



DELTA DENTAL OF MINNESOTA



2007 ANNUAL REPORT

In Every Way, Shape  
and Form.

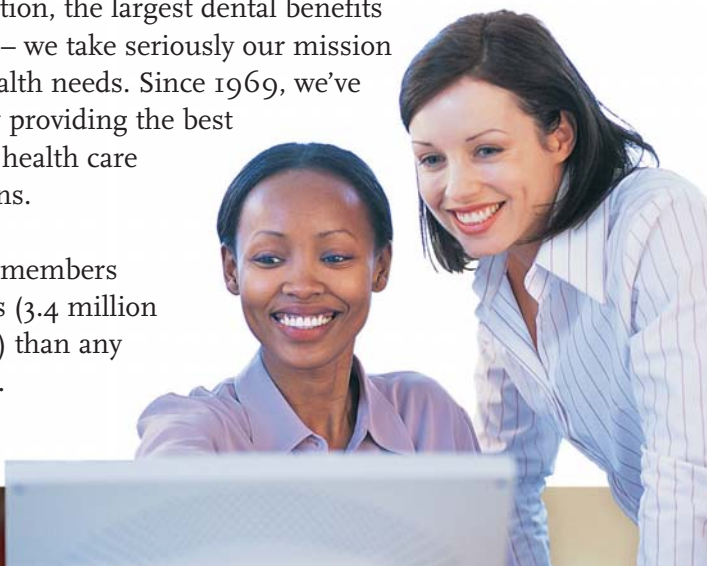
Meaningful Oral Health Solutions  
for Minnesotans

Individuals, the broader Minnesota community, partners and groups of all shapes and sizes have unique expectations when it comes to oral health and dental benefits.

Consistently delivering on those expectations – in every way, shape and form – is what sets Delta Dental of Minnesota\* (Delta Dental) apart.

As an independent, nonprofit health services company – and a licensee of Delta Dental Plans Association, the largest dental benefits provider in the United States – we take seriously our mission to serve Minnesotans’ oral health needs. Since 1969, we’ve accomplished this mission by providing the best access across the state to oral health care through affordable dental plans.

We’re honored to serve more members from Minnesota-based groups (3.4 million members from 8,400 groups) than any other dental benefits provider.



### HIGHLIGHTS FROM 2007

Premium and Administrative Revenue	\$849 million
Operating Expenses	\$65.5 million
Number of Members Nationwide	3.4 million
Number of Claims Processed	5.6 million

### FINANCIAL RATINGS

A.M. Best	A (Excellent)
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\* Delta Dental is a registered mark of Delta Dental Plans Association. Delta Dental of Minnesota is an independent nonprofit dental services company and is an authorized licensee of Delta Dental Plans Association of Oak Brook, Illinois. Data presented represents sum of Delta Dental of Minnesota (insured) and DeCare ASO, LLC (self-insured) business.



## LETTER FROM THE PRESIDENT AND CEO

Today more than ever, a “one-size-fits-all” approach to dental benefits simply doesn’t make sense. At Delta Dental of Minnesota, we have remained true to our mission of providing solid access across the state to oral health care through affordable dental benefits.

Through a customized portfolio of group, individual and public-program dental benefits, we continue to serve more Minnesotans – and a wider variety of Minnesotans – than any other dental benefit plan.

We have also continued in our role as a leader in exploring the emerging research between oral health and overall medical health. And through our philanthropic efforts, we continue to play a leading part in addressing the dental needs of Minnesota’s underserved and uninsured populations.

In 2007, we increased the number of members we serve from Minnesota-based groups to 3.4 million. And we continued to provide our members access to considerable savings at the largest dentist networks in the state and the nation.

We performed our mission efficiently, with operating expenses well below the industry average, with measurably excellent service performance and with pricing stability that ensures our clients will receive value today and also tomorrow.

Our reliable, consistent performance is the primary reason that more than 98 percent of our customers remain with us year after year, including in 2007.

We are consistent; we are also forward-looking. In 2007, we collaborated with a major Minnesota-based health insurance partner on the potential relationship between oral health and whole-body health.

We also announced a first-of-its-kind demonstration project in which dentists serving patients in certain (non-commercial) Minnesota public programs will perform simple screenings for diabetes and refer those with positive screenings to their physicians for diagnosis and management of the condition.

Commitment is key to fulfilling our mission, and so is maintaining our financial strength. For nine consecutive years, our financial strength has earned us an “A” rating from A.M. Best – among the top financial ratings for oral health benefit companies in America.

Looking ahead, we will continue to fulfill our mission to improve oral health for Minnesotans and people nationwide employed by our Minnesota-based customers. With a demonstrated commitment and ability to improve our state’s oral health, we appreciate the opportunity to serve you.

Sincerely,



Dr. Sheila Riggs  
President and CEO  
Delta Dental of Minnesota



## Helping shape solutions for oral health throughout the state

For nearly 40 years, we've paved the way for dental benefits in Minnesota.

We've built our reputation through a keen focus on serving corporations, main street "Mom and Pop" businesses, public entities, unions, individuals and families, seniors, health plan members, professional association members, public program enrollees and many others.

Our philosophy is simple: We approach each individual, partner and group – large or small – with the same respect and commitment to Minnesota values that only a hometown organization truly understands.

## Access to the largest dentist network in Minnesota and the nation

Delta Dental of Minnesota members enjoy access to the Delta Dental PPO<sup>SM</sup> network and the Delta Dental Premier<sup>®</sup> network, the state's largest with approximately 2,600 participating dentists. It's almost twice as large as the closest competing network in the state. More than 80 percent of Minnesota dentists participate.

From Blue Earth to Warroad, Marshall to Duluth (and everywhere in between), this means members can take advantage of visiting a credentialed network dentist from their own community, where they live and work. For groups and individuals, our networks deliver impressive, negotiated discounts that help keep dental benefits affordable.

Nationwide, Delta Dental Premier is the largest network, with three out of four dentists participating. This is especially important for groups headquartered in Minnesota with employees in office locations outside the state.



## Consistent and reliable group dental plans

Our portfolio of affordable and flexible dental benefit programs meets the needs of organizations of all shapes and sizes. With Delta Dental of Minnesota, it's never a "cookie-cutter" approach to dental benefits.

### *Community-rated groups of 5-199*

We have a variety of popular employer-paid network plans. And we offer a voluntary indemnity and a voluntary network plan – both give groups the flexibility to pay as much or as little as they want toward employees' premium costs. We also feature a dedicated small group service team, Delta Dental Connect<sup>SM</sup>, to provide assistance with product information, renewals, rates, participation questions, contracts, enrollment and more.

### *Individually rated groups of 100+*

Large groups turn to us for our expertise, and we help them tailor dental benefit plans to fit their group and employee population. We provide custom pricing, cutting-edge operational capabilities and hands-on account service including a dedicated account manager.

Among our large groups, we're proud to count 14 of the 19 Minnesota-based Fortune 500 enterprises.

## Dental benefits for individuals

Everyone deserves to have access to dental benefits. Our commitment to Minnesotans includes providing dental plan options for individuals not covered through an employer's plan – for example, people who are self-employed, retired or working part-time.

As part of our commitment to making dental benefits accessible to all Minnesotans, we offer individual plans through our own brand and through some of the state's leading medical insurers. We also offer a program designed exclusively for seniors.

## Serving public program enrollees

We're also committed to partnering with Minnesota's public programs to extend dental coverage to a broad spectrum of Minnesotans. Together with dentists and Minnesota Prepaid Health Plans, we work to expand access to care and offer members specialized customer service and information to help them get the most from their benefits.

### Focus on service

Measurably excellent service is at the heart of everything we do. We're proud of our results from 2007 summarized below, and we're always looking for ways to improve our service and to deliver additional value to individuals, partners and groups.

- 96% – Subscribers satisfied with the service we provided
- 98% – Client retention (individually rated groups)
- 97% – Groups satisfied with our day-to-day dental plan administration (individually rated groups)
- 97% – Brokers satisfied with our day-to-day dental plan administration
- 10 seconds – Average phone response time
- 97.72% – Questions or issues resolved during first call
- 2.58 days – The timeframe in which the average claim is paid
- 98.16% – Claims paid in 10 business days
- 99.80% – Financial accuracy for claims paid



## Giving brokers the tools they need to succeed

Independent agents, brokers and consultants are the critical link that connects groups with Delta Dental of Minnesota; they are our partners in distributing products to employers throughout the state.

We strive to make working with us easy by providing a framework built on quality products and personalized service. In fact, we established our Delta Dental Connect team as an exclusive service for brokers and their community-rated groups of 5 to 199. This is not a general customer service line, but rather a personal concierge service for pre- and post-sales support.



*“We have used Delta Dental plans since 1982 for both our local and multi-state employers. Delta Dental’s product offerings, networks and service provide our clients with dental benefits their employees appreciate and value.”*

*David Martin, CEBS – president,  
David Martin Agency, Inc.*



*Dollars in thousands (\$000)*

**Years Ended December 31,**

**2007**

**2006**

**COMBINED STATEMENTS OF OPERATIONS**

Subscription revenue, net	\$849,364	\$790,966
Investment and other income	11,159	6,570
Total revenue	<u>860,523</u>	<u>797,536</u>
Dental service claims	774,703	720,362
Operating	65,490	64,840
Total expenses	<u>840,193</u>	<u>785,202</u>
Revenue over expenses	\$20,330	\$12,334
Other change in surplus	(2,388)	373
Surplus, beginning of year	130,523	117,816
Surplus, end of year	<u><u>\$148,465</u></u>	<u><u>\$130,523</u></u>

COMBINED FINANCIAL STATEMENTS FOR  
 DELTA DENTAL OF MINNESOTA AND DECARE ASO, LLC  
 FOR 2007 & 2006

*Dollars in thousands (\$000)*

**December 31,**

	<u>2007</u>	<u>2006</u>
<b>COMBINED BALANCE SHEETS</b>		
Cash and cash equivalents	\$29,588	\$36,813
Available-for-sale securities	129,207	104,492
Accounts and note receivable	58,686	51,763
Property and equipment, net	8,284	8,853
Other assets	6,602	7,702
Total assets	<u><u>\$232,367</u></u>	<u><u>\$209,623</u></u>
Dental service claims	\$69,014	\$66,887
Accounts payable	3,115	1,704
Accrued expenses	1,403	1,718
Deferred revenue and group refunds	5,416	5,424
Due to affiliates	4,954	3,367
Total liabilities	<u>83,902</u>	<u>79,100</u>
Surplus	147,682	127,353
Accumulated other comprehensive income	783	3,170
Total equity	<u>148,465</u>	<u>130,523</u>
Total liabilities and equity	<u><u>\$232,367</u></u>	<u><u>\$209,623</u></u>

## Smiles in the community

We believe in giving back to the community, just like we believe in taking a leadership role in the discussion about improving oral health through accessible, affordable dental benefits. These beliefs shape the way we collaborate with organizations to address the oral health needs of underserved and uninsured individuals.

In 2007, we touched the lives of countless Minnesotans. We contributed over \$900,000 in grants and donations to support a range of programs addressing important oral health and community needs.

### Philanthropy

Our primary philanthropic goal is to support activities that promote cost-effective solutions to short- and long-term oral health care concerns. Our main focus is to reach disadvantaged children found to be at greatest risk for complications resulting from minimal oral care and treatment.

In 2007, our philanthropy committee invested in 28 organizations to help prevent and treat dental disease, to empower children and families to become active partners in their healthcare and to ensure a healthier place for all Minnesotans to live, work and thrive.

### Community affairs

Our community commitment also includes sponsoring a variety of programs and special events. In 2007, over 50 organizations received funding for a variety of health promotion and prevention activities including: oral health, heart disease, diabetes, birth defects, cancer and many more. In addition, we supported over 25 youth service projects through the Serve A Smile<sup>SM</sup> program and promoted oral health at more than 50 community health fairs.



## Employee involvement

Above and beyond their direct financial contributions, our employees were generous in donating their time and talent through 15 events held in Eagan and Gilbert, Minnesota. These events included walking to support the prevention of child abuse and raising funds to prevent birth defects, just to name a few. Delta Dental also matched employee contributions for several special projects held throughout the year.

## Oral health education and product donations

Because accurate and understandable oral health information is critical to developing healthy behaviors, we continue to produce Smile Discoveries<sup>SM</sup> fact sheets dedicated to a variety of important oral health-related topics.

In addition, each year we distribute thousands of toothbrushes, toothpaste samples and floss containers to Head Start classrooms, schools and community organizations. And because tooth decay is the most common but preventable childhood disease, we link our giving of dental supplies to educational and motivational messages that strongly encourage the development of healthy, lifelong habits.



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