



2016 Annual Report

Smile Power™

Protecting your smile for life

President's Message



Anthony S. Barth
President and CEO

Your smile has power. It can set the mood for a conversation, bring people together. It can help you make friends and influence people. Smiling can even boost your own mood.

Delta Dental is dedicated to championing that smile for life.

Quite a few of our clients have been with us for many years — in fact, we still cover the first group that joined us back in 1955. Many enrollees are covered by a Delta Dental plan throughout their lives, from employer to employer.

People are increasingly finding their Delta Dental benefits through less traditional outlets, such as AARP, Costco, our website, a Marketplace exchange or one of our medical partners. These options allow those who don't have employer-based dental benefits to have coverage throughout their lives. We expect continued success as we increase these offerings because people want value and simplicity from a brand they trust.

We hope this report will bring a smile to your face as we detail how we've increased access to care, redefined what it means to be a service organization and strengthened our position in the market.

Highlights



Strength

We advocated for dental benefits in the national arena and earned an “A” rating for our streamlined operations and tech modernization.

Value

We delivered extra value with a new tool to estimate costs, a report that identifies risk and a new focus on the customer experience.



Partnerships

Through old and new partnerships, more people in the community gained access to needed dental care.

Financial Statement

Our Financial Statement tells the story of a strong and stable organization that continues to grow.



Strength of our organization



Our enterprise covers almost 35 million Americans, primarily through employer-based plans. In 2016, nearly 400,000 people enrolled in one of our dental plans through a state or federal public exchange, or in a plan we offered off-exchange with a medical plan partner. This makes us by far the nation's largest stand-alone dental plan in the exchanges through which we administer Affordable Care Act-compliant dental benefits for children and adults.

The strength of our organization helps us advocate for dental benefits, both for individual and employer-based business. Working independently or alongside organizations such as the National Association of Dental Plans and the Delta Dental Plans Association, we advocate to maintain and expand dental coverage for as many Americans as possible to protect smiles for life.

A.M. Best, the leading independent health care rating agency, awarded our enterprise companies an "A" (Excellent) rating with a stable outlook. This upgraded rating reflects our marketplace gains and the success of our new technology and other initiatives that are helping to reduce administrative expenses. According to A.M. Best, we are well positioned for future growth and stability.

A rating

"... improved capitalization, an economic shift to a higher level of earnings and the execution of business expansion strategies"

"... streamlining operations and making investments to modernize (its) information and technology infrastructure, which has improved efficiency, generated cost savings and raised market penetration in both insured and uninsured businesses."

—A.M. Best

Value for the customer



We built our reputation by providing extra value to the customer. With customer expectations shifting, we are renewing this focus with a new Customer Experience unit set up in 2016. The team is looking to further enhance our service at every touchpoint and explore ways to make dental benefits even simpler.

To provide added value for our group enrollee customers, in 2016 we introduced a cost estimator tool, available for Delta Dental PPOSM customers. The online tool estimates enrollee out-of-pocket costs based on plan design and dentists available in the local area. Besides giving enrollees a heads-up on prices for procedures, the tool can show the financial advantages of visiting an in-network dentist, which also helps save on plan costs for groups.

We developed a Dental Health Summary Report to help benefits administrators evaluate the progressive oral health and risk status of their employees. Examining risk status indicators and utilization over time and comparing them with benchmark data can help groups assess whether intervention and education can improve risk status. The report is available for PPO groups with a minimum of 1,000 enrollees to allow a statistically significant sample size for the data.

Partnerships, old and new



In 2016, the State of California awarded our organization a new contract to provide administrative services for the Denti-Cal program, continuing our 42-year relationship serving the state's Medicaid population. With 13 million children and adults enrolled, Denti-Cal is the largest state-sponsored dental insurance program in the country and represents a significant contribution to our mission to increase access to care.

We partner with Medicare Advantage Organizations (MAOs) to administer dental benefits compliant with Centers for Medicare & Medicaid Services (CMS) contractual standards, and we have partnerships with individual states to administer Medicaid benefits. This business segment continues to grow, as we possess the legal and regulatory expertise to meet the needs of these clients.

Partnering with our community and being a good corporate citizen are vital to our mission. We've accelerated our sustainability efforts in recent years to reduce our carbon footprint and worked with dentists, enrollees and employees to go paperless. Our philanthropic donations of nearly \$7 million in funds and services in 2016 helped support community groups, outreach, education, scholarships and research. The Delta Dental Community Care Foundation awarded \$3.7 million to dental clinics in 2016 to improve the oral health of economically disadvantaged children and adults, especially in rural areas where access to dental care is limited.

Recognition

Benefits Business Partner of the Year

jetBlue[®]

For consistency, customer service excellence and innovation

Financial Statement

CONDENSED COMBINED FINANCIAL STATEMENTS

Balance Sheets (unaudited)

December 31, 2016 and 2015

(In thousands)

The following selected financial data have been derived from Enterprise Companies' financial statements.

	2016	2015
Assets		
Cash and cash equivalents	\$ 852,241	\$ 625,581
Marketable securities	1,243,425	1,111,486
Receivables	478,734	441,803
Property and equipment, net	189,471	211,682
Other assets	113,092	83,625
	\$ 2,876,963	\$ 2,474,177
Liabilities and general reserves		
Liabilities		
Unpaid claims and claims adjustment expenses	\$ 507,983	\$ 450,924
Accounts payable and accrued expenses	293,626	271,037
Deferred revenue	88,448	79,134
Refundable customer balances	603,441	484,511
Accrued retirement benefits	71,283	72,714
Other liabilities	64,208	65,550
	1,628,989	1,423,870
General reserves	1,247,974	1,050,307
	\$ 2,876,963	\$ 2,474,177

Statements of Income and Expense and General Reserves (unaudited)

December 31, 2016 and 2015

(In thousands)

	2016	2015
Revenues		
Commercial customers	\$ 6,890,468	\$ 6,568,461
State and federal programs	1,830,213	1,693,939
Investment income	21,263	26,696
Other income (expense), net	3,805	(6,242)
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	8,745,749	8,282,854
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Expenses		
Professional dental services	7,648,125	7,269,526
Administrative	918,467	873,896
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	8,566,592	8,143,422
	<hr/>	<hr/>
Net income	179,157	139,432
Unrealized gain (losses) on securities	14,943	(11,845)
Pension liability and post-retirement adjustments	3,566	(3,449)
General reserves at beginning of year	1,050,308	926,169
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General reserves at end of year	\$ 1,247,974	\$ 1,050,307
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Statistics

Network

We contract directly with the dentists in our networks.

Delta Dental PPOSM

288,820 Access Points
5.8% Growth

Delta Dental Premier[®]

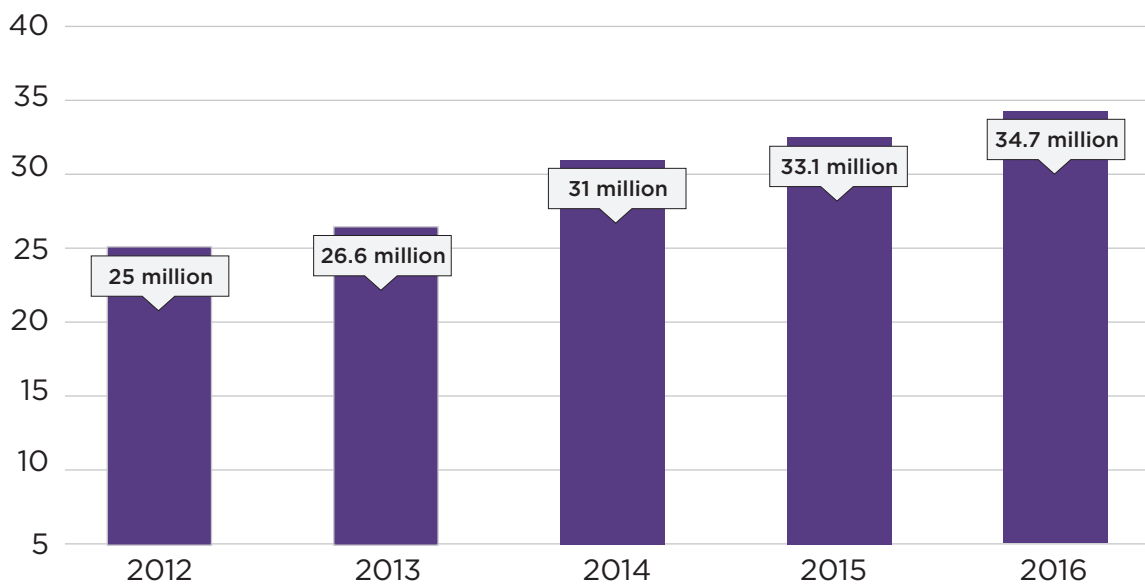
362,505 Access Points
5% Growth

DeltaCare[®] USA

58,000 Locations
DeltaCare USA is a closed network plan in most states.

Enrollment growth

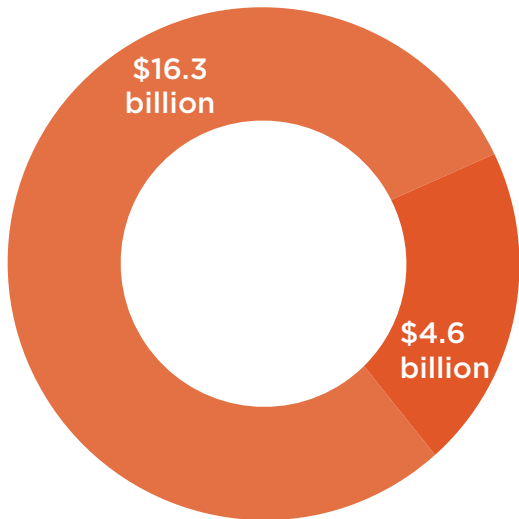
Steady growth in enrollment means more people have access to needed dental care.



Growth (in millions)

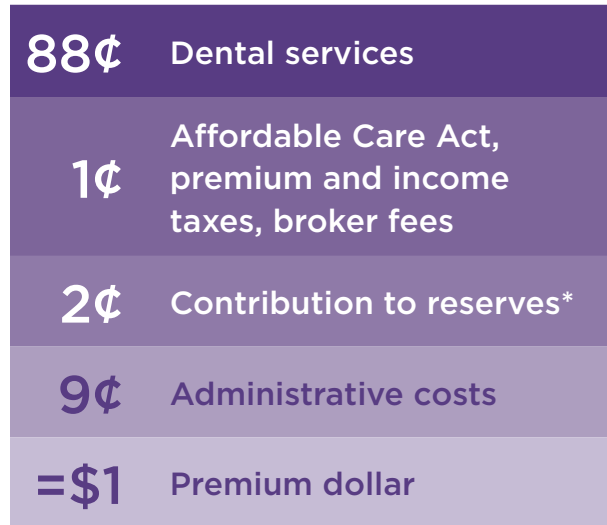
Cost management

The Delta Dental Difference® includes savings we achieved for both clients and enrollees. The bulk of the savings is from contracted dentist fees, but also includes identifying non-billable services, duplicate claims submissions and other mechanisms.



- \$16.3 billion: Total submitted
- \$4.6 billion: Savings (28.5% of submitted amount)

Out of every premium dollar, 88 cents pays for dental services.



*Reserves ensure Delta Dental can meet anticipated financial obligations, as well as any unforeseen circumstances, without risk to our customers.

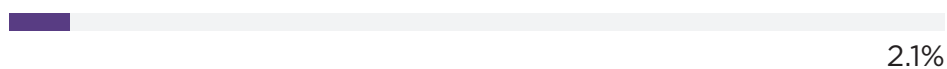
Products

For our commercial clients, Delta Dental PPO continues to be our predominant product, with 16.5 million enrollees. DeltaCare USA, our HMO-type plan, is especially popular on the Marketplace exchanges.

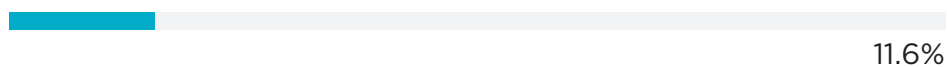
Delta Dental PPOSM



Delta Dental Premier[®]



DeltaCare[®] USA



Customer service



21.7 million calls answered



98.8% resolved on first call



46.4 million claims processed



3.9 days average turnaround

Sustainability

As part of our sustainability program, we held webinars for dental offices discussing how to make their businesses more environmentally friendly, and promoting our online capabilities and electronic claims submission in order to reduce their paper use.

6,900 trees saved from customers who went paperless.*

Member of the Environmental Protection Agency's WasteWise and Green Power Partnership Programs



75% of our office spaces are ENERGY STAR certified.

*Courtesy of Environmental Paper Network

Surveys and retention

Enrollees

96%

Satisfied with
Delta Dental
dentist*

93.5%

Satisfaction with
Delta Dental*

97%

Enrollee retention

*Represents results from nearly 20,000 surveys

Clients

98.5%

Satisfaction with
Delta Dental*

97%

Ease of doing
business with us*

97.9%

Would recommend
Delta Dental*

96%

Client retention

*Represents results from about 5,750 surveys

About Us



Our enterprise companies comprise one of the nation's largest dental benefit delivery systems, with 34.7 million enrollees.

Mission Statement

To advance dental health and access through exceptional dental benefits service, technology and professional support.

Delta Dental-Affiliated Companies

The following companies in our enterprise are members, or affiliates of members, of the Delta Dental Plans Association, a network of 39 Delta Dental companies that together provide dental coverage to 74 million people around the country.

- Delta Dental Insurance Company (AL, DC, FL, GA, LA, MS, MT, NV, TX and UT)
- Delta Dental of California
- Delta Dental of Delaware, Inc.
- Delta Dental of the District of Columbia
- Delta Dental of New York, Inc.
- Delta Dental of Pennsylvania (PA and MD)
- Delta Dental of West Virginia, Inc.
- Delta Dental of Puerto Rico (PR and VI)
- Delta Reinsurance Corporation (Barbados)
- Alpha Dental of Alabama, Inc.
- Alpha Dental of Arizona, Inc.
- Alpha Dental of Nevada, Inc.
- Alpha Dental of New Mexico, Inc.
- Alpha Dental of Utah, Inc.
- Alpha Dental Programs, Inc.

Dentegra Companies

The enterprise companies below are not affiliated with Delta Dental Plans Association. However, the two U.S. insurance companies* are authorized by Delta Dental Plans Association to market and underwrite certain multi-state and national Delta Dental-branded programs.

- Dentegra Group, Inc.
- Dentegra Insurance Company*
- Dentegra Insurance Company of New England*
- Dentegra Seguros Dentales, S.A. (Mexico)
- Servicios Dentales Dentegra, S.A. de C.V. (Mexico)

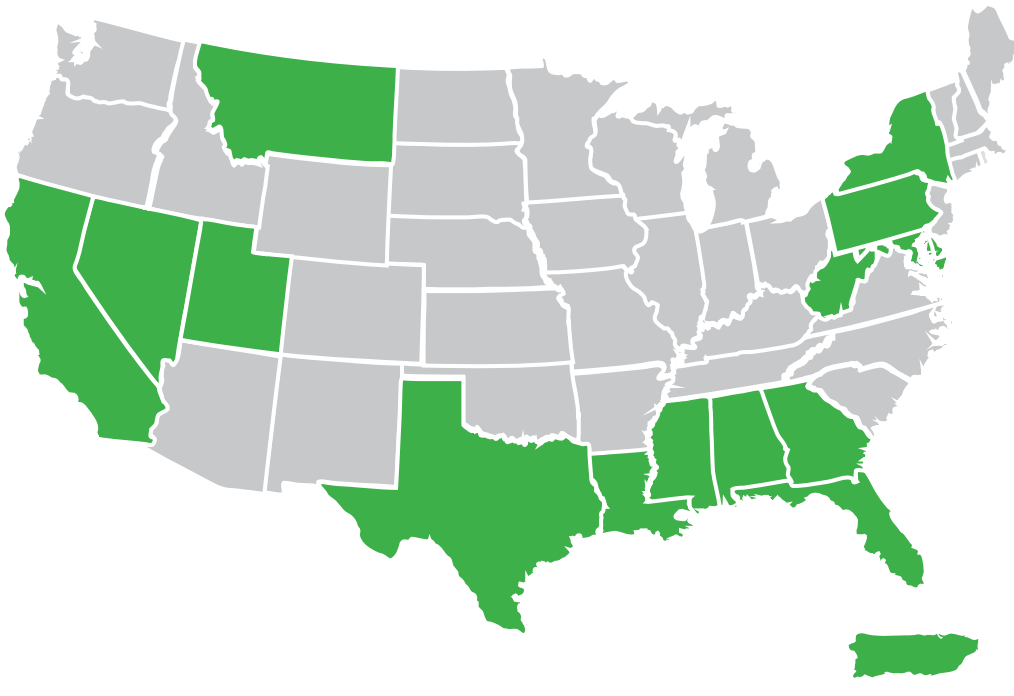
DeltaCare USA Operations

Delta Dental Plans Association has granted our enterprise the exclusive right to underwrite multi-state DHMO business under the DeltaCare USA brand across the nation.

Delta Dental PPO and Delta Dental Premier Operations

Delta Dental Plans Association has granted our enterprise the exclusive right to underwrite fee-for-service, preferred provider/dental provider dental plans under the Delta Dental brand in:

Alabama, California, Delaware, District of Columbia, Florida, Georgia, Louisiana, Maryland, Mississippi, Montana, Nevada, New York, Pennsylvania, Puerto Rico, Texas, U.S. Virgin Islands, Utah, West Virginia.



Puerto Rico and the
U.S. Virgin Islands



Contact Us:

deltadentalins.com/about/contact/sales.html

deltadentalins.com