

Workers' Compensation Outlook

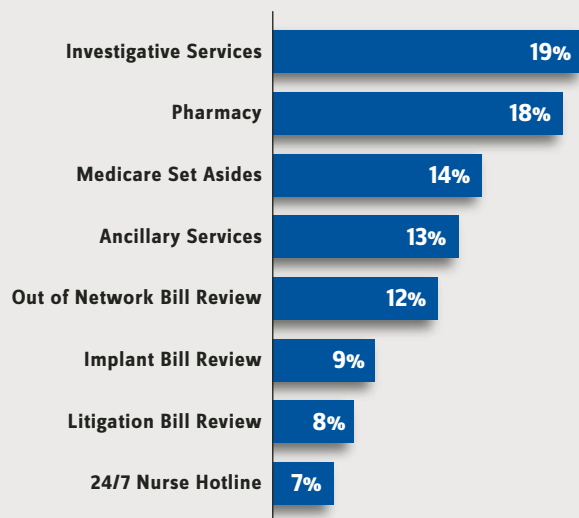
The past few years have been challenging in workers' compensation. Medical care inflation is estimated to increase 4.2% in 2011 and will likely outpace general inflation. This suggests there will be continued pressure on medical severity and an aging workforce will further affect medical costs. While many anticipate economic recovery over the next 12-24 months, employers are still looking for new ways to get ahead of claims costs. To better understand the issues of last year and to gain future insight, CorVel sponsored a survey of industry professionals and this is a summary of the responses. We thank the participants of our survey and hope this report is informative and insightful.

Year in Review

New Service Implementation

We began the survey by asking the respondents to indicate new services implemented the past year. The top responses were Investigative Services (19%), followed by Pharmacy Services (18%). Reasons cited for not implementing any of the services listed were cost considerations, corporate red tape, and difficulty in understanding the true cost/benefit analysis of implementation.

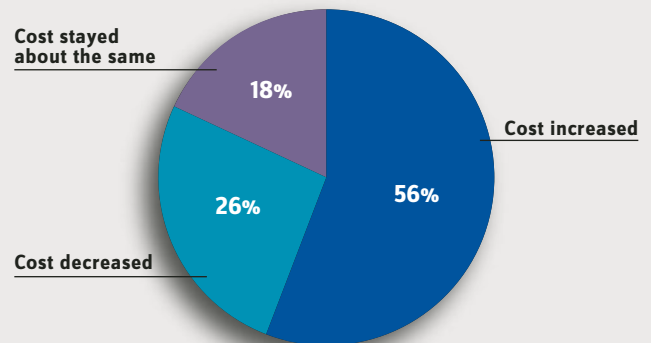
NEW SERVICES ADDED IN PAST 12 MONTHS



Claims Cost

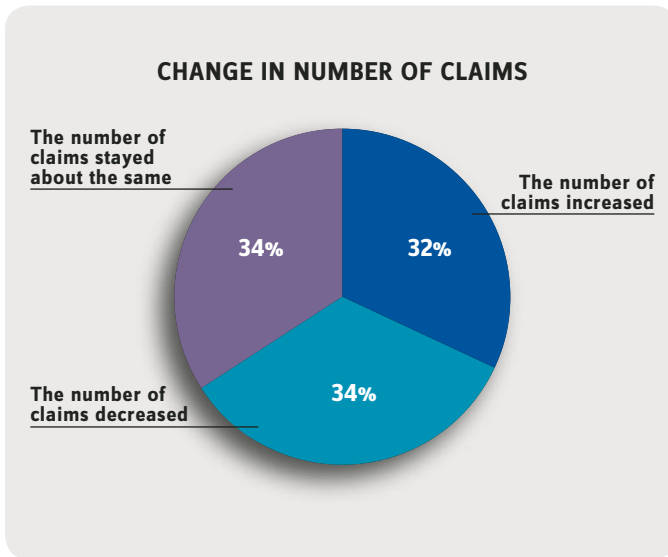
The next question asked about any changes in cost in the past 12 months. Costs increased for 56% of the respondents, 26% said costs decreased, and 18% said costs remain relatively unchanged. Some reasons for cost increases included severity of injuries, rise in pharmacy costs, increased use of ancillary services such as physical therapy, and challenging network issues with providers.

CHANGE IN CLAIMS COST



Claims Volume

Next, we asked about changes in the number of claims. The following shows the change in claims volume with an interesting outcome that results were evenly split between the three choices.



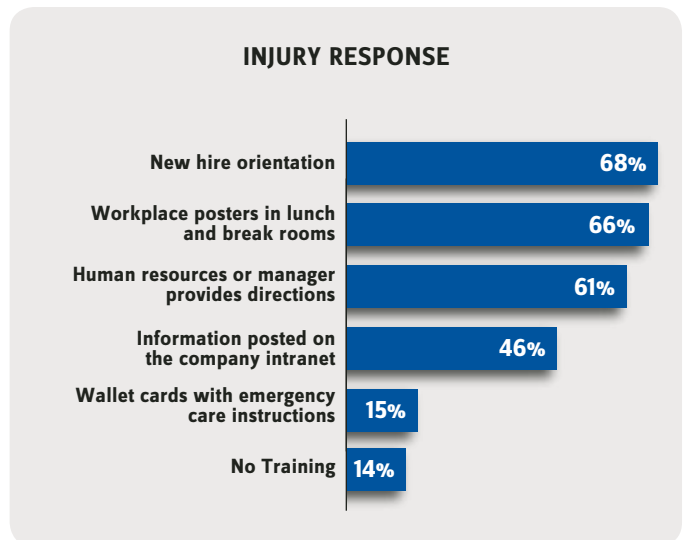
Workplace Challenges

We asked the respondents to select from a list of challenges faced in the past year. It is not surprising that reporting delays was the top response, as it remains a universal issue across many organizations. Additional challenges included Center of Medicare/Medicaid Services (CMS) reporting, increased litigation, and fewer jobs available for return to work and light duty.



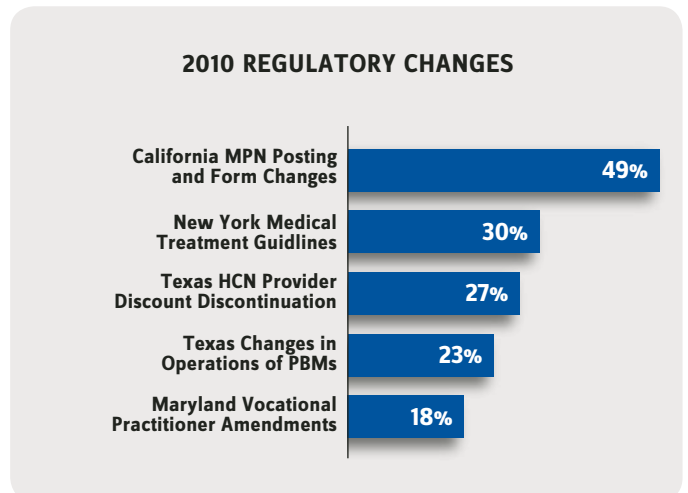
Injury Response

We then asked about access to resources in the event of a workplace incident or injury. Over 68% of employers provide information in new hire orientation, however, far less provide ongoing awareness or easy access to workplace injury procedures. Additionally 14% indicated that no materials or training are ever provided.



Regulatory Changes

Understanding and ensuring compliance with regulatory changes is difficult for many employers. Of the survey respondents, 29% indicated that understanding the impact of legislative changes was one of their top challenges. The following is a summary of the legislative impact in 2010.

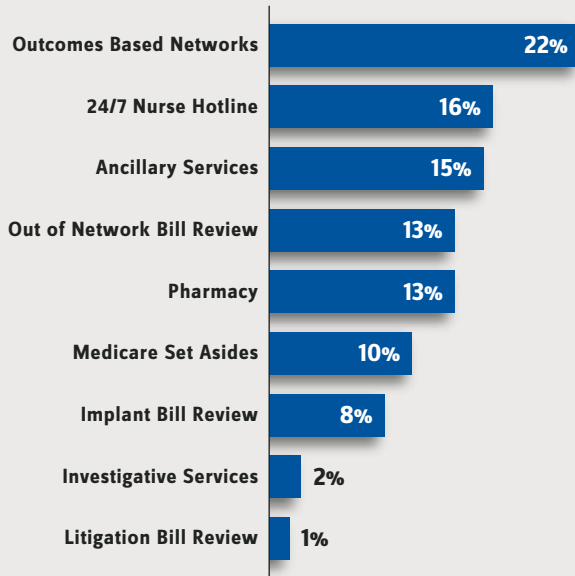


12-Month Outlook

New Services

The survey also focused on an industry outlook for the next year. We began by asking the respondents to indicate which services they are considering this year. Outcomes based networks (22%) was the most popular response, followed by 24/7 nurse hotline (16%).

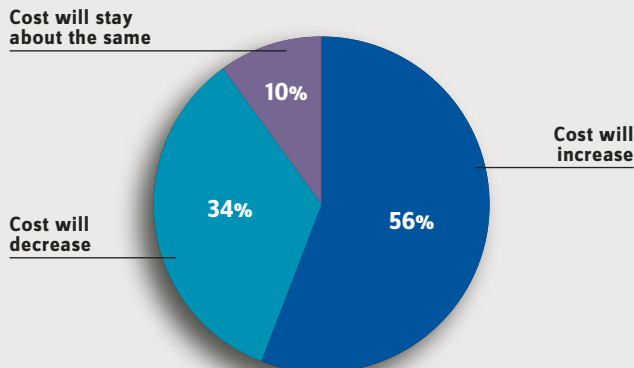
NEW SERVICES TO CONSIDER NEXT 12 MONTHS



Claims Cost

Next, the survey asked about any anticipated changes in claims costs. Claims costs are expected to increase for 56% of the respondents, 34% expect costs will decrease and only 10% said costs will remain relatively unchanged.

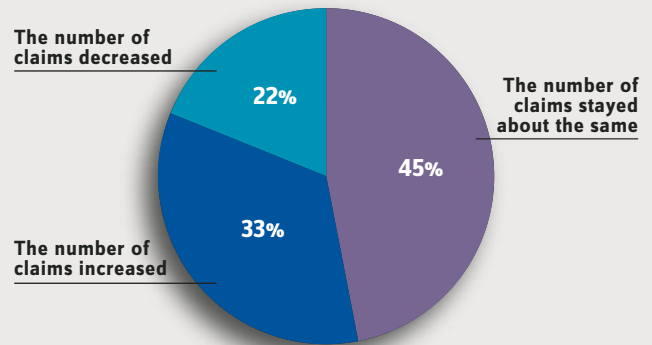
CHANGE IN CLAIMS COST



Claims Volume

We then asked about any anticipated changes in the number of claims. Volumes are expected to stay about the same for 45% of respondents, increases are expected for 33% and 22% expect a decrease. A majority of the survey respondents are expecting claims volume to remain the same. Written comments for leveling out of volume include implementation of new services, such as CorVel's Advocacy 24/7, and improved safety management programs.

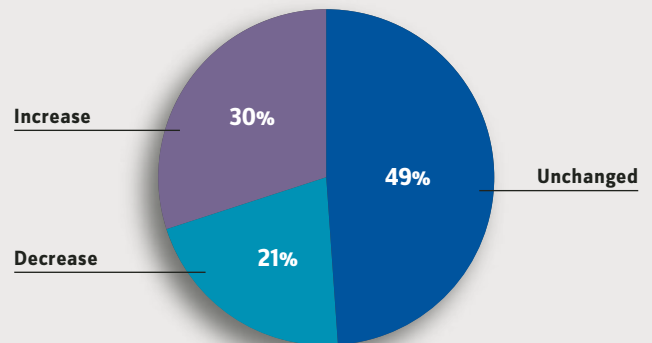
CHANGE IN NUMBER OF CLAIMS



Employee Counts

To gain insight into the economic outlook for 2011, we asked about any expected changes in employee counts. Almost half expect employees counts to remain unchanged, 21% anticipate a decrease and a promising 30% expect employee counts to increase.

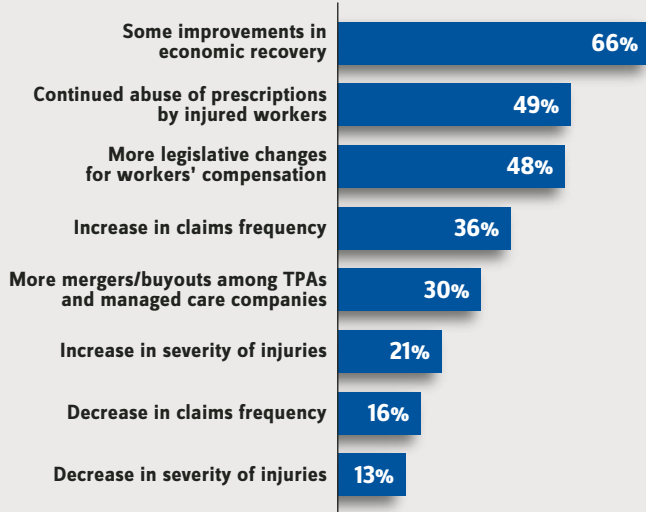
2011 EMPLOYEE COUNTS



Trends

We asked about anticipated trends for the next 12 months. It is not surprising that misuse of prescriptions topped the list. There is a continued growth of narcotics abuse in workers' compensation, with many states looking to address the issues through new regulations and legislation. The following is a summary of top trends anticipated over the next 12 months.

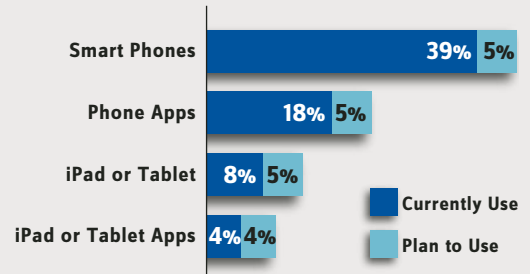
TOP TRENDS FOR NEXT 12 MONTHS



Mobile Computing

With some industry experts predicting the use of technology to surge this year, we asked the respondents what methods they currently use or plan to use. While many see this as an untapped opportunity to improve injury reporting and access to claims data, others feel that it is still too soon to predict the impact to workers' compensation. Several commented that technology will have a positive impact, and others see that lack of return to work initiatives and training are still root causes for delayed reporting.

MOBILE COMPUTING USAGE



Conclusion

As these survey results show, the year ahead presents many opportunities for employers to improve their workers' compensation outcomes. Many are implementing new services, such as outcomes based networks and 24/7 nurse advocacy, to help offset the continued increase in medical costs. Additionally, mobile computing provides many opportunities to improve injury reporting delays and finding in-network provider care.

This is an exciting time for workers' compensation. CorVel strives to understand the needs of our clients through surveys such as this, and through developing new services that allows us to stay connected to improve claims outcomes. We will continue to provide communications on industry trends and offer new ways to manage risk and identify savings opportunities.

Thank you to the participants of this survey. CorVel Corporation is a national provider of healthcare management solutions for workers' compensation, group health, auto and liability insurance markets. We have experience in providing comprehensive workers' compensation solutions that focus on early invention and claims management to reduce lost time. Please visit www.corvel.com to learn more, or contact your CorVel representative for additional information.

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