

Kool Smiles Quality Report

October 2011



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A Company Built on Quality



Kool Smiles was founded in 2002 to align with the Medicaid and CHIP vision of providing high quality dental care to children who might not otherwise have access. Since that time, Kool Smiles has also expanded its service to local communities by welcoming adults and most commercial insurance plans.

Unlike providers who will not see, or will only see a small number of underserved patients, Kool Smiles uniquely pursues patients that each state's Medicaid and CHIP program aims to serve. This unique mission allows Kool Smiles to serve communities in a pioneering way and offer best-in-class service that exceeds professional standards. Kool Smiles is proud of its work; creating smiles on kids' and parents' faces alike.

Kool Smiles' premise of care begins with the assumption that good preventative dental care lasts a lifetime and is more affordable for both the patient and the healthcare system in the long term. Kool Smiles recognizes that being a large participant in the Medicaid and CHIP programs will increase scrutiny about quality of care and process integrity. This scrutiny is deserved as tax payer dollars fund these programs and program expenses must be held to the nation's highest standards. To be good shepherds of taxpayer dollars, Kool Smiles has created compliance programs to assure that the quality care and access expectation set by the Medicaid and CHIP programs is met for every patient. Clinical and billing standards are aligned to the nation's best benchmarks for quality.

Kool Smiles' commitment to the vision of the Medicaid and CHIP programs is embedded in the organization. Kool Smiles recognizes that many patients intended to be cared for by Medicaid and CHIP programs sometimes do not have adequate coverage for recommended procedures. This mission to serve patients with high quality care has led Kool Smiles to annually provide millions of dollars worth of free care where no specific reimbursement was available from the patient or any insurer. The Kool Smiles mission obligates every associate to provide the American Academy of Pediatric Dentistry (AAPD) standard of care for every patient, whether or not a reimbursement is available.

The strengths of the quality program are:

Stringent adherence to dental professional guidelines focused on high quality care.

Clinical support and oversight from some of the country's leading dentists.

World class patient satisfaction.





Credentialed

All dentists are fully licensed professionals and approved by the credentialing committees of their respective State Medicaid Offices, Third Party Administrators or Care Management Organizations.

Practice According to Dental Specialty Guidelines

Patient treatment is consistent with American Academy of Pediatric Dentistry (AAPD) guidelines. All doctors are required to know and treat according to these guidelines and current state laws. All treatment is performed with parent consultation and informed consent.

Productivity

On average, Kool Smiles dentists see fewer patients per day than industry comparables. Doctors are encouraged to perform safe comprehensive treatment for each patient. Kool Smiles patients (the majority of which are Medicaid/CHIP) tend to have a lower show rate than the general population due to several factors including transportation. When it is in the patient's best interest, Kool Smiles attempts to fulfill their essential treatment needs at the initial visit.

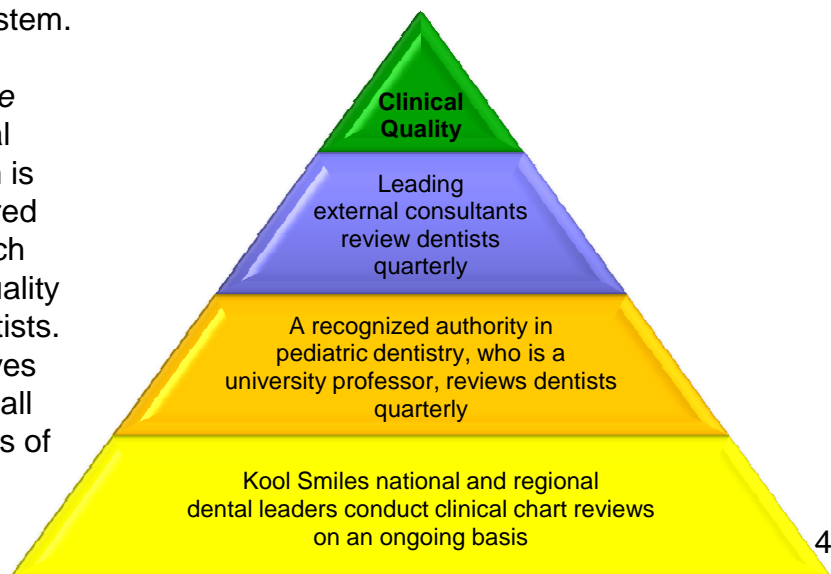
Exceptional Training

All dentists receive in-office training by our professional regional training dentists as well as attend a variety of training courses. Training includes quarterly continuing education classes and case review studies which are conducted to ensure patient treatments meet or exceed AAPD guidelines.

Compliance

Kool Smiles has a vigorous compliance program to ensure clinical and operational quality. This intensive compliance program is enabled by state-of-the-art electronic dental records, digital radiography technology and an advanced proprietary computer-based practice management system.

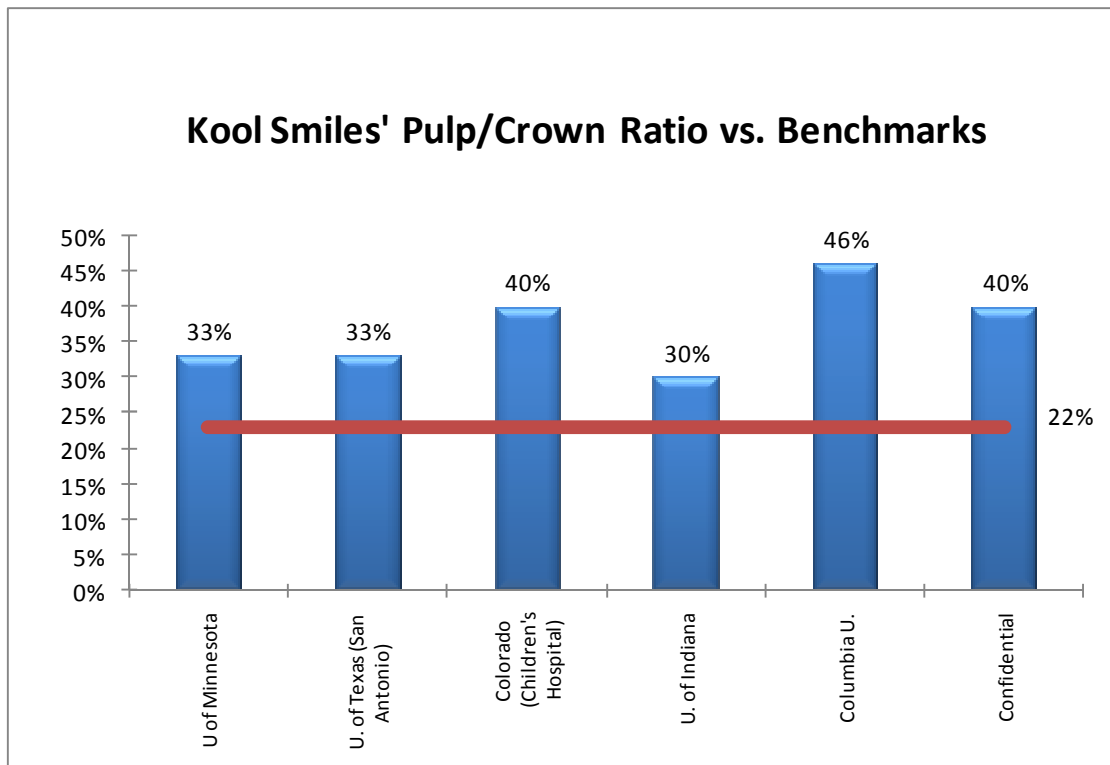
Clinical Compliance
Kool Smiles clinical compliance program is driven by a three tiered review process which ensures the clinical quality of all Kool Smiles dentists. This approach involves quarterly reviews of all doctors by three levels of review.



Stringent Adherence to Guidelines



Clinical Compliance – The pulpotomy (treatment of the dental nerve) to crown ratio is an indicator of the appropriate use of some key treatment procedures rendered on children with a high incidence of dental needs. Through extensive benchmarking of practices, Kool Smiles has found the mean of a quality dental office to be about 37% of crowns having an accompanying pulp performed. Kool Smiles has set a conservative goal of 30%. Kool Smiles dentists are consistently reviewed on this key measure by senior dental staff to ensure proper treatment (the higher the percentage, the greater the likelihood of too much treatment). The company mean for the four year period of 2006 through 2010 was 29%. For September 2011 this ratio stood at 22%.



Operational Compliance – Approaches to Ensure Operational Quality:

Kool Smiles has a written Compliance Plan under the guidance of an experienced Compliance Officer.

Billing compliance audits are conducted at each clinic each quarter. The charts are evaluated comprehensively and the audit evaluates every specific procedure that has been billed. Results are shared with the Office Managers and billers and a formal report is sent to the Board of Directors on a quarterly basis.

Employees engaged in billing are certified internally. All billers receive job-related training and must pass a stringent test before they can bill. The Compliance Scorecard identifies findings per clinic, administrative errors, and drives corrective action plans.

Oversight from Leading Dentists



Robert Barsley, D.D.S., J.D.

- Director, Oral Health Resources, Community & Hospital Dentistry at the LSU School of Dentistry

Dr. Barsley is a nationally recognized for his work with Medicaid programs. He provides an in-depth quarterly review for Kool Smiles.

One part of the blue level in the pyramid.

Paul Walker, D.D.S., M.S.

- Part-time Clinic Professor, Indiana University / Riley Children's Hospital
- Former Program Director of the Advanced Specialty Education Program in Pediatric Dentistry and the Director of the Hospital Dental Clinic at the University of Minnesota

Dr. Walker is a member of Kool Smiles Board of Directors and conducts reviews of all dentists.

The orange level in the pyramid.

Executive Dental Directors Dr. Dale Mayfield and Dr. David Vieth, as Kool Smiles heads of clinical quality, review dentist charts on an on-going basis. This regular type of chart review is also carried out by our field dental leadership team of Regional and Area Dental Directors.

The yellow level in the pyramid.

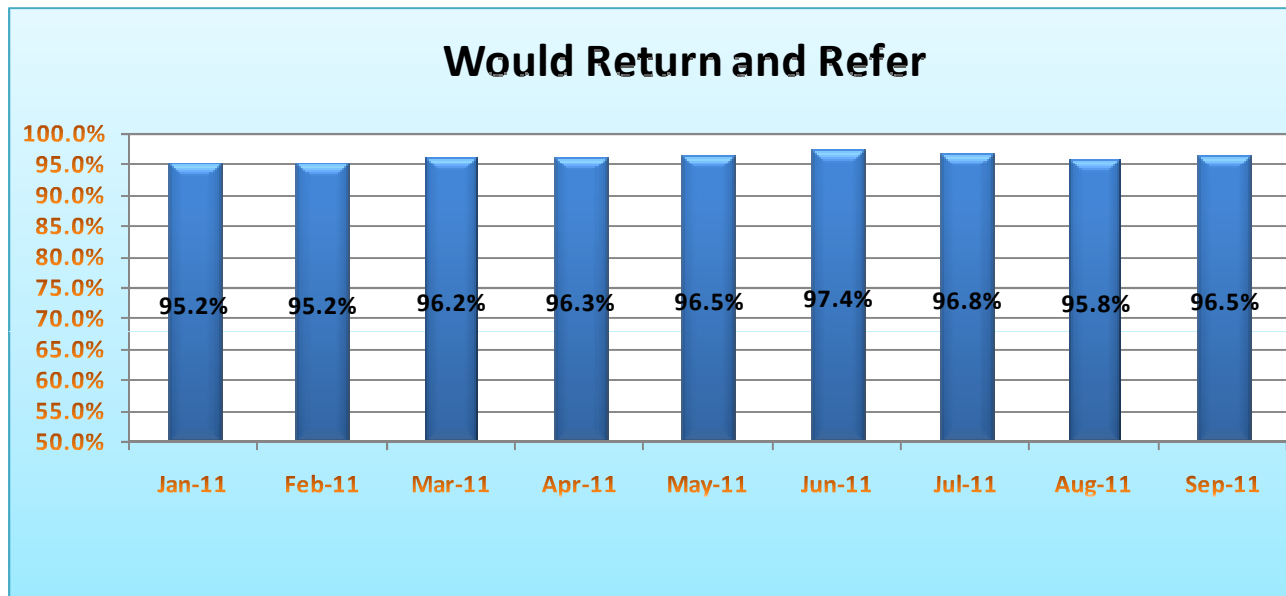


World Class Patient Satisfaction



Kool Smiles utilizes post treatment surveys of patients' parents to gauge customer satisfaction. The results of these surveys have been outstanding and show high satisfaction with the Kool Smiles experience. Historically Kool Smiles has maintained averages as high as 97% indicating that they are likely to return as well as refer others to Kool Smiles.

So far 2011 has been no exception with customer satisfaction scores remaining very high. The vast majority of patients are likely to return as well as refer others:

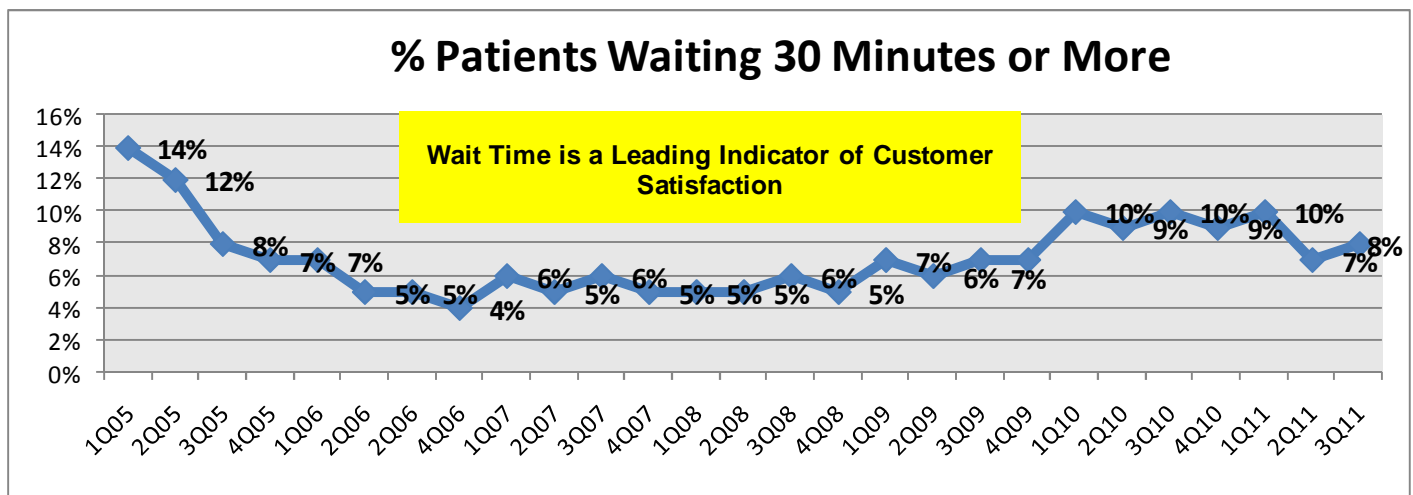
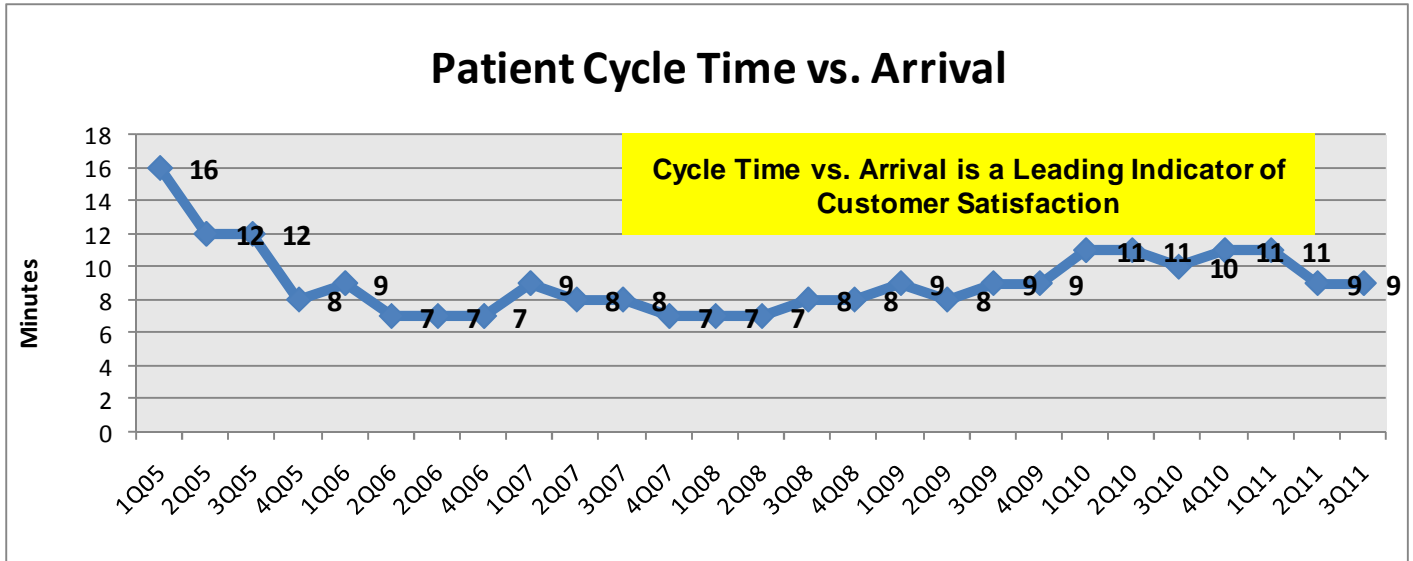


World Class Patient Satisfaction



Short Patient Wait Times

Kool Smiles tracks patient wait times in each office on a daily basis. The average wait time for September 2011 was 8 minutes, with 94% of patients actually seen within 30 minutes of arrival.



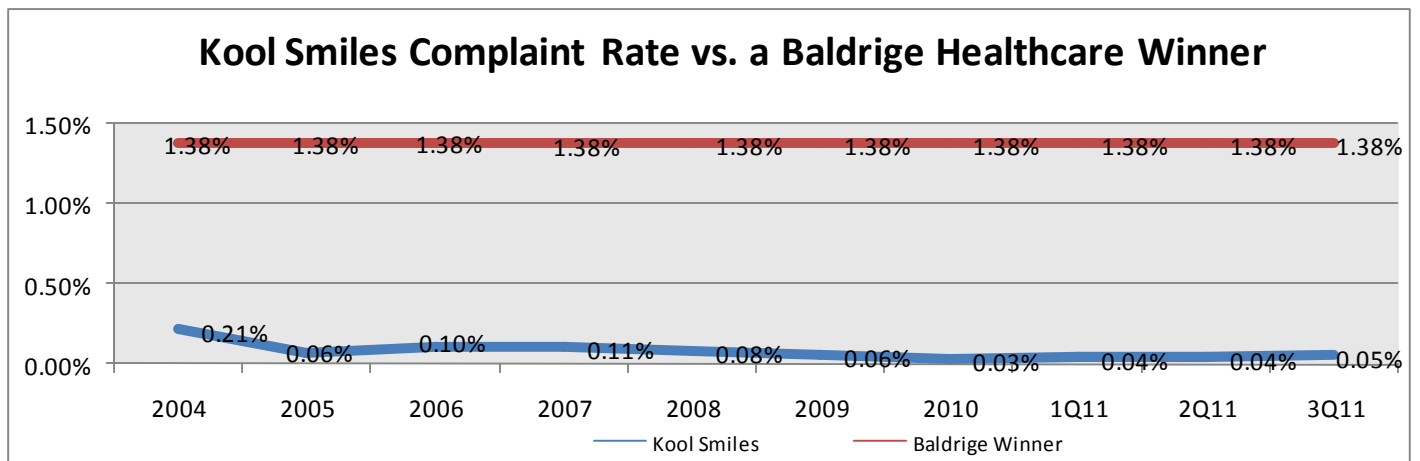
Complaints



So far this document has detailed the quality focus Kool Smiles brings to underserved communities. Kool Smiles has a track record of success of which it is proud, but Kool Smiles always strives to get better and address any patient dissatisfaction that occurs.

The Kool Smiles complaint rate is extremely low, and in September of 2011 was 4 one hundredths of one percent. While Kool Smiles strives for zero complaints, they are a reality of providing services to thousands of families per year. There are certainly customer experiences which are not reflective of the level of care Kool Smiles has challenged its associates to deliver. Kool Smiles works hard to resolve every complaint it receives. Of course, there are some instances where the company does not receive the complaint, so it is unable to resolve the issue as it would like.

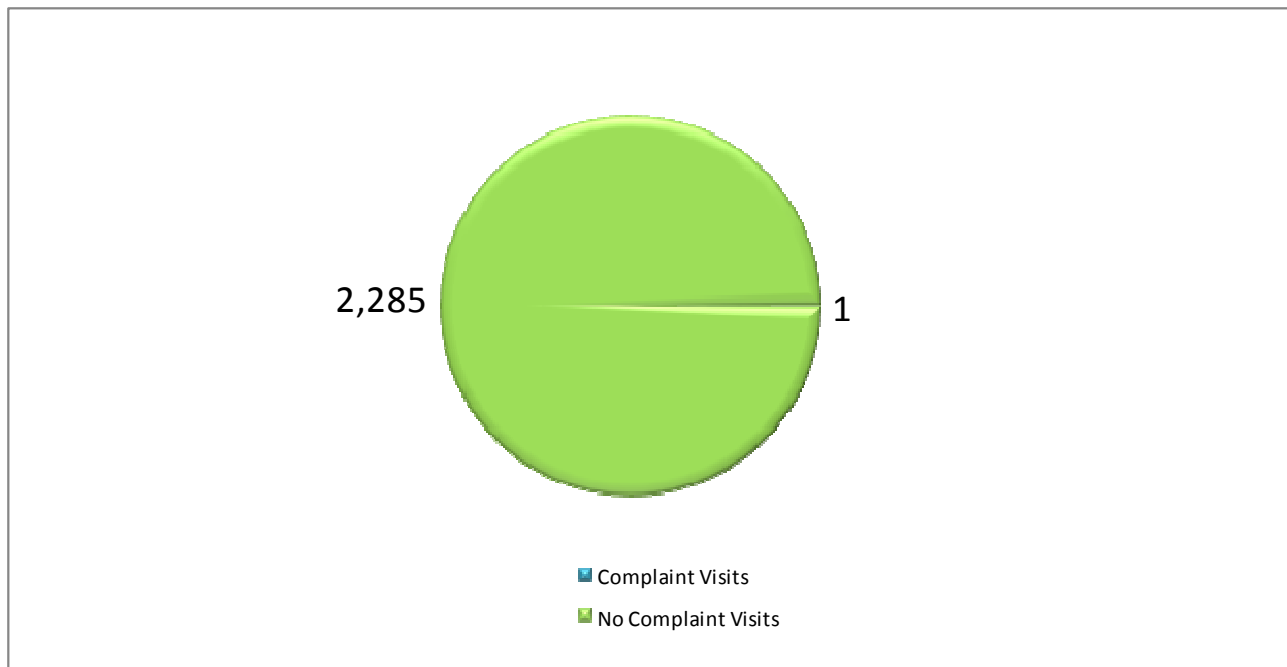
The chart below shows the annual complaint trend as a percentage of our total patients.



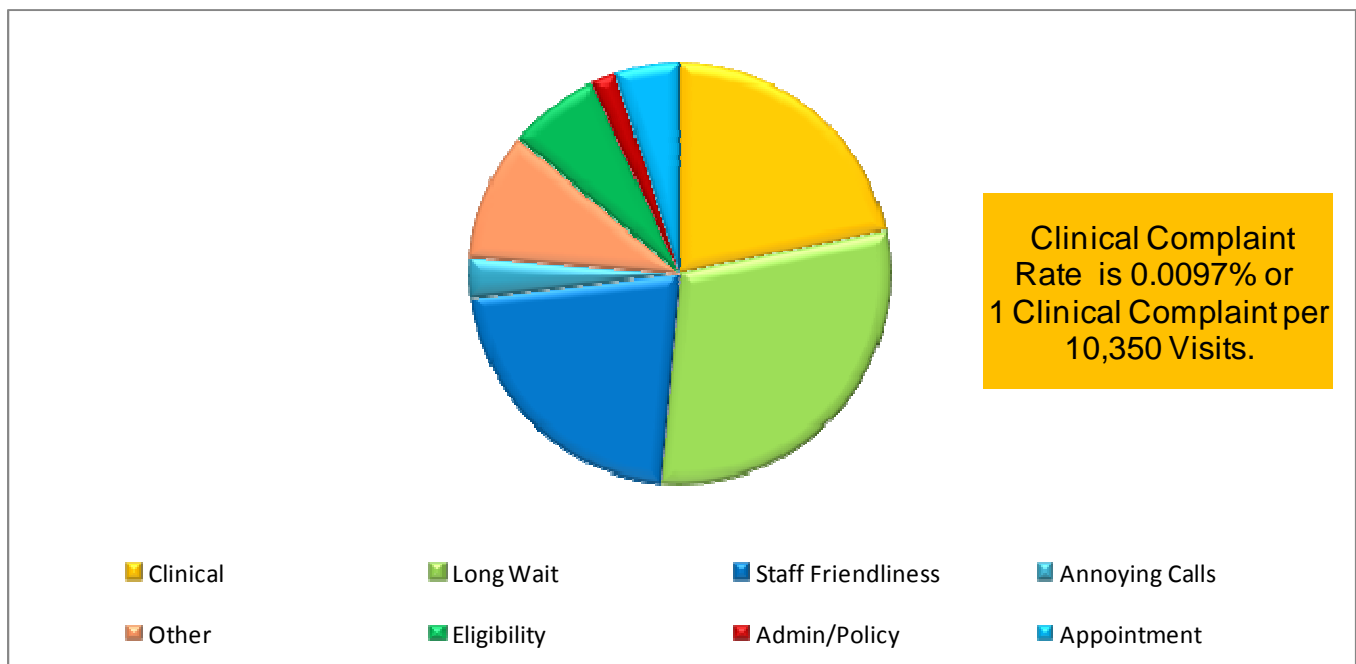
Complaints



Kool Smiles has had 1 complaint for every 2,285 visits in 2011:



Kool Smiles sees a variety of basic reasons for complaints:





The reality of a dental practice like Kool Smiles, which specifically focuses on bringing quality care to the underserved, is that these patients face unique challenges.

Kool Smiles serves a high number of young children that other dentists will not see. Kool Smiles treats severe cases and goes into previously underserved neighborhoods, where many of the children may have never been to the dentist. The company goes where it can improve the overall oral health of the community.

Kool Smiles encourages Medicaid/CHIP patients to follow ADA and AAPD guidelines for bi-annual check-ups. Kool Smiles believes prevention is the key to children's oral health and works hard to remind patients to return every six months for preventative treatment.

Kool Smiles offices are large facilities (7,000 sf +) and are well staffed with dedicated dental professionals. Because of the focus on Medicaid patients (with a less than 60% show rate), Kool Smiles typically has the professional staff to perform needed procedures. The staffing level and available rooms on the schedule is something few other dental offices can provide.

Kool Smiles dentists deliver high quality care consistent with the guidelines of the American Academy of Pediatric Dentistry. The company is dedicated to being a vital part of the communities it serves and valued member of the dental community of which it is a part.