

**RECEIVED**  
Corporate & Financial Regulation

JUL 30 2013

**Pennsylvania**  
**Insurance Department**

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July 30, 2013

**VIA HAND DELIVERY**

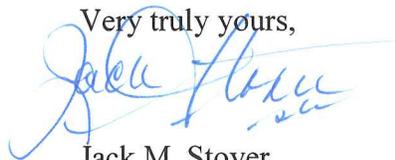
Mr. Stephen J. Johnson, CPA  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation  
Pennsylvania Insurance Department  
1345 Strawberry Square  
Harrisburg, PA 17120

**Re: Financial Reports**

Dear Deputy Commissioner Johnson:

In compliance with Condition 14 of the Approving Determination dated April 29, 2013, Highmark is submitting the enclosed financial reports for the quarter ending June 30, 2013 on a non-confidential basis. I have forwarded a copy of the reports to Mr. Beaser and Mr. Newman by email.

Very truly yours,



Jack M. Stover

JMS/skm  
Enclosure

**Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination  
and Order (Order No. ID-RC-13-06)**

**West Penn Allegheny Health System  
Consolidated Balance Sheet - UNAUDITED  
June 30, 2013  
(Dollars in '000)**

	<u>ACTUAL</u>
<b><u>ASSETS</u></b>	
Cash & Cash Equivalents	\$ 164,518
Short-Term Investments	5,139
Current Debt Service Funds	5,903
Net Patient Accounts Receivable	152,278
Other Receivables	10,149
Amounts Due from Third Party Payors	6,982
Inventories	22,599
Prepaid Expenses & Other Current Assets	18,085
	<u>Total Current Assets</u>
	<u>385,653</u>
Unrestricted	
Board Designated Funds	73,374
Insurance Reserve Funds	10,521
Debt Service Reserve Funds	9,131
Project Funds	41,496
Letters of Credit	1,174
Other	13,362
Temporarily Restricted	23,142
Permanently Restricted	236,945
	<u>Total Assets Restricted As To Use</u>
	<u>409,145</u>
Property, Plant & Equipment - Net	389,451
Investments	51,255
Other Assets, Net	62,133
	<u>Total Long-Term Assets</u>
	<u>502,839</u>
	<u><b>TOTAL ASSETS</b></u>
	<u><b>\$ 1,297,637</b></u>
 <b><u>LIABILITIES &amp; NET ASSETS</u></b>	
Accounts Payable	\$ 96,239
Accrued Expenses	23,591
Accrued Salaries & Vacation	53,010
Current Portion of Long-Term Liabilities	30,678
	<u>Total Current Liabilities</u>
	<u>203,518</u>
Long-Term Debt	972,010
Deferred Revenue	34,800
Self Insurance Liabilities	62,630
Accrued Pension Obligation	276,187
Other Noncurrent Liabilities	22,557
	<u>Total Noncurrent Liabilities</u>
	<u>1,571,702</u>
	<u>Total Liabilities</u>
	<u>1,571,702</u>
Unrestricted Net Assets	(534,152)
Temporarily Restricted Net Assets	23,142
Permanently Restricted Net Assets	236,945
	<u>Total Net Deficit</u>
	<u>(274,065)</u>
	<u><b>TOTAL LIABILITIES &amp; NET DEFICIT</b></u>
	<u><b>\$ 1,297,637</b></u>

**West Penn Allegheny Health System**  
**Consolidated Statement of Operations - UNAUDITED**  
**Quarter Ended June 30, 2013**  
(Dollars in '000)

	ACTUAL	BUDGET
<b>OPERATING REVENUES</b>		
Inpatient Gross Revenue	538,968	
Outpatient Gross Revenue	466,094	
Professional Fee Gross Revenue	192,003	
<b>TOTAL GROSS REVENUES</b>	<b>1,197,065</b>	
Contractual Allowances	(816,805)	
Bad Debt	(19,383)	
<b>TOTAL NET PATIENT REVENUES</b>	<b>360,877</b>	
Other Operating Revenues	22,130	
Net Assets Released From Restrictions	1,038	
<b>TOTAL REVENUES AND GAINS</b>	<b>384,045</b>	
<b>OPERATING EXPENSES</b>		
Salaries	193,979	
Benefits	33,896	
Professional Fees & Purchased Services	44,002	
Supplies and Drugs	79,389	
Insurance	14,024	
Other Operating Expenses	32,118	
Depreciation and Amortization	20,347	
Interest Expense	8,866	
Restructuring	5,299	
<b>TOTAL OPERATING EXPENSES</b>	<b>431,920</b>	
<b>OPERATING INCOME (LOSS)</b>	<b>(47,875)</b>	
(+) Depreciation and Amortization	20,347	
(+) Interest Expense	8,866	
<b>EBIDA</b>	<b>(18,662)</b>	
Investment Income	2,050	
Gifts and Donations	199	
System Wide Services	167	
Gain (Loss) in Joint Venture Investment	4,261	
<b>NET INCOME (LOSS)</b>	<b>(41,198)</b>	<b>(19,176)</b>
<b>EBIDA</b>	-4.9%	
<b>Operating Margin</b>	-12.5%	
<b>Net Margin</b>	-10.7%	

**West Penn Allegheny Health System**  
**Consolidated Statement of Cash Flows - UNAUDITED**  
**Quarter Ended June 30, 2013**  
(Dollars in '000)

**Cash Flow from Operating Activities**

Net Income	(41,198)
Depreciation & Amortization	20,347
(Increase)/Decrease in:	
Current Debt Service Funds	47,478
Net Patient Accounts Receivable	2
Other Receivables	4,346
Amounts due from Third Party Payors	(9,934)
Inventories	(675)
Prepaid Expenses & Other Current Assets	4,048
Assets Restricted As to Use	(49,236)
Other Long-term Assets	10,457
Other	5,914
Increase/(Decrease) in:	
Accounts Payable	(6,841)
Accrued Expenses	(10,827)
Accrued Salaries & Vacation	5,861
Deferred Revenue	(59,991)
Self Insurance Liabilities	4,070
Accrued Pension Liabilities	(3,662)
Other Noncurrent Liabilities	1,044
<b>Cash Flow from Operating Activities</b>	<b>(78,797)</b>

**Cash Flow from Investing Activities**

Capital Expenditures	(14,352)
<b>Cash Flow from Investing Activities</b>	<b>(14,352)</b>

**Cash Flow from Financing Activities**

Borrowing/(Payment) of Existing Debt	(1,239)
Borrowing/(Payment) of Highmark Loans	100,000
Highmark Contribution	75,000
<b>Cash Flow from Financing Activities</b>	<b>173,761</b>

**Cash Summary**

Beginning Cash Balance - April 1, 2013	83,906
Net Change in Cash	80,612
<b>Ending Cash Balance</b>	<b>164,518</b>

**West Penn Allegheny Health System**  
**Days Cash on Hand - UNAUDITED**  
**Quarter Ended June 30, 2013**  
(Dollars in '000)

Cash and cash equivalents/other	\$ 164,518
Investments	56,393
Board designated (funded depreciation)	73,374
2007A Project Funds	<u>41,496</u>
<b>Total</b>	<u><u>\$ 335,781</u></u>
Total operating expenses, including restructuring	\$ 431,920
Less: depreciation and amortization	<u>(20,347)</u>
<b>Operating expenses less depreciation and amortization</b>	<u><u>411,573</u></u>
<b>Days in quarter ending June 30, 2013</b>	91
<b>Operating expense per day</b>	<u><u>\$ 4,523</u></u>
<b>DAYS CASH ON HAND</b>	<u><u>74.2</u></u>

**West Penn Allegheny Health System**  
**Debt Service Coverage Ratio - UNAUDITED**  
**Quarter Ended June 30, 2013**  
(Dollars in '000)

Excess of expenses over revenues	\$ (41,198)
Plus: depreciation and amortization	20,347
Plus: interest expense	8,866
Plus: net unrealized investment losses	996
Less: net unrealized gains in joint venture investments	<u>(4,261)</u>
<b>Total</b>	<b>(15,250)</b>
Quarter - debt service requirement	<u>\$ 13,750</u>
<b>ANNUAL DEBT SERVICE COVERAGE RATIO</b>	<b><u><u>(1.11)</u></u></b>

**West Penn Allegheny Health System  
Schedule of Capital Expenditures  
Quarter Ending June 30, 2013**

Buildings and Building Improvements	6,361,504
Equipment/Software	3,638,760
Fixed Asset purchases *	1,923,775

\* Amounts relate to direct fixed asset purchases (e.g. not a project related capital expenditure)

**West Penn Allegheny Health System  
Schedule of Inpatient and Outpatient Discharge Volume  
Quarter Ending June 30, 2013**

	<u>ACTUAL</u>	<u>BUDGET</u>
Inpatient Discharges (Acute/Psych/Rehab)	13,617	14,815
Outpatient Registration	195,921	209,728

**West Penn Allegheny Health System  
Schedule of Occupancy Rates  
Quarter Ending June 30, 2013**

	<u>Actual</u>	<u>Budget</u>
Total	56.24%	59.67%

**West Penn Allegheny Health System  
Schedule of Salaried and Non-Salaried employees on an FTE basis  
Quarter Ending June 30, 2013**

	<u>EXEMPT</u>	<u>NON-EXEMPT</u>	<u>TOTAL</u>
<b>Total</b>	3,220.09	6,791.16	10,011.25

West Penn Allegheny Health System  
Schedule of Occupied Beds  
Quarter Ending June 30, 2013

	<u>Actual</u>	<u>Budget</u>
Total	831	881

**West Penn Allegheny Health System**  
**Schedule of FTE/Occupied Bed (and FTE/Adjusted Occupied Bed)**  
**Quarter Ending June 30, 2013**

	<u>Actual</u>	<u>Budget</u>
FTE/Occupied Bed	8.51	8.23
FTE/Adjusted Occupied Bed	4.57	4.44