



Careington

Promoting Health and Well-Being



¹Careington International Corporation²

According to the World Health Organization (WHO, 2011), the United States spent more on health care per capita (\$8,608), and more on health care as percentage of its GDP (17.9%), than any other nation, putting it out of reach of a significant part of the US population. The U.S. Census Bureau estimates that around 16.3% of the US population is uninsured. It is even higher for dental health care, where, by some estimate as many as 130 million Americans live without insured dental coverage. In addition, many expect the national rollout of the Patient Protection and Affordable Care Act, commonly referred to as the Affordable Care Act (ACA), to increase the medical coverage burden for employers- leaving less room in the budgets for dental benefits.

As a result, an increasing number of individuals may be forced to seek dental coverage on their own in a market where traditional dental coverage often translates to high premiums, and low annual maximums. The national Association of Dental Plans (NADP) notes that "Carriers have had to contain premiums in a highly price sensitive market; but to do so has required them to sell plans with greater out of pocket expenses for consumers."

One challenge for consumers seeking dental health care insurance today, is finding the right provider. Since it would be cost prohibitive for insurance carriers to provide blanket policies that allow members (customers/users/patients) to seek service anywhere they choose, these insurers work with companies such as **Careington International Corporation (Careington)** to obtain network access that allows them to link to cost effective "in-network" dental health care providers. Firms like **Careington** have carved out a niche by providing their clients (insurers, marketers, and individual members) with deeply discounted service-provider network alternatives. To create their discount provider networks, these firms build their own networks or partner with other networks to deliver substantially discounted service offerings.

The Dental Health Care Industry

Industry Trends

Provided below are some of the recent trends in the dental healthcare industry. The information has been collated from multiple secondary sources. Additional insights on industry

¹ This case was written by Dr. Derrick D'Souza, UNT, and Ms. Lauren Kelly, Careington International Corporation, for specific use in the Northwestern Mutual Integrated Business Case Competition at the University of North Texas. It is not intended to portray either effective or ineffective management. While the case was written with cooperation from Careington International Corp and members of its management team, any errors are the responsibility of the authors. No use of this case outside of the competition, in any form, may be made without the permission of the authors.

² October 18, 2013

trends can be found at industry websites such as, www.nadp.org and http://consumerhealthalliance.org/site/page/pg126-pn_home.html.

- Health insurance premiums are expected to grow in the future. The growth in premiums is estimated to be 4.1% in 2013. The growth for 2014 is pegged at 7.9% (NADP)³
- Dental care expenditure in the US is estimated to be about \$111 billion in 2012. Of that, about \$44 Billion (approx. 40%) is paid out-of-pocket by the consumer (NADP).
- At the national level, employer funding for dental benefits has shown a decline over the last few years (NADP).
- Dental health care is a price-sensitive market, and while insured premiums continue to grow, the growth is somewhat restricted due to pricing pressure. Insurers tend to compensate for pricing pressure by lowering annual maximum payouts in their plans. The net result of these industry forces, combined with the reluctance of employers to increase funding of their benefit programs, is that consumers are being asked to bear more of the cost of dental services. The additional burden could incentivize consumers to delay dental care due to high costs, lack of transparency about costs, and the difficulty in finding affordable dental health care.
- The Affordable Care Act will continue to influence businesses related to dental health care as regulations are finalized, and public exchanges come on line. Public Exchanges are either run by the states or by the federal government. There are approximately 17 states that opted to run their own exchange. The federal government runs the exchange in states that chose not to run their own exchange, such as Texas.
- In addition to public exchanges, there are private exchanges that are run by private organizations. But these exchanges are not eligible for subsidies. Expansion of private exchanges is expected to pick-up in the future. These developments will encourage defined contribution plans. However, dollars available for voluntary benefits will be stretched. It is not yet clear what the impact these changes will have on the structure of the dental health care industry.

Other Trends

- Telemedicine service is one of the fastest growing products in the discount health care space. A telemedicine service allows its members to request a call from a doctor to discuss health symptoms such as allergies, sinus infection, colds, etc. If necessary, the doctor can then provide a prescription over the phone and call it in to the member's local pharmacy. Hence, although not a dental product per se, in specific instances, Telemedicine services (e.g., Teladoc, www.teladoc.com) can save consumers time and money. More details on the direct impact of telemedicine services on Careington will be provided later in this document.
- Mobile device application technologies continue to increase as consumers become more reliant on smartphones. Organizations within the health care industry have

³ See APPENDIX 3 for a list of acronyms used in this case.

caught on and continue to enhance the customer's mobile web experiences and build applications that capture this audience.

Dental Plan Types

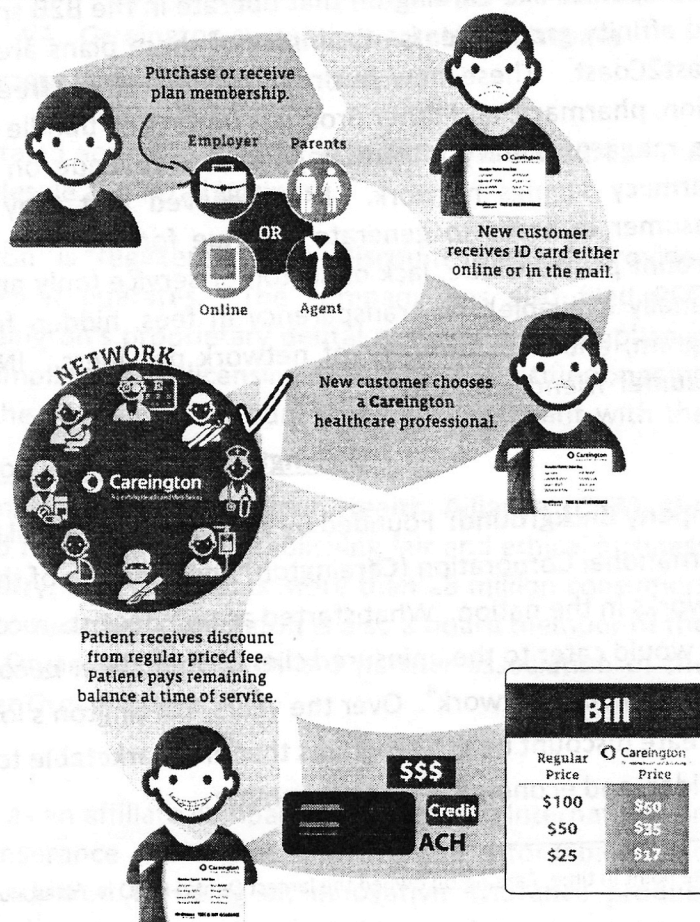
Fully Insured PPO (Preferred Provider Organization): In this plan, members are offered a network of dentist to choose from, and may visit any participating dentist in the network. These dentists are considered "in-network" if they have agreed to accept the contracted fees as payment in full rather than their usual retail fee. Plan members who visit a PPO dentist, typically pay a percentage of the reduced fees, and the insurer of the plan pays the balance. If the member receives services at an out-of-network dental office, the plan will still cover some of the bill, but out of pocket costs are often higher. PPOs require that their members meet a deductible. They have annual maximums.

Traditional Indemnity Plans: Similar to a PPO plan, when a member visits a network dentist, they can expect to pay a percentage of the fees for each service and the plan pays the remainder. However, the percentage typically varies by the amount of coverage for each service. Indemnity plans also require that its members meet a deductible and these plans have annual maximums.

HMO (Health Maintenance Organization): This is a prepaid plan membership that requires each member to select one dentist or facility to coordinate all of their dental services and procedures. The plan typically does not have deductibles or maximums, instead members pay a fixed amount for the treatment (similar to a copay). Members cannot switch providers, and if they visit an out of network provider, they are often stuck paying the entire bill.

Discount Plan: Members pay a reduced fee for services received at participating dental offices that are in the network. This is not an insurance plan; instead, it offers discounts on the dentist's usual and customary fees. Members under this plan typically pay a monthly or annual fee for access to discounted network providers. There is generally no paperwork to be filed at the dental

How the Careington Discount Plan Works



office, no limits on annual usage, and no annual maximums or deductibles. However, members must use the service of a participating dentist to avail of the discounted prices. For their dental discount plan, firms negotiate discount rates with dentists to create their own dental discount networks. For example, **Careington's** efforts led to its national network of over 169,000 participating dental access points, each of which agreeing to accept the reduced fees laid out in its network specific fee schedules. Dentists often join such discount networks for two primary reasons – (1) to fill their empty chairs, and (2) the simplicity of the discount model, i.e., minimal filings and administrative paperwork.

Under the typical dental discount model, members present their membership ID card at the time of service, and receive reduced fees for dental services at any participating dental office under the network. The dental discount card holder (i.e., the member) is considered a cash paying client, paying the negotiated rate to the service provider (the dental office) at the time of service. The dental office simply identifies the network listed on the member's ID card and charges the member for services received that day based upon the network logo on the card. There are no claims to file for the office, and it eliminates the need for the dentist to bill an insurer, therefore simplifying the administrative processes at the dental office.

"Free" Discount Plans: Discount plans with no upfront or monthly premiums (often called "free" discount plans) represent a new types of plan that is starting to eat into the market share of companies like **Careington** that operate in the B2B space, particularly in terms of their union and affinity group clients. Examples of these plans are WellCard (operated by Welldyne) and Coast2Coast. These new business models offer "free" discount plans that includes dental, vision, pharmacy, and other products under one bundle to large membership groups. Welldyne is a mega pharmacy PBM that generates revenue on every script that is run through their pharmacy savings network. It is believed that they mark-up the "per-script fee" to the consumer in order to generate revenue for the "free" program. Limitation of such "free" discount plans include, lack of customer service (only an automated phone response system is normally available), no transparency in fees, hidden fees in other products included in the program, and high turnover of network providers. IN general, these are low cost but not consumer-friendly options.

Careington International Corporation

Company Background: Founded by two entrepreneurial dentists in 1979, **Careington International Corporation (Careington)** operates one of the largest independently owned dental networks in the nation. What started as two dentists recognizing the need for a low cost plan that would cater to the uninsured client, would later become the company's core product - the dental discount network⁴. Over the years, **Careington's** long-term goal has remained the same - to create discount health programs that are marketable to the employer, profitable to the provider, and economical for the member.

⁴ At one point in time, Careington owned the largest Dental-HMO in Texas, but left that market over a decade ago.

In addition to Careington's dental discount networks, Careington also has a dental PPO network that other insurers often lease. In some scenarios, Careington provides administrative services (though its' affiliate Careington BenefitSolutions) for these insurers including paying claims. However, the funds used to pay the claims are either provided by the insurer or a third party.

Although dental remains the product leader for the company, Careington also partners with the nation's most respected companies and organizations – such as Vision Service Plan (VSP), Aetna Dental Access, MedImpact, Teladoc, United Marketing Group, and HearPO – to build a portfolio of over 100 discount products. Dedicated to improving the health and well-being of individuals, Careington's health and wellness discount solutions are designed to complement provide significant savings for under-insured or uninsured individuals. Details on Careington's primary product groups related to its health care and wellness discount plans are provided in Appendix-1. A more detailed list is placed on the class page in Blackboard.

Careington has been a leader in the discount industry to promote and encourage fair and reasonable legislation at the state level across the nature. This dedication to licensing and compliance has resulted in laws and regulations regarding discount health care plans in 34 states, and has given a Careington an advantage by being seen, by regulators, as a model for the industry. Careington now enjoys a national footprint, that it remains the only nationwide discount plan to have received licensing in WA. Careington currently markets its discount dental plans across the U.S., in all states except Vermont, and Montana.

In 2012, Careington's annual revenues totaled approximately \$180 million. About 85% of this revenue is generated by Careington's wholesale and retail business.

Compliance and Regulation: Careington is registered as a Discount Medical Provider Organization (DMPO) in all states where it operates. The company has also filed PPO registrations required to ensure that Careington's proprietary dental network is in compliance with the most current regulations. The compliance and licensing department identifies ongoing regulatory requirements to ensure that the company's discount plans are compliant with the most current legislation.

Careington is one of the founding members of the **Consumer Health Alliance (CHA)**, the national association, founded in 2002, and responsible for establishing fair and ethical business practices in the discount health care industry. CHA represents more than 28 million consumers in the United States through its member companies. Careington is also a board member of the National Association of Specialty Health Organizations, which is a partner association of the American Association of Preferred Provider Organizations.

Careington BenefitSolutions:

Careington BenefitSolutions was founded as an affiliate company of Careington International in 2005 and provides an assortment of insurance plans that improve the affordability and accessibility of quality health care. In addition to being an innovative insurance product aggregator, Careington BenefitSolutions offers turnkey administration services at a national

level to various insurance carriers. Administrative services include billing services, enrollment resources, marketing services, plan administration, fulfillment services, compliance and licensing, member support, etc.

Monroe Sutton

Munroe Sutton was incorporated in 2009 and founded by the leadership team at **Careington**. Munroe Sutton is dedicated to improving the affordability and accessibility of quality health care treatment in the United Kingdom (UK). Under the consumer brand Healthy Discounts, Munroe Sutton provides businesses, organizations and consumers in the UK with innovative health care solutions - while supporting the practitioner-patient relationship.

Munroe Sutton began operations by partnering with VSP Global, a provider of eye care and eye wear services, to offer both dental and optical solutions in the UK. The portfolio has grown to include hearing, legal, medical information, and online wellness programs. The bulk of Munroe Sutton membership is garnered through relationships with health insurance carrier like Cigna and Allianz. Through these relationships, Munroe Sutton has built cost containment tools such as fee schedule and direct reimbursement networks, handling network recruitment and retention, claims re-pricing, and customer service. Munroe Sutton is still in the growth stage; but, it is well positioned to cultivate business in the UK and could expand into Europe.

Careington's Clients and Markets (B2B and B2C)

Careington serves a number of different clients who operate in both the B2B and the B2C market spaces. These include: Health Plan providers, Insurance Carriers, Labor Groups, State Agencies, Affinity Groups, Financial Institutions, Associations, Employers, Unions, Agents/Brokers and the end-user (consumer). While **Careington** has a small presence in the B2C (consumer) space, it has a significant presence in the B2B space.

Careington is proud of the capabilities it has built in the B2B space. Its sales leadership team excels at developing and building lasting B2B relationships. In addition to its strong B2B model, **Careington** also works very closely with a large agent base under both direct and agency/MGA relationships. Today, **Careington** services more than eight million individual members associated with its clients.

Careington groups its B2B clients into two broad categories, Wholesale Business and Retail Business.

1. Wholesale Business

Careington has established "wholesale" business relationships with over 200 clients. Under the wholesale model, **Careington** has identified two primary client types: (1) Large sized Marketers/Employers/Associations seeking one or more discount products (in **Careington's** portfolio) to offer/provide to a group of individuals. These clients either have the ability to bill their members through their own billing systems, or are providing them to their members as value added services. For instance, **Careington** works with several employers that add in products such as Weight Watchers, **Careington** Dental Discounts, online

wellness, etc. to their employee benefit packages- at no additional cost to their employees.. (2) Those who lease their dental PPO networks to employers or large groups under an insured policy. This is the most common scenario. For example, **Careington** partnered with one of the largest dental networks, Dentemax, to combine its PPO network with Dentemax's PPO to develop what is known as the DN11. This is the most common networked leased by marketers, employee trusts, and insurers.

2. Retail Business

- a. Group Retail Business - **Careington's** group retail clients have access to **Careington** products and services on a "retail" basis. This segment is made up of approximately 100 small employer groups who offer one or more **Careington** products to their employees and are invoiced by **Careington** on a monthly basis. Under this arrangement, employers are paying a higher retail rate, due to the small nature of the group size.
- b. Individual Retail Business – This category consists of various types of clients. These include, but are not limited to, online marketers that sell various products under the **Careington** portfolio, B2B clients who enlist **Careington** as the billing entity on their behalf, agents (brokers) receiving commissions for sales of our products online or face-to-face, individual consumers who have signed up directly through **Careington**, and Carriers/Insurers (e.g. Aetna and VSP) seeking administrative billing and claims services (through **Careington** BenefitSolutions). **Careington** currently undertakes such billing and administration services on behalf of over 170 clients.

As noted earlier, about 85% of **Careington's** revenue is generated by its wholesale and retail business. **Careington's** wholesale business accounts for approximately \$60 million in sales (50% of company-wide sales). Their Group Retail and Individual Retail Businesses together account for approximately \$40 million in sales (35% of company-wide sales- excluding administration services).

Careington's Primary Vendors (Providers)

Careington has built strong and lasting relationships with its vendors. This has allowed the firm to get competitive pricing on various discount products. The firm is very selective in choosing its vendors, so that they (**Careington**) can offer the best of products available, and the biggest brands, to their clients. The large size of vendor-provided products also allows **Careington** to effectively customize plans for its clients. The ability to build robust discount vendor networks is a distinct capabilities that provides **Careington** a competitive advantage in the marketplace. **Careington** partners with more than 40 leading companies to deliver substantial discounts on dental, health, and lifestyle services. Today, **Careington's** most commonly bundled discount services include: dental, vision, hearing, pharmacy, telemedicine, diabetic supplies and online wellness.

Careington's Primary Competitors & Potential Threats in the Discount Plan Industry

Direct Competitors: Provided below are two of Careington's primary competitors (there may be others) that operate in the "dental discount plan" B2B space:

- **New Benefits:** Packages a variety of health care and lifestyle discount products, including trademarked products like "Definitebenefits," "Carry the Card," and "Free Pharmacy." You can find them at www.newbenefits.com
- **WellCard:** Operated by WellDyne, they offer a limited number of discount products, including "WellCardRx" that they claim provides savings of up to 50%, and sometimes more, on prescription and health care services. The "WellCard Health" product offers organizations and their employees discounted health and wellness programs. You can find it at www.wellcard.com.

Threats in the B2C space:

- **Brighter:** This company uses a discount dental membership model. The company has negotiated discounted rates and offers with dentists in CA. They excel at web development and provide a detail list of dental providers on their website. Their business model is bit different from the traditional one in that they also receive money from dentists for better positioning of dental "ads" on their site. They are not a nationwide program, with operations limited to California. You can learn more about the firm at www.brighter.com.
- **Large dental insurance carriers** (e.g., Aetna, Dentemax, Delta Dental, and Cigna) are starting to refocus their efforts in the "Business to Consumer" (B2C) space; perhaps because they see an opportunity to capture the increasing number of individuals who will need to seek their own dental coverage due to the changing healthcare landscape. The large dental insurance carriers, with their deep pockets, pose a potential and credible threat to discount operators like Careington. Although several of the large dental insurance carriers currently have discount dental networks, none of them have yet attempted a mass-market approach. However, it is important to note that this group of competitors tends to lack resources that allow them to directly bill individual members. Traditionally, large dental insurance carriers have hired third party administrators (such as Careington BenefitSolutions) to conduct the individual member billing process for them, adding to their operating expenses.
- **Aetna ValuePass:** A discount dental plan that provides discounts on dental procedures to members who load cash on their Aetna ValuePass card. Their card is essentially a loadable gift card (MasterCard) that members can use to pay for their discounted dental procedures at participating Aetna ValuePass provider offices. Unlike a traditional dental plan, there are no upfront membership fees. However, members are charged an administrative fee each time they use the card to pay for dental services. Additional details about the Aetna Value Pass can be found at <http://www.aetnavaluepass.com>.

Careington's Competitive Position

Rivalry in the discount health care plan market is increasing. **Careington** works hard to retain/expand its market share and to build/sustain competitive advantage in the marketplace. Some of the successful approaches used by **Careington** to maintain its competitive position include the following.

- *Deeply discounted, tiered and reliable provider network.* From its early days, **Careington** has maintained a unique approach to building its provider network. They begin contracting with providers at the deepest level of discount, and then negotiate their way to lighter discounts until the provider and **Careington** have come to an agreement. By utilizing this strategy, they are able to contract with more providers at the deepest level of discounts, making it difficult for competitors to build this type of arrangement.
- *Building, nurturing, and managing a mutually beneficial network of providers.* **Careington** retains a dedicated staff in their Provider Network Development Department, some of who focus on recruiting providers, while other focus on resolving grievances and concerns from members towards providers.
- *Meeting strict compliance and licensing guidelines.* The discount health care industry is highly regulated by federal and state organizations. **Careington's** compliance and licensing department identifies ongoing regulatory requirements for all states to ensure that the company's discount plans are compliant with the most current legislation.
- *Building strong and enduring relationships with their B2B clients/customers.* Most of the new business generated by the firm has been cultivated through face-to-face meetings, and networking, rather than traditional marketing and promotion efforts. Some argue this to be **Careington's** strongest competitive advantage.

Management Preferences and Business Objectives

Provided below are some of the preferences expressed by top management at **Careington**:

- **Careington's** top management has no plans for the company to act as an insurer, or take on the associated risk of funding claims. That is, they do not want the company to be in the business of taking on insurance related "risk."
- **Careington** will remain a privately held company.
- **Careington** would like to find a way to discretely capture valuable statistics on how members use their discount dental plans, without inundating the dental office staff with data requests or imposing additional administrating tasks on them.
- **Careington** would like to educate consumers on the specifics of a discount plan, how it works, and why it would be valuable to the customer.
- **Careington** would like to raise its brand awareness.

Moving Forward – Opportunities and Challenges

- **Careington** has spent the last three decades developing and growing B2B relationships across the country and has developed a substantial client base. However, with the

market trending to a more individual model, the company thinks that this “individual” market (i.e., B2C market) could have enormous potential. Hence, top management would like to see Careington weigh the pros and cons of entering the B2C space in a more substantial way, and capitalize on the rent-capturing potential in the B2C space while continuing to maintain and grow its established B2B business. Some of the questions that Careington is wrestling with are,

- How viable is the B2C space for Careington?
- How should they market in the B2C space without compromising their existing B2B relationships?
- If Careington moves aggressively into the B2C space, would their current clients, some of whom are themselves marketers or agents in the B2C space, be adversely affected?
- Careington has pilot-tested several private labeled business models (through SEO, cable television advertising (very minimal), etc.) that could potentially be used to establish their discount dental networks in the B2C space, with incomplete conclusions. However, with client projects remaining a priority, they have been unable to devote the time and efforts needed to make it successful and feels that it might be time for the company to decide on whether to market direct to consumers. They wonder whether they should continue to investigate private label branding options.
- Careington continues to strive to increase consumer awareness of discount products by leveraging its abilities to deliver information through face-to-face meetings, and networking. However, the firm recognizes that there may be a need for a mass-marketing approach to educating consumers. Some questions related to this issue,
 - Careington realizes that mass-marketing is very expensive, and may not be appropriate in their context. They would like to be sure of the ROI on the substantial financial outlay that would be incurred should they choose to roll out a mass-marketing campaign.
 - The term “discount” could have a negative connotation to some people. How does one make the term “discount” sound appealing in mass markets that are expected to have non-discount oriented segments?
 - Management would like to better understand/assess member utilization (use) of their dental discount products. For instance, they can monitor usage of discount dental cards, as their system notates each time a provider calls in or check’s a member’s eligibility online. However, they are not set-up to collect data on the particular services the member received or the amount they saved as a result of using the discount dental card. This is because Careington intentionally does not require provider offices to send them this data -- The less administrative work, the happier the provider. Careington released its online provider portal in 2013, which allows providers to view PDF’s of their fee schedules and also verify a member’s eligibility online. Approximately 7,000 providers have registered for the portal, and over 20,000 members have been verified since its introduction.
 - How should the company be restructured to accommodate a foray into the B2C space?

- Management believes that the company suffers from a low awareness of the “Careington” brand among the general public seeking dental coverage. Is that acceptable? If it is not acceptable, what actions should be taken to improve the brand? What would be the financial costs/benefits of such an effort? Would the financial benefits exceed the financial costs of a brand enhancement effort?
- Careington recognizes the rising popularity of telemedicine, and has built a strong relationship with Teladoc (www.teladoc.com), a major vendor of Telemedicine services. Through Teladoc, Careington offers two different versions of their product, (1) a “no consult fee” product, and (2) a product that requires a small consult fee for each call with a doctor. It is important to note, that this product must be offered in a bundle to prevent overutilization of individual products (thereby controlling plan utilization) making it an attractive product to include in dental, vision discount plan offerings.
- The firm displays a tendency to place their marketing efforts expended on client-specific projects before their own corporate marketing needs (e.g., Careington’s website development, marketing, member portal development, and activities in the social media space), which leaves very little time to focus on effectively strengthening their brand. The management team wonders whether a structural separation of the corporate marketing function from client marketing function (that addresses client projects and client marketing) would alleviate this problem.
- As Careington’s affiliate company Monroe Sutton approaches the five year mark, the goal is to grow their “small employer” client base in the UK, but the company also realizes that they must make strides in educating these small employers in the European market. Some of management’s questions regarding Monroe Sutton’s growth and progress include:
 - How do they best market to the European customer who doesn’t place as high of an importance on oral health as the US customer?
 - How does one address the facts that the need for dental care in the UK exists, but that consumer awareness is lacking?
- Dealing with the competitive threat of “free” discount programs, like those offered by WellCard and Coast2Coast.
- A desire for stronger cross-departmental communication.
- A desire for improved awareness of corporate strategy and management intent across the company.
 - Improved specification and communication of 1-5 year corporate goals
 - Improvements in the processes associated with new-hire on-boarding, training and development.

Organizational Structure and Functional Activities at Careington

Provided below are brief descriptions of the key departments at Careington. An organizational chart is provided in Appendix 2.

The Member Services Department (Team of 47: 32 full-time and 15 part-time call-taking representatives): The Director of Member Services reports to the VP of Client Relations, and is responsible for ensuring that the department provides a high level of customer service to all Careington's members. This team receives an average of 2000-3200 calls a day and educates/assists members with questions and concerns regarding all aspects of their dental care benefits. They are required to meet a service level of 80% calls answered within 30 seconds or less, with a 3% or less abandonment rate. Typical areas of education and assistance include, the operational procedures of Careington, how to obtain appropriate services, resolving member complaints, appeals and grievances, general information on grievance appeals procedures, benefits included and excluded from coverage, and information about the Careington Provider Network pertaining to access of the providers

Ongoing meetings and recurring training are an integral part of success in the Member Services Department. All Member Services Representatives are required to attend weekly meetings. If absent, employees may view minutes of the meetings posted on the Call Center Intra-Net site. Leaders of Membership Services teams meet with the Director of Member Services weekly to discuss the feedback received team members, follow up on special projects, delegate assignments, etc. The Director of Member Services also meets with the Vice President of Client Relations weekly. The primary focus of each meeting is to discuss new and existing clients, products and vendors, as well as exchange information and ideas on trends and issues impacting the Call Center or overall operations. On occasion, guest speakers will be presented to address the department. These speakers may include, but are not limited to, Careington's executives, vendors and clients.

The Provider Network Development Department (Team of 40): This department is headed by the Vice President of Network Development, and supported by the Director of Network Operations and the Director of Network Recruitment and Sales. The Vice President of Network Development reports directly to the Chief Sales and Marketing Officer. The Provider Network Development Department oversees and manages Careington's proprietary dental networks, administering its PPO and Discount plans. The department consists of four distinct groups: client recruiting, group practice specialty, credentialing, and provider relations.

- **Client Driven Recruiting**: This is a dedicated team of 10 recruiters who are responsible for building provider network membership that emanate from leads received from clients and individuals. For example, discount dental plan members can nominate specific providers to be included in the network, or clients can identify areas of geographic importance where provider recruiting efforts can then be focused.
- **Group Practice Specialists**: Members of this team work with all of the large participating corporate dental groups to recruit providers into Careington's networks. These groups often have multiple locations and providers. They offer a single dedicated point of contact which improves efficiency and communication between the groups and the network.
- **Credentialing**: Careington credentials all new providers upon inclusion in the network and re-credentials providers every three years. Credentialing standards adhere to NCQA guidelines. The credentialing group collects provider service agreement, signed and

dated attestation, proof of malpractice insurance, and board certificate if applicable for the subsequent credentialing process. They also verify that the following items are current: Dental License, DEA certificate, and CDS (if applicable).

- Provider Relations: This team mitigates grievances and concerns arising from members (clients/customers) toward providers (dentists). **Careington** strives to respond and resolve all grievances within 72 hours. Provider relations also handles requests such as fee schedule information and plan administration questions, and network education.

The Operations Department (Team of 13): Led by the Director of Operations, who reports to the VP of Information Systems, this department is responsible for all client activation, enrollment, billing and collections, agent set up and commissions, reporting, etc. The dedicated account administration team meets daily, and each key area of the department also conducts weekly meetings to discuss new initiatives, issues and deadlines, etc. . The operations department consists of several key areas. Each area (listed below) is unique in its functioning.

- Individual retail team
- Accounts receivable team
- Group setup / Group QA
- Agent liaison
- Dedicated Account Administration team

The Sales Department (Team of 12): The Chief Sales and Marketing Officer reports directly to the President/CEO and is responsible for all aspects of the Sales Department (The sales department works closely with the other **Careington** department areas during the sales process). The sales staff meets weekly to discuss new products and clients as well as business initiatives, and to address any issues and questions regarding compliance, product information and progress. Sales are driven at two levels – the Executive-level and the Mid-level.

- The Executive Level (team of 6) is responsible for establishing relationships with large carriers, large brokers, online resellers of dental products (e.g., dentalplans.com, 1dental.com, dentalinsurance.com, etc.), insurers, associations, affinity groups, etc., through networking and relationship building with senior executives at these organizations.
- The Mid-Level (team of 6) is responsible for establishing relationships with employer groups, associations, marketers/resellers of **Careington** products, agencies and individual agents. Typical methods used to start and build relationships include inbound leads, attending trade shows, conventions, HR conventions, and networking.

The Information Systems Department (Team of 10): The Information Systems Department is led by the VP of Information Systems who reports directly to the CFO. The department is responsible for maintaining, updating, monitoring and developing all electronic software, hardware and data. This includes: membership data, provider credentialing information, authorization data and QM reporting data. Weekly team meetings are used to discuss new processes or changes to existing processes. Weekly individual meetings are held with each

employee to address any questions, concerns or grievances. Key responsibilities of this department include the following.

- **Strategic:** Ensuring that information system allows for the objectives of the QM and other departments to be met.
- **Operational:** Develop and maintain policies for implementing and maintaining systems to ensure that electronic data is up-to-date and accurate for use by all other organizational departments of Careington. Assist other departments with developing reports and other reporting mechanisms to ensure that quality metrics can be tracked, interpreted, and addressed by departments. Procure and/or develop new technologies that the company can use to improve the overall quality of care and service it provides its members, regulatory agencies and network providers.

The Marketing Department (Team of 8): The marketing department is led by the Director of Marketing who reports to the Senior VP of Sales and Marketing. The team is responsible for the timely creation of compliant marketing material. The Marketing Department meets once a week to review the comprehensive marketing schedule and project log, to monitor all ongoing projects and planned projects, as well as to discuss new review standards or compliance guidelines that may impact the work that the marketing department performs. Key responsibilities of the marketing team,

- Producing internal (Careington) and external (client) web development, print media, digital media, collateral, etc.
- Review of all original pieces as well as those submitted from clients and agents. The review process includes marketing review, product review and compliance review.
- Communication of a clear message to the intended audience.

The Fulfillment Solutions Department (Team of 6): Led by the Director of Fulfillment Solutions, who reports to the VP of Finance, the “turn-key” fulfillment solutions team performs all projects according to a well-defined, quality and customer centric set of procedures. Key activities of this department include variable data printing in CMYK and B&W, incoming and outgoing mail processing, express shipments, printer, copier and mailing equipment operations and maintenance, secure document handling, storage and disposal, handling of confidential and/or sensitive correspondence, membership ID cards and correspondence generation, procurement of office supply, equipment consumables (toner, paper, etc.), and the production of company promotional items for conventions and tradeshow. The department meets on a routine basis, at least monthly, to discuss all existing and planned projects as well as enhancements to current QM and control processes.

The Product Development Department (Team of 3): Lead by the Director of Product Development who reports to the VP of Finance, the Product Development Department is responsible for all new vendor, network and product qualification, contracting and rate negotiations, product compliance, new vendor implementation, etc. This department is also responsible for working with all vendors to maintain updated and approved marketing materials. A typical onboarding of new vendors would include the following activities.

- Plan Code – Once the vendor agreement is executed, the Product Coordinator completes the plan code set-up form that signals the IS Department to add the new plan code into the system.
- Language Approval Process – Create language (text) to be used company-wide for materials related to this specific vendor in the various internal systems and databases. All language must be approved by the Director of Product Development, the Vendor, Compliance personnel and the AVP of Corporate Communications.
- Trainings – Coordinate with the vendor to train the Sales Department, the Marketing Department, the Member Services Department, the Compliance Department, the Implementation Department and the Client Relations Department on vendor-specific issues. Examples of trainings include: webinars, handouts, vendor site visits, etc.

The Implementation (New Project Management) Department (Team of 5): Led by the Director of Implementation and Project Management (who reports to the VP for Information Systems), this department is responsible for the roll-out of all new project (e.g., a new vendor) implementations from receipt of signed contract to system activation. The Implementation/New Project Management staff meets weekly to review active groups currently in the implementation pipeline. Responsibilities of the Project Management/Implementation Department include the following:

- Receipt of New Business Submission: New submission is assigned to an Implementation Specialist who completes a thorough review of all documents. Next, the level of customization is determined and a time-table for program launch is established. The new business is then set-up in Careington's proprietary system, adding all contract-stated products, rates and billing terms. The commissioning of the new business relationship begins with the initial implementation call to the client.
- Review of Client materials including client created Membership Fulfillment / Post Enrollment Materials: Corporate Communications and Marketing initiate either create client-specific documents or review client created documents. Weekly follow-ups on the status of the implementation (including compliance revisions) are performed and the client is updated. All status and updates are documented in the Master Control Book.
- Careington materials: Created materials are made available to all Careington departments for review, and to ensure that product information is current and in accordance with language provided by the Careington Product Department. Corporate Communications approves document and forwards it to the Compliance Licensing and Regulation/Compliance Department for their final review. The Compliance department returns to the Implementation Department with appropriate approvals. The client is then notified. After a few more internal cross-checks, approved materials are housed on a central secure server.
- Activation Packet to Operations: The Implementation Department forwards the final packet to Operations, where an activation audit is performed, and the new project is activated.

The Client Relations Department (Team of 4): The Client Relations Department is led by the VP of Client Relations who reports directly to the Sr. Vice President. Each account manager is assigned to manage about 40 clients. The Client Relations team holds meetings on a weekly basis that consist of one-on-one meetings among key team members and relevant executives as well as more comprehensive team meetings such as the weekly product team meeting and weekly customer service meetings. Key functions of the Client Relations department include,

- Working with qualifying new groups (all executive level, and mid to high volume membership groups) to serve as the post-implementation point of contact where the client can handle day to day issues that may arise.
- Working with clients to have all new marketing materials reviewed by compliance and serves as the middle-man to link the Compliance Department with the client in issues related to any compliance-related revisions that are necessary.
- Working with the Marketing Department to deliver client needs for internally developed marketing pieces.
- Delivering reports (generated by the IS Department) to the client on a monthly, weekly, and sometimes daily basis, dependent on existing contractual obligations.
- Travel: Members of the team meet with each of its larger clients (at client's site) at least once a year.

The Compliance Licensing and Regulation/Compliance Department (Team of 4): The Assistant VP of Compliance reports to the VP of Network Development and is responsible for overseeing all licensing, regulatory and compliance-related initiatives. QM-related responsibilities of the Compliance Department include the following:

- Researching and monitoring statutes, regulations, and legislation that apply to the Discount health care industry, Dental Network management and the other lines of business operated by Careington.
- Researching and monitoring statutes, regulations and legislation that apply to the Third Party Administrator industry, insurance sales and the other lines of business operated by Core V Solutions.
- Maintaining membership in various trade organizations which assist in the above-mentioned research and monitoring.
- Obtaining and maintaining license and registrations for Careington and Core V Solutions, which includes registering with the Secretary of State in all 50 states and the District of Columbia to transact business in the given states, Discount Medical Plan Organization (DMPO) licenses, Third Party Administrator (TPA) licenses, Preferred Provider Organization (PPO) registrations, Business Entity Producer licenses for each company, and Individual Producer licenses for employees that sell insured products on behalf of Core V Solutions.
- Establishing and maintaining standard requirements that all marketers must adhere to when marketing, selling or distributing programs or networks supported by Careington. These standards are illustrated in documents provided to all new potential marketers and are updated at least annually and sent to existing marketers for additional

education. All marketers' material must go through the Compliance division for review and approval before it can be distributed to clients or to the public at large.

- Reviewing and approving, in writing, all marketing material, whether created by Careington or a client, and ensure the material is clear and not misleading. This review focuses on DMPO requirements, general consumer protection standards both at the federal and state level, and the language approved for use by their vendors.
- Receiving and responding to consumer complaints that come through state agencies (i.e. State Attorney Generals) or consumer advocacy bodies (i.e. the better Business Bureau). Complaints are researched and the resolution of the matter is detailed in their response. Complaints are tracked and analyzed periodically to look for trends regarding issues, marketers, or consumers so solutions can be found to resolve any reoccurring problems.

Financials for Careington⁵

Income Statement	Year		
	2010	2011	2012
Total Sales Revenues	\$144.9 M	\$160.4 M	\$180.2 M
Total Expenses			
Product (Vendor) & Broker (Commission) Expenses	40%	40%	40%
Employee Salaries	30%	30%	30%
Marketing/Advertising	<1%	<1%	<1%
Travel / Client Recruiting & Entertainment	3%	3%	3%
Professional Legal & Lobbying Fees	5%	5%	5%
Other operating expenses	6%	6%	6%
Net Earning	15%	15%	15%

Balance Sheet	Year
	2012
Current Assets	\$ 38.8 M
Fixed Assets	\$ 46.2 M
Total Assets	\$ 85.0 M
Long-term Debt - The firm does not have any long-term debt (i.e., retained earnings are the primary mechanism to address long-term investments)	\$ 00.0 M
Short-term Debt	N/A
Total Current Liabilities	\$ 57.5 M
Net Equity	\$ 27.5 M

⁵ The information on this page is provided for educational purposes only, and is not necessarily an accurate representation of Careington's current status.

APPENDIX 1
Careington's Primary Products

Dental Discount Networks

- **POS**



- #1 discount product for Careington
- Over 700 groups currently utilizing this network
- Savings:
 - Save 20% to 50% on most dental procedures including routine oral exams, unlimited cleanings, and major work such as dentures, root canals, and crowns
 - 20% savings on orthodontics and 20% reduction on specialist's normal fees.
- Providers: Over 169,000 dental access points

- **C500**



- Careington's deepest discounted dental network
- Over 370 groups currently utilizing this network
- Savings:
 - Save 20% to 60% on most dental procedures including routine oral exams, unlimited cleanings, and major work such as dentures, root canals, and crowns
 - 20% savings on orthodontics and 20% reduction on specialist's normal fees.
- Providers: Over 154,000 dental access points

PPO Arrangements

- **Maximum Care PPO**



- Largest network utilized for PPO arrangements
- This is a hybrid network that includes Careington's PPO and Platinum PPO as well as the DenteMax PPO providers.
- Over 80 groups currently utilizing this network
- Savings: The network combines the outstanding network management skills of two great organizations and results in average aggregate discounts of 5% to 50% below the 80th percentile of Reasonable and Customary charges.
- Providers: Over 200,000 dental access points

Primary Products Offered Through Careington's Vendor Partners

- **Teladoc**



- Through Teladoc, members and their family have access to quality care from home, work, or on-the-go 24 hours a day, 365 days a year. Teladoc is a national network of U.S. board-certified, and state-licensed physicians who use telephonic consultations and other methods to diagnose conditions and recommend treatment.

- **VSP**



- Members can save 15% to 35% off eye exams and eye glasses by using the VSP Choice Access® Plan that has over 44,000 participating points of care in retail and medical locations. Members will receive affordable services, savings and access to the a doctor near home or work.

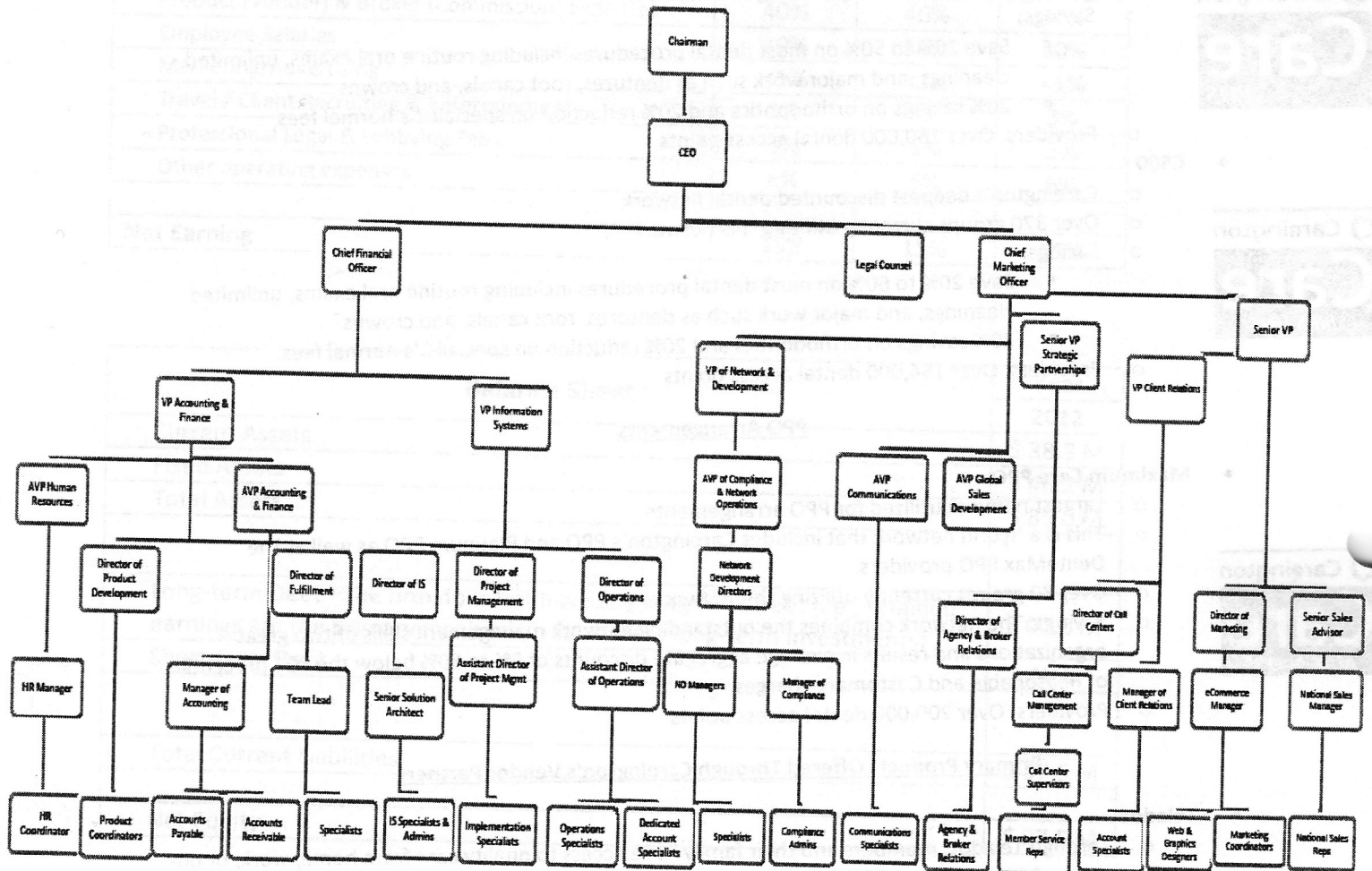
- **HearPO**



Members save 30% off diagnostic services, including hearing exams and significant discounts on the price of hearing aid(s) at over 2,700 provider locations nationally

APPENDIX 2

Careington's Organizational Chart



APPENDIX 2
Acronyms Used in the Case

Access Points	A discount term that refers to the number of locations a participating dentist is available at
Provider	Refers to a health care professional such as dentist, medical doctor, Optometrist, etc. For purposes of this case, provider most often refers to dentist
Fee Schedule	A list of dental procedures with corresponding ADA codes that represents the allowable price the dentist is able to charge for that particular procedure. This is essentially the discounted procedure amount
Annual Maximum	A defined dollar amount that an insurer will pay toward covered services within a calendar year
Premium	An insurance term that refers to the amount the member pays for an insured plan
Waiting Period	An insurance term that refers to the amount of time a member must wait until they have access to receive covered services from an insurer. For example, some insurance plans have a 30 day waiting period from the time the plan was purchased before benefits will begin to be covered
Carrier	The company issuing and assuming the risk of the insurance policy
Network	A group of providers accepting a particular dental/health plan
MGA	Managing General Agent. A specialized type of insurance agent/broker that, unlike traditional agents/brokers, is vested with underwriting authority from an insurer. Accordingly, MGAs perform certain functions ordinarily handled only by insurers, such as binding coverage, underwriting and pricing, appointing retail agents within a particular area, and settling claims. Source: http://www.irmi.com
Affinity Group	A group of people linked by a common interest or purpose