

2011 Annual Report



Doing What We Do Best.

 **DELTA DENTAL**[®]

We do dental. *Better.*



You've heard the expression

"do one thing and do it better than anyone else."

We have, too...and it is our sole devotion to dental health that makes us the leading provider of dental benefits in the nation. However, there is a possible downside to having a singular focus that makes you the best at one thing...and that is the chance that you may not be the best at anything else. In fact, you might even downright stink at it. So, as you delight in the pages ahead that extol the splendid results of our dental health focus, we thought you would also enjoy a tongue-in-cheek look at some other things we've tackled with...

oh, let's just say less than splendid results.

Campbell Sowell, Jr., D.D.S.
and Philip A. Wenk, D.D.S.



Letter from the President & Chairman

2011 will go down as one of the most successful years to-date for Delta Dental of Tennessee as well as for our family of companies and all of our Delta Dental partner states. Despite the economy, we had record sales for new business and high retention with our existing customers. We also completed our first year with the TennDent program, which manages the children's dental program for TennCare.

Operationally, we converted our claims processing to the Enterprise Technology System (ETS) platform. This enables more flexibility with plan designs. It has automated more reports and provides more options for our benefit administrators and participating dentists. And, in this age of concern about ID theft, our Consumer Toolkit is more secure.

Another enhancement that comes along with ETS relates to our fraud and abuse prevention program. ETS enables greater scrutiny to ensure greater stewardship of our clients' and our members' well-being.

Our staff is to be commended for a great job in taking on many added responsibilities during the conversion process, working odd shifts and putting in overtime. Their diligence ensured a smooth transition without any major issues or delays, and we were actually fully converted one day earlier than scheduled.

Last year, we broke records with the number of claims processed: 1,736,953. ETS is steadily decreasing our turnaround time with 97.87% of claims processed within 10 days with 99.83% processing accuracy and 100% financial accuracy. Our administrative ratio continues to be

one of the lowest in our industry, which helps us keep our rates competitive and our clients smiling.

As an affiliated partner in RHSC, we have gained from new technologies developed for all our companies. Peoplesoft was launched to improve our financial systems and reporting. We have all convened on client benefits and are streamlining our Human Resources processes with tools like SuccessFactors, which helps us better evaluate our talent across all levels.

In 2011, we consolidated our marketing communications with our partner companies. The first major project for this group was a new website, which launched in November. Our site is now more user-friendly and provides greater resources for web browsers interested in individual plans, group benefits, or general oral health information.

Along with our success, we have shared more than ever with the communities we serve—almost 30 percent of our net revenues, or \$2.67 million. In 2011, we contributed more than \$1.75 million to the two dental schools in Tennessee, Meharry Dental School and the University of Tennessee College of Dentistry. This helps ensure that tomorrow's dentists will be trained better today with modern simulation technology and digital radiography. Their patients are also treated in more accommodating, state-of-the-art facilities.

More than 65 organizations across the state received grants and funding from Delta Dental. Congressmen John Duncan, Phil Roe and Diane Black helped introduce us to

organizations in their districts that do great things in their communities and across the state. Remote Area Medical—or RAM—was founded by Wild Kingdom's Stan Brock. A \$50,000 grant from Delta Dental will help them provide dental care to thousands of patients here in Tennessee through no-cost services at nine different expeditions. Through grants totaling more than \$450,000, RAM and nearly a dozen other clinics across the state will now be able to provide more care to more people and create more smiles for our fellow citizens.

For 47 years, Delta Dental of Tennessee has focused on doing one thing better than anyone else. In the pages that follow, we hope some of the things we don't do as well will bring a smile to you, and maybe even a chuckle. More importantly, we will be sharing with you our results from one of our most successful years ever, and that will make you smile even wider.

"We do dental. *Better.*" is more than a tagline for us. It's a statement that continually challenges us to find ways to improve—ourselves, our company, and our communities.

Campbell Sowell, Jr., D.D.S.
Chairman

Philip A. Wenk, D.D.S.
President and Chief Executive Officer

We do dental. *Better.*



Cooking...*not really our "thing."*

Better Vision for the Future

When it comes to cooking, a lack of vision is how you end up with a burned turkey. To ensure no one sets off the proverbial smoke alarms, the affiliated Delta Dental companies in Indiana, Kentucky, Michigan, New Mexico, North Carolina, Ohio, and Tennessee have established a better vision for the future that will keep everyone on track.

Our purpose differentiates us from our competition. A not-for-profit company, we are dedicated to improving the oral health of the communities we serve. This is accomplished through the benefits we provide to our members, the science that drives our plan designs, and the philanthropic efforts to support free and low-cost dental care for our fellow citizens.

To solidify our affiliation, the partner companies developed a shared mission and values. These guide our efforts so that while we manage our businesses in separate states, we are all heading in the same direction. Our ultimate goals are to improve oral health and provide the best service possible to our customers, subscribers, participating dentists, and business partners.

And while we have a recipe for the future, we won't let that stop us from modifying the ingredients here and there. We will remain flexible to adjust to the changing landscape that is healthcare, and create dynamic products that fit the needs of our clients while managing costs.

Our Mission

To be the dental benefits company of choice in the markets we serve.

Our Quality Policy

Bringing quality to all we do.

Our Core Values

DIVERSITY
COMMUNITY COMMITMENT
INNOVATION
BALANCE
INTEGRITY

We do dental. *Better.*

 Cutting Hair...*not so much.*



Never Been Better

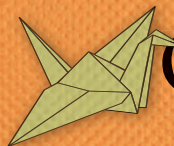
It's pretty tough to fix a poor haircut. It's equally difficult to make amends for poor customer service, which is why providing excellent customer service at all times is so important to us. Many companies can provide dental benefits. One thing that sets us apart is our determination to make the customer experience as amazing as possible.

In our technologically-savvy world, people want access to their information on their schedule. So we developed the online toolkits for consumers, benefit managers, and dentists to ensure they can get the information they need, when they need it. For our clients who want the personal touch, we have an automated phone system and expert Customer Service staff ready to

respond. In fact, in 2011 our Customer Service team answered subscriber calls within an average of 15 seconds, with 99.64 percent of inquires resolved on the first contact. We processed 97.87 percent of our claims in 10 days or less with 100 percent financial accuracy. Those stats add up to a pretty fantastic haircut (or customer experience)!

To ensure that the high standards we set for ourselves are truly meeting the needs of our clients, satisfaction surveys were sent out to a selection of members and benefit administrators. Questions focused on experiences with customer service and satisfaction with Delta Dental. Overall, our members gave us a satisfaction rating of 98.8 percent.

We do dental. *Better.*



Origami...*not even close.*

Better, Faster, Stronger

Technology is a lot like origami. It can be complex or straightforward, a work of art or a crumpled mess. In the past few years we have worked hard to grow our technological platforms in ways that only make us more flexible, efficient, and streamlined.

In 2011, our claims processing system was converted to the Enterprise Technology System (ETS), which enables us to be more flexible with plan designs and better meet customer needs. More reports are automated, our benefit administrators and providers can do more online, and the information in our Consumer Toolkit is even more secure as registration is now required to receive a username and password.

The IVR—our Interactive Voice Response system—was installed in 2010 to help manage call volume and get clients the information they need faster. In 2011, almost half of the 566,172 calls received were resolved in the IVR.

We also updated our website to display a fresh, modern face to our clients. It's easier to use, too! People can easily find detailed information about our individual plans, the nearest dentist, or the latest goings-on at Delta Dental. Access to the Toolkits is right on the homepage, along with links to a Wellness section that provides clients with a wealth of oral health information. Since rolling out the new sites, we have already seen a 30.3 percent increase in traffic and a 32 percent increase in the time spent on the site.

We do dental. *Better.*



Skateboarding...*don't even go there.*

Better Value

The highest ‘air’ ever achieved, according to the Skateboarding World Records, is 23.5 feet, set by Danny Way in 2005.¹ While we don’t know much about achieving height in aerials, we do know what it means to “go big or go home.” We remain one of the nation’s largest dental plan administrators, with the largest networks of dentists in the country and in Tennessee. In 2011, more than 88 percent of licensed dentists in Tennessee participated in our Premier network, and more than 60 percent in the PPO network. Nationally, three out of four dentists participate in the Delta Dental networks.

In addition, our business continued to grow last year. At the end of 2011, our family of affiliated companies covered 8.6 million people—the largest number in our history.

And like the number of rotations in an aerial adds up to points, the size of our subscriber base and our networks add up to savings. We leverage our size to keep costs low for everyone. And more network dentists make it easier for our subscribers to stay in-network, which saves them—and our clients—even more money.

While skateboarding is a solo sport, we are mastering the art of teamwork and collaboration with our affiliated companies. We are constantly evaluating economies of scale and looking for innovative ways to decrease expenses

and improve service. The consolidated Marketing and Communications team is one example. One project this team took on last year included a re-design of our Delta Dental websites. The new sites are more user-friendly, provide more detailed information, and are easily editable so content will stay fresh and up-to-date.

Other integrations include Peoplesoft, which was launched across all companies to improve our financial systems and reporting. Human Resource processes have also been better streamlined with the use of tools like SuccessFactors, which helps us better evaluate our talent across the organization, and a common ADP platform for payroll. Finally, Aon Hewitt was brought in to conduct an employee engagement survey to help us understand our culture, both globally as unified companies as well as individually as local partners. Survey results have been used to develop new programs and enhance existing ones to make us a stronger organization.

Projects of this scale would not have been possible without the collaboration of our partnered states.

¹ About.com. “Skateboarding.” http://skateboard.about.com/od/skateboardinglifestyle/tp/Skateboarding_World_Records.htm, accessed 2 Mar 2012.

We do dental. *Better.*



Woodworking...*not really working.*

Nobody Does it Better

Maybe the last chair we built was a little wobbly...but what we don't know about woodworking we do know about building communities and laying foundations for the future. Our organization was established to improve oral health in the communities we serve.

In 2011, we donated almost 30 percent of our net revenues—or \$2.67 million—to deserving groups and organizations. More than \$1.75 million went to the two dental schools in Tennessee, Meharry Dental School and University of Tennessee College of Dentistry. Tennessee's future dentists will now have state-of-the-art facilities in which to learn, better preparing them for the years ahead.

More than 65 organizations across the state also received funding that will help support their efforts to bring dental care to more Tennesseans and improve the lives of our neighbors. HOPE for the Inner City in Chattanooga, which received a \$50,000 grant, will now

be better able to provide dental care to the underserved population. St. Jude Children's Research Hospital in Memphis, T.C. Thompson's Children's Hospital at Erlanger in Chattanooga, and Monroe Carrell Jr. Children's Hospital at Vanderbilt in Nashville received grants to purchase tools and equipment to better care for the oral health needs of their young patients.

We also made a difference in the lives of youth across Tennessee. Through TennDent, the TennCare dental program we manage, more than 700,000 children have the opportunity to receive free preventive dental care.

Finally, through our Research and Data Institute, we continued to support projects with the potential to change lives and improve health. Through financial partnerships with renowned universities and innovative research organizations, we contributed to studies dealing with the cost impact of oral cancer, the use of salivary diagnostics in dentistry, and biotechnology.

We do dental. *Better.*

 Knitting...*nope.*



A Better Plan.

What kind of needlework is always angry? Cross Stitch!
What, that didn't leave you in stitches? Okay, so perhaps neither sewing nor comedy is our strong suit, but we do know how to "knit" together the best plans. We work hard to develop plan designs that are flexible and that meet the needs of our clients.

Offering superior plans enabled us to have a banner year in 2011. Overall, our family of companies added \$122.8 million in new business, and the number of people covered grew to 8.6 million. Here is a brief overview of the plans available in 2011:

Delta Dental Premier®

With 139,000 dentists in more than 248,000 locations, this is the largest network of participating dentists in the country. A network of this size makes it easier for members to stay in-network, thereby saving on out-of-pocket costs.

Delta Dental PPOSM

This network has more than 80,000 dentists practicing in over 166,000 locations. Members can see even deeper discounts when visiting a PPO dentist.

Delta Dental PPO plus Premier

Plan members can choose a dentist from the Delta Dental PPO or the Delta Dental Premier network, which can help them save money by staying in-network.

Individual

The Individual Plan offers coverage and peace of mind to people not covered under traditional group benefits.

We do dental. *Better.*



Photography...*that's a big "N-O."*

Financials

2011 Financial Results as of December 31

	Combined (000s omitted) ¹	Tennessee (000s omitted)
Total Assets	\$ 793,238	\$ 65,490
Capital & General Reserves	\$ 544,906	\$ 45,430
Total Revenues	\$ 2,635,641	\$ 454,950
Total Benefits & Expenses	\$ 2,561,761	\$ 279,370
Contribution (reduction) to General Reserves	\$ 73,880	\$ 5,834

TennDent

Revenues	\$ 187,603,000
Claims	\$ 184,205,000
Administrative	\$ 3,398,000
Members	733,101

Cost Management Results

	Combined (000s omitted) ¹	Tennessee (000s omitted)
Submitted Charges	\$ 4.6 billion	\$ 524,502
Paid Charges	\$ 2.2 billion	\$ 232,185
Total Cost Management Savings	\$ 2.4 billion	\$ 292,316
The Delta Dental Difference [®]	\$ 767 million	\$ 75,585
Other Savings	\$ 1.6 billion	\$ 216,731

Key Business Accomplishments as of December 31, 2011

	Combined ¹	Tennessee
New Business (Total)	\$ 122.8 million	\$ 13.3 million
Covered People (Total)	8.6 million	1.75 million
Business Renewal Rate		98%

Service Accomplishments²

Total Claims Processed	1,736,953
Claims Processed in 10 Days or Less	97.87%
Claims Processing Accuracy	99.93%
Financial Processing Accuracy	100%
Call Center Results	
Average Speed of Answer	15 seconds
Inquiries Resolved on First Contact	99.64%
Group Satisfaction	96.5%
Enrollee Satisfaction	98.8%

1. Combined financial and coverage results are for Renaissance Health Service Corporation and Affiliates, which include Renaissance Health Service Corporation and Subsidiaries; Delta Dental Plan of Michigan, Inc., and Subsidiaries; Delta Dental Plan of Ohio, Inc.; Delta Dental Plan of Indiana, Inc.; Delta Dental of Tennessee, Inc., and Subsidiaries; Delta Dental of Kentucky, Inc., and Subsidiaries; Delta Dental Plan of New Mexico, Inc.; Delta Dental of North Carolina; and Delta Dental Fund. Delta Dental is a registered trademark of the Delta Dental Plans Association. The Renaissance trade name and marks are owned by Renaissance Health Service Corporation and are not sponsored or endorsed by the Delta Dental Plans Association.

2. Service Accomplishments are for Delta Dental of Tennessee.

We do dental. *Better.*



 Gardening...*ain't happenin'.*

2011 Board of Directors and Officers

Delta Dental of Tennessee

Officers

Philip A. Wenk, D.D.S.

President and
Chief Executive Officer

Pam Dishman

Senior Vice President,
Employee Relations

Kaye Martin,

Senior Vice President,
Operations

Tom Perry

Senior Vice President and
Chief Financial Officer

Missy Acosta

Vice President, Marketing

Donald Beaty

Vice President,
Information Services

Kathy Fussell

Regulatory Compliance
Specialist

Melissa Huschke

Vice President, Operations

Henry Ramer, D.D.S.

Vice President,
Professional Relations

Jay Revis

Vice President,
Sales and Underwriting

Frank Turbeville

Controller

Board of Directors Officers

Campbell Sowell, Jr., D.D.S.

Chair
(Columbia, Tennessee)

Leslie Sellers

Vice Chair
Sellers Real Estate
(Clinton, Tennessee)

Victor Beck, D.D.S.

Second Vice Chair
(Columbia, TN)

John R. Collier, Jr.

Immediate Past Chair
Maury Regional Hospital
(Columbia, TN)

Board Members

Paul Bacon, D.D.S.

(Cleveland, Tennessee)

Bruce Baird, D.D.S.

(Sewanee, Tennessee)

Andy Beasley

Brentview Realty
(Brentwood, Tennessee)

L.C. Burkhalter

Retired
(Collierville, Tennessee)

**Terrence R. Comar, D.D.S.,
M.S.**

(Kalamazoo, Michigan)

Jerre Harris

Retired
(Hernando, Mississippi)

Joseph Rainey, D.D.S.

(Clinton, Tennessee)

Carmen Reagan, D.B.A.

Austin Peay State University
(Clarksville, Tennessee)

Drew Robinson

Attorney at Law
(Cleveland, Tennessee)

James E. Sexton, D.D.S.

(Memphis, Tennessee)

Laura O. Stearns

Retired
(Lansing, Michigan)

Ex-Officio Board Members

**Thomas J. Fleszar, D.D.S.,
M.S.**

Delta Dental of Michigan, Ohio
and Indiana
(Okemos, Michigan)

Wayne L. Johnson, D.D.S.

(Lebanon, Tennessee)

David C. Morton, D.D.S.

(Clarksville, Tennessee)



Delta Dental of Tennessee

240 Venture Circle

Nashville, TN 37228

www.DeltaDentalTN.com