



IMPROVING ORAL HEALTH—
IT'S OUR PASSION AND
OUR RESPONSIBILITY AS THE
DENTAL BENEFITS LEADER.



Delta Dental of Massachusetts



LETTER FROM THE PRESIDENT AND CHAIRMAN OF THE BOARD

During the past year, debate on health care reform laid the groundwork for significant changes in the health care industry. The proposed legislation before Congress included measures that could affect the dental benefits industry. Delta Dental of Massachusetts actively engaged in this debate to ensure there would be appropriate oral health provisions in the final law. We want our valued partners and the community at large to know they can count on us to work faithfully on their behalf. As the nation will likely enter a new era for health insurance in 2014, we pledge our unique expertise to help our customers navigate benefit reform, including changes in the evolving marketplace as well as new legislation.

We are pleased that current health care reform will expand coverage for dental benefits for children that are vitally important to improving oral health. Because we know prevention is the best, most cost-effective way to improve oral health, Delta Dental has led the industry in introducing preventive treatments as a standard benefit in our plans. We have been a longtime advocate for early childhood prevention of dental disease, through benefit and outreach programs. Significantly, the new legislation will fund initiatives that will include public education, school-based sealant programs, and research programs. Expanded education of dental professionals is another positive change to come, as is increased funding support for safety net dental programs run by school and community health centers.

Health care reform will undoubtedly increase cost pressure on businesses everywhere. Our highly recognized core expertise in efficient operations and proven track record in providing innovative, cost-effective benefit programs will stand us in good stead. Our superior dental management capabilities, including utilization management and utilization review, will ensure we offer our customers great value.

As we all know, good oral health is an essential part of overall health and wellness. As part of our longtime mission to improve oral health, Delta Dental of Massachusetts will work hard to improve access to dental care through legislation, as we continue to spread smiles across Massachusetts.



A handwritten signature in black ink that reads "Fay Donohue".

Fay Donohue
President & CEO
Delta Dental of Massachusetts



A handwritten signature in black ink that reads "H. Jay Sarles".

H. Jay Sarles
Chairman of the Board
Delta Dental of Massachusetts

IMPROVING ORAL HEALTH—IT'S OUR PASSION AND OUR RESPONSIBILITY

MEETING CHALLENGES, FULFILLING GOALS

Delta Dental is proud to be the number one dental plan in Massachusetts. We cover one in every three Massachusetts residents who have dental insurance. We are the dental plan of choice for nearly 10,000 companies in the Commonwealth. And with 96% of dentists in Massachusetts participating in our networks, our members have unsurpassed access to quality care at convenient locations.

We remain financially strong in 2009 despite challenging economic conditions. Businesses across Massachusetts reduced staff in response to the slower economy, and we felt the impact in lost membership. Nonetheless, we succeeded in retaining 97% of our membership and also exceeded our sales goals for new business. By the end of the year we gained 281 new groups as benefit partners, and our total membership numbered 2,018,641.

IMPROVING ORAL HEALTH, IMPROVING LIVES

Our focus on prevention and advancing scientific knowledge about oral health is the core of our mission. Prevention of dental disease and early detection and treatment provide the greatest benefit of all—better health—to our members. Furthermore, prevention and evidence-based treatment provide the greatest cost savings for Massachusetts consumers by avoiding the need for more costly care.

In 2009, we began providing an *Oral Health Report* to accounts with more than 500 enrollees. This report summarizes the oral health status of a group's members, including preventive care received, and compares it to that of similar companies. This benchmark data will be provided annually, so that accounts can track the impact Delta Dental benefits have on the oral health of their membership.





Also in 2009, we began developing an additional strategy to enhance our *Healthy Mouths for Life*SM program, which reaches out to members with dental disease and provides information on how to improve oral health. Through our partnership with dental offices, the new component will help ensure that appropriate care is delivered. We will use our claims system to identify at-risk members who would benefit from additional preventive services and send notification to their dentist. We are also working on a strategy to provide financial incentives to dentists for ensuring that patients receive the necessary preventive care to stay healthy.

THE BOTTOM LINE: BETTER HEALTH AND BETTER VALUE

Our longtime, passionate commitment to improving the oral health of our members sets us apart from all others in the industry. For more than forty years, we have worked tirelessly to build the strongest dental networks in the state, in order to provide unsurpassed access to care within cost-effective programs. We are proud of our reputation as a strong oral health advocate in Massachusetts, as well as our positive relationships with dentists, physicians, hygienists, dental educators, legislators, and researchers throughout the oral health industry.

What our leadership means to our business partners is better value. Our core expertise in dental benefits administration and excellent industry relationships allow us to provide the highest-quality care through innovative benefit designs that improve the health of our customers and their members.

IN 2009 WE:

Paid nearly 4.5 million claims

Achieved 99.8% financial accuracy
in claims processing

Achieved an average claim turnaround
time of 4.6 days

Answered 1,074,226 calls to assist
accounts, members, and dentists

OUR COMMITMENT TO MASSACHUSETTS

Delta Dental has a long history of providing financial support for organizations dedicated to improving oral health in Massachusetts. In 2009, we contributed more than \$2 million to fund important statewide programs and initiatives. These dollars included grants to provide both routine and urgent care for underserved populations; to promote early childhood dental care education; to support the statewide coalition creating the first oral health plan for Massachusetts; to advance school-based educational outreach; to develop and coordinate community health centers; to replace clinical equipment; and to raise public awareness about the importance of prevention and disease management.

Year after year, Delta Dental delivers the highest-quality service and claims processing. We are delighted to report that in 2009, 95% of our members are satisfied with their Delta Dental plan.

DELTA DENTAL OF MASSACHUSETTS CONDENSED BALANCE SHEETS

AS OF DECEMBER 31 (IN THOUSANDS)

	2009	2008
ASSETS		
Investments in bonds	\$ 175,772	\$ 190,586
Investments in marketable stocks	47,884	27,300
Cash and short-term investments	(8,310)	(8,024)
Receivables for open trades	2,411	255
Investments in subsidiaries	(3,332)	(25,838)
Invested assets	\$ 214,425	\$ 184,279
Premiums receivable	35,879	28,538
Other assets	13,303	12,293
Total assets	<u>\$ 263,607</u>	<u>\$ 225,110</u>
LIABILITIES		
Claims payable and policy reserves	\$ 20,045	\$ 27,896
Amounts withheld or retained for the account of others	39,775	35,712
Accounts payable and other liabilities	15,507	13,589
Total liabilities	<u>75,327</u>	<u>77,197</u>
CAPITAL AND SURPLUS		
Total liabilities and capital and surplus	<u>\$ 263,607</u>	<u>\$ 225,110</u>

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