

# Spreading Smiles



2008 Annual Report



## Letter from the President and the Chairman of the Board

For over forty years, Delta Dental of Massachusetts has been dedicated to improving the oral health of millions by providing quality dental benefit plans to businesses, municipalities, hospitals, unions, and academic institutions across the state. We feel privileged to be the leading dental benefits company in Massachusetts. And with this leadership position comes a responsibility to dedicate our resources and energy to delivering dental benefit programs that bring value to our accounts and members, and to advancing the oral health of all the residents in the communities we serve.

Raising awareness of oral health, whether by promoting progressive dental treatments or tried-and-true basics, is a vital part of our mission. We are dedicated to promoting oral health awareness to members and the general public alike, through member outreach programs like *Healthy Mouths for Life*, our *Oral Health Report* which shows our accounts how their benefit dollars are impacting the oral health of their employees and families, and through research and community-based programs.

One particularly noteworthy project we completed in 2008 is a study titled *The Oral Health of Massachusetts Children*. Released last January, the study reveals significant problems with the oral health of our youngest citizens, and some dramatic disparities between racial, ethnic, and socioeconomic groups.

- More than one in four kindergarteners—19,000 children a year—start school with dental disease
- Over 60 percent of third graders from low-income families suffer from dental decay, compared to 33 percent of higher-income children
- 58 percent of Hispanic third graders and 51 percent of black third graders suffer from dental decay, versus 36 percent of white classmates
- Low-income children are almost nine times as likely to need urgent care due to pain or infection as children from higher-income families

These statistics provide compelling evidence of a serious problem. On the basis of this report, and working with collaborators and colleagues, we helped convene a summit meeting in Sturbridge, Massachusetts, in June of 2008, the *Better Oral Health for Massachusetts Conference*. A coalition of caregivers, lawmakers, government agencies, and benefits providers met to develop a plan for action and a brighter future for oral health in our state. The goal is to develop a comprehensive and realistic oral health plan for the state of Massachusetts.



An important aspect of our corporate mission is to improve the oral health of residents of Massachusetts who lack access to dental benefits and affordable dental care. In 2008, we contributed over \$15 million across several programs and initiatives to help improve oral health in our state. These dollars included grants for equipment, expansion of dental facilities within community health centers, school-based sealant programs, and funding for the Massachusetts Dental Society's Mobile Access to Care (MAC) Van, which helps to provide free dental care to underserved children throughout Massachusetts.

Against the backdrop of a challenging economy, we delivered a solid year of performance in 2008. Looking ahead, we know there is still so much more work to be done as we continue our mission of spreading smiles, healthy smiles, in Massachusetts.



Fay Donohue  
President & CEO  
*Delta Dental of Massachusetts*



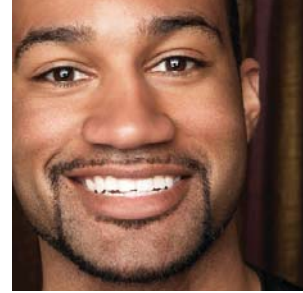
H. Jay Sarles  
Chairman of the Board  
*Delta Dental of Massachusetts*



Fay Donohue and H. Jay Sarles

*Our dedication to spreading healthy smiles and our passion for oral health care have made Delta Dental a recognized industry leader.*

**9/10/2008 — The Boston Business Journal honored Delta Dental of Massachusetts as one of the state's largest corporate charitable contributors. This is the second year in a row that the Boston Business Journal has recognized Delta Dental of Massachusetts for its philanthropic giving.**



## Spreading Smiles in Massachusetts

For over forty years, Delta Dental has set the standard for dental benefits excellence in Massachusetts. And in 2008, a year marked by its difficult economic climate, Delta Dental continued to sustain and grow our business, and ended the year in a strong financial position. Our enthusiasm for improving oral health, and our commitment to the highest standards of performance excellence, continue to translate into a consistently better value for our accounts and members.

We added more bright smiles to our business picture this year with the acquisition of 282 new accounts, 57% of which had no prior carrier. In an economy where companies are reluctant to add benefits due to costs, we succeeded in bringing these 160 accounts into the ranks of companies offering dental benefits in our state. With some area businesses closing, and many downsizing, we are pleased to have retained 97% of our membership. Our net growth for the year was an increase of 14,805 members, bringing our total membership to 2,122,341. We are spreading smiles.

### *Covering more people...*

Access to affordable dental care is no longer beyond the reach of Massachusetts retirees, individuals, and families who lack access to dental benefits through an employer or group. Beginning in 2008, we now offer a dental benefits plan designed to serve this population. Adding this important choice to our offerings of coverage, we are addressing the needs of a long-underserved market segment in Massachusetts. The Delta Dental Plan for Individuals and Families was launched with little fanfare in the spring, yet exceeded its membership goal and brought us almost 3,000 new members.

### *...with more benefits...*

In our quest for new ways to provide more benefits within existing programs, we introduced *Rollover Max*. This program takes a portion of members' unused benefits dollars and automatically rolls the amount over into the following year, increasing coverage for future needs such as root canals, or expensive procedures like crowns. At the end of 2008, the first year of this new benefit, rollover dollars were calculated and awarded to over 580,000 members who met the program's qualifications and will now enjoy even greater value from their dental plan in 2009 and beyond.

## ...and improving oral health

Improving the oral health of our members is our #1 priority. Our dental plans feature value-added designs including coverage for sealants for older children still at risk for dental decay, and periodontal cleanings covered at 100% to ensure that financial concerns are never a barrier to managing dangerous gum disease. We include these unique benefits and others in our programs because we know they'll improve our members' oral health. Now our accounts will know too.

In 2008, our oral health improvement team developed our new *Oral Health Report* for accounts. The *Report* gives a snapshot of their employees' dental health status and rates of care, along with a breakdown by age and disease. Helpful charts compare employees' oral health statistics with each customer's industry benchmarks.

## Our Commitment to Service Excellence

At Delta Dental, our passion for oral health is only matched by our commitment to deliver the highest-quality service and claims processing. In 2008 we:

- Paid **nearly 4.6 million claims**
- Achieved **99.9% financial accuracy** in claims processing
- Achieved an **average claim turnaround time of 4.6 days**
- Answered **1,250,468 calls** to assist accounts, members, and dentists



# Delta Dental of Massachusetts

## Condensed Balance Sheets

	<i>As of December 31 (in thousands)</i>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Investments in bonds	\$ 190,586	\$ 185,770
Investments in marketable stocks	27,300	51,193
Cash and short-term investments	(8,024)	(2,337)
Receivables for open trades	255	845
Investments in subsidiaries	<u>(25,838)</u>	<u>(32,894)</u>
Invested assets	\$ 184,279	\$ 202,577
Premiums receivable	28,538	29,310
Other assets	<u>12,293</u>	<u>10,431</u>
Total assets	<u>\$ 225,110</u>	<u>\$ 242,318</u>
<b>Liabilities</b>		
Claims payable and policy reserves	\$ 27,896	\$ 34,646
Amounts withheld or retained for the account of others	35,712	34,510
Accounts payable and other liabilities	<u>13,589</u>	<u>19,272</u>
Total liabilities	77,197	88,428
<b>Capital and Surplus</b>		
	<u>147,913</u>	<u>153,890</u>
Total liabilities and capital and surplus	<u>\$ 225,110</u>	<u>\$ 242,318</u>



## Board of Directors

H. Jay Sarles

*Chairman of the Board  
Bank of America, retired*

Anne Page Palmer

*Vice Chair of the Board  
John Hancock Financial Services, retired*

Terry Conner

*Liberty Mutual Holding Company, retired*

Fay Donohue

*Dental Service of Massachusetts*

Carol Fulp

*John Hancock Financial Services*

Thomas Galligan, III

*Papa Gino's Holdings Corporation*

Raul Garcia, DMD

*Boston University School of Dental Medicine*

John Gusha, DMD

*General Dentist*

Douglas Harding

*Lahey Clinic, retired*

Edward Hjerpe, III

*President and CEO, Federal Home Loan  
Bank of Boston*

Marion Kane

*Barr Foundation, retired*

Karen Kaplan

*Hill, Holliday, Connors, Cosmopolous, Inc.*

Donald Kenney

*EquiServe, retired*

Donald LeClair, DMD

*General Dentist*

Linda Niesen, DMD

*Dentsply*

Walter Owens, DDS

*Meharry Medical College School of Dentistry*

Leslie Zide, DMD

*General Dentist*

## Corporate Officers

Fay Donohue

*President & CEO*

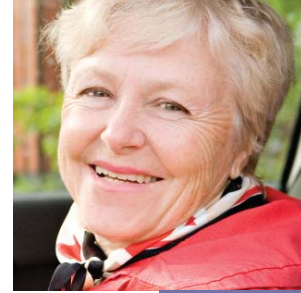
Ian Belinsky

*Senior Vice President, Treasurer & CFO*

Margaret Baldwin

*Corporate Clerk*





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