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January 30, 2017

VIA HAND DELIVERY

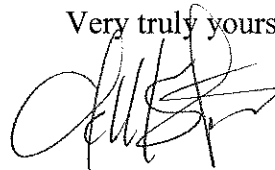
Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

Re: *Order No. ID-RC-13-06*
June 19, 2015 Approval Letter, Section III(D)

Dear Deputy Commissioner DiMemmo:

Pursuant to Section III(D) of the above-captioned Approval Letter, Highmark Health is filing with the Department the attached non-confidential Benchmark Report.

Very truly yours,



Jack M. Stover

JMS/gmt
Enclosure

cc: Lawrence J. Beaser, Esquire (via email)
Patrick T. DeLacey (via Email)

RECEIVED
Corporate & Financial Regulation

JAN 30 2017

Pennsylvania
Insurance Department

Allegheny Health Network
Consolidated Statements of Operations - UNAUDITED
Periods Ended December 31, 2016
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	CAP	ACTUAL	CAP
Net Patient Revenues	\$ 695,400		\$ 2,655,167	
Other Operating Revenues	49,238		199,579	
TOTAL REVENUES	744,638	670,802	2,854,746	2,734,500
Salaries	357,160		1,385,479	
Benefits	41,623		158,756	
Professional Fees & Purchased Services	131,887		370,369	
Patient Care Supplies & Drugs	145,102		559,766	
Insurance	3,332		37,560	
Other Operating Expenses	33,986		246,896	
Depreciation & Amortization	36,013		128,549	
Restructuring	217		6,407	
TOTAL OPERATING EXPENSES	749,320	685,070	2,893,782	2,763,825
OPERATING LOSS	(4,682)	(14,268)	(39,036)	(29,325)
Interest Expense	(8,727)		(30,291)	
Investment Income	6,177		28,467	
Gifts & Donations	394		668	
Other Expense	(107)		(1,771)	
Net (Income)/Loss Attributable to Non-Controlling Interest	895		(993)	
Income Tax Benefit	1,035		2,912	
NET LOSS	\$ (5,015)	\$ (17,841)	\$ (40,044)	\$ (43,102)

Allegheny Health Network
Consolidated Statement of Cash Flows - UNAUDITED
Periods Ended December 31, 2016
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	CAP	ACTUAL	CAP
<u>Cash Flow from Operating Activities</u>				
Increase (Decrease) in Net Assets	\$ (51,682)	\$ (17,182)	\$ 19,404	\$ 53,633
Depreciation & Amortization	36,013		128,549	
Gain on sale of PP&E	417		470	
Change in Fair Value of Derivative Financial Instruments	(10,071)		(3,046)	
Provision for Doubtful Accounts	13,811		69,413	
CAPEX Equity Transfer from Highmark	(4,680)		(110,408)	
Other Equity Transfers	-		-	
Restricted Contributions	(295)		(2,379)	
(Increase)/Decrease in:				
Accounts Receivable	(1,913)		(87,805)	
Other Receivables	1,637		13,152	
Inventories, Prepaid Expenses & Other Current Assets	390		(1,697)	
Other Long-Term Assets	13,880		(5,643)	
Increase/(Decrease) in:				
Accounts Payable & Accrued Expenses	6,601		40,759	
Accrued Pension Liabilities	62,961		54,855	
Other Liabilities	(31,576)		(23,288)	
Cash Flow from Operating Activities	35,493	(649)	92,336	55,460
<u>Cash Flow from Investing Activities</u>				
Capital Expenditures	(24,248)		(127,464)	
Proceeds from sale of PP&E	-		294	
(Purchases)/Sales Of Investments	(23,876)		(9,263)	
Cash Flow from Investing Activities	(48,124)	(9,958)	(136,433)	(158,132)
<u>Cash Flow from Financing Activities</u>				
Payment of Debt	(1,264)		(12,836)	
CAPEX Equity Transfer from Highmark	15,148		110,408	
Other Equity Transfers	-		-	
Restricted Contributions	295		2,379	
Additional Financing	789		2,899	
Cash Flow from Financing Activities	14,968	1,162	102,850	94,341
<u>Cash Summary</u>				
Beginning Cash Balance	194,033	103,409	137,617	102,295
Net Change in Cash	2,337	(9,445)	58,753	(8,331)
Ending Cash Balance	\$ 196,370	\$ 93,964	\$ 196,370	\$ 93,964

Allegheny Health Network
Consolidated Days Cash on Hand - UNAUDITED
Periods Ended December 31, 2016
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	CAP	ACTUAL	CAP
Cash & Cash Equivalents	\$ 196,370	\$ 93,964	\$ 196,370	\$ 93,964
Investments	289,500	280,100	289,500	280,100
Unrestricted - Board Designated Funds	123,427	159,620	123,427	159,620
Total	\$ 609,297	\$ 533,684	\$ 609,297	\$ 533,684
Total Operating Expenses	\$ 749,320	\$ 685,070	\$ 2,893,782	\$ 2,763,825
Add: Interest Expense	8,727	8,079	30,291	30,857
Less: Depreciation & Amortization	(36,013)	(34,313)	(128,549)	(136,626)
Total	\$ 722,034	\$ 658,836	\$ 2,795,524	\$ 2,658,056
Days in Period	92	92	366	366
Operating Expense Per Day	\$ 7,848	\$ 7,161	\$ 7,638	\$ 7,262
DAYS CASH ON HAND	77.6	74.5	79.8	73.5

Allegheny Health Network
Consolidated Debt Service Coverage Ratio - UNAUDITED
Periods Ended December 31, 2016
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	CAP	ACTUAL	CAP
Net Loss	\$ (5,015)	\$ (17,841)	\$ (40,044)	\$ (43,102)
Add: Depreciation & Amortization	36,013	34,313	128,549	136,626
Add: Interest Expense	8,727	8,079	30,291	30,857
Less/Add: Unrealized Investment Losses/(Gains)	1,949	-	(9,717)	-
Total	41,674	24,551	109,079	124,381
Debt Service Requirement	\$ 9,991	\$ 8,529	\$ 43,127	\$ 37,748
DEBT SERVICE COVERAGE RATIO	4.17	2.88	2.53	3.30

**Allegheny Health Network
Schedule of Statistical Information by System
Periods Ended December 31, 2016**

Year-to-Date December 31, 2016						
	INPATIENT DISCHARGES (ACUTE/PSYCH/REHAB)		OUTPATIENT REGISTRATIONS		OCCUPANCY RATES USING AVAILABLE BEDS	
	ACTUAL	CAP	ACTUAL	CAP	ACTUAL	CAP
WPAHS	58,322	57,859	855,041	842,690	55.8%	55.4%
JRMC	14,812	14,485	248,369	268,230	58.5%	52.9%
SVH	14,074	14,891	204,884	207,513	51.5%	49.1%
Total AHN	87,208	87,235	1,308,294	1,318,433	55.5%	53.9%

Year-to-Date December 31, 2016	
ACTUAL OCCUPANCY RATES USING BEDS IN SERVICE	
WPAHS	70.4%
JRMC	64.2%
SVH	56.3%
Total AHN	66.9%

**Allegheny Health Network
Full Time Equivalents (FTEs)
December 31, 2016**

	FTEs (EXEMPT)		FTEs (NON-EXEMPT)		TOTAL FTEs	
	ACTUAL	CAP	ACTUAL	CAP	ACTUAL	CAP
Total AHN	4,237	4,074	12,333	11,853	16,570	15,927

**Allegheny Health Network
Schedule of Occupied Beds
Periods Ended December 31, 2016**

	QTD	YTD
Total AHN	1,192	1,190

Allegheny Health Network
Schedule of FTE/Occupied Bed (and FTE/Adjusted Occupied Bed)
Periods Ended December 31, 2016

	QTD	YTD
<u>Schedule of FTE/Occupied Bed</u>		
Total AHN	8.73	8.61
<u>Schedule of FTE/Adjusted Occupied Bed</u>		
Total AHN	4.34	4.26

**Allegheny Health Network
Capital Investment Detail
As of December 31, 2016**
(Dollars in Millions)

	2016 CAP	2016 Spend		2016 CAP	2016 Spend
Allegheny General Hospital					
Nursing Unit Renovations	\$ 12.7	\$ 10.1			
Lab/Radiology Renovations	13.8	0.2			
General Hospital Renovations	14.6	13.8			
Replacements and Leases	15.2	18.1			
Year-End Equipment Accrual	-	3.3			
Total Allegheny General Hospital	\$ 56.3	\$ 45.5			
Allegheny Valley Hospital					
General Hospital Renovations	\$ 0.1	\$ 0.3			
Replacements and Leases	0.5	2.4			
Year-End Equipment Accrual	-	0.3			
Total Allegheny Valley Hospital	\$ 0.6	\$ 3.0			
Canonsburg Hospital					
General Hospital Renovations	\$ -	\$ 0.9			
Replacements and Leases	0.5	0.8			
Total Canonsburg Hospital	\$ 0.5	\$ 1.7			
Forbes Hospital					
Unit Renovations	\$ -	\$ 0.4			
ICU Renovations	-	3.2			
General Hospital Renovations	5.3	4.8			
Replacements and Leases	1.4	6.0			
Total Forbes Hospital	\$ 6.7	\$ 14.4			
Allegheny Health Network/IT					
Renovations	\$ 2.9	\$ 0.7			
Strategic Acquisitions	4.0	-			
Replacements and Leases	23.8	16.0			
Total AHN/IT	\$ 30.7	\$ 16.7			
Jefferson Hospital					
Bethel Park ASC	\$ -	\$ 0.2			
Strategic Acquisition-Radiation Onc.	-	0.2			
Women's Health	3.6	0.1			
General Hospital Renovations	1.7	2.6			
Replacements and Leases	9.8	2.4			
Total Jefferson Hospital	\$ 15.1	\$ 5.5			
Allegheny Clinic					
Physician Practice Acquisition	\$ -	\$ 1.1			
Physician Office Renovations	2.2	6.2			
Replacements and Leases	0.2	1.7			
Total Allegheny Clinic	\$ 2.4	\$ 9.0			
ASRI					
Replacements and Leases	\$ 0.2	\$ 0.2			
Total ASRI	\$ 0.2	\$ 0.2			
Core Lab					
Replacements and Leases	\$ 0.9	\$ 0.7			
Total Core Lab	\$ 0.9	\$ 0.7			
Wexford					
Replacements and Leases	\$ -	\$ 0.1			
Total Wexford	\$ -	\$ 0.1			
AHN Combined Total					
	\$ 154.9	\$ 122.6			