

2016

Annual Report



Delta Dental of Michigan, Ohio, and Indiana experienced a bright year in 2016. Thank you for your support of our mission to improve oral health through benefit plans, advocacy and community support.

Our dedicated employees are focused on providing high-quality service to our customers, growing our business, building our networks of participating dentists, and improving the oral health and well-being of those in the communities we serve.

In sales, we added more than \$136.5 million in new business in Michigan, Ohio and Indiana. This put our total number of subscribers at more than 4.5 million, covering nearly 8 million lives. We had a 94 percent customer retention rate, which speaks highly of the quality of our company and the service we provide.

Our corporate services printing and mailing facility was named by the In-Plant Printing and Mailing Association as the 2016 Print Center of the Year—a national award that makes us all proud. We also were proud to maintain our ISO 9001 Quality Certification and our A.M. Best rating of “A” for financial strength.

Our financial subsidiary, Red Cedar Investment Management LLC, continued to grow and build on its foundation in 2016. This SEC-registered investment adviser was formed in 2014 and continues to create strategic partnerships to expand its services and reach.

Dewpoint, our information technology solutions company in Lansing, Michigan, worked in 2016 to market our claims system and data center capabilities to other Delta Dental companies and outside organizations.

In 2016, we continued in our role as strong advocates for sound oral health policy at the state and federal levels. The Healthy Kids Dental program for Medicaid-eligible children, administered by Delta Dental in partnership

with the Michigan Department of Health and Human Services, fully expanded to include all Medicaid-eligible children in Michigan under age 21. This program now delivers dental care to nearly 1 million children statewide.

We deeply appreciate the support of our customers, business partners, participating dentists and board members in our three states. We also thank our employees for their dedication and commitment to making Delta Dental number one in the marketplace.

It was an excellent year for the company in 2016, and as Delta Dental of Michigan enters its 60th year in 2017, our future looks bright.



*Laura L. Czelada, CPA
President and Chief Executive Officer*



*Joseph C. Harris, DDS
Chairperson of the Board of Directors*

Sales and Retention



In 2016, the value that Delta Dental provided translated into a 94 percent customer retention rate.

Most of our clients have been with us for at least five years, and nearly a half-million subscribers have been with us for 25 or more years!



Our TriState sales team brought in more than \$136.5 million in new business in 2016.



4.5M

We added more than 308,000 subscribers in 2016, bringing our total number of subscribers to more than 4.5 million in Michigan, Ohio and Indiana.

Our ongoing, positive relationships and the respect we've earned over the years allow us to demonstrate Delta Dental's overall value to customers in a competitive market. Savings to groups and their employees, excellent customer service, accurate claims processing, benefit consulting, and research and development all help to keep our customers coming back year after year.

Research and Development

As the research and development arm of the company, Delta Dental's Research and Data Institute continued to work toward improving oral health by increasing high-quality dental research and decreasing health care costs in 2016.



The institute, through its Research and Development Committee, evaluates products, services and technology in the marketplace and mines data from Delta Dental's massive claims database for product development, cost reduction through fraud and abuse detection, and improvement of oral and systemic health. The company also funds and supports research focused on oral and systemic health and cutting edge treatment of diseases.

Nationally, support for oral health research lags behind research for other health issues. Through our Research and Data Institute, we are able to apply our data and scientific findings to ensure our customers and members exceptional coverage to improve their oral and overall health and maximize benefit dollars.

Technology

As Delta Dental's business grows, technology continues to be an essential component in ensuring delivery of first-class service to both internal and external customers. Utilization of best-in-class hardware and software, along with staff skilled in the deployment of quality systems, is our focus.

Our industry-leading technology platform, Enterprise Technology Solution (ETS), has been internationally recognized as providing the best in fast, flexible service, including online, real-time claims processing.

Several initiatives in 2016 focused on keeping our technology infrastructure and software updated to ensure our eight affiliated Delta Dental plans—Arkansas, Indiana, Kentucky, Michigan, New Mexico, North Carolina, Ohio and Tennessee—continue to operate on a secure and stable ETS platform. Leveraging the expertise of Dewpoint, our information technology solutions company, we continue to identify opportunities to market our claims system and data center capabilities to other Delta Dental companies and outside organizations.

In 2016, a combination of Delta Dental business, product enhancement and technology teams were actively engaged on a major initiative to develop the next generation benefit administration platform that will position the organization for future growth. This multiyear project will further enhance the services we provide to our customers, subscribers and participating dentists.

Quality and Excellence

In 2016, we proudly maintained our ISO 9001 Quality Certification for the 14th consecutive year. This certification demonstrates our commitment to serving the needs of our customers and strengthens our dedication to quality and innovation.

Satisfaction is high with members, dentists and dental office staff, according to survey results. In 2016, 98 percent of members said they are satisfied with Delta Dental, and 97 percent would recommend us to others. Among dentists, Delta Dental is consistently rated number one—averaging 37 percent higher than the next highest rated competitor.

In 2016, we were proud to maintain our A.M. Best rating of "A" for financial strength. Also in finance, our financial subsidiary, Red Cedar Investment Management LLC, an SEC-registered investment adviser, continues to grow its asset and client base, building on the experience gained in its second full year of business.

Delta Dental understands the importance of excellence in all areas. Our full-service, in-house printing and mailing facility was named Print Center of the Year in 2016 by the In-Plant Printing and Mailing Association. This national award recognizes a corporate publishing operation that excels in efficient management practices.

In our award-winning customer service department, our average speed of answer was 19 seconds, and a near-perfect 99.9 percent of inquiries were resolved on first contact. In addition, our online Toolkits for members, dental office staff, producers and customers provide easy ways to obtain information at any time.

Brighter Futures

Brighter Futures is Delta Dental's initiative to improve the oral and overall health and well-being of children and adults through education, advocacy and philanthropy.



A major focus is our dedication to improving children's oral health and literacy. Also central to Brighter Futures is the work we are doing to advance our seven public policy priorities.

Brighter Futures Public Policy Priorities:

1. Secure adequate continued funding for, and increase utilization of, the Healthy Kids Dental program in Michigan.
2. Make a dental assessment part of the requirements for starting kindergarten.
3. Ensure that pregnant women understand the importance of and have access to dental care.
4. Provide high-quality oral health education for children pre-K through elementary school.
5. Make oral health care more accessible, especially for at-risk populations.
6. Raise awareness regarding the advantages of reducing consumption of sugar-sweetened beverages and drinking water instead.
7. Support science-based programs, such as sealant programs and community water fluoridation efforts, to prevent oral diseases.



Advocacy

Throughout 2016, we continued our role as strong advocates for sound oral health policy at the state and federal levels.

The Healthy Kids Dental (HKD) program, a Medicaid partnership with the Michigan Department of Health and Human Services, fully expanded in October 2016 to provide all Medicaid-eligible children statewide under age 21 with dental benefits administered by Delta Dental. Although HKD had been available in all of Michigan's 83 counties before this, three counties previously capped the program at age 13.

The HKD program provides dental care to nearly 1 million Michigan children, and the program's record of success has generated interest across the country. The American Dental Association has named Michigan's HKD program one of five national models for improving access to dental care for low-income populations.

In another program that increases access to dental care, Delta Dental continued our involvement in the Healthy Michigan Plan (HMP), which provides dental benefits for low-income Michigan residents ages 19 to 64 who do not qualify for the traditional Medicaid program.

Also in 2016, we partnered with 103 Michigan legislators to promote literacy and children's oral health during National Reading Month in March. These lawmakers delivered tote bags filled with reading and oral health resources to more than 1,700 first-grade classrooms throughout the state when they visited to serve as guest readers of oral health books.

Combined Financial Results¹

(as of December 31)

	2016 (000s omitted)	2015 ² (000s omitted)
Total assets	\$1,459,124	\$1,352,546
Capital and general reserves	\$1,036,926	\$970,049
Total revenues	\$4,095,506	\$3,851,619
Total benefits and expenses	\$4,001,525	\$3,774,860
Operating income	\$93,981	\$76,759

2016 operational results¹

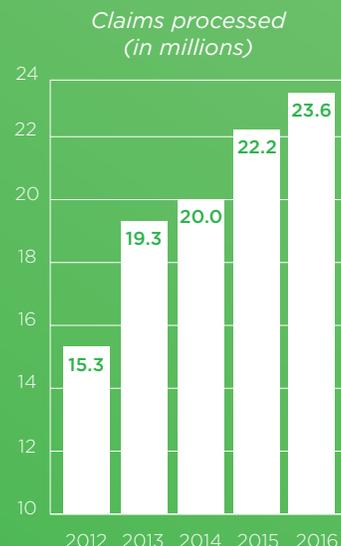
Claims processed 23.6 million
 Claims processed within
 10 working days 99.2 percent

2016 cost management results¹

Submitted charges \$8.5 billion
 Paid charges \$3.6 billion
 Total cost management savings \$5.0 billion
 The Delta Dental Difference® \$1.8 billion
 Other savings \$3.3 billion

2016 coverage results¹

Total new business \$245.9 million
 Total covered people 12.8 million



Total cost management savings



Service Accomplishments³

Call center results

Average speed of answer 19 seconds
Inquiries resolved on first contact 99.9 percent

Customer satisfaction results

Business renewal rate 94.4 percent
Implementation grade point average 4.0 on a 4.0 scale

Member satisfaction results

Overall satisfaction with
Delta Dental's service 98.2 percent
Would recommend Delta Dental to others . . . 97.1 percent

1. Combined financial, operational, cost management and coverage results are for Renaissance Health Service Corporation and affiliates, which include Renaissance Health Service Corporation; Renaissance Life and Health Insurance Company of America; Renaissance Health Insurance Company of New York; Renaissance Holding Company and subsidiaries; Delta Dental Plan of Michigan, Inc. and subsidiaries; Delta Dental Plan of Ohio, Inc.; Delta Dental Plan of Indiana, Inc.; Delta Dental Plan of Tennessee, Inc.; Delta Dental Plan of Kentucky; Delta Dental Plan of New Mexico, Delta Dental Plan of North Carolina; Delta Dental Plan of Arkansas, Inc.; and Delta Dental Fund. Delta Dental is a registered trademark of the Delta Dental Plans Association. The numbers exclude risk share business. The Renaissance trade name and marks are owned by Delta Dental Plan of Michigan, Inc. and are not sponsored or endorsed by the Delta Dental Plans Association.
2. 2015 numbers have been adjusted to conform to accounting reclassifications for 2016.
3. Service accomplishments are for Delta Dental of Michigan, Ohio, and Indiana as of December 31, 2016.

2016 TriState Executive Team

Laura L. Czelada, CPA
President and Chief Executive Officer

Amy L. Basel, CPA, CGMA
Vice President, Finance

Lu Battaglieri
Senior Vice President, Chief Public Affairs
Officer and Chief of Operations

Michael S. Gilmore
Vice President and
Chief Investment Officer

Karen M. Green
Vice President, Informatics
and Quality Assurance

Jonathan S. Groat, Esq.
Vice President and General Counsel

Toby L. Hall, FSA, MAAA
Senior Vice President, Chief Actuary and
Chief Data Officer

Nancy E. Hostetler
Senior Vice President
and Chief of Staff

Jeffery W. Johnston, DDS, MS
Vice President and
Chief Science Officer

Goran M. Jurkovic, CPA, CGMA
Chief Operating Officer, Chief Financial
Officer and Chief Risk Officer

Joadi A. Keck
Vice President, Human Resources
and Administration

Randy M. Tasco
Senior Vice President and
Chief Marketing Officer

Kenneth D. Theis
Senior Vice President and
Chief Information Officer

2016 Executive Committees and Boards of Directors

Delta Dental of Michigan

Joseph C. Harris, DDS

Chairperson
Detroit, Michigan

Kelly J. Scheiderer, RHIA, MHA

Vice Chairperson
The Ohio State University
Medical Center
Columbus, Ohio

Joshua S. Howie

Secretary/Treasurer
Freeport Financial, LLC
Chicago, Illinois

Douglas R. Anderson, DDS, MS, JD

Member-at-Large
Columbus, Ohio

C. Richard Seitz

Member-at-Large
Okemos, Michigan

Bruce R. Smith

Immediate Past Chairperson
Benefit Resource Solutions, LLC
Newport, Kentucky

Sara M. Dolan, CPA, MBA

Michigan State University Federal
Credit Union
East Lansing, Michigan

Stephen A. Eklund, DDS, MHSA, DrPH

Ann Arbor, Michigan

Christopher T. Fisher

Keyser Insurance Group
Kalamazoo, Michigan

Ann M. Flermoen, DDS

St. Johns, Michigan

Thomas J. Fleszar, DDS, MS

East Lansing, Michigan

Kurt D. Gallinger, Esq.

Amerisure Mutual Insurance Company
Farmington Hills, Michigan

Charles E. Hall

UAW Region 1
Warren, Michigan

Jed J. Jacobson, DDS, MS, MPH

Ann Arbor, Michigan

Jeffrey A. Keller

Hilliard, Ohio

Delta Dental of Ohio

Douglas R. Anderson, DDS, MS, JD

Chairperson
Columbus, Ohio

Bruce R. Smith

Vice Chairperson
Newport, Kentucky

James R. Stahl, DDS

Secretary
Toledo, Ohio

Ann M. Flermoen, DDS

Treasurer
St. Johns, Michigan

Frank Buzaki Jr.

Member-at-Large
Akron, Ohio

Michael T. Schaeffer, DDS

Immediate Past Chairperson
Cincinnati, Ohio

Judge Patrick T. Cahill

Milford, Michigan

Timothy E. Moffit, DBA

Kalamazoo College
Kalamazoo, Michigan

Michael Stull, MBA

North Canton, Ohio

Carole Watkins

Powell, Ohio

Delta Dental of Indiana

Laura L. Czelada, CPA

President and Director
Okemos, Michigan

Goran M. Jurkovic, CPA, CGMA

Treasurer and Director
Okemos, Michigan

Nancy E. Hostetler

Secretary and Director
Okemos, Michigan

Robert P. Mulligan

Director
Indianapolis, Indiana

Delta Dental of Michigan, Ohio, and Indiana

4100 Okemos Road, Okemos, Michigan 48864 • 517-349-6000
www.deltadentalmi.com • www.deltadentaloh.com • www.deltadentalin.com