



Healthy to our core.



ODS HEALTH ANNUAL REPORT : 2011



Our company DNA

**We listen more than we talk.
We lead more than we follow.
We do the right thing.
All ways. Always.**

**We don't
want to be
the best-known
brand; we want
to be the
best-regarded.**

Rooted in the Pacific Northwest, we're a company dedicated to partnering with, and caring for, our members.

In 1955, members of the International Longshoremen's and Warehousemen's Union went looking for a way to provide dental care for their kids. That search led them to ODS, the company that pioneered the visionary concept of dental insurance.

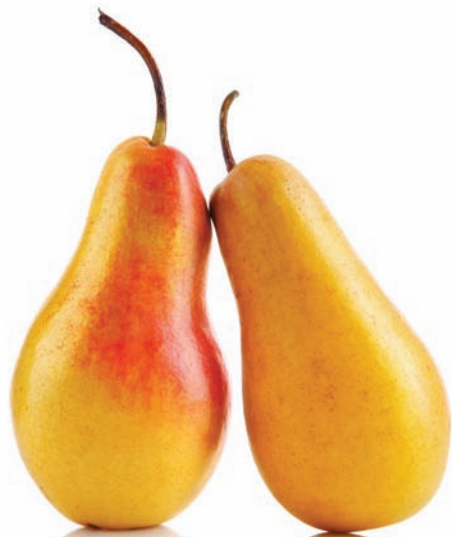
Today, ODS Health offers a full range of medical, dental, pharmacy and vision services for more than one million customers throughout Oregon, Washington and Alaska. We've built an unparalleled team of healthcare professionals — including dentists, physicians, pharmacists and nurses — whose collaboration, innovation and evidence-based management all are backed by our superb customer service.

And those longshoremen? We're delighted to say they're still our customers, proud holders of Group No. 0001.

Sincerely,

Robert G. Gootee
President & Chief Executive Officer

Jay Lamb, D.M.D.
Chairman of the Board



The right care,
at the right time,
in the right place,
at the right price.

ODS Health is much more than a place where insurance claims get paid. It's a dynamic family of companies fueled by employees committed to the pursuit of cutting-edge, cost-effective healthcare.

That's why we are:

- Proud holders of the National Committee for Quality Assurance (NCQA) seal of approval, America's premier symbol of healthcare quality and service
- A market leader in medical insurance founded on evidence-based care
- A trailblazer in innovative dental insurance that promotes total health
- A pioneer in pharmacy services, with hundreds of thousands of members throughout Oregon, Washington and Alaska
- A multifaceted organization with subsidiaries serving business clients from Ashland to Anchorage
- An online innovator with a full range of free tools and programs to help you better monitor and manage your health
- A team of health professionals — doctors, nurses, counselors, coaches — making sure you get the most from your health plan

AT THE CORE OF IT ALL



Meet Karis

With help from her trusty calendar and lots of support from her family, Karis Stoudamire-Phillips volunteers with more than a dozen community organizations that range from alumni groups to the YWCA. As ODS supervisor of wellness and community relations, she says it's important to give back.

"Often, I am able to merge my personal service with the mission of ODS and our corporate giving," she says. "Some days, it doesn't even feel like work."



Some companies like to be judged by what they say in their advertising. We like to be judged by the way we behave in our community.

For us, corporate giving is not about handing money to organizations that will splash our logo on their walls. It's about crafting partnerships to create better communities. It's about finding visionaries who are determined to

innovate, and then working with them to effect change. It's about nurturing our neighbors and nourishing these remarkable places we get to share and call home.



Get well sooner, live well longer

We build all our medical, dental and pharmacy plans on the foundation of clinically proven outcomes. Highlights of these evidence-based plans include:

- Better-quality care
- Increased patient safety
- Additional benefits through our Oral Health, Total Health program
- Increased patient-provider collaboration

ODS 24/7 —

where you want us,
when you want us.

AT THE CORE OF IT ALL



Meet Patrick

Patrick Firth, population health lead for ODS, used to worry he wasn't exercising enough. So he started riding his bike 4.5 miles to work, most days of the week. "I discovered that walking to, waiting for and then riding the bus takes about the same amount of time 'door-to-cube' as riding my bike in and showering downstairs," he says. He credits the indoor bike racks and locker room at ODS with making his commute easier.

myODS

Members get the most from their health plans using myODS, their personalized website. Members can:

- View benefits, eligibility, and claims status and history
- Review prescription history and pharmacy benefits
- Receive and view electronic Explanation of Benefits (EOBs)
- Access electronic ID cards and the ODS ID card smartphone app for use on the go

ODS Well

ODS Well™ delivers tools and individualized support to help members improve their health. Available through myODS, it includes:

ODS eDoc: This service helps members understand their symptoms and make informed health decisions. Members can email a specialized health professional at any time of the day.

Nurse line: The ODS Registered Nurse Advice Line allows members to get answers and information about their health over the phone, day or night.

Condition management and health coaching: ODS offers in-depth support programs for people with chronic health conditions, including one-on-one health coaching.

Care coordination: Members dealing with serious illnesses or recovering from accidents can have case managers help them navigate the complexities of the healthcare system.

Online tracking: ODS provides secure, online health education tools and information to help members better monitor and manage their health.





Walking the talk

During our annual six-week Charity Challenge event, ODS employees walked **152,158,797 steps** — that's more than **76,000 miles!**

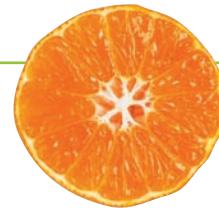


A record number of employees participated in our online **health risk assessment**



On-site

registered nurses, physicians, coaches and behavioral health coordinators help employees navigate the healthcare system.



More than 75 percent of **employees participate** in one or more of our wellness programs.

In 2011, the Portland Business Journal named ODS the Healthiest Employer in Oregon.

Since 2009, 96 percent of our **wellness program** survey respondents have agreed that a wellness program is worth their time and effort.

AT THE CORE OF IT ALL

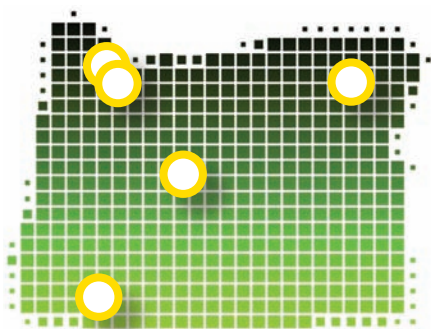


Meet Carey



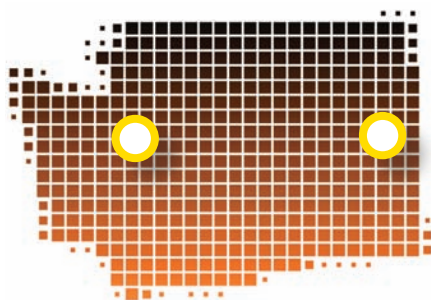
Carey Siegfried-Roads, Medicare coordinator at ODS, loves to walk. "I grew up in Southern California, walking barefoot," she says. As a kid, she'd get in trouble for straying too far, but that's not an issue today. Carey plans to complete three marathons in 2012, plus one half-marathon each month. She puts all her walking to good use by participating in the ODS Charity Challenge each year, where her steps earn dollars for a charitable organization.

More than 1,000 of us
serving more than one million of you



OREGON

Portland
Bend
La Grande
Medford
Milwaukie



WASHINGTON

Seattle
Spokane



ALASKA

Anchorage

2011 Financial Summary

Management's discussion and analysis

In 2011, we continued to experience growth throughout our company, ending the year with net revenues of \$1.66 billion. Contribution to overhead improved from \$123.7 million in 2010 to \$133.7 million in 2011, primarily because of our continued focus on medical management and evidence-based healthcare. Another contributing factor was the ongoing curtailment in healthcare utilization.

We continue to implement enhancements that generate efficiencies without impacting our long-established reputation for service excellence. As a result, our administrative expenses

increased 3.5 percent in 2011 as membership increased 5.6 percent. We also continue to invest in new technologies as well as a wide range of strategic initiatives to improve the overall experience of our members and position ourselves for the ongoing impacts of healthcare reform.

Operating income for 2011 was \$11.1 million. Our investment portfolios generated returns of just over 4 percent and, on an after-tax basis, we produced net income of \$10.4 million as compared with \$9.9 million in the prior year. We expect 2012 to produce similar results.

Disclaimer: The following summary financial information has been extracted from the audited consolidated financial statements of The ODS Companies. Deloitte & Touche, LLP, rendered an unqualified opinion on the company's financial statements for 2010 and 2011. This summary information is not inclusive of all the requisite disclosures required by generally accepted accounting principles.

Consolidated Balance Sheets

(In thousands)

| As of Dec. 31, 2011 and 2010 | 2011 | 2010 |
|----------------------------------------------|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$68,980 | \$41,999 |
| Marketable securities and investments | 271,417 | 256,762 |
| Receivables: | | |
| Premiums | 83,768 | 96,242 |
| Reinsurance, interest and other | 10,832 | 8,218 |
| Deferred tax asset – net | 2,909 | 2,448 |
| Prepays and other | 4,782 | 3,452 |
| Goodwill | 396 | 396 |
| Property and equipment – net | 70,139 | 74,949 |
| TOTAL | \$513,223 | \$484,466 |
| LIABILITIES AND CAPITAL | | |
| Estimated policy claims | \$39,892 | \$37,112 |
| Refundable revenues | 17,287 | 17,519 |
| Accounts payable and accrued expenses | 88,986 | 76,836 |
| Unearned premiums | 9,936 | 12,623 |
| Other self-insured deposits | 181,002 | 169,064 |
| Notes payable and capital leases | 53,189 | 57,867 |
| Deferred compensation and retirement plans | 15,565 | 16,025 |
| Total liabilities | 405,857 | 387,046 |
| Capital: | | |
| Controlling interests: | | |
| Contributed capital | 30 | 30 |
| Additional paid in capital | 1,275 | – |
| Subordinated contingency reserve | 1,000 | 1,500 |
| Accumulated other comprehensive loss | (2,845) | (2,013) |
| Accumulated excess of revenues over expenses | 104,281 | 93,889 |
| Total controlling interests' capital | 103,741 | 93,406 |
| Noncontrolling interests | 3,625 | 4,014 |
| Total capital | 107,366 | 97,420 |
| TOTAL | \$513,223 | \$484,466 |

Consolidated Statements of Operations

(In thousands)

| For the years ending Dec. 31, 2011 and 2010 | 2011 | 2010 |
|-----------------------------------------------------------------------|------------------|-----------------|
| REVENUES | | |
| Premiums | \$1,642,424 | \$1,623,906 |
| Other | 11,830 | 11,233 |
| Investment income – net of related expenses | 7,507 | 12,431 |
| Total revenues | 1,661,761 | 1,647,570 |
| BENEFITS AND EXPENSES | | |
| Policyholder benefits | 1,520,551 | 1,511,398 |
| Selling, general and administrative | 126,139 | 121,842 |
| Other expenses | 744 | 905 |
| Total benefits and expenses | 1,647,434 | 1,634,145 |
| INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS | 14,327 | 13,425 |
| INCOME TAX EXPENSE | (3,790) | (3,781) |
| REVENUES OVER EXPENSES | 10,537 | 9,644 |
| LESS: (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | (145) | 222 |
| INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS | 10,392 | 9,866 |
| ACCUMULATED EXCESS OF REVENUES OVER EXPENSES – BEGINNING OF YEAR | 93,889 | 84,023 |
| ACCUMULATED EXCESS OF REVENUES OVER EXPENSES – END OF YEAR | \$104,281 | \$93,889 |

Growing together

We take pride in the evolution and success of our subsidiaries

DBIC AND DBC

Dentists Benefits Insurance Company (DBIC) and Dentists Benefits Corporation (DBC) serve dentists with professional liability, general liability and property insurance. DBC sells DBIC policies and other business-related insurance products for dentists.

DENTAL COMMERCE CORPORATION

Dental Commerce Corporation (DCC) offers practice and patient financing, helping dentists grow their business and patients thrive.

NORDIC

Northwest Dentists Insurance Company (NORDIC) has served dentists in Washington and Idaho since 1989. Today, with approximately 70 percent of the Washington market, NORDIC and DBIC position ODS as the preeminent dental malpractice carrier in the Pacific Northwest.

DMC

Dentists Management Corporation (DMC) office products and services, including DAISY practice management software, help dentists manage their practices.

BENEFITHELP SOLUTIONS

BenefitHelp Solutions Inc. provides third-party administrative services including Flexible Spending Accounts (FSAs), COBRA administration and Health Reimbursement Arrangements (HRAs).





www.odskompanies.com