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**RECEIVED**  
Corporate & Financial Regulation

JAN 30 2015

**Pennsylvania  
Insurance Department**

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January 30, 2015

**VIA HAND DELIVERY**

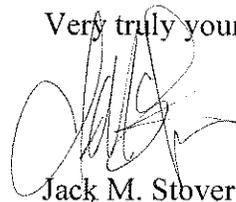
Mr. Stephen J. Johnson, CPA  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation  
Pennsylvania Insurance Department  
1345 Strawberry Square  
Harrisburg, PA 17120

**Re: Financial Reports**

Dear Deputy Commissioner Johnson:

In compliance with Condition 14 of the Approving Determination dated April 29, 2013, Highmark Health is submitting the enclosed financial reports for the quarter and year ending December 31, 2014 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/gmt  
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  
December 31, 2014  
(Dollars in '000)**

	<u>ACTUAL</u>
<b><u>ASSETS</u></b>	
Cash & Cash Equivalents	\$ 64,075
Net Patient Accounts Receivable	173,507
Other Receivables	44,869
Amounts Due from Third Party Payors	16,906
Inventories	27,491
Prepaid Expenses & Other Current Assets	15,637
	<u>Total Current Assets</u>
	<u>342,485</u>
Unrestricted	
Board Designated Funds	120,041
Insurance Reserve Funds	2,100
Letters of Credit	1,076
Other	20,830
Temporarily Restricted	14,287
Permanently Restricted	260,032
	<u>Total Assets Restricted As To Use</u>
	<u>418,366</u>
Property, Plant & Equipment - Net	578,056
Investments	140,939
Goodwill	86,737
Other Assets, Net	73,038
	<u>Total Long-Term Assets</u>
	<u>878,770</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,639,621</u></b>
<b><u>LIABILITIES &amp; NET ASSETS</u></b>	
Accounts Payable	\$ 122,978
Accrued Expenses	75,606
Current Portion of Long-Term Liabilities	16,910
	<u>Total Current Liabilities</u>
	<u>215,494</u>
Long-Term Debt	1,022,702
Deferred Revenue	25,871
Self Insurance Liabilities	69,896
Accrued Pension Obligation	249,303
Other Noncurrent Liabilities	37,394
	<u>Total Noncurrent Liabilities</u>
	<u>1,405,166</u>
	<u>Total Liabilities</u>
	<u>1,620,660</u>
Unrestricted Net Deficit	(255,358)
Temporarily Restricted Net Assets	14,287
Permanently Restricted Net Assets	260,032
	<u>Total Net Assets</u>
	<u>18,961</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 1,639,621</u></b>

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 Statement of Operations - UNAUDITED**  
**Quarter Ended December 31, 2014**  
(Dollars in '000)

	ACTUAL	Base Case Projection	Downside Case Projection
<b>TOTAL NET PATIENT REVENUES</b>	\$ 421,096	\$ 463,700	\$ 413,300
Other Operating Revenues	31,544		
Net Assets Released From Restrictions	1,087		
<b>TOTAL REVENUES</b>	<b>453,727</b>	<b>482,900</b>	<b>432,500</b>
<b>OPERATING EXPENSES</b>			
Salaries	200,205		
Benefits	32,367		
Professional Fees & Purchased Services	71,642		
Patient Care Supplies & Drugs	85,249		
Insurance	7,098		
Other Operating Expenses	33,928		
Depreciation and Amortization	16,097		
Interest Expense	4,558		
Restructuring	408		
<b>TOTAL OPERATING EXPENSES</b>	<b>451,552</b>	<b>478,400</b>	<b>454,100</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,175</b>	<b>4,500</b>	<b>(21,600)</b>
(+) Depreciation and Amortization	16,097		
(+) Interest Expense	4,558		
<b>EBIDA</b>	<b>22,830</b>	<b>37,700</b>	<b>11,600</b>
Investment Income	5,335		
Gifts and Donations	461		
Gain (Loss) in Joint Venture Investment	(186)		
Gain on Extinguishment of Debt	15,483		
<b>NET INCOME (LOSS)</b>	<b>\$ 23,268</b>	<b>\$ 7,800</b>	<b>\$ (18,900)</b>

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 Statement of Cash Flows - UNAUDITED**  
**Quarter Ended December 31, 2014**  
(Dollars in '000)

**Cash Flow from Operating Activities**

Decrease in Net Assets	(30,658)
Depreciation & Amortization	16,097
Gain on Extinguishment of Debt	(15,483)
Change in Pension Liability	37,422
(Increase)/Decrease in:	
Net Patient Accounts Receivable	957
Other Receivables	(17,364)
Amounts due from Third Party Payors	3,407
Inventories	(2,406)
Prepaid Expenses & Other Current Assets	6,289
Assets Restricted As to Use	30,014
Investments	(55,487)
Other	(16,745)
Increase/(Decrease) in:	
Accounts Payable	29,823
Accrued Expenses	21,879
Deferred Revenue	(16,942)
Self Insurance Liabilities	1,175
Accrued Pension Liabilities	(6,743)
Other Noncurrent Liabilities	(11,353)
<b>Cash Flow from Operating Activities</b>	<b>(26,118)</b>

**Cash Flow from Investing Activities**

Capital Expenditures	(18,992)
<b>Cash Flow from Investing Activities</b>	<b>(18,992)</b>

**Cash Flow from Financing Activities**

Borrowing/(Payment) of Existing Debt	(7,971)
<b>Cash Flow from Financing Activities</b>	<b>(7,971)</b>

**Cash Summary**

Beginning Cash Balance - September 30, 2014	117,156
Net Change in Cash	(53,081)
<b>Ending Cash Balance - December 31, 2014</b>	<b>64,075</b>

Fixed asset additions in accounts payable and accrued expenses 8,637

**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  
Days Cash on Hand - UNAUDITED  
Quarter Ended December 31, 2014  
(Dollars in '000)**

	<b>Actual</b>	<b>Base Case</b>
	<b>Dec 31, 2014</b>	<b>Quarter Ended Dec 31, 2014</b>
Cash and cash equivalents	\$ 64,075	321,100
Investments	140,939	5,100
Board designated	120,041	73,600
<b>Total</b>	<b>\$ 325,055</b>	<b>\$ 399,800</b>
Total operating expenses	\$ 451,552	\$ 478,400
Less: depreciation and amortization	(16,097)	(23,000)
<b>Operating expenses less depreciation and amortization</b>	<b>435,455</b>	<b>455,400</b>
<b>Days in 3 months ending December 31, 2014</b>	<b>92</b>	<b>92</b>
<b>Operating expense per day</b>	<b>\$ 4,733</b>	<b>\$ 4,950</b>
<b>DAYS CASH ON HAND</b>	<b>68.7</b>	<b>80.8</b>

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**  
**Debt Service Coverage Ratio - UNAUDITED**  
**Quarter Ended December 31, 2014**  
(Dollars in '000)

	<u>Actual (*)</u>
Excess of (expenses over revenues)/revenues over expenses	\$ 23,268
Plus: depreciation and amortization	16,097
Plus: interest expense	4,558
Plus: net unrealized investment (gains)/losses	186
Minus: gain on extinguishment of debt	<u>(15,483)</u>
<b>Total</b>	<b>28,626</b>
Debt Service Requirement	<u>\$ 11,600</u>
<b>DEBT SERVICE COVERAGE RATIO</b>	<b><u>2.47</u></b>

\* Debt service requirement (utilizing actual cash outflows of P&I) for the three months ending December 31, 2014.

**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  
Schedule of Capital Expenditures  
Quarter Ended December 31, 2014**

**Paid Capital From October 1 through December 31, 2014**

Building and building improvements	\$ 3,945,637
Equipment/software	14,392,047
Capitalized interest and salaries	654,185
Fixed asset additions in accounts payable and accrued expenses	<u>8,637,218</u>
	<u><u>\$ 27,629,087</u></u>

**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  
Schedule of Inpatient and Outpatient Discharge Volume  
Quarter Ended December 31, 2014**

	<u>Actual</u>
Inpatient Discharges (CUTE/Psych/Rehab)	13,876
Outpatient Registrations	207,781

**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  
Schedule of Occupancy Rates  
Quarter Ended December 31, 2014**

	<u>Actual</u>
Total	54%

**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  
Schedule of Salaried and Non-Salaried employees on an FTE basis  
December 31, 2014**

	<u>EXEMPT</u>	<u>NON-EXEMPT</u>	<u>TOTAL</u>
Total	3,236	6,461	9,697

**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  
Schedule of Occupied Beds  
Quarter Ended December 31, 2014**

	<u>Actual</u>
Total	793

**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  
Schedule of FTE/Occupied Bed (and FTE/Adjusted Occupied Bed)  
Quarter Ended December 31, 2014**

	<u>Actual</u>
FTE/Occupied Bed	8.63
FTE/Adjusted Occupied Bed	4.52

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  
 December 31, 2014  
 (Dollars in '000)

	<u>ACTUAL</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 64,075
Net Patient Accounts Receivable	173,507
Other Receivables	44,869
Amounts Due from Third Party Payors	16,906
Inventories	27,491
Prepaid Expenses & Other Current Assets	15,637
Total Current Assets	<u>342,485</u>
Unrestricted	
Board Designated Funds	120,041
Insurance Reserve Funds	2,100
Letters of Credit	1,076
Other	20,830
Temporarily Restricted	14,287
Permanently Restricted	260,032
Total Assets Restricted As To Use	<u>418,366</u>
Property, Plant & Equipment - Net	578,056
Investments	140,939
Goodwill	86,737
Other Assets, Net	73,038
Total Long-Term Assets	<u>878,770</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,639,621</u></b>
<b>LIABILITIES &amp; NET ASSETS</b>	
Accounts Payable	\$ 122,978
Accrued Expenses	75,606
Current Portion of Long-Term Liabilities	16,910
Total Current Liabilities	<u>215,494</u>
Long-Term Debt	1,022,702
Deferred Revenue	25,871
Self Insurance Liabilities	69,896
Accrued Pension Obligation	249,303
Other Noncurrent Liabilities	37,394
Total Noncurrent Liabilities	<u>1,405,166</u>
Total Liabilities	<u>1,620,660</u>
Unrestricted Net Deficit	(255,358)
Temporarily Restricted Net Assets	14,287
Permanently Restricted Net Assets	260,032
Total Net Assets	<u>18,961</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 1,639,621</u></b>

**West Penn Allegheny Health System**  
**Consolidated Statement of Operations - UNAUDITED**  
**Year Ended December 31, 2014**  
(Dollars in '000)

	ACTUAL	Base Case Projection	Downside Case Projection
<b>TOTAL NET PATIENT REVENUES</b>	\$ 1,599,701	\$ 1,766,600	\$ 1,607,600
Other Operating Revenues	92,835		
Net Assets Released From Restrictions	9,560		
<b>TOTAL REVENUES</b>	<b>1,702,096</b>	<b>1,842,800</b>	<b>1,683,800</b>
<b>OPERATING EXPENSES</b>			
Salaries	774,970		
Benefits	132,424		
Professional Fees & Purchased Services	235,089		
Patient Care Supplies & Drugs	324,111		
Insurance	26,429		
Other Operating Expenses	130,069		
Depreciation and Amortization	61,726		
Interest Expense	28,573		
Restructuring	2,012		
<b>TOTAL OPERATING EXPENSES</b>	<b>1,715,403</b>	<b>1,850,200</b>	<b>1,773,100</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(13,307)</b>	<b>(7,400)</b>	<b>(89,300)</b>
(+) Depreciation and Amortization	61,726		
(+) Interest Expense	28,573		
<b>EBIDA</b>	<b>76,992</b>	<b>121,000</b>	<b>39,100</b>
Investment Income	15,126		
Gifts and Donations	790		
Gain (Loss) in Joint Venture Investment	(476)		
Gain on Debt Refinancing/Extinguishment of Debt	11,396		
<b>NET INCOME (LOSS)</b>	<b>\$ 13,529</b>	<b>\$ 5,200</b>	<b>\$ (78,200)</b>

**West Penn Allegheny Health System**  
**Consolidated Statement of Cash Flows - UNAUDITED**  
**Year Ended December 31, 2014**  
(Dollars in '000)

**Cash Flow from Operating Activities**

Decrease in Net Assets	(42,677)
Depreciation & Amortization	61,726
Gain on Extinguishment of Debt	(15,483)
Amortization of debt write down	1,400
Change in Pension Liability	37,422
(Increase)/Decrease in:	
Net Patient Accounts Receivable	(22,676)
Other Receivables	(31,811)
Amounts due from Third Party Payors	(10,921)
Inventories	(1,543)
Prepaid Expenses & Other Current Assets	648
Assets Restricted As to Use	20,259
Investments	(51,468)
Other	(44,046)
Increase/(Decrease) in:	
Accounts Payable	38,729
Accrued Expenses	4,064
Deferred Revenue	(8,559)
Self Insurance Liabilities	9,215
Accrued Pension Liabilities	(35,669)
Other Noncurrent Liabilities	(22,778)

**Cash Flow from Operating Activities** (114,168)

**Cash Flow from Investing Activities**

Capital Expenditures	(64,609)
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**Cash Flow from Investing Activities** (64,609)

**Cash Flow from Financing Activities**

Borrowing/(Payment) of Existing Debt	174,502
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**Cash Flow from Financing Activities** 174,502

**Cash Summary**

Beginning Cash Balance - December 31, 2013	68,350
Net Change in Cash	(4,275)
<b>Ending Cash Balance - December 31, 2014</b>	<b>64,075</b>

Fixed asset additions in accounts payable and accrued expenses 8,637

**West Penn Allegheny Health System**  
**Days Cash on Hand - UNAUDITED**  
**Year Ended December 31, 2014**  
(Dollars in '000)

	<b>Actual</b>	<b>Base Case</b>
	<b>Dec 31, 2014</b>	<b>Dec 31, 2014</b>
Cash and cash equivalents	\$ 64,075	321,100
Investments	140,939	5,100
Board designated	120,041	73,600
<b>Total</b>	<b>\$ 325,055</b>	<b>\$ 399,800</b>
Total operating expenses	\$ 1,715,403	\$ 1,850,200
Less: depreciation and amortization	(61,726)	(88,500)
<b>Operating expenses less depreciation and amortization</b>	<b>1,653,677</b>	<b>1,761,700</b>
<b>Days in year ending December 31, 2014</b>	<b>365</b>	<b>365</b>
<b>Operating expense per day</b>	<b>\$ 4,531</b>	<b>\$ 4,827</b>
<b>DAYS CASH ON HAND</b>	<b>71.7</b>	<b>82.8</b>

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**  
**Debt Service Coverage Ratio - UNAUDITED**  
**Year Ended December 31, 2014**  
(Dollars in '000)

	<u>Actual (*)</u>
Excess of (expenses over revenues)/revenues over expenses	\$ 13,529
Plus: depreciation and amortization	61,726
Plus: interest expense	28,573
Minus: gain on extinguishment of debt	(15,483)
Minus: net unrealized investment (gains)/losses	<u>(1,173)</u>
<b>Total</b>	<b>87,172</b>
Debt Service Requirement	<u>\$ 23,000</u>
<b>DEBT SERVICE COVERAGE RATIO</b>	<b><u>3.79</u></b>

\* Debt service requirement (utilizing actual cash outflows of P&I) for the year ending December 31, 2014.

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  
Schedule of Capital Expenditures  
Year Ended December 31, 2014

Paid Capital From January 1 through December 31, 2014

Building and building improvements	\$	11,536,691
Equipment/software		50,248,474
Capitalized interest and salaries		2,823,619
Fixed asset additions in accounts payable and accrued expenses		8,637,218
	\$	<u>73,246,002</u>

**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  
Schedule of Inpatient and Outpatient Discharge Volume  
Year Ended December 31, 2014**

	<u>Actual</u>
Inpatient Discharges (Acute/Psych/Rehab)	54,792
Outpatient Discharges	807,733

**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  
Schedule of Occupancy Rates  
Year Ended December 31, 2014**

	<u>Actual</u>
Consolidated	55%

**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  
Schedule of Salaried and Non-Salaried employees on an FTE basis  
December 31, 2014**

	<u>EXEMPT</u>	<u>NON-EXEMPT</u>	<u>TOTAL</u>
Total	3,236	6,461	9,697

**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  
Schedule of Occupied Beds  
Year Ended December 31, 2014**

	<u>Actual</u>
Total	818

**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  
Schedule of FTE/Occupied Bed (and FTE/Adjusted Occupied Bed)  
Year Ended December 31, 2014**

	<u>Actual</u>
FTE/Occupied Bed	8.36
FTE/Adjusted Occupied Bed	4.42