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Corporate & Financial Regulation

OCT 30 2017

Pennsylvania
Insurance Department

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October 30, 2017

VIA HAND DELIVERY

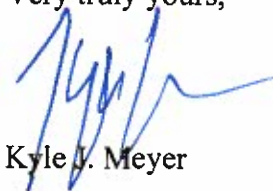
Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

Re: Highmark Health
Condition 14 of Order No. ID-RC-13-06

Dear Deputy Commissioner DiMemmo:

In compliance with Condition 14 of the above-captioned Order, Highmark Health is submitting the enclosed Allegheny Health Network financial reports for the period ending September 30, 2017 on a non-confidential basis. I have forwarded a copy of the reports to Larry Beaser and Patrick DeLacey by email.

Very truly yours,



Kyle J. Meyer

KJM/gmt
Enclosure

cc: Lawrence J. Beaser, Esquire (via email: Beaser@BlankRome.com)
Patrick T. DeLacey (via email: pat.delacey@raymondjames.com)

Allegheny Health Network
Consolidated Statements of Operations - UNAUDITED
Periods Ended September 30, 2017
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Total Operating Revenue	\$ 771,317	\$ 778,000	\$ 2,290,238	\$ 2,286,000
Total Operating Expense	760,756	785,000	2,267,068	2,313,000
Operating Income (Loss)	<u>\$ 10,561</u>	<u>\$ (7,000)</u>	<u>\$ 23,170</u>	<u>\$ (27,000)</u>
<i>Operating Margin</i>	1.4%	(0.9%)	1.0%	(1.2%)
Net Income (Loss)	<u>\$ 13,411</u>	<u>\$ (7,000)</u>	<u>\$ 41,855</u>	<u>\$ (30,000)</u>
<i>Net Margin</i>	1.7%	(0.9%)	1.8%	(1.3%)
Net EBITDA	\$ 50,391	\$ 31,000	\$ 155,878	\$ 87,000
<i>Net EBITDA Margin</i>	6.5%	4.0%	6.8%	3.8%
DCOH	77	71	76	71
Total Discharges	21,456	21,778	66,109	66,492
Outpatient Registrations	314,951	328,125	963,123	978,979

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

Allegheny Health Network
Key Financial Indicators
Periods Ended September 30, 2017

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Financial Metrics				
FTEs	17,831	17,541	17,344	17,504
Net EBITDA (in thousands)	\$ 50,391	\$ 31,000	\$ 155,878	\$ 87,000
Operating Margin %	1.4%	(0.9%)	1.0%	(1.2%)
Net Income %	1.7%	(0.9%)	1.8%	(1.3%)
Net EBITDA %	6.5%	4.0%	6.8%	3.8%
Days Cash on Hand	77	71	76	71
Days in A/R	44.7	41.5	44.7	41.8
Total Debt (in thousands)	\$ 1,436,148	\$ 907,000	\$ 1,436,148	\$ 907,000
Statistical Metrics				
Discharges	21,456	21,778	66,109	66,492
Adjusted Discharges	44,247	45,031	134,728	135,694
Emergency Department Visits	72,605	74,996	217,239	223,369
Outpatient Registrations	314,951	328,125	963,123	978,979
Physician Office Visits	700,484	728,862	2,135,095	2,141,093

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

Allegheny Health Network
Consolidated Balance Sheet - UNAUDITED
September 30, 2017
(Dollars in Thousands)

	ACTUAL	PLAN
<u>ASSETS</u>		
Cash & Cash Equivalents	\$ 151,752	\$ 175,000
Receivables	412,437	383,000
PPE, Net	1,053,453	1,188,000
Goodwill and Other Intangible Assets, Net	116,509	113,000
Other Assets	1,000,347	937,000
TOTAL ASSETS	<u>\$ 2,734,498</u>	<u>\$ 2,796,000</u>
<u>LIABILITIES & NET ASSETS</u>		
Debt	\$ 1,436,148	\$ 907,000
Other Liabilities	988,142	976,000
Total Liabilities	<u>2,424,290</u>	<u>1,883,000</u>
Total Net Assets	<u>310,208</u>	<u>913,000</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 2,734,498</u>	<u>\$ 2,796,000</u>

Allegheny Health Network
Consolidated Statements of Cash Flows - UNAUDITED
Periods Ended September 30, 2017
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Cash Flow from Operating Activities:	\$ (44,945)	\$ (35,000)	\$ (15,070)	\$ (2,000)
Cash Flow from Investing Activities:	(9,278)	(39,000)	(73,308)	(185,000)
Cash Flow from Financing Activities:	14,978	63,000	43,577	196,000
Net Change in Cash and Cash Equivalents	(39,245)	(11,000)	(44,801)	9,000
Beginning Cash and Cash Equivalents	190,997	186,000	196,553	166,000
Ending Cash and Cash Equivalents	\$ 151,752	\$ 175,000	\$ 151,752	\$ 175,000