



Transcript of initial interview with Mr. Clark A. Marcus



Chairman and CEO of Comprehensive Care Corp.



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Mr. Clark A. Marcus - Chairman and CEO of Comprehensive Care Corp. CEO since 2009, Mr. Marcus has over 35 years of experience in building both public and private businesses across multiple sectors. With 20 years of experience in healthcare, Mr. Marcus was a co-founder, CEO and Chairman of the Board of The Amacore Group, Inc., a premier healthcare distribution company whose sales grew from zero to over \$30 million per year. Prior to his tenure at The Amacore Group, he founded and initially funded Dimensional Vision Group Limited (DVG) and Fountain Pharmaceuticals, Inc.

Mr. Marcus was also a senior partner of the New York law firms Victor & Marcus and Marcus & Marcus. Mr. Marcus currently serves on the Corporate Leadership Advisory Counsel to the U.S. Chamber of Commerce.

Smallcaps.us: Welcome everybody and thank you for joining Smallcaps.us. In our interview today, you can find out more about an interesting Company that has developed a unique service which can save tens of millions of dollars annually for both private and governmental entities. The Company is called Comprehensive Care Corporation and is listed on the OTC Bulletin Board with ticker symbol CHCR. With us today to discuss Comprehensive Care is its Chairman and CEO, Mr. Clark Marcus. Clark, thank you for joining us.

Clark A. Marcus: Thank you for having me. Good morning.

Smallcaps.us: Let's start with an overview of the Company. Can you tell us what you do and which markets you target?

Clark A. Marcus: Comprehensive Care Corporation is a 43-year-old Company that specializes in the behavioral health space. For people who don't know what that means, most HMO's and private insurers cover behavioral health. Not only the wellness and disease aspect of their members, but also the behavioral health of their members. That's becoming an increasingly important part of what they do.

Comprehensive Care is usually an outsource to those companies. We don't independently solicit people as our member, we solicit HMOs, we solicit governments, and we solicit private insurers to be their behavioral health provider. It's an area of expertise for the Company. We are probably the best in the business in what we do and we have been doing it for 43 years.

Our group acquired a controlling interest in Comprehensive Care approximately two years ago. And again, it was only specializing in behavioral health and primarily in the Medicare, Medicaid, in other words the government sector. That's good when you look to who's paying you because the HMOs get paid by the government in Medicare and Medicaid and then in turn pay us. So we usually wind up with no rolling over account receivable. We usually get paid 100 cents on the dollar every month.

But the margins in that area are not what we would have liked them to be. So what we are doing with the Company is expanding the program so that we can get more into the commercial market which allows for more ancillary products such as pharmacy management and other types of healthcare programs that fall within the wellness ambit if you will.

Smallcaps.us: Thank you. Now that we know what lines of business you're in, let's talk about what should become the significant growth driver for the Company in the foreseeable future. You recently launched an innovative pharmacy management program in cooperation with Wal-Mart. Can you explain that to us and maybe also give an example to illustrate the potential of the program?

Clark A. Marcus: I can, I am delighted to do that, and it is complex. So I'll try and break this down a little bit.

For approximately a year after we acquired a controlling management interest in the

Company, we worked on various ancillary products, but primarily focusing on a delivery system for pharmaceuticals. It became clear to us that the enormous cost of healthcare was being driven by pharmacy cost.

So we developed an innovative pharmacy delivery system that needed a very large retail organization to execute with. It needed lots of outlets; it needed some strength in the marketplace. We were fortunate enough to propose it to Wal-Mart as our first entity, and oddly enough they had hit upon the concept that healthcare was a primary driver in retail as well. And if they could capture more individuals who would come into their stores for healthcare reasons, they would absolutely be able to increase their revenue stream as well. And as we all know, Wal-Mart is by far the largest retail entity in the world.

So they were delighted at the program that we had presented. And in October, we actually signed two contracts with Wal-Mart and we began to launch a program. We launched it in November by simply sending out notices to 17 of our existing HMO accounts. And what we proposed was that we believed if they gave us a listing of their drug costs over a 90-day period, we would analyze that in conjunction with Wal-Mart and some PBMs, which are Pharmacy Benefit Managers, who are the supply source in the drug chain, and see if we could save them some money. We were anticipating internally being able to cut the cost to them by 10 percent.

Now to put a number to what 10 percent means, on average a 200,000 person group will roughly spend more than \$300 million annually on the prescription drug program. So ten percent savings, you know that's \$30 million to the bottom line. That's a significant savings to any HMO. And that's what the plan involves.

And the patient doesn't have to go to Wal-Mart either, it actually has no impact on the patient in terms of where they go, it looks the same to them. But we cut out a huge amount of costs.

Between November and now we've actually signed three new contracts. There's an

implementation period. There's a long gap between having these Companies change PBMs, coming over to the PBM's that we select with Wal-Mart. But at the end of the day when there's \$20, \$30, \$40 million on the line, they're happy to do that. So the plan is revolutionary. We believe our agreement with Wal-Mart will start producing revenues in March.

Smallcaps.us: And is there anything stopping your competitors from making a deal like the one you have with Wal-Mart?

Clark A. Marcus: Yes. Not only can't they make it Wal-Mart, because our agreement with Wal-Mart is exclusive in the sense that we have a confidentially non-compete document with Wal-Mart, and the second agreement, which defines this as being confidential and proprietary to CompCare.

Additionally, our competitors can't really do this with anyone else because you need a retailer the size of Wal-Mart. And as we all know, there is only one Wal-Mart. And they have an intent to provide good quality low-cost healthcare. In fact, they issued a document in December of 2011 where they identified their goal to provide in the U.S. quality low-cost healthcare that's affordable to everyone. That's the goal. And I dare say I think we are a central piece of that program, we are the launching pad if you will.

Smallcaps.us: Well, that's great. I also understand that you want to start offering this service across the United States. Doesn't it take an extensive network to do that?

Clark A. Marcus: It does. When we first took controlling interest in the Company, they only had about 10,000 providers nationwide operating in only about three states. And with that kind of coverage you could never do this.

So our group, our management put in substantial sums of money. And in a year and a half period we have increased the provider footprint to 42 states. We don't have business in 42 states, but we are positioned to take on new business in 42 states. If you ask me if it's deep

enough yet, it's not. It should be better. But 42 states with good coverage is a very good start for what we're doing and we've hired people that can expand within those states and beyond those states literally in 30 to 60 days.

For example, we picked up a new account that had patients in Seattle and we didn't have any providers in Seattle, but in 60 days we had deep coverage. In Puerto Rico, we did the same in less than 60 days. We now have the largest NCQA Behavioral Health Network on the entire island. NCQA is an accreditation in the healthcare industry that everybody seeks to get. And we have the only accredited behavioral network in Puerto Rico.

And it's all because we know how to build networks and we know how to build them correctly and we know how to keep our books and records straight so when the regulators come in, they look at it and say, "They're doing the right job." And that's very, very important in acquiring these new accounts and of course in maintaining the account.

Smallcaps.us: And just to give our listeners an idea of Comprehensive Care's growth potential, can you briefly discuss your latest quarterly and nine months results which you announced November 21st, 2011?

Clark A. Marcus: Yeah. The Company started 2010 with contracted revenue of approximately \$14 million and reported roughly \$54 million for the first three quarters in fiscal year 2011. We're on track to close the year at roughly \$70 million to \$72 million in revenues. So that's a rise of about 400 to 500 percent.

Smallcaps.us: Despite the significant growth, the Company still recorded a loss for the 3rd quarter and nine months period. Will the projected growth of the pharmacy management program be sufficient to start generating profits?

Clark A. Marcus: We think it's even better than that. We were upside down financially from the day we took over the Company primarily because the Company at that time had roughly

80 employees. We knew that the business was losing money on certain contracts so we elected to not renew and to not solicit to renew some of the existing contracts simply because they were losing money.

As a result, we took the Company's revenues down to about 14 million, but kept all of the employees that the Company had. In fact, we added some.

So we were upside down for that entire period of time because we kept expanding the Company, hiring some top level management executives, getting ready to go into the commercial space, going from about 3 states to 42 states and not worrying about Wall Street, knowing that in the long run these programs we're going to make a difference.

Now, you say will pharmacy make a difference? If we didn't have pharmacy, we believe the Company will turn profitable very shortly. With the pharmacy, there's an enormous difference. With one pharmacy transaction with a group of let's say 100,000 which is not a huge group, the world changes for the Company. So we think we have two ways to win.

Smallcaps.us: OK. Can you tell us a little bit about yourself and the other key executives of the Company?

Clark A. Marcus: I can and I'm pleased to do that. I'm just one of a group of let's call it directors and/or management. We worked off and on together over a number of years. I have a law degree and I actively practiced law for a number of years. I was Senior Partner of Victor and Marcus, then I was Senior Partner of Marcus and Marcus. But throughout that entire period of time, I was able to engage in various public and private businesses either as founder or as principal. We did some work for the Disney organization as a licensee, the World Wildlife Fund, we owned drug rehab centers, we owned nursing homes, home healthcare facilities, and they all did very well.

Then there's Joshua Smith, he is Vice Chairman of the Board. Josh sits currently on

the Board of Caterpillar, Federal Express, Allstate Insurance, a number of universities. I think he just left his position on the Board of Directors of the United States Chamber of Commerce. I believe two or three presidents have appointed him to head up the diversity program from the White House to the African American community. He is an expert business coach and at one time ran the largest African American private enterprise in the U.S.

Then there's Arnold Finestone. Arnold was President of Dartco which was a division of Dart & Kraft. He is considered by many the father of modern day polymer chemistry. He was instrumental in building billion dollar plants operating the Dart & Kraft operation in at least one or two subsidiaries. In other words, he is an expert business entrepreneur. Not so much in founding companies, although he has done that as well, but in operating them.

David Pitts. David comes out of the military initially. At one time he was attached to the Pentagon and I believe he was authorized by the Pentagon to build out the Veterans Administration Hospital system along with Mr. Packard of Hewlett Packard. But he also runs what's called Pitts Management Associates, one of the leading private entrepreneurial entities in the country in hospital management. He sits on the board of a number of hospital organizations and when it comes to hospitals and healthcare, he's an expert.

Robert Kulbick is the president of CompCare. His last position was president of a PBM. That was critical to us. We met him through Wal-Mart. Wal-Mart introduced us to the PBM that he was the President of. And as we speak right now, we have already structured the transaction whereby the former PBM, which is called ProCare Rx, will be the PBM for one of our new accounts.

We then have Jean Moise. Jean Moise was COO of one of the United Healthcare Divisions. He has over a 20-year history in healthcare.

Smallcaps.us: Well, that's certainly good to know. And something else I'm curious

about, and what many investors consider to be a big plus, is has the management team invested some of its own money in the Company?

Clark A. Marcus: We have and we've invested quite a bit. If I total it up from the day we took a controlling position with the Company, I know we've invested in cash approximately \$22 million of our personal money.

We've not reached outside to do this. We generally don't. It's been our pattern that if we believe in something, we put our money up. We don't ask other people to do it. The only time we reach beyond ourselves is when we are fairly certain we have a winner, that we have something that's going to benefit the people we service and our investors. So we put up approximately \$22 million.

Smallcaps.us: Now, Clark, as a recap, why is this a good time for investors to take a closer look at Comprehensive Care Corporation?

Clark A. Marcus: It's a great time we think because the laboring work, the hard work of morphing the Company from being just behavioral health is done. The Company has the ancillary products. The arrangement with Wal-Mart is, in our view, a blockbuster. There is nobody who can get in front of us on it, we know it's an innovative system. The numbers involved in terms of what can happen to the Company as a result of that relationship are simply enormous. They're mind boggling in the sense that you say, "Well, how can the Company make that much money?" The answer is it's just a function of numbers. The more people that we cover, the better the Company's bottom line becomes. We don't have to add people, not materially so at least, to execute on the plan. The plan is actually in the process of being executed. We've already signed up three contracts. So the pharmacy component is in our view, gigantic. It's a tremendous one.

On the behavioral health side, we positioned the Company to not only in the Medicare and Medicaid space that I mentioned early on, but

also into the commercial sector. And in fact, we have now signed a contract with existing accounts that were only in the Medicare and Medicaid space which now transcends Medicare and Medicaid.

So we streamlined the Company, we transitioned the Company from processing claims manually, at a ridiculously high cost, to processing them electronically at a ridiculously low cost. We've hired the right management people to execute the plans of the Company and create new ones. I can't think of a better time. The Company, we believe, is undervalued, it's ready to go.

Smallcaps.us: And does the Company have a website where investors can get more information?

Clark A. Marcus: It does. It's www.compcare.com. It is not the best site in the world. I think that's probably something we should pay more attention to at this point

especially. But that is the site that we have up there and I suspect everybody I've mentioned is on that site in terms of management. You can get a much deeper view of who they are.

And I think if one looks at who the management people are, they get a sense of the track record of success. And somebody once said to me, you have to bet on the jockey, if the jockey can't win, you can't win. These jockeys win. And the website reflects who they are. So in that respect the website is up to date and quite good.

Smallcaps.us: Fantastic. Clark, thank you so much for taking the time out of your schedule to give us an introduction to Comprehensive Care. We hope that the exciting opportunities for the Company bear plenty of fruit, and we'd love to have you back in the future to discuss the Company's progress.

Clark A. Marcus: That would be my pleasure. Thanks so much for the time.

Interview Feedback

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/comprehensive-care-ceo-clark-a-marcus-opens-up-about-pharmacy-management-program-which-saves-tens-of-millions-of-dollars>

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