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January 31, 2018

**VIA HAND DELIVERY**

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

**RECEIVED**  
Corporate & Financial Regulation

JAN 31 2018

**Pennsylvania**  
**Insurance Department**

Re: *Corrective Cover Letter / Order No. ID-RC-13-06 / Condition 14*

Dear Deputy Commissioner DiMemmo:

On January 30, 2018, I provided a letter to the Department attaching non-confidential documents from Highmark Health consisting of quarterly Allegheny Health Network financials required under Condition 14 of the above-referenced Order. I inadvertently referred to these documents as submissions under Section III(D) of the June 19, 2015 Approval Letter and as a Benchmark Report. Please accept this letter as a non-confidential corrective cover letter for the filing. Thank you for your assistance.

Very truly yours,



Jack M. Stover

JMS/jls

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

**Allegheny Health Network**  
**Consolidated Statements of Operations - UNAUDITED**  
**Periods Ended December 31, 2017 and 2016**  
(Dollars in Thousands)

	QTD		YTD		
	ACTUAL	PLAN	ACTUAL	PLAN	PY
Total Operating Revenue	\$ 781,125	\$ 790,000	\$ 3,071,363	\$ 3,076,000	\$ 2,854,745
Total Operating Expense	773,136	790,000	3,040,204	3,103,000	2,887,383
Operating Income (Loss)	\$ 7,989	\$ -	\$ 31,159	\$ (27,000)	\$ (32,638)
<i>Operating Margin</i>	1.0%	0.0%	1.0%	(0.9%)	(1.1%)
Net Income (Loss)	\$ 9,248	\$ 1,000	\$ 51,103	\$ (29,000)	\$ (40,044)
<i>Net Margin</i>	1.2%	0.1%	1.7%	(0.9%)	(1.4%)
Net EBITDA	\$ 64,999	\$ 45,000	\$ 220,877	\$ 132,000	\$ 106,735
<i>Net EBITDA Margin</i>	8.3%	5.7%	7.2%	4.3%	3.7%
DCOH	103.1	74.5	104.1	74.9	81.0
Total Discharges	21,352	22,046	87,461	88,538	87,208
Outpatient Registrations	317,326	330,489	1,280,449	1,309,468	1,308,294

Note: Net EBITDA calculation excludes Unrealized Gains, though previously included in original plan submitted

**Allegheny Health Network**  
**Key Financial Indicators**  
**Periods Ended December 31, 2017**

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
<b>Financial Metrics</b>				
FTEs	18,444	17,503	18,049	17,502
Net EBITDA (in thousands)	\$ 64,999	\$ 45,000	\$ 220,877	\$ 132,000
Operating Margin %	1.0%	0.0%	1.0%	(0.9%)
Net Income %	1.2%	0.1%	1.7%	(0.9%)
Net EBITDA %	8.3%	5.7%	7.2%	4.3%
Days Cash on Hand	103.1	74.5	104.1	74.9
Days in A/R	39.9	39.9	40.4	40.7
Total Debt (in thousands)	\$ 1,073,245	\$ 907,000	\$ 1,073,245	\$ 907,000
<b>Statistical Metrics</b>				
Discharges	21,352	22,046	87,461	88,538
Adjusted Discharges	43,926	45,588	178,654	181,454
Emergency Department Visits	67,817	73,623	285,056	296,992
Outpatient Registrations	317,326	330,489	1,280,449	1,309,468
Physician Office Visits	741,977	754,576	2,877,072	2,895,669

Note: Net EBITDA calculation excludes Unrealized Gains, though previously included in original plan submitted

**Allegheny Health Network**  
**Consolidated Balance Sheets - UNAUDITED**  
**December 31, 2017 and 2016**  
(Dollars in Thousands)

	ACTUAL	PLAN	PY
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 220,017	\$ 172,000	\$ 196,553
Receivables	372,118	378,000	365,110
PPE, Net	1,152,002	1,211,000	1,074,836
Goodwill and Other Intangible Assets, Net	114,813	113,000	117,249
Other Assets	1,151,666	975,000	935,846
<b>TOTAL ASSETS</b>	<b>\$ 3,010,616</b>	<b>\$ 2,849,000</b>	<b>\$ 2,689,594</b>
<b>LIABILITIES &amp; NET ASSETS</b>			
Debt	\$ 1,073,245	\$ 907,000	\$ 1,421,907
Other Liabilities	993,449	972,000	1,071,275
Total Liabilities	2,066,694	1,879,000	2,493,182
Total Net Assets	943,922	970,000	196,412
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 3,010,616</b>	<b>\$ 2,849,000</b>	<b>\$ 2,689,594</b>

**Allegheny Health Network**  
**Consolidated Statements of Cash Flows - UNAUDITED**  
**Periods Ended December 31, 2017**  
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Cash Flow from Operating Activities:	\$ 59,581	\$ 30,000	\$ 44,511	\$ 28,000
Cash Flow from Investing Activities:	(207,227)	(97,000)	(280,535)	(282,000)
Cash Flow from Financing Activities:	215,911	64,000	259,488	260,000
Net Change in Cash and Cash Equivalents	68,265	(3,000)	23,464	6,000
Beginning Cash and Cash Equivalents	151,752	175,000	196,553	166,000
Ending Cash and Cash Equivalents	\$ 220,017	\$ 172,000	\$ 220,017	\$ 172,000