015

Net cash flow used in investing activities decreased from $24 million in fiscal 2015 to $17 million in fiscal 2016. The decrease in cash flow used in investing activities was due to a decrease in property additions during fiscal 2016. In fiscal 2015, there was an increase in leasehold improvements and in the amount spent on capitalized hardware related to a new data center being built out to increase our system capacity.

Fiscal 2015 Compared to Fiscal 2014

Net cash flow used in investing activities increased from $18 million in fiscal 2014 to $24 million in fiscal 2015. The increase in cash flow used in investing activities was due to an increase in property additions in leasehold improvements and an increase in the amount spent on capitalized hardware related to a new data center being built out to increase our system capacity.

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Financing Activities

Fiscal 2016 Compared to Fiscal 2015

Net cash flow used in financing activities decreased from $29.4 million in fiscal 2015 to $26.7 million in fiscal 2016. The decrease in cash flow used in financing activities was due to an increase in proceeds from exercise of stock options. During fiscal 2016, the Company spent $31.5 million to repurchase 893,771 shares of its common stock (at an average price of $35.27 per share). During fiscal 2015, the Company spent $31.8 million to repurchase 845,014 shares of its common stock (at an average price of $37.63 per share).

If the Company continues to generate cash flow from operating activities, the Company may continue to repurchase shares of its common stock on the open market, if authorized by the Company s Board of Directors, or seek to identify other businesses to acquire. In November 2015, the Board of Directors increased the number of shares authorized to be repurchased over the life of the stock repurchase program by an additional 1,000,000 shares to 35,000,000 shares. The Company has historically used cash provided by operating activities and from the exercise of stock options to repurchase stock. The Company expects that it may use some of the cash on the balance sheet at March 31, 2016 to repurchase additional shares of its common stock in the future.

Fiscal 2015 Compared to Fiscal 2014

Net cash flow used in financing activities increased from $21.4 million in fiscal 2014 to $29.4 million in fiscal 2015. The increase in cash flow used in financing activities was due to an increase in the purchase of common stock under the Company s share repurchase program. During fiscal 2015, the Company spent $31.8 million to repurchase 845,014 shares of its common stock (at an average price of $37.63 per share). During fiscal 2014, the Company spent $27.2 million to repurchase 830,460 shares of its common stock (at an average price of $32.73 per share).

Contractual Obligations

The following table set forth our contractual obligations at March 31, 2016, which are primarily future minimum lease payments due under non-cancelable operating leases:

	For the Fiscal Years Ended March 31:				
	Total	**Less than one year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Operating leases	$ 46,237,000	$ 13,458,000	$ 17,888,000	$ 9,680,000	$ 5,211,000
Uncertain tax positions	1,830,000	1,830,000			
Software license	3,249,000	1,083,000	2,166,000		
Total	$ 51,316,000	$ 16,371,000	$ 20,054,000	$ 9,680,000	$ 5,211,000

Litigation. The Company is involved in litigation arising in the normal course of business. Management believes that resolution of these matters will not result in any payment that, in the aggregate, would be material to the financial position or results of the operations of the Company.

Inflation. The Company experiences pricing pressures in the form of competitive prices. The Company is also impacted by rising costs for certain inflation-sensitive operating expenses such as labor and employee benefits, and facility leases. However, the Company generally does not believe these impacts are material to its revenues or net income.

Off-Balance Sheet Arrangements

The Company is not a party to off-balance sheet arrangements as defined by the Securities and Exchange Commission. However, from time to time the Company enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims. The contracts primarily relate to: (i) certain contracts to perform services, under which the Company may provide customary indemnification to the purchases of such services; (ii) certain real estate leases, under which the Company may be required to indemnify property owners for environmental and other liabilities, and other claims arising from the Company s use of the applicable premises; and (iii) certain agreements with the Company s officers, directors and employees, under which the Company may be required to indemnify such persons for liabilities arising out of their relationship with the Company.

The terms of such obligations vary by contract and in most instances a specific or maximum dollar amount is not explicitly stated therein. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, no liabilities have been recorded for these obligations on the Company s balance sheets for any of the periods presented.

Critical Accounting Policies

The SEC defines critical accounting policies as those that require application of management s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The following is not intended to be a comprehensive list of our accounting policies. Our significant accounting policies are more fully described in Note A to the Consolidated Financial Statements. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America, with no need for management s judgment in their application. There are also areas in which management s judgment in selecting an available alternative would not produce a materially different result.

We have identified the following accounting policies as critical to us: 1) revenue recognition, 2) allowance for uncollectible accounts, 3) goodwill and long-lived assets, 4) accrual for self-insured costs, 5) accounting for income taxes, 6) legal and other contingencies, 7) share-based compensation, and 8) software development costs.

Revenue Recognition: The Company recognizes revenue when there is persuasive evidence of an arrangement, the services have been provided to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. For the Company s services, as the Company s professional staff performs work, they are contractually permitted to bill for fees earned in fraction of an hour increments worked or by units of production. The Company recognizes revenue as the time is worked or as units of production are completed, which is when the revenue is earned and realized. Labor costs are recognized as the costs are incurred. The Company derives the majority of its revenue from the sale of Network Solutions and Patient Management services. Network Solutions and Patient Management services may be sold individually or combined with any of the services the Company provides. When a sale combines multiple elements, the Company accounts for multiple element arrangements in accordance with the guidance included in Accounting Standard Codification (ASC) 605-25.

Management evaluates agreements with customers in accordance with the provision of the revenue recognition topic that addresses multiple-deliverable revenue arrangements. The multiple-deliverable arrangements entered into consist of bundled managed care which included various units of accounting such as Network Solutions, and Patient Management which includes claims administration. Such elements are considered separate units of accounting due to each element having value to the customer on a stand-alone basis. The selling price for each unit of accounting is determined using contract price and management estimates. When the Company s customers purchase several products, the pricing of the products sold is generally the same as if the product were sold on an individual basis. Revenue is recognized as the work is performed in accordance with our customer contracts. Based upon the nature of the Company s products, bundled managed care elements are generally delivered in the same accounting period. The Company recognizes revenue for patient management claims administration services over the life of the claim. Based upon prior experience in managing claims, the Company estimates the deferral amount from when the claim is received to when the customer contract expires.

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Allowance for Uncollectible Accounts: The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company s previous loss history, the customers current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible.

The Company must make significant management judgments and estimates in determining contractual and bad debt allowances in any accounting period. One significant uncertainty inherent in the Company s analysis is whether its past experience will be indicative of future periods. Although the Company considers future projections when estimating contractual and bad debt allowances, the Company ultimately makes its decisions based on the best information available to it at that time. Adverse changes in general economic conditions or trends in reimbursement amounts for the Company s services could affect the Company s contractual and bad debt allowance estimates, collection of accounts receivable, cash flows, and results of operations. No one customer accounted for 10% or more of accounts receivable at March 31, 2015, and 2016.

Goodwill and Long-Lived Assets: Goodwill arising from business combinations represents the excess of the purchase price over the estimated fair value of the net assets of the acquired business. Pursuant to ASC 350-10 through ASC 350-30, Goodwill and Other Intangible Assets, goodwill is tested annually for impairment or more frequently if circumstances indicate the potential for impairment. Also, management tests for impairment of its amortizable intangible assets and long-lived assets annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company s impairment analysis is conducted at a regional level. The measurement of fair value is based on an evaluation of market capitalization and is further tested using a multiple of earnings approach. In projecting the Company s cash flows, management considers industry growth rates and trends and cost structure changes. Based on the Company s tests and reviews, no impairment of its goodwill, intangible assets or other long-lived assets existed at March 31, 2016. However, future events or changes in current circumstances could affect the recoverability of the carrying value of goodwill and long-lived assets. Should an asset be deemed impaired, an impairment loss would be recognized to the extent the carrying value of the asset exceeded its estimated fair market value.

Accrual for Self-insurance Costs: The Company accrues for the group medical costs and workers compensation costs of its employees based on claims filed and an estimate of claims incurred but not reported as of each balance sheet date. The Company purchases stop loss insurance for large claims. The Company determines its estimated self-insurance reserves based upon historical trends along with outstanding claims information provided by its claims paying agents. However, it is possible that recorded accruals may not be adequate to cover the future payment of claims. Adjustments, if any, to estimated accruals resulting from ultimate claim payments will be reflected in earnings during the periods in which such adjustments are determined. The Company s self-insured liabilities contain uncertainties because management is required to make assumptions and to apply judgment to estimate the ultimate cost to settle reported claims and claims incurred but not reported at the balance sheet date.

The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate its self-insured liabilities. However, if actual results are not consistent with these estimates or assumptions, the Company may be exposed to losses or gains that could be material.

Accounting for Income Taxes: The Company records a tax provision for the anticipated tax consequences of the reported results of operations. The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance, if necessary, to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

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The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. In the event that the Company determines all or part of the net deferred tax assets are not realizable in the future, the Company will make an adjustment to the valuation allowance that would be charged to earnings in the period such deter