

April 22, 2020

Mr. Mark Mitchke, CEO
Delta Dental of Washington
PO Box 75688
Seattle, WA 98175

Dear Mr. Mitchke,

On behalf of Washington's dental community, I would like to thank Delta Dental of Washington (Delta) for launching two financial support programs for Washington dentists. The Independent Dental Practice Reimbursement Advance Program (RAP) and Independent Dental Practice Assistance Fund (PAF) have helped some Delta member dentists maintain a level of financial solvency during the early stages of the COVID-19 pandemic. The promptness with which Delta announced RAP and PAF to dentists, well before government and other private support, is particularly appreciated.

Since the RAP and RAF programs were announced, the impact of COVID-19 on dental practices across the state has considerably worsened. Given this dire situation, we believe now is the time for Delta to provide increased relief to our state's dentists.

In short, Washington's dentists, in this time of unprecedented hardships, need support from Delta commensurate with what Delta was afforded by Washington's dentists when Delta needed their support the most.

Over the last few weeks, WSDA Foundation (Tax ID: 91-1869855) has expanded its organizational scope to include supporting the provision of financial relief to dentists and dental practices in our state that suffer economic hardship as a result of declared disasters in Washington. In the coming days, we will be asking organizations that depend upon Washington's dental community to support this relief fund.

The WSDA Relief Fund respectfully requests that Delta contribute \$50 million for grants available to Washington dentists in active practice, beyond what has already been allocated by Delta to its RAP and PAF programs. This funding for grants can be contributed directly to the WSDA Relief Fund, or Delta can coordinate with the WSDA Relief Fund to make grants directly to Washington's dentists in active practice. WSDA has accurate contact and practice information for dentists across the state (including dentists who are not members of WSDA).

Grant funding of \$50 million would be an incredible gesture of support that would not be forgotten. Several options or combinations of options are possible for how grants could be awarded. Possible options include: offering a grant similar to the Economic Injury Disaster Loan (EIDL) available, when funded, as economic relief for businesses that have experienced loss of revenue due to the COVID-19 pandemic; an allocation strategy similar to what has been used for Delta's own PAF; grants for supporting loans or other payments that have not been able to be deferred; or grants for expenses

that will be incurred to reopen dental practices. We would welcome a robust conversation about criteria surrounding additional grant funding.

We know that this is a large ask, but the history between the state's dentists and Delta warrants such a request. The company (originally named Washington State Dental Service Corporation or WSDSC) was founded by WSDA member dentists to provide pre-paid dental care to the children of members of the International Longshoremen's Warehousemen's Union. WSDA and WSDSC shared office space and one executive managed both organizations for several years.

Like many nascent companies, Delta's early history was filled with financial difficulties and low financial reserves. Throughout its early days, Washington's dentists buttressed Delta with stable and long-lasting financial support. This support includes:

- When the company was founded in 1954, member dentists signed on to have 5% of their fees withheld to raise capital for the organization. This withhold lasted for about 10 years until sometime in the mid-1960s.
- In 1967, Delta began offering "administrative service only" plans that resulted in operational deficits. To cover these deficits, member dentists were required to pay "services charges" until 1970.
- In 1975, Delta was instructed to increase reserves by the Office of the Insurance Commissioner (OIC). Delta decided to increase reserves by reinstating the 5% withhold levied on member dentists. The 5% withhold was reduced to 3% in 1979 and eliminated in 1982.

Between 1954 and 1982, Washington dentists financially fortified Delta with about 20 years of service charges and withholds. Delta has relied on financial support from its member dentists for almost one third of the company's history. Delta has never made any sort of repayment to its member dentists for this financial support.

Delta's financial health has steadily improved since the early 1980s, and the last decade was the company's strongest. Between 2011 and 2018 (the years for which financial data is available to members), Delta's enrollees have increased by nearly 1 million people, premium revenue by 46%, total cash and investments by 53%, and foundation/charitable contributions by 162%. Today, Delta is a billion-dollar company with reserves approaching \$300 million (in 2018).

This span of success was built upon Delta's robust network of member dentists. A network that provides Delta enrollees with the largest selection of dentists in the state and, historically, a network that has kept Delta solvent with ongoing financial support during difficult times.

Today, Washington's dentists are enduring the most trying times since 1954 due to the COVID-19 pandemic and the resulting public health actions intended to mitigate its overall harm. For several weeks, dentists have halted providing non-urgent dental care, and as of now, it remains unclear when the provision of non-urgent care will resume and what treatment protocols will be required in the short and medium terms.

Dentists across the state are scrambling to preserve the future viability of their practices. Dental practices do not have the reserves of larger companies. Talented staff members have been furloughed; practice and student loans are being postponed or otherwise renegotiated with varying degrees of success; applications for government

aid, with ever-changing criteria and benefits, are being completed; and business and personal expenses are being tightly managed. The longer the effects of this pandemic last, the harder it will be for our state's dentists, the primary source of Delta's vitality, to reestablish themselves into whatever new normal emerges.

Dentists in various practice situations across the state are in incredibly difficult financial positions. For example, we are hearing from dentists enrolled in National Health Service Corps Loan Repayment contracts, as well as those with private student loans, experiencing difficulties in getting repayment flexibility. We are also hearing from dentists experiencing difficulty applying for and receiving federal Paycheck Protection Program and unemployment benefits. From many different sources, offers of relief and flexibility are not materializing as initially outlined.

We know that asking Delta to offer Washington dentists \$50 million in grants that will not be paid back is a substantial ask. However, this amount represents about 20% of Delta's cash and investments reported on the 2018 Annual Report shared with Delta member dentists. During the mandated closures for non-urgent care, Delta continues to collect premium dollars from many of its enrollees. A portion of this revenue could also be used on these grants to reduce the impact on Delta's reserves.

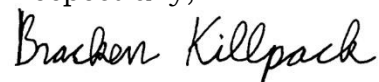
We also know that OIC requires Delta and other dental benefits carriers to have a minimum level of funds to ensure claims can be paid. If our request would drop Delta reserves below any statutory or regulatory threshold, WSDA will wholeheartedly volunteer to join Delta in advocating for a suspension of this requirement. We believe OIC would favorably consider such a request given the purpose.

Further, we know that reserve funds are meant to ensure financial resiliency through difficult financial challenges. We cannot think of another situation more appropriate to ensure the future of Delta than preserving the viability of Delta's network of practicing dentists during the COVID-19 pandemic. Supporting dentists now will allow many to continue to provide care to vulnerable populations and Medicaid-eligible patients more easily once restrictions are lifted.

During Delta's most challenging financial times, Washington dentists were there for the company. Today is the most difficult time the state's dental profession has faced during Delta's history. This is a moment where Delta can honor and fortify the special relationship with the dental community that existed throughout much of Delta's history. For decades to come, dentists will remember the actions Delta chooses to take or not take during the COVID-19 pandemic. This is a profound moment for Delta's legacy.

WSDA is standing by to discuss the support outlined in this letter and will help in any way possible. Do not hesitate to contact me directly if you would like to discuss this matter further.

Respectfully,



Mr. Bracken R. Killpack
Executive Director
Washington State Dental Association