Building Brighter Futures

Growth without a solid foundation is unsustainable. At Delta Dental of Colorado, we have firm bedrock to build upon, so our growth is strong, steady and secure. We are building the state’s largest dental benefits company on the pillars of excellent customer service, the largest provider network in Colorado, strategic innovation and a commitment to creating better communities.

We’re not just building better smiles; we’re building brighter futures. Better oral health translates into better overall health and that means fewer days of school or work missed to dental pain and more confidence to go forward in the pursuit of our goals.

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Letter from the Chairman & CEO: A Blueprint for Better Dental Benefits

For the past 55 years, Delta Dental of Colorado has been the state’s leading dental benefits provider. In 2011, we celebrated a milestone of one million members. In 2012, we continued to build upon our experience, our leadership and our vision for the future to provide even more people with the highest quality dental benefits.

The foundation upon which we are building a brighter future for all Coloradans is what sets us apart from other dental insurance companies. It’s what we call The Delta Dental of Colorado Difference. It’s a blueprint for a better dental insurance company and better dental benefits, and it’s built around three ideas:

- Service Done Right
- A Network Above the Rest
- Commitment to a Better Colorado

It’s the foundation upon which we can increase our membership and work toward achieving our mission to improve the oral health of the communities we serve.

In the past year, we have started laying the groundwork for our dental products on the state healthcare exchange to try to reach the more than two million Coloradans who are without any dental benefits.\(^1\) We are well-positioned to offer strong, comprehensive products on both the public and private exchanges that are quickly becoming a reality in the marketplace.

In 2012, we were once again awarded the contract to administer the Child Health Plan Plus (CHP+) dental benefits, which allowed us to continue to care for the children in the state of Colorado who do not qualify for Medicaid but still cannot afford private insurance.

We have invested time and money into improving the communities in which we live and work. That work could not be done without the help of the Delta Dental of Colorado Foundation and our many partners throughout the state. We believe that when we invest in change, we help to build stronger communities and brighter futures for all Coloradans.

Building was more than just a theme for us this year, as we embarked on a renovation of our office space to ensure that our employees have a workspace that inspires efficiency, innovation, collaboration and the best customer service for our more than one million members.

We look forward in the year ahead to building even brighter futures!

Sincerely,

Cynthia A. Evans
Chair, Delta Dental of Colorado Board of Trustees
Kathryn A. Paul
President and CEO, Delta Dental of Colorado

Delta Dental of Colorado has been providing the dental benefits for the Child Health Plan Plus (CHP+) program since 2002. Since that time, we’ve helped more than 300,000 children get access to dental care. Our primary focus is to create a “dental home” for these children to encourage continuous care. We have found that the more we can get kids in to use their preventive dental benefits, the less money is spent on costly major and restorative treatments.

Delta Dental of Colorado has an established provider network that allows greater access for CHP+ children throughout Colorado. As of December 2012, the DDCO individual provider network included 2,361 unique providers and 55 Essential Community Provider (ECP) clinic locations. We have found that the easier it is for families to get their children in for preventive dental care, the more likely it is that these children will avoid painful and costly treatment in the future.

BUILDING BLUEPRINT: Finding Dental Homes for Underserved Populations
Offering Products that Meet the Needs of our Members

As the state’s oral health expert, Delta Dental of Colorado is leading the way with innovative products and value-added features like Prevention First and Evidence Based Dentistry that fit the needs of our one million members.

Delta Dental PPO

Delta Dental’s PPO plans are among our most popular products because they save members the most money while still providing comprehensive benefits. In fact, according to a recent study, Delta Dental’s PPO plan delivers the industry’s best effective discount — nearly 20 percent nationally — resulting in more than three billion dollars in annual savings nationally compared to dentists’ average charges. And with more than 1,800 Colorado dentists in our PPO network, our members have plenty of providers to choose from!

But we’re not stopping there. In order to continue to provide access to care for more Coloradans, we have a provider relations team that traveled across the state (averaging 1,300 visits each year) to add more providers than ever in 2012.

Delta Dental Premier®

Delta Dental Premier plan members have access to nearly nine out of ten dentists in Colorado. Our Premier network is now more than 3,000 providers strong!

BUILDING BLUEPRINT: Building a Bigger, Better Provider Network

All networks are not created equal. From network size to utilization rates to money saved, there are multiple ways to measure the overall value of a provider network. Delta Dental’s dual networks (PPOSM and Premier®) include nearly nine out of ten dentists in the state — more than any other carrier in Colorado. Our effective discount is industry leading, and our extensive network results in greater access to care, more choice and higher in-network utilization rates.2

But we’re not stopping there. In order to continue to provide access to care for more Coloradans, we have a provider relations team that traveled across the state (averaging 1,300 visits each year) to add more providers than ever in 2012.


The Delta Dental of Colorado Difference: Creating Value for Our Members

Delta Dental of Colorado is Colorado’s leading dental benefits company. We provide members with the convenience of local customer service backed by a network of national providers, with more than 3,000 in Colorado alone. As a nonprofit, we invest heavily in our state to improve access to oral healthcare. Our one million members rely on us for our service, our network and our commitment to the communities we live and work in.

Service Done Right: We are the experts in dental benefits because that’s all we do. We process 99% of claims within 15 days, with 100% accuracy. And since we are the largest dental benefits company in the state, dentists know they can contact our local representatives to get quick answers.

All Networks are Not Created Equal: As part of a national association, we adhere to the strictest accuracy standards for our provider networks. That means that when members select a dentist in our network, they will be able to see that dentist. And because we are the dental experts, we offer the highest overall effective discount, which means greater savings for our members.4

Building a Better Community: We invest 55% of what we earn back into the community. We partner with state agencies and other local nonprofits to improve the oral health of Coloradans. In fact, over the past ten years, Delta Dental of Colorado and the Delta Dental of Colorado Foundation have invested more than $15 million in the community.

Subscriber Growth

Delta Dental of Colorado has experienced tremendous growth in the last several years. In 2012, we added more than 25,000 primary subscribers in more than 700 different groups, for a net increase of 7.2 percent. Providing multi-year rate guarantees to help employers anticipate and manage their costs and working directly with the employers to help smooth out the year-over-year rate impact is a successful sales and renewal strategy we have used.

In addition, Delta Dental of Colorado is continuing to see strong growth in the individual segment of the market.

BUILDING BLUEPRINT: Aligning with Strategic Partners to Increase Education & Access

At Delta Dental of Colorado, we have partners in the healthcare community who help us educate people about the importance of good dental health and increase access to dental coverage. Since oral health is tied so closely with overall health, we have partnered with like-minded nonprofit health providers such as Colorado Access, Denver Health, Kaiser Permanente and Rocky Mountain Health Plans. We saw substantial growth in 2012 from Kaiser Permanente and Delta Dental's Medicare dental product. In addition, we grew on the Western Slope through our partnership with Rocky Mountain Health Plans.
The Delta Dental of Colorado Foundation: Strengthening Communities

The Delta Dental of Colorado Foundation is a charitable entity fully supported by Delta Dental of Colorado. Its mission is to improve Colorado’s oral health by eradicating childhood tooth decay. Dental disease is the most common chronic childhood disease and is largely a disease of poverty. With 36 percent of Colorado’s children living in low-income households, this puts a large proportion at risk for dental disease.

Through the tireless work of the Foundation and others, Colorado saw great progress in 2012. Delta Dental of Colorado has worked to promote preventive strategies against childhood decay, while the Foundation has implemented programs to increase access to care and oral health education.

Recent data from the Colorado Department of Public Health and Environment shows a decrease in untreated dental decay and dental caries and an increase in sealants. This trend reinforces the important work being done across the state to improve children’s oral health.

Delta Dental of Colorado Fund: Moving to a More Sustainable Level of Preventive Care

Profit is not what drives us. We believe that, when all things are equal, customers want to do business with companies that improve the lives of people in their communities. The Delta Dental of Colorado Fund provides two years of free dental insurance to income-qualified individuals across Colorado. From October 2011 to December 2012, the Fund paid $2 million to provide dental care to more than 3,000 low-income Coloradans of all ages and walks of life.

Many enrolled in the Fund were in desperate need of care. Restorative treatments, including fillings, root canals and extractions, totaled more than $655,000 and represent the costliest treatment category. The cost savings in putting money toward preventive treatment is significant. By providing two consecutive years of dental insurance through the Fund, it’s much more likely that participants will be able to move from restorative care to a more sustainable level of care focused on preventing further dental disease.
Building Blocks: 2012 by the Numbers

Sometimes the numbers are the narrative; they tell a story that needs no words. The numbers highlighted below are the building blocks of Delta Dental of Colorado: provider network, cost savings, customer satisfaction and commitment to community.

These percentages represent the change from 2011.

Delta Dental PPO Providers: 1,824

Cost Savings to Customers: $157m

Pledge to the Foundation: $6.5m

Delta Dental Premier Providers: 3,018

Number of Claims Processed: 1.9m

Claims Amount Paid Out: $248m
BUILDING BLUEPRINT: Connecting in the Community

Companies can choose to exist in silos, separate from the world around them, or they can build up the communities around them to improve people’s lives. At Delta Dental of Colorado, we focus on building communities and improving the lives of Coloradans, and nowhere is that more evident than in our leadership.

Our Senior Leadership Team is a force in the community. President and CEO Kathryn A. Paul is a leader and tireless advocate for improving the health of Colorado and our communities. She is on the board of directors of Colorado Concern, The COPIC Companies, the Denver Art Museum, Mile High United Way and Sisters of Charity of Leavenworth Health System. She is the recipient of numerous awards including the Lifetime Achievement awards from the Colorado Women’s Chamber of Commerce and the Denver Metro Chamber of Commerce.

Linda Arneson, vice president and chief operating officer, serves as a director on the Girl Scouts of Colorado board. CFO David Beal is actively involved with the nonprofit Colorado Succeeds. Jean Lawhead, vice president, sales & marketing, is on the University of Northern Colorado Monfort College of Business Dean’s Leadership Council and the board of directors for Goodwill Industries of Denver. Barbara Springer, general counsel/vice president/foundation executive director, serves on the boards of the Colorado Make-a-Wish Foundation and the Aurora Public Schools Foundation.

Overall Subscriber Satisfaction: 95%

Community Investment from Delta Dental of Colorado and the Foundation since 2003: $15m

Number of Coloradans Enrolled in the Delta Dental Fund: 6,200
Units of Measure: 2012 Financial Results

Below is an overview Delta Dental of Colorado’s 2012 consolidated financial results, which includes the financial results of the Delta Dental of Colorado Foundation. Complete audited financial statements are available for inspection at our corporate offices upon request.

Consolidated Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$95,581</td>
<td>$85,580</td>
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<tr>
<td>Amounts receivable</td>
<td>13,579</td>
<td>15,239</td>
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<tr>
<td>Property and equipment, net and other assets</td>
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<td>3,927</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$114,546</td>
<td>$104,746</td>
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<tr>
<td><strong>LIABILITIES</strong></td>
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<td></td>
</tr>
<tr>
<td>Unpaid claims and claims adjustment expenses</td>
<td>$10,596</td>
<td>$11,921</td>
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<tr>
<td>Unearned premiums</td>
<td>1,965</td>
<td>1,808</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>7,677</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
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<td>$23,703</td>
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<td><strong>RESERVES</strong></td>
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<tr>
<td>Foundation reserves, restricted</td>
<td>$2,000</td>
<td>$2,000</td>
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<td>Foundation reserves, unrestricted</td>
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<td>Company reserves, restricted</td>
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<tr>
<td>Company reserves, unrestricted</td>
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<td>64,548</td>
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<tr>
<td><strong>TOTAL RESERVES</strong></td>
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<td>$81,043</td>
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<tr>
<td><strong>TOTAL LIABILITIES AND RESERVES</strong></td>
<td>$114,546</td>
<td>$104,746</td>
</tr>
</tbody>
</table>
The structure that bolsters up our strategic partnerships, our community involvement, our robust network and our innovative plan designs is our excellent customer service team. As a Colorado-based company, we can quickly address the needs of companies, providers and individuals when they need us to help them resolve any issues. In 2012, our customer service representatives received nearly 320,000 telephone inquiries, averaging more than 6,100 calls per week. By effectively optimizing the people, processes and technology of our call center, we have developed a highly efficient operation that our customers have come to expect.
Delta Dental of Colorado Board of Trustees As of December 31, 2012

Jonathon Anderson, DDS  
General Dentist

Douglas Berkey, DMD, MPH, MS  
Dental Director, InnovAge

Mary Noonan  
Retired Insurance Industry Executive

B. LaRae Orullian  
Ret. Pres., Guaranty Corp. and Vice Chair, Guaranty Bank and Trust Company Board of Directors

Cynthia Evans  
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Walt Vogl, DDS  
General Dentist

Mark Wehrle, CPA  
Retired Partner with Deloitte & Touche

Delta Dental of Colorado Senior Leadership Team As of December 31, 2012

Linda Arneson  
Vice President and Chief Operating Officer

Jean Lawhead  
Vice President, Sales & Marketing

Barbara Springer  
General Counsel/Vice President/Foundation Executive Director

David Beal  
Vice President and Chief Financial Officer

Kathryn A. Paul  
President and Chief Executive Officer
Improving the oral health of the communities we serve.

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