UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

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 No.)
5128 Apache Plume Road, Suite 400 **Fort Worth, TX**	**76109**
(Address of principal executive offices)	(Zip Code)

(817) 390-1416
(Registrant's telephone number, including area code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $0.0001 Per Share	CRVL	The Nasdaq Global Select Market

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the registrant's Common Stock, $0.0001 par value per share, as of November 4, 2024, was 17,126,171.

CORVEL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

CORVEL CORPORATION
Consolidated Balance Sheets

	September 30, 2024 (Unaudited)	March 31, 2024
Assets		
Current Assets		
Cash and cash equivalents	$ 138,349,000	$ 105,563,000
Customer deposits	109,110,000	88,142,000
Accounts receivable, net	102,393,000	97,108,000
Prepaid taxes and expenses	13,481,000	11,418,000
Total current assets	363,333,000	302,231,000
Property and equipment, net	89,115,000	85,892,000
Goodwill	36,814,000	36,814,000
Other intangibles, net	611,000	821,000
Right-of-use asset, net	23,818,000	24,058,000
Deferred tax asset, net	4,183,000	3,545,000
Other assets	679,000	1,318,000
TOTAL ASSETS	$ 518,553,000	$ 454,679,000
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts and taxes payable	$ 14,174,000	$ 16,631,000
Accrued liabilities	198,685,000	167,868,000
Total current liabilities	212,859,000	184,499,000
Long-term lease liabilities	22,922,000	22,533,000
Total liabilities	235,781,000	207,032,000
Commitments and contingencies		
Stockholders' Equity		
Common stock, $.0001 par value: 120,000,000 shares authorized at September 30, 2024 and March 31, 2024; 55,238,600 shares issued (17,135,160 shares outstanding, net of Treasury shares) and 55,162,075 shares issued (17,128,896 shares outstanding, net of Treasury shares) at September 30, 2024 and March 31, 2024, respectively	3,000	3,000
Paid-in capital	242,894,000	233,629,000
Treasury stock (38,103,440 shares at September 30, 2024 and 38,033,179 shares at March 31, 2024)	(813,020,000)	(793,905,000)
Retained earnings	852,895,000	807,920,000
Total stockholders' equity	282,772,000	247,647,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 518,553,000	$ 454,679,000

See accompanying notes to unaudited consolidated financial statements.

CORVEL CORPORATION
Consolidated Income Statements – (Unaudited)

	Three Months Ended September 30, 2024	2023
REVENUES	$ 224,380,000	$ 195,522,000
Cost of revenues	173,632,000	151,270,000
Gross profit	50,748,000	44,252,000
General and administrative expenses	22,078,000	19,538,000
Income before income tax provision	28,670,000	24,714,000
Income tax provision	5,272,000	4,816,000
NET INCOME	$ 23,398,000	$ 19,898,000
Net income per common and common equivalent share		
Basic	$ 1.37	$ 1.16
Diluted	$ 1.35	$ 1.15
Weighted average common and common equivalent shares		
Basic	17,133,000	17,123,000
Diluted	17,341,000	17,346,000

See accompanying notes to unaudited consolidated financial statements.

CORVEL CORPORATION
Consolidated Income Statements – (Unaudited)

	Six Months Ended September 30, 2024	2023
REVENUES	$ 436,102,000	$ 385,775,000
Cost of revenues	337,200,000	299,644,000
Gross profit	98,902,000	86,131,000
General and administrative expenses	42,198,000	35,989,000
Income before income tax provision	56,704,000	50,142,000
Income tax provision	11,729,000	10,439,000
NET INCOME	$ 44,975,000	$ 39,703,000
Net income per common and common equivalent share		
Basic	$ 2.63	$ 2.32
Diluted	$ 2.60	$ 2.29
Weighted average common and common equivalent shares		
Basic	17,127,000	17,133,000
Diluted	17,327,000	17,365,000

See accompanying notes to unaudited consolidated financial statements.

CORVEL CORPORATION
Consolidated Statements of Stockholders' Equity – (Unaudited)

	Three Months Ended September 30, 2024						
	Common Shares	Stock Amount	Paid-in-Capital	Treasury Shares	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance – June 30, 2024	55,194,878	$ 3,000	$ 237,804,000	(38,071,317)	$ (803,431,000)	$ 829,497,000	$ 263,873,000
Stock issued under employee stock purchase plan	1,102	—	342,000	—	—	—	342,000
Stock issued under stock option plan, net of shares repurchased	42,620	—	3,266,000	—	—	—	3,266,000
Stock-based compensation expense	—	—	1,482,000	—	—	—	1,482,000
Purchase of treasury stock	—	—	—	(32,123)	(9,589,000)	—	(9,589,000)
Net income	—	—	—	—	—	23,398,000	23,398,000
Balance – September 30, 2024	55,238,600	$ 3,000	$ 242,894,000	(38,103,440)	$ (813,020,000)	$ 852,895,000	$ 282,772,000

	Three Months Ended September 30, 2023						
	Common Shares	Stock Amount	Paid-in-Capital	Treasury Shares	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance – June 30, 2023	55,019,773	$ 3,000	$ 221,486,000	(37,905,858)	$ (765,982,000)	$ 751,473,000	$ 206,980,000
Stock issued under employee stock purchase plan	1,797	—	336,000	—	—	—	336,000
Stock issued under stock option plan, net of shares repurchased	49,272	—	3,472,000	—	—	—	3,472,000
Stock-based compensation expense	—	—	1,301,000	—	—	—	1,301,000
Purchase of treasury stock	—	—	—	(45,501)	(9,418,000)	—	(9,418,000)
Net income	—	—	—	—	—	19,898,000	19,898,000
Balance – September 30, 2023	55,070,842	$ 3,000	$ 226,595,000	(37,951,359)	$ (775,400,000)	$ 771,371,000	$ 222,569,000

	Six Months Ended September 30, 2024						
	Common Shares	Stock Amount	Paid-in-Capital	Treasury Shares	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance – March 31, 2024	55,162,075	$ 3,000	$ 233,629,000	(38,033,179)	$ (793,905,000)	$ 807,920,000	$ 247,647,000
Stock issued under employee stock purchase plan	1,102	—	342,000	—	—	—	342,000
Stock issued under stock option plan, net of shares repurchased	75,423	—	6,371,000	—	—	—	6,371,000
Stock-based compensation expense	—	—	2,552,000	—	—	—	2,552,000
Purchase of treasury stock	—	—	—	(70,261)	(19,115,000)	—	(19,115,000)
Net income	—	—	—	—	—	44,975,000	44,975,000
Balance – September 30, 2024	55,238,600	$ 3,000	$ 242,894,000	(38,103,440)	$ (813,020,000)	$ 852,895,000	$ 282,772,000

	Six Months Ended September 30, 2023						
	Common Shares	Stock Amount	Paid-in-Capital	Treasury Shares	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance – March 31, 2023	54,987,366	$ 3,000	$ 218,700,000	(37,817,866)	$ (748,195,000)	$ 731,668,000	$ 202,176,000
Stock issued under employee stock purchase plan	1,797	—	336,000	—	—	—	336,000
Stock issued under stock option plan, net of shares repurchased	81,679	—	4,946,000	—	—	—	4,946,000
Stock-based compensation expense	—	—	2,613,000	—	—	—	2,613,000
Purchase of treasury stock	—	—	—	(133,493)	(27,205,000)	—	(27,205,000)
Net income	—	—	—	—	—	39,703,000	39,703,000
Balance – September 30, 2023	55,070,842	$ 3,000	$ 226,595,000	(37,951,359)	$ (775,400,000)	$ 771,371,000	$ 222,569,000

See accompanying notes to unaudited consolidated financial statements.

CORVEL CORPORATION
Consolidated Statements of Cash Flows – (Unaudited)

	Six Months Ended September 30, 2024	2023
Cash Flows from Operating Activities		
NET INCOME	$ 44,975,000	$ 39,703,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,438,000	12,825,000
Loss on write down or disposal of property, capitalized software or investment	109,000	221,000
Stock-based compensation expense	2,552,000	2,613,000
Provision for expected credit losses	1,764,000	590,000
Deferred income tax	(638,000)	(653,000)
Changes in operating assets and liabilities		
Accounts receivable	(7,049,000)	(6,493,000)
Customer deposits	(20,968,000)	(10,105,000)
Prepaid taxes and expenses	(2,064,000)	(1,677,000)
Other assets	639,000	(26,000)
Accounts and taxes payable	(2,458,000)	(2,680,000)
Accrued liabilities	30,817,000	18,565,000
Operating leases, net	630,000	1,736,000
Net cash provided by operating activities	62,747,000	54,619,000
Cash Flows from Investing Activities		
Purchase of property and equipment	(17,559,000)	(12,276,000)
Net cash used in investing activities	(17,559,000)	(12,276,000)
Cash Flows from Financing Activities		
Purchase of treasury stock	(19,115,000)	(27,205,000)
Proceeds from exercise of common stock options	6,371,000	4,946,000
Proceeds from purchases under employee stock purchase plan	342,000	336,000
Net cash used in financing activities	(12,402,000)	(21,923,000)
Increase in cash and cash equivalents	32,786,000	20,420,000
Cash and cash equivalents at beginning of period	105,563,000	71,329,000
Cash and cash equivalents at end of period	$ 138,349,000	$ 91,749,000
Supplemental Cash Flow Information:		
Income taxes paid	$ 14,501,000	$ 13,913,000
Purchase of software license under finance agreement	$ —	$ 2,728,000

See accompanying notes to unaudited consolidated financial statements.

<u>Note 1 — Summary of Significant Accounting Policies</u>

Basis of Presentation: The unaudited consolidated financial statements include the accounts of CorVel Corporation and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements herein have been prepared by CorVel Corporation (the “Company”, “we”, “our”, or “us”) pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). The accompanying interim unaudited consolidated financial statements have been prepared under the presumption that users of the interim financial information have either read or have access to the audited consolidated financial statements for the latest fiscal year ended March 31, 2024. Accordingly, note disclosures which would substantially duplicate the disclosures contained in the March 31, 2024 audited consolidated financial statements have been omitted from these interim unaudited consolidated financial statements.

The Company evaluated all subsequent events and transactions through the date of filing this report.

Certain information and note disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2025. For further information, refer to the audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2024 included in the Company's Annual Report on Form 10-K filed with the SEC on May 24, 2024.

Recent Accounting Pronouncements: In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, a new accounting standard to enhance the transparency and decision usefulness of income tax disclosures. The new standard is effective for fiscal years beginning after December 15, 2024, with retrospective application permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires more detailed information about a reportable segment expenses. The new standard is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024, with retrospective application required. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

<u>Note 2 – Revenue Recognition</u>

Revenue from Contracts with Customers

Revenue is recognized when control of the promised services is transferred to the Company’s customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. As the Company completes its performance obligations, which are identified below, it has an unconditional right to consideration as outlined in the Company’s contracts. Generally, the Company’s accounts receivable are expected to be collected in 30 days in accordance with the underlying payment terms.

The Company generates revenue through its patient management and network solutions service lines. The Company operates in one reportable operating segment, managed care.

<u>Patient Management Service Line</u>

The patient management service line provides services primarily related to workers’ compensation claims management and case management. This service line also includes additional services such as accident and health claims programs. Each claim referred by the customer is considered an additional optional purchase of claims management services under the agreement with the customer. The transaction price is readily available from the contract and is fixed for each service. Revenue is recognized over time as services are provided and performance obligations are satisfied through efforts expended to research, investigate, evaluate, document, and report the claim and control of these services is transferred to the customer. Revenue is recognized based on historical claim closure rates and claim type by utilizing a portfolio approach based on time elapsed for these claims, which is generally between three and fifteen months. The Company believes this approach reasonably reflects the transfer of the claims management services to its customer.

The Company’s obligation to manage claims and cases under the patient management service line range from less than one year to multi-year contracts. They are generally one year under the terms of the contract; however, many of these contracts contain auto-renewal provisions and the Company’s customer relationships can span multiple years. Under certain claims management agreements, the Company receives consideration from a customer at contract inception prior to transferring services to the customer, however, the Company would begin performing services immediately. The period between a customer’s payment of consideration and the completion of the promised services is generally less than one year. There is no difference between the amount of promised consideration and the cash selling price of the promised services. The fee is billed upfront by the Company in order to provide customers with simplified and predictable ways of purchasing the Company’s services.

The patient management service line also offers the services of case managers who provide administration services by proactively managing medical treatment for claimants while also facilitating an understanding of and participation in their rehabilitation process. Revenue for case management services is recognized over time as the performance obligations are satisfied through the effort expended to manage the medical treatment for claimants and control of these services is transferred to the customer. Case management services are generally billed based on time incurred, are considered variable consideration, and revenue is recognized at the amount in which the Company has the right to invoice for services performed. The Company believes this approach reasonably reflects the transfer of the case management service to the customer.

Network Solutions Service Line

The network solutions service line consists primarily of medical bill review and third-party services. Medical bill review services provide an analysis of medical charges for customers’ claims to identify opportunities for savings. Medical bill review services revenue isrecognized at a point in time when control of the service is transferred to the customer. Revenue is recognized based upon the transfer of the results of the medical bill review service to the customer as this is the most accurate depiction of the transfer of the service to the customer. Medical bill review revenue is variable, generally based on performance metrics set forth in the underlying contracts. Each period, the Company bases its revenue estimates on a contract-by-contract basis. The Company makes its best estimate using amounts the Company has earned and expects to be collected using historical averages and other factors to project such revenues. Variable consideration is recognized when the Company concludes it is probable that a significant revenue reversal will not occur in future periods.

Third-party services revenue includes pharmacy, directed care services and other services, and includes amounts received from customers compensating the Company for certain third-party costs associated with providing its integrated network solutions services. The Company is considered the principal in these transactions as it directs the third party, controls the specified service and the pricing, performs program utilization review, directs payment to the provider, accepts the financial risk of loss associated with services rendered and combines the services provided into an integrated solution, as specified within the Company’s customer contracts. The Company has the ability to influence contractual fees with customers and possesses the financial risk of loss in certain contractual obligations. These factors indicate that the Company is the principal and therefore required to recognize gross revenue and operating expense from service-partner fees within the Company’s consolidated statements of income.

The following table presents revenues disaggregated by service line for the three and six months ended September 30, 2024 and 2023:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023
Patient management services	$ 147,173,000	$ 129,805,000
Network solutions services	77,207,000	65,717,000
Total services	$ 224,380,000	$ 195,522,000

	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Patient management services	$ 286,345,000	$ 257,643,000
Network solutions services	149,757,000	128,132,000
Total services	$ 436,102,000	$ 385,775,000

Arrangements with Multiple Performance Obligations

For many of the Company’s services, the Company typically has one performance obligation; however, the Company also provides the customer with an option to acquire additional services. The Company offers multiple services under its patient management and network solutions service lines. The Company typically provides a menu of offerings from which the customer may choose to purchase. The price of each service is separate and distinct to each customer. Pricing is generally consistent for each service irrespective of the other services or quantities requested by the customer.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivables, unbilled receivables, and contract liabilities (reported as deferred revenues) on the Company's consolidated balance sheets. Unbilled receivables are due to the Company, unconditionally, for services already rendered except for physical invoicing and the passage of time. Invoicing requirements vary by customer contract, but substantially all unbilled revenues are billed within one year.

	September 30, 2024	March 31, 2024
Billed receivables	$ 65,935,000	$ 58,936,000
Allowance for expected credit losses	(5,668,000)	(4,245,000)
Unbilled receivables	42,126,000	42,417,000
Accounts receivable, net	$ 102,393,000	$ 97,108,000

When the Company receives consideration from a customer prior to transferring services to the customer under the terms of certain claims management agreements, it records deferred revenues on the Company's consolidated balance sheets, which represents a contract liability.

Certain services, such as claims management, are provided under fixed-fee service agreements and require the Company to manage claims over a contract period, typically for one year with the option for auto renewal, with the fixed fee renewing on the anniversary date of such contracts. The Company recognizes deferred revenues as revenues when it performs services and transfers control of the services to the customer and satisfies the performance obligation which it determines utilizing a portfolio approach. For all fixed fee service agreements, revenues are straight-lined and recognized over the expected service periods by type of claim.

The table below presents the deferred revenues balance and the significant activity affecting deferred revenues during the six months ended September 30, 2024:

	Six Months Ended September 30, 2024
Beginning balance at April 1, 2024	$ 29,961,000
Additions	28,653,000
Revenue recognized from beginning of period	(9,635,000)
Revenue recognized from additions	(19,021,000)
Ending balance at September 30, 2024	$ 29,958,000

Remaining Performance Obligations

As of September 30, 2024, the Company had approximately $30.0 million of remaining performance obligations related to claims and non-claims services for which the price is fixed. Remaining performance obligations consist of deferred revenues. The Company expects to recognize approximately 98% of its remaining performance obligations as revenues within one year and expects to recognize the remaining balance as revenues thereafter. See the discussion below regarding the practical expedients elected for the disclosure of remaining performance obligations.

Costs to Obtain a Contract

The Company has an internal sales force compensation program where remuneration is based solely on the revenues recognized in the period and does not represent an incremental cost to the Company which provides a future benefit expected to be longer than one year and would meet the criteria to be capitalized and presented on the Company's consolidated balance sheets.

Practical Expedients Elected

As a practical expedient, the Company does not adjust the consideration in a contract for the effects of a significant financing component. It expects, at contract inception, that the period between a customer's payment of consideration and the transfer of promised services to the customer will be one year or less.

For patient management services that are billed on a time-and-expense incurred or per unit basis and for which revenue is recognized over time, the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

The Company does not disclose the value of remaining performance obligations for (i) contracts that the Company recognizes revenue for the amount it has the right to invoice for services performed, and (ii) contracts with variable consideration allocated entirely to a single performance obligation.

Note 3 — Stock-Based Compensation and Stock Options

Under the Company's Restated Omnibus Incentive Plan (formerly the Restated 1988 Executive Stock Option Plan) (the " Plan") as in effect at September 30, 2024, options exercisable for up to 20,615,000 shares of the Company's common stock may be granted over the life of the Plan to key employees, non-employee directors, and consultants at exercise prices not less than the fair market value of the common stock on the date of grant. Options granted under the Plan are non-statutory stock options and generally vest 25% one year from the date of grant with the remaining 75% vesting ratably each month over the following 36 months. The options granted to employees and the Company's Board of Directors (the "Board") expire at the end of five years and ten years from the date of grant, respectively. All options granted in six months ended September 30, 2024 and 2023 were granted with an exercise price equal to the fair value of the Company's common stock on the grant date and are non-statutory stock options.

The Company records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes option-pricing model with the assumptions included in the table below. The Company uses historical data, among other factors, to estimate the expected volatility, the expected dividend yield and the expected option life. The Company accounts for forfeitures as they occur, rather than estimating expected forfeitures. The risk-free rate is based on the interest rate paid on a U.S. Treasury issue with a term similar to the estimated life of the option. The following assumptions were used to estimate the fair value of options granted during the three months ended September 30, 2024 and 2023 using the Black-Scholes option-pricing model:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023
Risk-free interest rate	3.89%	4.19%
Expected volatility	35%	36%
Expected dividend yield	0.00%	0.00%
Expected weighted average life of option in years	9.2 years	4.2 years

For the three months ended September 30, 2024 and 2023, the Company recorded stock-based compensation expense of $1,482,000 and $1,301,000, respectively. For the six months ended September 30, 2024 and 2023, the Company recorded stock-based compensation expense of $2,552,000 and $2,613,000, respectively. The table below shows the amounts recognized in the unaudited consolidated financial statements for stock-based compensation expense for time-based options and performance-based options during the three and six months ended September 30, 2024 and 2023, respectively.

	Three Months Ended	
	September 30, 2024	September 30, 2023
Cost of revenues	$ 723,000	$ 679,000
General and administrative	759,000	622,000
Total cost of stock-based compensation included in income before income tax provision	1,482,000	1,301,000
Amount of income tax benefit recognized	(273,000)	(254,000)
Amount charged against net income	$ 1,209,000	$ 1,047,000
Effect on basic earnings per share	$ (0.07)	$ (0.06)
Effect on diluted earnings per share	$ (0.07)	$ (0.06)

	Six Months Ended	
	September 30, 2024	September 30, 2023
Cost of revenues	$ 1,438,000	$ 1,347,000
General and administrative	1,114,000	1,266,000
Total cost of stock-based compensation included in income before income tax provision	2,552,000	2,613,000
Amount of income tax benefit recognized	(528,000)	(544,000)
Amount charged against net income	$ 2,024,000	$ 2,069,000
Effect on basic earnings per share	$ (0.12)	$ (0.12)
Effect on diluted earnings per share	$ (0.12)	$ (0.12)

The following table summarizes information for all stock options for the three and six months ended September 30, 2024 and 2023:

	Three Months Ended September 30, 2024		Three Months Ended September 30, 2023	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning	469,167	$ 136.02	611,901	$ 110.10
Options granted	6,250	306.82	16,500	222.26
Options exercised	(46,405)	93.04	(50,776)	74.53
Options cancelled/forfeited	(403)	167.86	(2,362)	145.71
Options outstanding, ending	428,609	$ 143.14	575,263	$ 116.31

	Six Months Ended September 30, 2024		Six Months Ended September 30, 2023	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning	489,727	$ 129.39	651,857	$ 108.10
Options granted	21,000	281.13	16,500	222.26
Options exercised	(79,350)	94.01	(90,247)	75.08
Options cancelled/forfeited	(2,768)	165.75	(2,847)	147.59
Options outstanding, ending	428,609	$ 143.14	575,263	$ 116.31

The following table summarizes the status of stock options outstanding and exercisable at September 30, 2024:

Range of Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Outstanding Options – Weighted Average Exercise Price	Exercisable Options – Number of Exercisable Options	Exercisable Options – Weighted Average Exercise Price
$33.16 to $87.69	126,453	2.43	$ 68.03	125,847	$ 67.94
$87.70 to $155.99	143,695	2.84	143.06	68,685	135.24
$156.00 to $200.55	121,460	3.68	187.09	35,152	179.04
$200.56 to $306.82	37,001	5.62	255.82	3,569	222.26
Total	428,609	3.20	$ 143.14	233,253	$ 106.86

The following table summarizes the status of all outstanding options at September 30, 2024, and changes during the three months then ended:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value as of September 30, 2024
Options outstanding at July 1, 2024	469,167	$ 136.02		
Granted	6,250	306.82		
Exercised	(46,405)	93.04		
Cancelled – forfeited	(403)	167.86		
Cancelled – expired	—	—		
Ending outstanding	428,609	$ 143.14	3.20	$ 78,758,230
Ending vested and expected to vest	367,624	$ 129.20	3.23	$ 69,625,471
Ending exercisable at September 30, 2024	233,253	$ 106.86	2.71	$ 51,322,012

The weighted-average grant-date fair value of options granted during the three months ended September 30, 2024 and 2023 was $155.72 and $85.83, respectively.

Included in the above-noted stock option grants and stock-based compensation expense are performance-based stock options that vest only upon the Company's achievement of certain earnings per share targets that are assessed on a calendar year basis, as determined by the Board. These options were valued in the same manner as the time-based options. However, the Company only recognizes stock-based compensation expense to the extent that the targets are determined to be probable of being achieved, which triggers the vesting of the performance options. The Company recognized $454,000 and $338,000 of stock-based compensation expense for the three months ended September 30, 2024 and 2023, respectively, for performance-based stock options.

Note 4 — Treasury Stock

The Board initially approved the commencement of a stock repurchase program in the fall of 1996. In November 2022, the Board approved a 1,000,000 share expansion to the Company's existing stock repurchase program, increasing the total number of shares of the Company's common stock approved for repurchase over the life of the program to 39,000,000 shares. The stock repurchase program does not obligate the Company to acquire any amount of common stock and may be suspended or discontinued at any time at its discretion.

Since the commencement of the stock repurchase program, the Company has spent $813 million on the repurchase of 38,103,440 shares of its common stock, equal to 69% of the outstanding common stock had there been no repurchases. The average price of these repurchases was $21.34 per share. These repurchases were funded primarily by the net earnings of the Company, along with proceeds from the exercise of common stock options.

During the three and six months ended September 30, 2024, the Company repurchased 32,123 shares of the common stock for $9.6 million at an average price of $298.49 per share and 70,261 shares for $19.1 million at an average price of $272.06, respectively. The Company had 17,135,160 shares of common stock outstanding as of September 30, 2024, net of the 38,103,440 shares in treasury.

During the period subsequent to the quarter ended September 30, 2024, the Company repurchased 12,023 shares of the common stock for $3.7 million at an average price of $311.57 per share under the Company's stock repurchase program.

Note 5 — Weighted Average Shares and Net Income Per Share

Net income per common and common equivalent share was computed by dividing net income by the weighted average number of common and common share equivalents outstanding during the period. The following table sets forth the calculations of the basic and diluted weighted average common shares for the three and six months ended September 30, 2024 and 2023:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023
Net Income	$ 23,398,000	$ 19,898,000
Basic:		
Weighted average common shares outstanding	17,133,000	17,123,000
Net Income per share	$ 1.37	$ 1.16
Diluted:		
Weighted average common shares outstanding	17,133,000	17,123,000
Treasury stock impact of stock options	208,000	223,000
Total common and common equivalent shares	17,341,000	17,346,000
Net Income per share	$ 1.35	$ 1.15

	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Net Income	$ 44,975,000	$ 39,703,000
Basic:		
Weighted average common shares outstanding	17,127,000	17,133,000
Net Income per share	$ 2.63	$ 2.32
Diluted:		
Weighted average common shares outstanding	17,127,000	17,133,000
Treasury stock impact of stock options	200,000	232,000
Total common and common equivalent shares	17,327,000	17,365,000
Net Income per share	$ 2.60	$ 2.29

Note 6 — Contingencies and Legal Proceedings

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

Note 7 — Accounts and Income Taxes Payable and Accrued Liabilities

The following tables set forth accounts payable, income taxes payable, and accrued liabilities at September 30, 2024 and March 31, 2024:

	September 30, 2024	March 31, 2024
Accounts payable	$ 13,700,000	$ 16,410,000
Income taxes payable and uncertain tax positions	474,000	221,000
Total accounts and taxes payable	$ 14,174,000	$ 16,631,000

	September 30, 2024	March 31, 2024
Payroll, payroll taxes and employee benefits	$ 36,533,000	$ 26,291,000
Customer deposits	109,110,000	88,142,000
Accrued professional service fees	9,617,000	9,838,000
Self-insurance accruals	3,488,000	3,818,000
Deferred revenue	29,958,000	29,961,000
Operating lease liabilities	8,779,000	8,864,000
Other	1,200,000	954,000
Total accrued liabilities	$ 198,685,000	$ 167,868,000

Note 8 — Leases

The Company determines if an arrangement contains a lease at contract inception. The Company's current lease agreements have remaining lease terms between 1 and 8 years. The Company recognizes a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments as of the lease commencement date. Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) the lease term, and (3) lease payments.

Accounting Standard Codification ("ASC") 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Company generally uses its incremental borrowing rate as the discount rate for the lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Company does not generally borrow on a collateralized basis, it uses quoted interest rates obtained from financial institutions as an input to derive an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term, and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

The Company’s lease agreements may include options to extend the lease following the initial term. At the time of adopting ASC 842, the Company determined that it was reasonably certain it would exercise the option to renew; accordingly, these options were considered in determining the initial lease term. The Company elected the practical expedient of hindsight in determining the option to renew. The Company has since reassessed the assumption of the renewal term and determined that due to the COVID-19 pandemic, the Company is now expecting more of its workforce to be working from home permanently. Therefore, expecting a reduction in overall square footage of office space needs, the Company no longer believes it is reasonably certain it will exercise most of its options to renew, and therefore, has removed the renewal term from several lease obligations. The subsequent re-measurement reduced the right-of-use asset and related lease liability on the consolidated balance sheet, but had an immaterial impact on the income statement.

For lease agreements entered into or reassessed after the adoption of ASC 842, the Company has elected the practical expedient to account for the lease and non-lease components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

Variable lease payments associated with the Company’s leases are recognized upon occurrence of the event, activity, or circumstance in the lease agreement on which those payments are assessed.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The components of lease expense are as follows:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023
Operating lease expense	$ 2,304,000	$ 2,455,000
Finance lease expense	20,000	22,000
Short-term lease expense	13,000	91,000
Variable lease expense	151,000	126,000
Total lease expenses	$ 2,488,000	$ 2,694,000

	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Operating lease expense	$ 4,541,000	$ 5,218,000
Finance lease expense	41,000	44,000
Short-term lease expense	109,000	98,000
Variable lease expense	287,000	394,000
Total lease expenses	$ 4,978,000	$ 5,754,000

The following table presents the lease related assets and liabilities recorded on the Company's consolidated balance sheets related to its operating leases:

	September 30, 2024	March 31, 2024
Right-of-use asset, net	$ 23,818,000	$ 24,058,000
Short-term lease liability	$ 8,779,000	$ 8,864,000
Long-term lease liability	22,922,000	22,533,000
Total lease liabilities	$ 31,701,000	$ 31,397,000
Weighted average remaining operating lease term	4.27 years	4.11 years
Weighted average remaining finance lease term	0.75 years	1.25 years
Weighted average discount rate	4.3%	3.7%

Supplemental cash flow information related to operating leases for the six months ended September 30, 2024 and 2023 was as follows:

	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Cash paid for amounts included in the measurement of operating lease liabilities	$ 3,996,000	$ 3,838,000
Operating lease liabilities arising from obtaining ROU assets	$ 51,648,000	$ 52,155,000
Finance lease liabilities arising from obtaining ROU assets	$ 358,000	$ 358,000
Additions/(reductions) to ROU assets resulting from additions/(reductions) to operating lease liabilities	$ 1,672,000	$ (2,552,000)

As of September 30, 2024, maturities of operating lease liabilities for each of the next five years and thereafter are as follows:

2025	$ 5,182,000
2026	8,800,000
2027	7,165,000
2028	6,261,000
2029	4,048,000
Thereafter	3,591,000
Total lease payments	35,047,000
Less interest	(3,346,000)
Total lease liabilities	$ 31,701,000

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

This report 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," "believes," "seeks," "estimates," "potential," "continue," "strive," "ongoing," "may," "will," "would," "could," "should," as well as variations of these 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; competition from other managed care companies and third party administrators; the Company's ability to renew or maintain contracts with its customers on favorable terms or at all; the ability to expand certain areas of the Company's business; growth in the Company's sale of third-party administrator ("TPA") services; shifts in customer demands; increases in operating expenses, including employee wages, benefits and medical inflation; the ability of the Company to produce market-competitive software; cost of capital and capital requirements; the Company's ability to attract and retain key personnel; the impact of possible cybersecurity incidents on the Company's business; existing and possible litigation and legal liability in the course of operations and the Company's ability to resolve such litigation; changes in regulations affecting the workers' compensation, insurance and healthcare industries in general; governmental and public policy changes, including but not limited to legislative and administrative law and rule implementation or change; the impact of recently issued accounting standards on the Company's consolidated financial statements; the availability of financing in the amounts, at the times, and on the terms necessary to support the Company's future business; and the other risks identified in Part II, Item 1A of this report, under the heading "Risk Factors."

Overview

The Company is an independent nationwide provider of medical cost containment and managed care services designed to address the escalating medical costs of workers' compensation benefits, automobile insurance claims, and group health insurance benefits. The Company's services are provided to insurance companies, TPAs, governmental entities, and self-administered employers to assist them in managing the medical costs and monitoring the quality of care associated with healthcare claims. In November 2023, the Bureau of Labor Statistics reported that the occupational injury count for 2022 was 2.34 million compared to 2.24 million in 2021, 2.11 million in 2020, and 2.69 million in 2019. While there was an increase in the injury count for 2022 compared to 2021, the count has not returned to pre-pandemic levels. Although there were fewer claims to administrate in each of 2022, 2021 and 2020 as compared to 2019, the Company was able to offset this with an increase in market share.

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, automobile insurance policies, and group health insurance policies. The network solutions services offered by the Company include automated medical fee auditing, preferred provider management and reimbursement services, retrospective utilization review, facility claim review, professional review, pharmacy services, directed care services, Medicare solutions, clearinghouse services, independent medical examinations, and inpatient medical bill review. Network solutions services also includes revenue from the Company's directed care network (known as CareIQ), including imaging, physical therapy, durable medical equipment, and translation and transportation.

Patient Management Services

In addition to its network solutions services, the Company offers a range of patient management services, which involve working one-on-one with injured employees and their various healthcare professionals, employers and insurance company adjusters. Patient management services include claims management and all services sold to claims management customers, case management, 24/7 nurse triage, utilization management, vocational rehabilitation, and life care planning. The services are designed to monitor the medical necessity and appropriateness of healthcare services provided to workers' compensation and other healthcare claimants and to 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 with respect to property and casualty insurance.

Organizational Structure

The Company's management is structured geographically with regional vice presidents who are responsible for all services provided by the Company within their particular region and are 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 to customers. Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("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: (i) the nature of products and services; (ii) the nature of the production processes; (iii) the type or class of customer for their products and services; and (iv) 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 production and distribution.

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 due to employee vacations, inclement weather, and holidays.

Summary of Quarterly Results

The Company's revenues increased to $224.4 million in the quarter ended September 30, 2024 from $195.5 million in the quarter ended September 30, 2023, an increase of $28.9 million, or 14.8%. This increase resulted from an increase in patient management and network solutions activity with new and existing customers.

Cost of revenues increased to $173.6 million in the quarter ended September 30, 2024 from $151.3 million in the quarter ended September 30, 2023, an increase of $22.4 million, or 14.8%. This increase was primarily due to the increase of 14.8% in revenue mentioned above.

General and administrative expense increased to $22.1 million in the quarter ended September 30, 2024 from $19.5 million in the quarter ended September 30, 2023, an increase of $2.5 million, or 13.0%. The increase in general and administrative expense was primarily due to the increase in total revenues of 14.8%. General and administrative expense in the quarter ended September 30, 2024 equaled approximately 10% of revenues. The Company expects general and administrative expense in future quarters to remain between 9% and 11% of revenues.

Income tax provision increased to $5.3 million in the quarter ended September 30, 2024 from $4.8 million in the quarter ended September 30, 2023, an increase of $0.5 million, or 9.5%. Income before income tax provision increased to $28.7 million in the quarter ended September 30, 2024 from $24.7 million in the quarter ended September 30, 2023, an increase of $4.0 million, or 16.0%. The effective tax rate was 18.4% for the quarter ended September 30, 2024 compared to 19.5% in the quarter ended September 30, 2023.

Diluted weighted average common and common equivalent shares were 17.3 million shares for the quarters ended September 30, 2024 and 2023, a decrease of 5,000 shares.

Diluted earnings per share increased to $1.35 per share in the quarter ended September 30, 2024 from $1.15 per share in the quarter ended September 30, 2023, an increase of $0.20 per share, or 17.4%. The increase in diluted earnings per share was primarily due to an increase in net income.

Results of Operations for the three months ended September 30, 2024 and 2023

The Company generates revenues from providing patient management and network solutions services to payors of workers' compensation benefits, automobile insurance claims, and group health insurance benefits. The percentage of total revenue attributable to patient management and network solutions services for the three months ended September 30, 2024 and 2023 are as follows:

	September 30, 2024	September 30, 2023
Patient management services	65.6%	66.4%
Network solutions services	34.4%	33.6%

The following table sets forth, for the periods indicated, the dollar amounts, dollar and percent changes, share changes, and the percentage of revenues represented by certain items reflected in the Company's unaudited consolidated income statements for the three months ended September 30, 2024 and 2023. The Company's past operating results are not necessarily indicative of future operating results.

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Change	Percentage Change
Revenue	$ 224,380,000	$ 195,522,000	$ 28,858,000	14.8%
Cost of revenues	173,632,000	151,270,000	22,362,000	14.8%
Gross profit	50,748,000	44,252,000	6,496,000	14.7%
Gross profit as percentage of revenue	22.6%	22.6%		
General and administrative expenses	22,078,000	19,538,000	2,540,000	13.0%
General and administrative as percentage of revenue	9.8%	10.0%		
Income before income tax provision	28,670,000	24,714,000	3,956,000	16.0%
Income before income tax provision as percentage of revenue	12.8%	12.6%		
Income tax provision	5,272,000	4,816,000	456,000	9.5%
Net income	$ 23,398,000	$ 19,898,000	$ 3,500,000	17.6%
Weighted average common and common equivalent shares				
Basic	17,133,000	17,123,000	10,000	0.1%
Diluted	17,341,000	17,346,000	(5,000)	—
Net income per common and common equivalent shares				
Basic	$ 1.37	$ 1.16	$ 0.21	18.1%
Diluted	$ 1.35	$ 1.15	$ 0.20	17.4%

Revenues

Change in revenue for the three months ended September 30, 2024 from the three months ended September 30, 2023

Revenues increased to $224.4 million in the three months ended September 30, 2024 from $195.5 million in the three months ended September 30, 2023, an increase of $28.9 million, or 14.8%. Patient management services revenues increased to $147.2 million from $129.8 million, an increase of $17.4 million, or 13.4%. This increase is primarily due to higher revenue from the Company's TPA and related services. Total new claims increased by 5% during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Network solutions services revenues increased to $77.2 million from $65.7 million, an increase of $11.5 million, or 17.5%. Most of the increase is primarily attributable to the growth with new customers and, to a lesser extent, growth with existing customers.

Cost of Revenues

The Company’s cost of revenues consists of direct expenses, which are expenses directly attributable to the generation of revenue, and indirect costs, which are costs incurred to support the operations in the field offices that generate the revenue. Direct expenses primarily include (i) case manager and bill review analysts’ salaries, along with related payroll taxes and fringe benefits, and (ii) expenses associated with independent medical examinations, prescription drugs, MRIs, physical therapy, and durable medical equipment providers. Most of the Company’s revenue is generated in offices that provide both patient management services and network solutions services. The remaining revenue is generated in the field. Approximately 33% of the costs incurred in the field are considered field indirect costs. The largest of the field indirect costs are (i) manager salaries and bonuses, (ii) account executive base pay and commissions, (iii) salaries of administrative and clerical support, field systems personnel and PPO network developers, along with related payroll taxes and fringe benefits, and (iv) office rent.

Change in cost of revenues for the three months ended September 30, 2024 from the three months ended September 30, 2023

Cost of revenues increased to $173.6 million in the three months ended September 30, 2024 from $151.3 million in the three months ended September 30, 2023, an increase of $22.4 million, or 14.8%. The increase in cost of revenues was primarily due to the increase in total revenues of 14.8%. Additionally, there was an increase in salaries of 12.3% resulting from increased average headcount plus an increase in paid days equating to 8.6%. Headcount increased due to an increase in new and existing business volume.

General and Administrative Expense

For the three months ended September 30, 2024, general and administrative expense consisted of approximately 45% of corporate systems costs, which include the corporate systems support, implementation and training, rules engine development, national IT strategy and planning, depreciation of hardware costs in the Company’s corporate offices and backup data center, the Company’s nationwide area network, and other systems related costs. All IT-related costs managed by the corporate office are recorded under general and administrative expense whereas the field IT-related costs are included in the cost of revenues. The remaining general and administrative expense consists 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 for the three months ended September 30, 2024 from the three months ended September 30, 2023

General and administrative expense increased to $22.1 million in the three months ended September 30, 2024 from $19.5 million in the three months ended September 30, 2023, an increase of $2.5 million, or 13.0%. The increase in general and administrative expense was primarily due to the increase in total revenues of 14.8%. General and administrative expense in the quarter ended September 30, 2024 equaled approximately 10% of revenues. The Company expects future quarters of general and administrative expense will remain to 9% to 11% of revenues.

Income Tax Provision

Change in income tax provision for the three months ended September 30, 2024 from the three months ended September 30, 2023

Income tax provision increased to $5.3 million in the three months ended September 30, 2024 from $4.8 million in the three months ended September 30, 2023, an increase of $0.5 million, or 9.5%. Income before income tax provision increased to $28.7 million in the three months ended September 30, 2024 from $24.7 million in the same period in the prior year, an increase of $4.0 million, or 16%. The effective tax rate was 18.4% for the three months ended September 30, 2024 compared to 19.5% in the same period in the prior year. The effective tax rate is less than the statutory tax rate primarily due to the impact of stock option exercises.

Results of Operations for the six months ended September 30, 2024 and 2023

The following table sets forth, for the periods indicated, the dollar amounts, dollar and percent changes, share changes, and the percentage of revenues represented by certain items reflected in the Company's unaudited consolidated income statements for the six months ended September 30, 2024 and 2023. The Company's past operating results are not necessarily indicative of future operating results.

	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023	Change	Percentage Change
Revenue	$ 436,102,000	$ 385,775,000	$ 50,327,000	13.0%
Cost of revenues	337,200,000	299,644,000	37,556,000	12.5%
Gross profit	98,902,000	86,131,000	12,771,000	14.8%
Gross profit as percentage of revenue	22.7%	22.3%		
General and administrative expenses	42,198,000	35,989,000	6,209,000	17.3%
General and administrative as percentage of revenue	9.7%	9.3%		
Income before income tax provision	56,704,000	50,142,000	6,562,000	13.1%
Income before income tax provision as percentage of revenue	13.0%	13.0%		
Income tax provision	11,729,000	10,439,000	1,290,000	12.4%
Net income	$ 44,975,000	$ 39,703,000	$ 5,272,000	13.3%
Weighted average common and common equivalent shares				
Basic	17,127,000	17,133,000	(6,000)	—
Diluted	17,327,000	17,365,000	(38,000)	(0.2%)
Net income per common and common equivalent shares				
Basic	$ 2.63	$ 2.32	$ 0.31	13.4%
Diluted	$ 2.60	$ 2.29	$ 0.31	13.5%

Revenues

Change in revenue to the six months ended September 30, 2024 from the six months ended September 30, 2023

Revenues increased to $436.1 million for the six months ended September 30, 2024 from $385.8 million for the six months ended September 30, 2023, an increase of $50.3 million, or 13.0%. Patient management services revenues increased to $286.3 million from $257.6 million, an increase of $28.7 million, or 11.1%. This increase is primarily due to higher revenue from the Company's TPA and related services. Total new claims increased by 2.2% during the six months ended September 30, 2024 compared to the six months ended September 30, 2023. Network solutions services revenues increased to $149.8 million from $128.1 million, an increase of $21.6 million, or 16.9%. This increase is primarily due to increases in enhanced bill review programs services, which resulted in higher revenue per bill. Most of the increase came from growth with new and existing customers.

Cost of Revenues

Change in cost of revenues to the six months ended September 30, 2024 from the six months ended September 30, 2023

Cost of revenues increased to $337.2 million in the six months ended September 30, 2024 from $299.6 million in the six months ended September 30, 2023, an increase of $37.6 million, or 12.5%. The increase in cost of revenues was primarily due to the increase in total revenues of 13.0%. Additionally, there was an increase in salaries of 11.9% resulting from increased average headcount plus an increase in paid days equating to 8.6%. Headcount increased due to an increase in new and existing business volume.

General and Administrative Expense

Change in general and administrative expense to the six months ended September 30, 2024 from the six ended September 30, 2023

General and administrative expense increased to $42.2 million in the six months ended September 30, 2024 from $36.0 million in the six months ended September 30, 2023, an increase of $6.2 million, or 17.3%. The increase in general and administrative expense was primarily due to the increase in total revenues of 13.0%. General and administrative expense in the quarter ended September 30, 2024 equaled approximately 10.0% of revenues. Additionally, this increase was due to a one-time insurance recovery settlement from a lawsuit in 2011 that occurred during the quarter ended June 30, 2023 that decreased general and administrative expense in the prior year.

Income Tax Provision

Change in income tax provision to the six months ended September 30, 2024 from the six ended September 30, 2023

Income tax expense increased to $11.7 million for the six months ended September 30, 2024 from $10.4 million for the six months ended September 30, 2023, an increase of $1.3 million, or 12.4%. Income before income tax provision increased to $56.7 million in the six months ended September 30, 2024 from $50.1 million in the same period in the prior year, an increase of $6.6 million, or 13.1%. The income tax expense as a percentage of income before income taxes, also known as the effective tax rate, was 20.7% for the six months ended September 30, 2024 and 20.8% for the six months ended September 30, 2023. For the six months ended September 30, 2024 and 2023, the effective tax rate is less than the statutory tax rate primarily because of the impact of the stock option exercises.

Liquidity and Capital Resources

The Company has historically funded its operations and capital expenditures primarily from cash flow from operations, and to a lesser extent, proceeds from stock option exercises. Working capital increased to $150.5 million as of September 30, 2024 from $117.7 million as of March 31, 2024, an increase of $32.7 million. Cash increased to $138.3 million as of September 30, 2024 from $105.6 million as of March 31, 2024, an increase of $32.8 million. This is primarily due to the increase in net income, and to a lesser extent, a decrease in spending to repurchase shares of the Company's common stock under its stock repurchase program.

The Company is not currently party to off-balance sheet arrangements as defined by SEC rules. 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 for 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 certain actions taken by such persons, acting in their respective capacities within the Company. The terms of such customary 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 material liabilities have been recorded for these obligations on the Company’s balance sheets for any of the periods presented.

As of September 30, 2024, the Company had $138.3 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.

The Company believes its cash and cash equivalents, cash generated from ongoing operations and funds received from exercises of employee stock options will be sufficient to satisfy its cash requirements for the next 12 months and beyond, including its existing obligations, repurchase shares of the Company's common stock under its current stock repurchase program, introduce new services, and continue to develop the Company’s healthcare related services for at least the next twelve months. Should the Company experience lower income or cash flows, repurchases under the stock repurchase program may be reduced or eliminated until earnings and cash flow return to comfortable levels. The Company regularly evaluates its cash requirements for current operations, commitments, 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. However, additional equity or debt financing may not be available, with terms favorable to the Company, or at all, when needed.

Inflation

The Company faces pricing pressures resulting from its competitor's competitive prices. The Company is also impacted by rising costs for certain inflation-sensitive operating expenses such as labor, employee benefits, and facility leases. The Company believes inflation could have a material impact to pricing and operating expenses in future periods due to the state of the economy and current inflation rates.

Operating Activities

Six months ended September 30, 2024 compared to six months ended September 30, 2023

Net cash provided by operating activities increased to $62.7 million in the six months ended September 30, 2024 from $54.6 million in the six months ended September 30, 2023, an increase of $8.1 million. The increase in cash flow from operating activities was primarily due to the increase in net income.

Investing Activities

Six months ended September 30, 2024 compared to six months ended September 30, 2023

Net cash flow used in investing activities increased to $17.6 million in the six months ended September 30, 2024 from $12.3 million in the six months ended September 30, 2023, an increase of $5.3 million. The Company increased its spending primarily on developed software, offset by a reduction in its spending on furniture and leasehold improvements as the Company reduces its lease footprint.

Financing Activities

Six months ended September 30, 2024 compared to six months ended September 30, 2023

Net cash flow used in financing activities decreased to $12.4 million for the six months ended September 30, 2024 from $21.9 million for the six months ended September 30, 2023, a decrease of $9.5 million. The decrease in net cash used in financing activities was primarily due to a decrease in spending on share repurchases to $19.1 million for the six months ended September 30, 2024from $27.2 million for the six months ended September 30, 2023, offset by stock option exercises increasing to $6.4 million for the six months ended September 30, 2024 from $4.9 million for the six months ended September 30, 2023. 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 a portion of its cash balance to repurchase additional shares of its common stock under its stock repurchase program in the future; however, there can be no assurance that any further stock repurchases will be made.

Litigation

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

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. In connection with the preparation of our financial statements, we are required to make certain assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company's significant accounting policies which have the greatest potential impact on its financial statements are more fully described in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of its Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the SEC on May 24, 2024. There have been no material changes to the critical accounting policies disclosed in that certain Annual Report on Form 10-K. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America ("GAAP"), 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. Actual results could differ from the estimates we use in applying our critical accounting policies. We are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Recent Accounting Standards Update

See Note 1 – Summary of Significant Accounting Policies to the accompanying unaudited consolidated financial statements contained elsewhere in this report for information about recently issued and adopted accounting pronouncements.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in market risk from those addressed in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024 during the three months ended September 30, 2024. See the information set forth in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024.

Item 4 – 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 Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2024, 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 SEC'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.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1 – Legal Proceedings

From time to time, we are involved in legal proceedings, disputes, and other claims arising in the ordinary course of business. Although the results of these ordinary course matters cannot be predicted with certainty, the Company believes that resolution of these matters will not result in any payment that, individually or in the aggregate, would be material to our consolidated financial position or results of operations.

Item 1A – Risk Factors

A restated description of the risk factors associated with our business is set forth below. This description includes any and all changes (whether or not material) to, and supersedes, the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the SEC on May 24, 2024.

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 SEC, 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 may also impair our business operations.

Risks Related to Our Business and Industry

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 us. 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.

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 pandemics, 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. If there is a resurgence in the COVID-19 pandemic, or if any other pandemic arises, it could materially adversely impact our business operations, financial position and results of operations in unpredictable ways that depend on highly-uncertain future developments, such as determining the effectiveness of current or future government actions to address the public health or economic impacts of the pandemic. Any of these risks might have a materially adverse effect on our business operations and our financial position or results of 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 (i) negatively impact our results of operations because it may require incurring large one-time charges, substantial debt or liabilities; (ii) require the amortization or write down of amounts related to deferred compensation, goodwill and other intangible assets; or (iii) 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. There can be no assurance 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 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.

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 revenues from our patient management services could decrease.

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

Historically, because the labor market has become less labor intensive and more service oriented, there are declining work-related injuries. Additionally, employers are being more proactive to prevent 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.

We provide an outsource service to payors of workers' compensation benefits, automobile insurance claims, and group health insurance 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. 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, maintain our past level of operating performance, or be successful with any new products or in any new geographical markets we may enter.

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.

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 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.

We are subject to inflation risks which could increase our wages, benefits, and other costs which may result in decreased profitability.

We are impacted by inflationary increases in wages, benefits and other costs. Wage and benefit inflation, whether driven by competition for talent or ordinary course pay increases and other inflationary pressure, may increase our cost of providing services and reduce our profitability. If we are not able to pass increased wage and other costs resulting from inflation onto our clients or charge premium prices when justified by market demand, our profitability could decline.

Sustained increases in the cost of our employee benefits could materially reduce our profitability.

The cost of our current employees' medical and other benefits substantially affects our profitability. In the past, we have occasionally experienced significant increases in these costs as a result of macro-economic factors beyond our control, including increases in healthcare costs. There can be no assurance that we will succeed in limiting future cost increases, and continued upward pressure in these costs could materially reduce our profitability.

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 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.

We may not be able to develop or acquire necessary IT resources to support and grow our business, and disruptive technologies could impact the volume and pricing of our products, which could materially adversely affect our business, results of operations, and financial condition.

We have made substantial investments in software and related technologies that are critical to the core operations of our business. These IT resources will require future maintenance and enhancements, potentially at substantial costs. Additionally, these IT resources may become obsolete in the future and require replacement, potentially at substantial costs. We may not be able to develop, acquire replacement resources or identify new technology resources necessary to support and grow our business.

In addition, we could face changes in our markets due to disruptive technologies that could impact the volume and pricing of our products, or introduce changes to the claims management processes which could negatively impact our volume of case referrals. Our failure to address these risks, or to do so in a timely manner, or at a cost considered reasonable by us, could materially adversely affect our business, results of operations, and financial condition.

If we are unable to apply technology and data analytics effectively in driving value for our clients through technology-based solutions or gain internal efficiencies and maintain internal controls through the application of technology and related tools, our operating results, client relationships, growth and compliance programs could be adversely affected.

Our future success depends, in part, on our ability to anticipate and respond effectively to the threat and opportunity presented by digital disruption, “big data” and data analytics, and other developments in technology. These may include new applications or insurance-related services based on artificial intelligence, machine learning, robotics, blockchain, the metaverse or new approaches to data mining that impact the nature of how we generate revenue. We may be exposed to competitive risks related to the adoption and application of new technologies by established market participants or new entrants such as technology companies, start-up companies and others. These new entrants are focused on using technology and innovation, including artificial intelligence and blockchain, in an attempt to simplify and improve the client experience, increase efficiencies, alter business models and effect other potentially disruptive changes in the industries in which we operate. We must also develop and implement technology solutions and technical expertise among our employees that anticipate and keep pace with rapid and continuing changes in technology, industry standards, client preferences and internal control standards. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise, make use of data analytics, and develop new technologies in our business requires us to incur significant expenses. Investments in technology systems and data analytics capabilities may not deliver the benefits or perform as expected, or may be replaced or become obsolete more quickly than expected, which could result in operational difficulties or additional costs. If we cannot offer new technologies or data analytics solutions as quickly as our competitors, or if our competitors develop more cost-effective technologies, data analytics solutions or other product offerings, we could experience a material adverse effect on our operating results, client relationships, growth and compliance programs.

In some cases, we depend on key third-party vendors and partners to provide technology and other support for our strategic initiatives. If these third parties fail to perform their obligations or cease to work with us, our ability to execute on our strategic initiatives could be adversely affected.

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, our Chairman, and Michael Combs, our Chief Executive Officer and President, or the inability to attract qualified employees, could have a material adverse effect on our business, financial condition, 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.

Risks Related to Cybersecurity and Our Information Systems

A cybersecurity attack or other disruption to our information technology systems could result in the loss, theft, misuse, unauthorized disclosure, or unauthorized access of customer or sensitive company information or could disrupt our operations, which could damage our relationships with customers or employees, expose us to litigation or regulatory proceedings, or harm our reputation, any of which could materially adversely affect our business, financial condition or results of operations.

We rely on information technology to support our business activities. Our business involves the storage and transmission of a significant amount of personal, confidential, or sensitive information, including the personal information of our customers and employees, and our company’s financial, operational and strategic information. As with many businesses, we are subject to numerous data privacy and security risks, which may prevent us from maintaining the privacy of this information, result in the disruption of our business and online systems, and require us to expend significant resources attempting to secure and protect such information and respond to incidents, any of which could materially adversely affect our business, financial condition or results of operations. The loss, theft, misuse, unauthorized disclosure, or unauthorized access of such information could lead to significant reputational or competitive harm, result in litigation or regulatory proceedings, or cause us to incur substantial liabilities, fines, penalties or expenses.

Cybersecurity breaches of any of the systems on which we rely may result from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, “phishing” attacks, computer viruses, ransomware, malware, employee or insider error, malfeasance, social engineering, physical breaches or other actions. According to media reports, the frequency, intensity, and sophistication of cyber-attacks, ransomware attacks, and other data security incidents generally has significantly increased around the globe in recent years. As with many other businesses, we have experienced, and are continually at risk of being subject to, attacks and incidents, including cybersecurity breaches such as computer viruses, unauthorized parties gaining access to our information technology systems and similar incidents. Cybersecurity breaches could cause us, and in some cases, materially, to experience reputational harm, loss of customers, loss and/or delay of revenue, loss of proprietary data, loss of licenses, regulatory actions and scrutiny, sanctions or other statutory penalties, litigation, liability for failure to safeguard customers’ information, financial losses or a drop in our stock price. We have invested in and continue to expend significant resources on information technology and data security tools, measures, processes, initiatives, policies and employee training designed to protect our information technology systems, as well as the personal, confidential or sensitive information stored on or transmitted through those systems, and to ensure an effective response to any cyber-attack or data security incident. These expenditures could have an adverse impact on our financial condition and results of operations, and divert management’s attention from pursuing our strategic objectives. In addition, the cost and operational consequences of implementing, maintaining and enhancing further system protective measures could increase significantly as cybersecurity threats increase, and there can be no assurance that the security measures we employ will effectively prevent cybersecurity breaches or otherwise prevent unauthorized persons from obtaining access to our systems and information.

As these threats evolve, cybersecurity incidents could be more difficult to detect, defend against, and remediate. Cyber-attacks or data incidents could remain undetected for some period, which could potentially result in significant harm to our systems, as well as unauthorized access to the information stored on and transmitted by our systems. Further, despite our security efforts and training, our employees may purposefully or inadvertently cause security breaches that could harm our systems or result in the unauthorized disclosure of or access to information. Any measures we do take to prevent security breaches, whether caused by employees or third parties, could have the potential to harm relationships with our customers or restrict our ability to meet our customers' expectations.

If a cyber-attack or other data incident results in the loss, theft, misuse, unauthorized disclosure, or unauthorized access of personal, confidential, or sensitive information belonging to our customers or employees, it could put us at a competitive disadvantage, result in the deterioration of our customers’ confidence in our services, cause our customers to reconsider their relationship with our company or impose more onerous contractual provisions, cause us to lose our regulatory licenses, and subject us to potential litigation, liability, fines and penalties. For example, we could be subject to regulatory or other actions pursuant to privacy laws. This could result in costly investigations and litigation, civil or criminal penalties, operational changes and negative publicity that could adversely affect our reputation, as well as our results of operations and financial condition.

A cyber-attack or other data security incident could result in the significant and protracted disruption of our business such that:

- critical business systems become inoperable or require a significant amount of time or cost to restore;
- key personnel are unable to perform their duties or communicate with employees, customers or other third-parties;
- it results in the loss, theft, misuse, unauthorized disclosure, or unauthorized access of customer or company information;
- we are prevented from accessing information necessary to conduct our business;
- we are required to make unanticipated investments in equipment, technology or security measures;
- customers cannot access our websites and online systems; or
- we become subject to other unanticipated liabilities, costs, or claims.

Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations, and result in harm to our reputation. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of the losses and costs associated with cyber-attacks and data incidents, such insurance coverage may be insufficient to cover all losses and would not, in any event, remedy damage to our reputation. In addition, we may face difficulties in recovering any losses from our provider and any losses we recover may be lower than we initially expect.

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 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.

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, financial condition, 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.

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.

<u>Risks Related to Potential Litigation</u>

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 for 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.

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. Healthcare 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.

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 for us 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.

Risks Related to Our Regulatory Environment

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 we have contracts with 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, automobile insurance, and group healthcare laws or regulations may reduce demand for our services, which would 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.

Increasing regulatory focus on privacy issues and expanding privacy laws could impact our business models and expose us to increased liability.

U.S. privacy and data security laws apply to our various businesses. Governments, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. Globally, new laws, such as the General Data Protection Regulation in Europe, the California Consumer Privacy Act in California, and industry self-regulatory codes have been enacted and more are being considered that may affect our ability to respond to customer requests under the laws, and to implement our business models effectively. These requirements, among others, may force us to bear the burden of more onerous obligations in our contracts. Any perception of our practices, products or services as a violation of individual privacy rights may subject us to public criticism, class action lawsuits, reputational harm, or investigations or claims by regulators, industry groups or other third parties, all of which could disrupt our business and expose us to increased liability. Additionally, we store information on behalf of our customers and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us.

Increased regulatory scrutiny on use of "big data" techniques, machine learning, and artificial intelligence could impact our business and expose us to increased liability.

There has also been increased regulatory scrutiny of the use of "big data" techniques, machine learning, and artificial intelligence. It is likely that we will be subject to new regulations that could materially adversely affect our operations or ability to write business profitably in one or more jurisdictions. In addition, regulators have recently requested information from insurers on their use of algorithms, artificial intelligence and machine learning. We have internal policies governing the use of artificial intelligence by our employees designed to protect the company from breaches of data privacy, liability and regulatory enforcement risk; however, if our employees violate these policies, it could expose us to such risks. Our exposure to these risks also could increase if our vendors, suppliers, or other third-party providers employ artificial intelligence in relation to the products or services they provide to us, as we have limited control over such use in third-party products or services. These risks include, among others, the input of confidential information, including material non-public information, in contravention of our policies or contractual restrictions to which any of the foregoing are subject, or in violation of applicable laws or regulations, including those relating to data protection. We cannot predict what, if any, regulatory actions may be taken with regard to "big data," but any limitations could have a material impact on our business, business processes, financial condition, and results of operations.

The costs of compliance with sustainability or other environmental, social responsibility or governance laws, regulations, or policies, including investor and client-driven policies and standards, could adversely affect our business.

As a non–manufacturing service business, we have to date been less impacted from laws and regulations related to sustainability concerns or other environmental, social responsibility or governance ("ESG") laws, regulations, or policies. However, we may need to incur ESG-related costs in response to our customers or shareholders. Increasingly our customers and shareholders expect that we meet environmental, social responsibility, sustainability or other business policies or standards, which may be more restrictive than current laws and regulations, before our customers commence, or continue, doing business with us or before shareholders invest in our common stock. Our compliance with these policies and related requirements could be costly, and our failure to comply could adversely affect our business relationships or reputation.

<u>Risks Related to Ownership of Our Common Stock</u>

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. There can be no assurance 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, reduce the market liquidity for our common stock, and diminish our cash reserves.

In 1996, the Board authorized a stock repurchase program and, since then, has periodically increased the number of shares authorized for repurchase under the program. The most recent increase occurred in November 2022 and brought the number of shares authorized for repurchase over the life of the program to 39,000,000 shares. There is no expiration date for the repurchase program. The timing and actual number of shares repurchased, if any, will depend on a variety of factors including the timing of open trading windows, trading price, corporate and regulatory requirements, and market conditions. The stock repurchase program does not obligate us to acquire any amount of common stock and may be suspended or discontinued at any time at our discretion. Repurchases pursuant to our stock repurchase program could affect our stock price, increase the volatility of the price of our common stock and reduce the market liquidity for our common stock. Additionally, repurchases under our stock repurchase program will diminish our cash reserves, which could strain our liquidity, impact our ability to pursue future strategic opportunities and acquisitions, and 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 common stock. Although our stock repurchase program is intended to enhance long-term stockholder value, there is no guarantee we will be successfully in achieving this objective.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Not Applicable.

Issuer Purchases of Equity Securities

The following table sets forth the repurchases of our common stock made by or on behalf of the Company during the quarter ended September 30, 2024, all of which were made in open-market purchases pursuant to our publicly announced stock repurchase plan.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares Remaining Available to be Purchased Under the Program
July 1 to July 31, 2024	11,865	$ 277.77	11,865	916,818
August 1 to August 31, 2024	10,723	$ 307.37	10,723	906,095
September 1 to September 30, 2024	9,535	$ 314.22	9,535	896,560
Total	32,123	$ 298.47	32,123	896,560

In 1996, the Board authorized a stock repurchase program for up to 100,000 shares of our common stock. The Board has periodically increased the number of shares authorized for repurchase under the repurchase program. In November 2022, the Board increased the number of shares of common stock authorized to be repurchased over the life of the program by 1,000,000 shares to 39,000,000 shares. There is no expiration date for the program. The program does not obligate us to acquire any amount of common stock and may be suspended or discontinued at any time at our discretion.

During the three months ended September 30, 2024, the Company repurchased 32,123 shares of its common stock for $9.6 million under the program, reflecting an average price of $298.49 per share. As of September 30, 2024, the Company had repurchased 38,103,440 shares of its common stock over the life of the program.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

Not applicable.

Item 5 – Other Information

The Company’s directors and officers (as defined in Rule4 16a-1 under the Exchange Act) may enter into trading plans or other arrangements with financial institutions to purchase or sell shares of the Company’s common stock. These plans or arrangements may be intended to comply with the affirmative defense provisions of Rule 10b5-1 of the Exchange Act, which are referred to as Rule 10b5-1 trading arrangements, or they may represent non-Rule 10b5-1 trading arrangements.

During the three months ended September 30, 2024, none of our directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or "non-Rule 10b5-1 trading arrangement" (as those terms are defined in Item 408 of Regulation S-K).

Item 6 – Exhibits

31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) Promulgated under the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) Promulgated under the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbases Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
*	The certifications attached as Exhibit 32.1 and Exhibit 32.2 accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("SOX"), and shall not be deemed “filed” by the registrant for purposes of Section 18 of the Exchange Act and are not to be incorporated by reference into any of the registrant’s filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CORVEL CORPORATION

Dated: November 7, 2024

By: /s/ Michael G. Combs
Michael G. Combs,
Chief Executive Officer and President
(Principal Executive Officer)

Dated: November 7, 2024

By: /s/ Brandon T. O’Brien
Brandon T. O’Brien,
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael G. Combs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CorVel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2024

/s/ MICHAEL G. COMBS
Michael G. Combs
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brandon T. O’Brien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CorVel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2024

/s/ BRANDON T. O’BRIEN
Brandon T. O’Brien
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

This certification accompanies this report and is being furnished pursuant to Item 601(b)(32) of Regulation S-K promulgated under the Securities Act and the Exchange Act, and pursuant to Section 906 of SOX. This certification shall not, except to the extent required SOX, be deemed “filed” by the Registrant for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, or incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference into such a filing.

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CorVel Corporation (the “Registrant”) on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Quarterly Report”), I, Michael G. Combs, Chief Executive Officer and President of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of SOX, that to my best knowledge:

(1) the Quarterly Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 7, 2024

/s/ MICHAEL G. COMBS
Michael G. Combs
Chief Executive Officer and President
(Principal Executive Officer)

A signed original of this written statement required by Section 906 of SOX, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 of SOX, has been provided to the Registrant and will be retained by the Registrant and furnished to the SEC or its staff upon request.

Exhibit 32.2

This certification accompanies this report and is being furnished pursuant to Item 601(b)(32) of Regulation S-K promulgated under the Securities Act and the Exchange Act, and pursuant to SOX. This certification shall not, except to the extent required by SOX, be deemed “filed” by the Registrant for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, or incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference into such a filing.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CorVel Corporation (the “Registrant”) on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Quarterly Report”), I, Brandon T. O’Brien, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of SOX, that to my knowledge:

(1) the Quarterly Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 7, 2024

/s/ BRANDON T. O’BRIEN
Brandon T. O’Brien
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 of SOX, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 of SOX, has been provided to the Registrant and will be retained by the Registrant and furnished to the SEC or its staff upon request.