

Healthy Smiles

South Dakota-Style

Delta Dental of South Dakota Annual Report



2009



Delta Dental of South Dakota

Opening day of pheasant season. A state basketball championship. Sunrise over the Badlands.

These are just a few of the many things that evoke smiles for those of us who call South Dakota home. Delta Dental of South Dakota is a South Dakota-based oral health company and we take great pride in ensuring that our customers and fellow South Dakotans have healthy smiles.

In addition to writing commercial dental insurance for groups and individuals, we also administer public dental programs for the State of South Dakota and the Aberdeen Area Indian Health Service. In one way or another, nearly one out of every two South Dakotans has dental coverage administered by Delta Dental.

Despite the challenging economy, Delta Dental's 2009 business performance was solid. In January, we began processing claims for Delta Dental of Wyoming. In July, we were pleased to begin coverage for more than 8,600 state government employees. Later in the year, we unveiled a new Individual & Family Dental Plan for those who lack access to dental benefits through an employer or group. As a result of this growth, we also invested in our infrastructure by expanding and renovating our corporate headquarters and updating our communications system.

As South Dakotans we are proud to give back to the people and communities we serve. In 2009, we contributed nearly \$1.6 million to a number of programs and initiatives to help improve the oral and general health of our fellow citizens.

Our Dakota Smiles Mobile Dental Program reached a milestone by treating its 10,000th child in November 2009. Since inception, this program has traveled to 63 different South Dakota communities treating children with the greatest needs and least current care.

In the past 10 years, Delta Dental's productivity, measured by revenue per full time employee, increased from \$863,000 in 1999 to \$2.2 million in 2009. Increased electronic claims processing and other administrative efficiencies have helped productivity, but Delta Dental's loyal and hardworking employees deserve most of the credit. It's their dramatic productivity gains that have been a major factor in Delta Dental's ability to take our public benefit program to a whole new level.

So we're proud of our accomplishments, but we're far from satisfied. We continue to pursue innovative dental treatments and plan designs to provide the best outcomes for our customers, we will work to ensure the dental workforce remains strong and we remain wholly committed to improving the oral health of our youngest residents to ensure a healthier future workforce.

Thanks to our many partners for helping to pursue our mission of better oral health for all South Dakotans.

Scott Jones
President and CEO

Dale Gibson, DDS
Chairman of the Board



Dear Delta Dental,
Thanke you fo the Dental goodies and the mgazine. I leardnd that there are 400 kinds of germs in your mouth and bo not sip on pop all day I told my mom that and she desent Sip on Mountain dew any more. I enjoyed the lession.

Sincerely your friend Camrie

October 1, 2009
Dear Delta Dental of South Dakota,
I thank you for the dental gloss and the tooth paste and tooth brush now I got a new tooth brush. Thank you for teaching us what will happen if we dont brush your teeth. Thanks for showing us that disgusting picture of that person who did not brush there teeth "uh that was nasty" I have learned abt from that spech about not brushing your teeth. Thanks for checking our teeth and offer ing us your special tooth paste that makes your teeth stronger. But thank you for new giving us the tooth paste this year. It was very generous of you. I truly appreciate you of helping us to make us have better stronger teeth.
Your friend
Sincerely, Josh

Smile Providers

More than 96 percent of South Dakota dentists are in Delta Dental of South Dakota's network.

A strong network of contracted dentists is key to keeping costs affordable for both employers' claims costs and employees' out-of-pocket costs.

Because a strong network is so important for our customers, Delta Dental has focused at length on maintaining South Dakota's dentist supply. In the late 1990s when it looked like dentist retirements were soon going to far outpace new dentist starts, Delta Dental joined with the South Dakota Dental Association and other stakeholders to address the issue.

We're happy to report that, through a variety of interventions, including the addition of dentists to state government's tuition reimbursement program and a more focused effort to recruit South Dakota students into the dental field, dentist numbers in the state have now reached levels beyond what we had anticipated.

One program making a difference is the Delta Dental Dentist Loan Repayment for Service Program, which helps attract young dentists to the state by offering loan repayment in return for caring for underserved populations. According to the American Dental Education Association, the average educational debt upon graduation from dental school was \$170,000 in 2008. The Loan Repayment Program gives graduating dentists another reason to consider South Dakota as a practice location, and it allows them to start off their careers seeing underserved patients with less worry about repaying large debts. Through 2009, 28 dentists have or are currently participating in this program.

In another effort to recruit dental students to South Dakota, Delta Dental's mobile dental program has hosted 22 students as either interns or externs. Six are currently in dental school and seven have already located in various communities across South Dakota.



Additional Benefit Options

Our *Smile Smart for Your Health* enhanced benefits program is designed to both improve employees' health and lower employers' overall healthcare costs by providing enrollees with enhanced benefits for certain oral and medical conditions that may affect their overall health (periodontal disease, diabetes, pregnancy, oral cancer).

For employers who are looking for ways to stretch their employees' benefits, we offer the *Maximum Bonus Account (MBA)* and *Prevention Pays* program. The MBA program allows a portion of a member's unused benefits to be placed in a special account that can be carried over and added to the benefits available in future years when more extensive and expensive treatment may be needed. The Prevention Pays program stretches benefits by not counting diagnostic and preventive benefit payments toward the group's annual maximum benefit.

Offering More—and Healthier—Smiles

Both tooth decay and gum disease are preventable, which is why access to dental care is so important. But for every adult without medical insurance, nearly three times as many lack dental insurance. According to the U.S. Surgeon General, those with dental insurance are more likely to see their dentist and less likely to defer necessary care than those without coverage.

Individuals without coverage are less likely to have regular dental check-ups and cleanings, important steps in avoiding the need for more extensive and more expensive care when dental disease goes untreated.

In fact, statistics show that children who don't receive preventive care early in life have dental costs 60 percent higher than those whose oral health is treated and maintained.

In an effort to expand coverage to even more South Dakotans, Delta Dental began offering an Individual and Family Dental Plan in late 2009. This new offering will allow those without access to dental coverage through an employer an opportunity to share in the benefits of cost effective, prevention-based oral health coverage.



A Young Dentist Returns Home

Jesse Fast grew up on a farm near Iroquois, South Dakota. As a bright young dentist, he could have located anywhere in the country, but chose to return to his home state and began practicing in Huron in 2008. Although he knew he wanted to return to South Dakota to practice dentistry, the availability of the Delta Dental Loan Repayment Program helped solidify his location decision.

"I am the youngest dentist in Huron by more than twenty-five years. I anticipate and look forward to the challenge of meeting the dental needs of this area. I have so many great memories growing up in South Dakota and I look forward to making many more as I advance my career in South Dakota."

Dr. Jesse Fast
General Dentist, Huron, SD



Spreading Smiles

As part of our mission to improve oral health in South Dakota, we have committed more than \$9 million since 2000 to various programs and projects. And we're far from finished. We continue to actively seek partner organizations to reach out to underserved populations, address local needs and educate the public about oral health.

Access to dental care can be challenging for many South Dakotans with low incomes or without health or dental care coverage. Programs like Donated Dental Services, Sunshyne Smiles and the Dakota Smiles Mobile Dental program work with local dentists and community partners to offer help to those in need.

Donated Dental Services

The Donated Dental Services program provides care to the often overlooked and at-risk population of elderly or disabled people who cannot afford dental care. Since 2004, Delta Dental has committed nearly \$150,000 to this worthy program. The program is a partnership effort among the South Dakota Dental Association, the National Foundation of Dentistry for the Handicapped, local and national dental labs, Delta Dental and nearly 135 dentist volunteers from across the state. In the past year alone, more than \$400,000 of treatment was donated to 143 individuals.

Dakota Smiles Mobile Dental Program

In November of 2009, Delta Dental's Dakota Smiles program provided care to its 10,000th child. Since the program's inception Delta Dental has provided more than \$1 million in operating support, and nearly \$5 million of dental care has been provided to low income children in 63 South Dakota communities.

Sunshyne Smiles

The Sunshyne Smiles program is a statewide program that helps provide orthodontic treatment to deserving South Dakota children who may not otherwise receive care. The majority of each case is covered by the participating South Dakota orthodontist and the program itself, but families are asked to contribute to their child's care as well. Delta Dental has donated \$125,000 to this program that gives the gift of a smile to low-income children suffering from severely crooked teeth and misaligned jaws.

Oral Health and Education

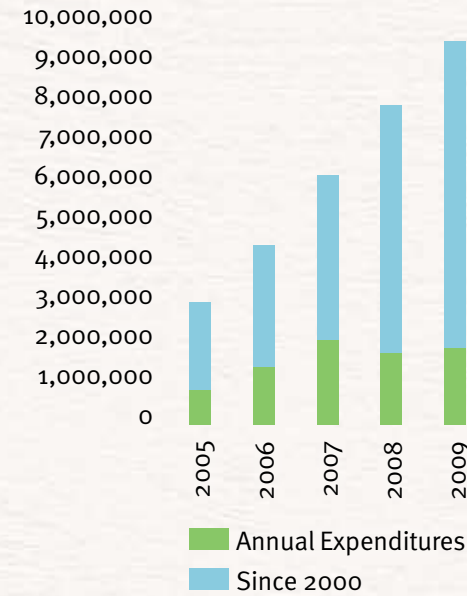
Tooth decay and gum disease are largely preventable and we know they affect not only the mouth, but the rest of the body as well. To help more people - particularly young children - understand the importance of good oral health, we are working in classrooms, Head Start programs, social service programs and at health and benefit fairs to encourage healthy, life-long habits.

Community Contributions

We embrace our responsibility to be a good South Dakota corporate citizen. We were recently honored by the Capital Area United Way with its "Supporter of the Year" award. Delta Dental employees, along with the company's matching gift program, contributed more than \$60,000 to the annual fund drive.

Many other state and local organizations including arts, education, health and children's charities also benefit from Delta Dental contributions.

Public Benefit Expenditures



As long as preventable oral diseases continue affecting children and families, Delta Dental will remain a leader in advancing solutions for healthier people through better oral health.

Delta Dental Philanthropic Fund Board Members

Monty Bechtold, DDS
Steve Buechler, DDS
John Clausen, CPA
Dale Gibson, DDS
Mike Houk, DDS
Scott Jones
Lee Larsen
Ellen Lee
Mac Miller, DDS
Paul Rezich, DDS
Mike Shaw
Roger Wilson, DDS

Executive Management

Scott Jones – President and CEO
Mick Heckenlaible – VP of Operations
Nance Orsbon – VP of Professional Services
Kirby Scott – VP of Finance
Jeff Miller – VP of Underwriting & Compliance
Eugene Tetzlaff – VP of Information and Technology
Connie Halverson – VP of Public Benefit

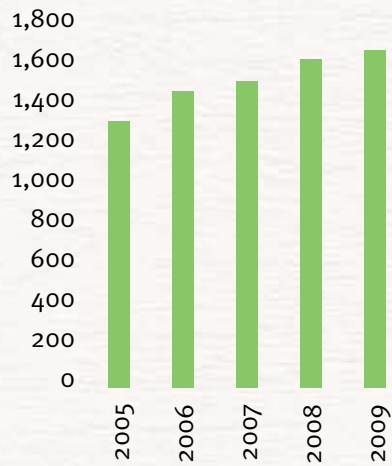


Delta Dental of South Dakota Board of Directors

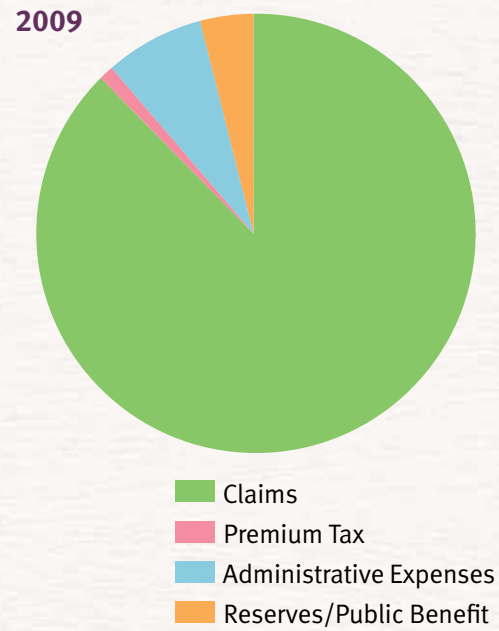
Front Row, Left to Right: John Clausen, CPA, Pat Hermanson, DDS, Paul Rezich, DDS, Anlee Rola, DDS, Dale Gibson, DDS, Mike Houk, DDS, Pat Coyne, DDS

Back Row, Left to Right: Ryan Van Laecken, DDS, G. Verne Goodsell, Monty Bechtold, DDS, Greg Gertsen, DDS, Scott Jones, CEO, Mary Hitzemann, Steve Culhane, Greg Hanson, DDS, Jim Russell

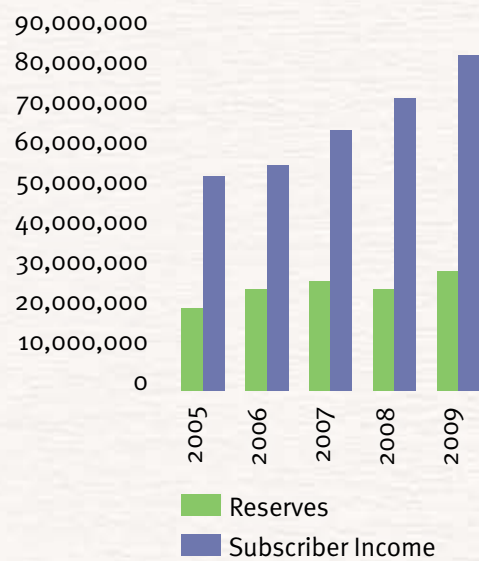
Covered Groups



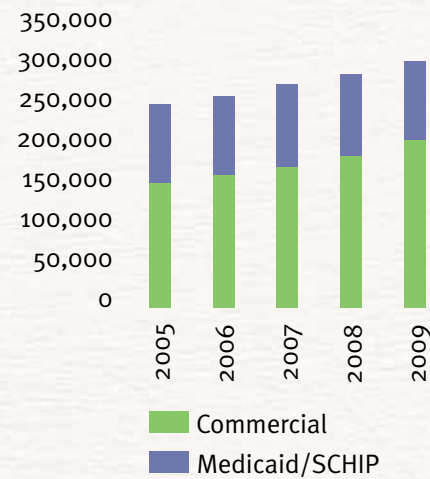
Where Did The Premiums Go?



Financial Trends



Enrollment



Performance Highlights

- 98.5% Subscribers renewed in 2009
- 7.7 days Average claim turnaround
- 97.9% Claims paid in 15 days or less
- 99.9% Claims paid accurately
- 428,351 Claims processed in 2009

(DDSD also processed 159,791 claims for Delta Dental of Wyoming in 2009)



BALANCE SHEET 12/31

	Thousands of Dollars	
	2009	2008
Cash and cash equivalents	843	2,449
Accounts receivable	6,424	5,453
Investments	21,777	18,480
Other assets	5,460	2,741

TOTAL ASSETS

34,504 **29,123**

Accounts payable & accrued expenses	2,503	2,386
Unpaid claims	3,834	3,392
Other liabilities	782	630
Total liabilities	7,119	6,408

Net unrealized gain (loss) on marketable securities	(475)	(3,726)
Reserves, net of unrealized gain (loss)	27,860	26,441

TOTAL LIABILITIES & RESERVES

34,504 **29,123**

INCOME STATEMENT 12/31

	2009	2008
Dental service revenue	78,468	70,501
Other service income	287	0
Claims incurred	(69,674)	(62,455)
Operating expenses	(6,255)	(5,977)
Operating gain	2,826	2,069

Net investment income	133	1,259
Withhold repayment	0	0
Philanthropic/donations	(1,578)	(1,508)
Other income (expense)	38	44

Contributions to reserves	1,419	1,864
Reserves, beginning of year	26,441	24,577
Reserves, end of year	27,860	26,441
Net unrealized gain (loss) on marketable securities	(475)	(3,726)

TOTAL RESERVES FOR PROTECTION OF SUBSCRIBERS

27,385 **22,715**



Delta Dental of South Dakota

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