

Working today for a  
**healthier** tomorrow.



**Delta Dental of Rhode Island**  
2009 Annual Report



### **President's Message:**

No discussion about 2009 would be complete without addressing the debate over national health care reform. Debate that resulted in legislation that will impact virtually every American. Our nation's health has never been more topical. But at Delta Dental, our members' health has always been the foundation for our benefit programs - and it will remain the catalyst for our future success.

Dental care has always been our primary focus. And today, more than ever, it is an essential component of good overall health. As studies continue to demonstrate a link between periodontal disease and several systemic health conditions, we continue to adapt our programs to embrace the science. The steps we take today will have a long-range effect on the dental health, and overall health, of our members.

### **Our prevention-based approach is the model for success**

We operate on a proven prevention-based model, offering programs designed to proactively reduce dental decay and prevent disease rather than wait to treat it. Our benefit plans, in particular, were developed to improve long-term patient outcomes while containing costs. As a result, we are able to keep the price of dental insurance affordable for Delta Dental members.

That is one reason we continue to experience growth despite a recessionary economy. We experienced exceptional growth again last year, adding more than 71,000 net new members. Our consolidated membership approached 720,000. Revenues were up 12.8%, surpassing \$218 million, with consolidated net income of \$2.5 million - further bolstering our financial strength.

Despite the market uncertainty, we remain poised for continued growth. In 2009, we realized an 8% increase in reserves to a record \$61 million - providing us with the resources to make prudent investments in technology and other strategic initiatives and the flexibility to accommodate a prolonged downturn in the economy. With one of the strongest balance sheets in the industry, our financial strength allows us to continue offering affordable dental coverage in these difficult economic times.

### **We're impacting more than dental health**

We know our prevention-based model works -- saving more than just money. Our true success is measured in the dental health of our members. That's why we offer dental wellness programs that emphasize extra

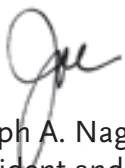
screenings and services for high-risk populations, including pregnant women, diabetics and patients with compromised immune systems. Our wellness approach has the potential to improve the quality of life - even save the lives - of our members.

This spring, after meticulous planning and development, a select group of dental offices and a dental clinic at a federally-qualified health center began administering free diabetes screenings as part of the Delta Dental of Rhode Island/Research Foundation of State University of New York Study on Screening of Patients in a Dental Setting for Undiagnosed Diabetes clinical research study. This study, led by nationally-renowned periodontist Dr. Robert J. Genco of the University at Buffalo, and funded by the Delta Dental of Rhode Island Fund, will test the effectiveness of the dental office in screening for undiagnosed diabetes and pre-diabetes. Since more than two-thirds of Americans visit a dentist at least once a year, the dental office is the most frequent health care point of contact for a large portion of the US population. We believe our research could pave the way for advances in the early diagnosis and treatment of diabetes – putting dental offices on the front lines against this devastating disease. Early detection and treatment is the key, and our research has the potential to mitigate the burden on the health care industry and pave the way for modified benefit administration and more cohesive benefit programs.

#### **We've prepared for the benefits of tomorrow**

To ensure that we are prepared for the benefit programs of the future, we continued to make significant investments in technology initiatives. We completed the implementation of an enhanced dental claim system that provides faster and more accurate payments and improves efficiencies and productivity. Later this year, we will unveil a new interactive phone and voice response system and more robust online capabilities to ensure round-the-clock access to detailed benefit and claim information. We are also exploring the use of social media as a way to connect with consumers and to listen to their concerns. So be sure to look for us on Facebook this year.

We are monitoring national health care reform legislation closely and will continue to do so as it is implemented over the coming years. The dental insurance industry was almost an unintended casualty of the reform bill, but we - along with the entire Delta Dental Plans Association – fought hard to maintain benefits and choice for our members. The work is far from over and we will continue to fight for the “right” reform going forward because nothing is more important to us than the health of our members – and the community.



Joseph A. Nagle  
President and Chief Executive Officer

## Diabetes Research Study:

### Dentists as a partner in early disease detection



“Programs like this can only benefit patients and eventually save their lives.”

**Nuesa Neves,**  
Diabetes Educator  
Blackstone Valley  
Community Health Center

In 2009, we engaged the dental community in what we believe will be a ground-breaking clinical research study - evaluating the effectiveness of the dental office in screening for undiagnosed diabetes and pre-diabetes. We officially launched the study in April of 2010, in partnership with a select group of dental offices and a major health center in the state.

#### Exploring the role of dentists in early disease detection

Research shows that 70% of the US population visits the dentist at least once every two years, often more regularly than their physician. Our most recent Delta Dental member satisfaction survey showed that nearly 75% of members who visited a dentist last year saw their dentist at least twice. And 14% saw their dentist three times last year. Accordingly, the dentist may be the first health care provider to identify a serious health problem, such as diabetes.

#### Simple “finger prick” the key to detection

The research study screens patients using a simple finger prick blood test – along with a risk assessment tool developed by the American Diabetes Association – to determine if they are at risk for diabetes or pre-diabetes. Individuals with a hemoglobin A<sub>1c</sub> level of 5.7 or higher are referred to their physician for further evaluation and diagnosis. If a patient is ultimately diagnosed with diabetes or pre-diabetes, they may be able to slow down or prevent the progression of the disease under the care of their physician. This would have a profound impact on long-term care and, ultimately, health care costs.

Diabetes is one of the most chronic diseases of our time and is increasing in epidemic proportions. In 2007, the disease affected 24 million Americans. Of those, 6 million, or 25%, were undiagnosed. It is also estimated that an additional 56 million people had pre-diabetes. That same year, medical expenditures related to the disease totaled \$116 billion.

### Complications from the disease

Untreated, diabetes can lead to serious health problems. Complications from the disease are a significant cause of mortality and are associated with damage to organs, including the eyes, kidneys and nerves. Individuals with Type 2 diabetes are also at much higher risk for cardiovascular disease, stroke, and periodontal disease, and have a higher likelihood of hypertension and obesity. However, if diabetes is detected early, patients have a better chance of preventing complications through modified treatment regimens. For example, creating custom treatments plans for diabetics with periodontal disease could improve glucose levels by reducing the incidence of infection. That is why this study is so critical.

### Presenting our findings

We will present our findings at a statewide Oral Health Symposium in early 2011. Depending on the outcome of our research, we may opt to modify benefit plans to incorporate this screening process. We believe the study results will impact not only plan designs, but the dental/medical delivery system.

*Diabetes statistics courtesy of: Centers for Disease Control and Prevention, National Diabetes Fact Alert: General information and national estimates on diabetes in the United States, 2007 and Atlanta, GA, US Department of Health and Human Services, Centers for Disease Control, 2008.*



## Sales / Marketing Results:

### Customized dental programs for customized health needs



"Delta Dental has been our dental benefits carrier since 1994. But incorporating their evidence-based benefits last year took our program to a whole new level. By offering enhanced benefits to at-risk employees - and providing incentives to those who take advantage of the plan's preventive care services - we are contributing to long-term savings on our total health costs. As a result, the program saves the university and our employees money - while improving the health of 6,400 Brown University members."

**Drew Murphy**  
**Director of Benefits, Brown University**

Since our inception, Delta Dental has provided dental expertise and service to clients, members and dentists. With continued growth last year, we are now nearly seven times larger than our closest local competitor.

In 2009, we added nearly 100 new clients, including Nortek, United Natural Foods, the International Brotherhood of Electrical Workers Local 99, the Rhode Island Carpenters Union and the Plumbers and Pipefitters Union Local 51. The Governmental Health Group of Rhode Island (GHGRI) and the West Bay Collaborative, which includes the Warwick Public Schools, also joined our client roster last year. We expanded our relationship with CVS through their acquisitions of Long's and Caremark, extending our contract with them for another five years. We also signed contract extensions with key clients Lifespan and RBS Americas/Citizen Financial Group.

#### **We are proud of our history but we are always looking toward the future.**

As the leading dental insurer in the state, we remain at the forefront of a movement to integrate the latest evidence-based research into plan design. That is why we offer custom dental programs that focus on members' individual health needs. Programs that keep our members healthy not just today, but into tomorrow. Clients recognize our efforts, which is why we continue to experience growth year after year.

## Service:

### A service model that ensures healthy results

#### Customer Service

All of our initiatives are designed with the long-term goal of improving patient outcomes. From educational campaigns to expert service staff, we want members to know that their dental plan is looking out for their overall health as well.

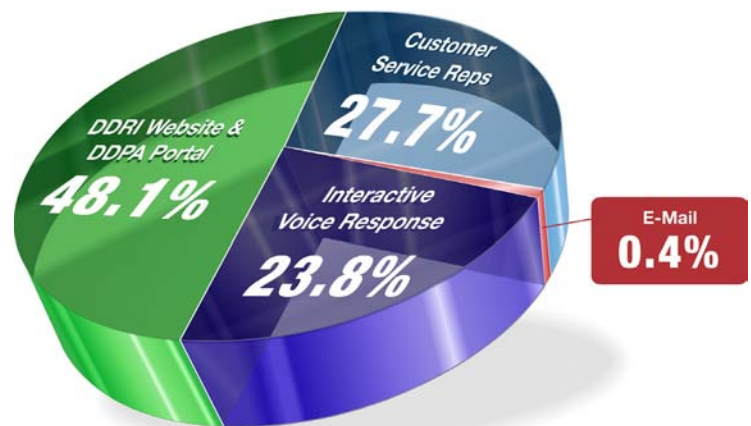
A recent satisfaction survey confirms that our efforts are appreciated by members. 2009 survey results show that:

- **98%** of our customers are satisfied or very satisfied with the quality of dental treatment they received last year.
- **95%** of our customers are satisfied or very satisfied with the availability of dentists in their area.
- **95%** of our customers are satisfied or very satisfied with Delta Dental.
- **94%** of our customers would recommend Delta Dental to a friend or relative.

#### Operational Results

In a recessionary economy, there is an increased pressure to manage administrative costs. In 2009, we were able to decrease overall operating expenses per member by more than 8%. Our 2009 operational highlights:

- **Claim turnaround:** Claims were processed in less than four days, on average.
- **Enrollment processing:** Member eligibility forms were processed in less than 24 hours, on average. Online transactions were processed on the same day.
- **Financial accuracy:** 99.7% of claim payments were financially accurate.
- **Problem resolution:** 96% of inquiries were resolved on first contact.



*Out of 762,000 inquiries in 2009, 72% were received electronically, inclusive of the website, the Delta Dental Plans Association national web portal, automated phone system and email. Nearly half came through the Delta Dental of Rhode Island website alone.*

## Philanthropy: Shaping a healthy community



Delta Dental employees teamed up to fight heart disease at the 2009 American Heart Association Start! Heart Walk at Colt State Park in Bristol, RI.

Since its inception in 2006, the Delta Dental of Rhode Island Fund has provided more than \$355,000 to organizations that support community-based dental health initiatives. Through these organizations, we are helping to improve the health and quality of life for Rhode Islanders - especially the uninsured or those with low incomes. And that is something to smile about.

Over the last four years, we've provided grants to:

- Blackstone Valley Community Health Center
- Carelink (providing a mobile dental van for nursing home patients)
- Christina's Smile Childrens Dental Clinic
- Donated Dental Services of Rhode Island
- Little Sisters of the Poor Jeanne Jugan Residence
- Molar Express
- Providence Community Health Center
- Samuels Sinclair Dental Clinic
- St. Joseph Health Services of Rhode Island

In 2010, the Fund will finance the Delta Dental of Rhode Island/Research Foundation of State University of New York Study on Screening of Patients in a Dental Setting for Undiagnosed Diabetes research study. We believe this research could pave the way for advances in the early diagnosis and treatment of diabetes – potentially saving lives.

## 2009 Financial Statements:

Healthy mouths. Healthy lives. Healthy future.

### Statements of Operations & Reserve

December 31,

(Thousands of Dollars)

<b>Results of Operations</b>	<b>2009</b>	<b>2008</b>
Subscriber Premiums	\$218,233	\$193,373
Claims Incurred	196,977	170,732
Operating Expenses	23,503	24,944
Investment Income	1,706	1,522
Underwriting Income	(541)	(781)
Other Income & Expenses	2,742	3,474
Gain From Discontinued Operations	320	(1,321)
Net Income	2,521	1,372
Reserve, Beginning of Year	57,542	57,486
Post Retirement Benefit (Charges) Other Than Net Periodic Costs from the Effect of Adopting SFAS 158	--	--
Change in Value of Interest Rate Swap Agreement	257	(344)
Net Unrealized Gains / Losses	1,105	(972)
Reserve, End of Year	\$61,425	\$57,542

### Balance Sheets

December 31,

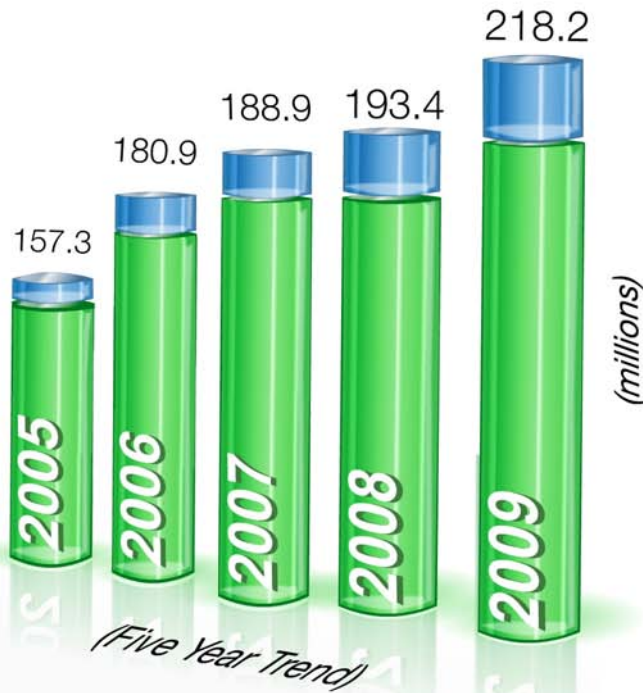
(Thousands of Dollars)

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Cash & Cash Equivalents	\$18,818	\$19,921
Accounts Receivable	5,168	6,630
Investments	54,993	45,395
Fixed Assets	8,283	9,264
Other Assets	1,530	1,354
Notes Receivable	400	--
<b>Total Assets</b>	<b>\$89,192</b>	<b>\$82,564</b>
<b>Liabilities &amp; Reserve</b>	<b>2009</b>	<b>2008</b>
Accounts Payable & Accrued Expenses	\$15,717	\$13,906
Claims Incurred but Unpaid	6,738	6,300
Other Liabilities	2,739	2,504
Mortgage Note Payable	2,573	2,783
Total Liabilities	27,767	25,022
Reserve	61,425	57,542
<b>Total Liabilities and Reserve</b>	<b>\$89,192</b>	<b>\$82,564</b>

The condensed, consolidated financial statements are presented in accordance with the “Gross Premium Method” and include the accounts and results of operations of Delta Dental of Rhode Island and its subsidiaries: Park Row Associates, Altus Realty Company, The Altus Group, Inc., Altus Dental Insurance Company, Inc., Altus Dental, Inc. and Altus Systems, Inc. dba Altus Benefit Administrators.\* The consolidated financial statements of Delta Dental of Rhode Island as of, and for the years ended, December 31, 2009 and 2008 were audited by the firm of KPMG, LLP and such audited financial statements are available upon request.

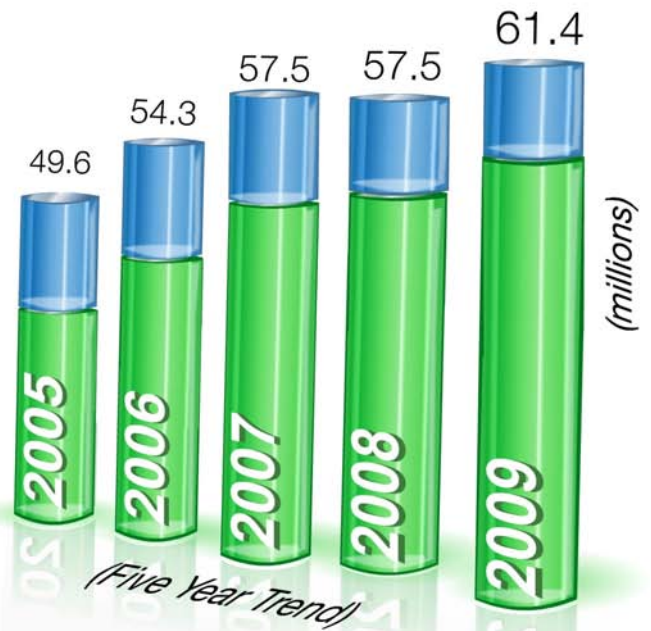
\*Delta Dental is a registered trademark of the Delta Dental Plans Association. The Altus trade name and marks are owned by Delta Dental of Rhode Island and are not sponsored by the Delta Dental Plans Association. You can find out more about Altus Dental Insurance Co., Inc. in its separate 2009 Annual Report.

Consolidated Results:  
Premium Revenues



■ Altus Dental Insurance, Co., Inc.  
 ■ Delta Dental of Rhode Island

Consolidated Results:  
Reserves



■ Other Lines  
 ■ Delta Dental of Rhode Island

## 2009 Financial Statements:

Healthy mouths. Healthy lives. Healthy future.

Dental Enrollment Comparison



## Board of Directors & Senior Management

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**Almon C. Hall**

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**Donald S. Iannazzi, Esq.**

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**Steven J. Issa**

Regional CEO, Managing Director, NE Commercial Lending at Sovereign Bank

**James F. McManus, DDS**

General Dentist, East Greenwich, RI

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Partner, Edwards Angell Palmer & Dodge LLP

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**Vanessa Toledo-Vickers**

Owner, Virtual Marketing Associates, Inc.

### OFFICERS AND SENIOR MANAGEMENT

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**Angelo Pezzullo**

Vice President, Sales, Delta Dental

**Kathryn M. Shanley**

Vice President, External Affairs & Corporate Secretary

**Stephen J. Sperandio**

Vice President, Operations

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