

BUSINESS

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OHIO COMPANY TO THE RESCUE

Insurer buys HMO

Carolina Care Plan will get \$20 million to firm up its depleted reserves

Carolina Care Plan Inc. – one of the state's largest HMOs – is being bought by an Ohio-based insurer and getting a much needed \$20 million cash infusion.

Cleveland-based Medical Mutual of Ohio – that state's oldest health insurance company – is set to pay an undisclosed amount to take over Carolina Care and move into its eighth state.

The \$20 million will be used to firm up Columbia-based Carolina Care's reserves, which recently had been depleted and caused the HMO's bond rating to sink.

Medical Mutual officials were in Columbia last week meeting with the state Department of Insurance and Carolina Care Plan doctors to finalize the transaction, which still needs to be approved by boards of both insurers – moves expected to occur within two weeks.

Kent Clapp, chief executive of Medical Mutual, said his company has been looking to expand into growth markets as a way to stay financially healthy.

"Ohio is not growing, but South Carolina is," Clapp said.

South Carolina's job growth is attractive, he said. But just as important for Medical Mutual's business is the influx of retirees to

South Carolina.

Medical Mutual offers a host of supplemental health insurance packages and life insurance policies. Clapp said he hopes to use these products to build on Carolina Care's already large market share in the HMO sector.

Carolina Care will operate as a wholly owned subsidiary of Medical Mutual. Clapp said the company still is evaluating whether there will be any job cuts.

Neal Brown, chief executive of Carolina Care, said he is very excited about the HMO's future because of the added financial strength and technical expertise, of the parent company.

"They have the resources you'd expect a \$2 billion company to have," Brown said.

For example, most of Carolina Care's processing work had been outsourced to a firm in Buffalo, N.Y. This work now will be done in-house; by Medical Mutual's own processing division in Ohio.

"That is a huge driver," Brown said of why the Carolina Care board warmed to Medical Mutual's offer.

Bringing that work in house, Brown said, will improve the services Carolina Care offers its customers.

Clapp said the \$20 million that

Medical Mutual is investing in the company is an amount both rating agencies and state insurance regulators consider enough to firm up Carolina Care's finances.

Brown, who just finished his second month on the job at Carolina Care, was hired to engineer such a deal. Now, Brown said he can concentrate on running an insurance business.

"We believe this arrangement will greatly benefit both companies and allow us to continue providing a quality healthcare coverage alternative to South Carolinians."

~By Ben Werner

ABOUT CAROLINA CARE

Headquarters: Columbia

Founded: 1984

States: 1

Hospitals: 72

Customers: 67,200

ABOUT MEDICAL MUTUAL

Headquarters: Cleveland

Founded: 1934

States: 8

Hospitals: 218

Customers: 3.9 million