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October 30, 2015

VIA HAND DELIVERY

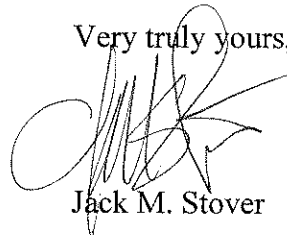
Mr. Stephen J. Johnson, CPA
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

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

Dear Deputy Commissioner Johnson:

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: Beaser@BlankRome.com)
Eric Coburn (via email: Eric.Coburn@RaymondJames.com)

RECEIVED
Corporate & Financial Regulation
OCT 30 2015
Pennsylvania
Insurance Department

Allegheny Health Network
Consolidated Balance Sheet - UNAUDITED
September 30, 2015
(Dollars in Thousands)

	ACTUAL	CAP*
<u>ASSETS</u>		
Cash & Cash Equivalents	\$ 154,800	\$ 72,272
Net Patient Accounts Receivable	281,532	269,300
Other Receivables	54,881	61,732
Inventory, Net	50,211	47,100
Prepaid Expenses & Other Current Assets	37,545	45,120
Total Current Assets	<u>578,969</u>	<u>495,524</u>
Unrestricted - Board Designated Funds	168,844	175,620
Temporarily Restricted	18,590	19,400
Permanently Restricted	255,548	268,500
Total Assets Restricted As To Use	<u>442,982</u>	<u>463,520</u>
Property, Plant & Equipment - Net	1,018,482	1,045,702
Investments	263,283	278,400
Goodwill and Other Intangible Assets, Net	118,892	118,400
Other Assets, Net	153,473	173,700
Total Long-Term Assets	<u>1,554,130</u>	<u>1,616,202</u>
TOTAL ASSETS	<u>\$ 2,576,081</u>	<u>\$ 2,575,246</u>
<u>LIABILITIES & NET ASSETS</u>		
Accounts Payable and Accrued Expenses	\$ 257,543	\$ 219,600
Accrued Salaries and Benefits	103,411	98,800
Total Debt	1,426,639	1,427,925
Benefit Plan Liabilities	383,702	389,110
Other Liabilities	260,823	253,300
Total Liabilities	<u>2,432,118</u>	<u>2,388,735</u>
Unrestricted Net Assets	(130,175)	(101,389)
Temporarily Restricted Net Assets	18,590	19,400
Permanently Restricted Net Assets	255,548	268,500
Total Net Assets	<u>143,963</u>	<u>186,511</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 2,576,081</u>	<u>\$ 2,575,246</u>

*Corrective Action Plan

Allegheny Health Network
Consolidated Statements of Operations - UNAUDITED
Periods Ended September 30, 2015
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	CAP	ACTUAL	CAP
Net Patient Revenues	\$ 633,038		\$ 1,856,047	
Other Operating Revenues	45,654		143,246	
TOTAL REVENUES	678,692	646,855	1,999,293	1,959,255
Salaries	325,017		941,924	
Benefits	51,816		158,645	
Professional Fees & Purchased Services	76,764		229,042	
Patient Care Supplies & Drugs	129,216		374,221	
Insurance	8,570		24,519	
Other Operating Expenses	65,715		205,193	
Depreciation and Amortization	31,121		91,084	
Restructuring	3,233		7,185	
TOTAL OPERATING EXPENSES	691,452	665,121	2,031,813	1,997,157
OPERATING (LOSS) INCOME	(12,760)	(18,266)	(32,520)	(37,902)
Interest Expense	(7,342)		(22,224)	
Investment (loss) Income	(9,451)		2,596	
Gifts and Donations	260		472	
Other (Expense) Income	(1,404)		10,825	
Net Income Attributable to Non-Controlling Interest	(465)		(1,217)	
Income Tax (Expense) Benefit	(367)		632	
NET (LOSS) INCOME	\$ (31,529)	\$ (21,900)	\$ (41,436)	\$ (32,301)

Consolidated Statement of Cash Flows - UNAUDITED
Periods Ended September 30, 2015
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	CAP	ACTUAL	CAP
<u>Cash Flow from Operating Activities</u>				
Increase (Decrease) in Net Assets	\$ (54,336)	\$ 35,200	\$ 28,680	\$ 65,764
Depreciation & Amortization	31,135		91,084	
Assets Acquired Through Acquisition	(700)		(26,531)	
Gain on Extinguishment of Debt	-		(7,494)	
Change in Fair Value of Derivative Financial Instruments	8,313		12,472	
Provision for Doubtful Accounts	20,466		45,651	
CAPEX Equity Transfer from Highmark	-		(43,691)	
Other Equity Transfers	(1,280)		(28,485)	
Restricted Contributions	(1,127)		(2,752)	
(Increase)/Decrease in:				
Accounts Receivable	(13,536)		(88,063)	
Other Receivables	33,844		29,559	
Inventories, Prepaid Expenses & Other Current Assets	(20,686)		(8,514)	
Other Long-Term Assets	50,472		21,628	
Increase/(Decrease) in:				
Accounts Payable & Accrued Expenses	9,426		35,956	
Accrued Pension Liabilities	(17,553)		(40,440)	
Other Liabilities	(7,738)		10,168	
Cash Flow from Operating Activities	36,700	(12,442)	29,228	15,642
<u>Cash Flow from Investing Activities</u>				
Capital Expenditures	(39,351)		(117,511)	
(Purchases)/Sales Of Investments	10,041		40,527	
Cash Flow from Investing Activities	(29,310)	(62,657)	(76,984)	(163,364)
<u>Cash Flow from Financing Activities</u>				
Payment of Debt	(12,147)		(30,833)	
CAPEX Equity Transfer from Highmark	-		43,691	
Other Equity Transfers	1,280		28,485	
Stock Issuance to Noncontrolling Interest	700		700	
Restricted Contributions	1,127		2,752	
Additional Financing	496		24,161	
Cash Flow from Financing Activities	(8,544)	50,363	68,956	86,394
<u>Cash Summary</u>				
Beginning Cash Balance	155,954	97,008	133,600	133,600
Net Change in Cash	(1,154)	(24,736)	21,200	(61,328)
Ending Cash Balance	\$ 154,800	\$ 72,272	\$ 154,800	\$ 72,272

Allegheny Health Network
Consolidated Days Cash on Hand - UNAUDITED
Periods Ended September 30, 2015
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	CAP	ACTUAL	CAP
Cash & Cash Equivalents	\$ 154,800	\$ 72,272	\$ 154,800	\$ 72,272
Investments	263,283	278,400	263,283	278,400
Unrestricted - Board Designated Funds	168,844	175,620	168,844	175,620
Total	\$ 586,927	\$ 526,292	\$ 586,927	\$ 526,292
Total Operating Expenses	\$ 691,452	\$ 665,121	\$ 2,031,813	\$ 1,997,157
Add: Interest Expense	7,342	8,107	22,224	23,081
Less: Depreciation and Amortization	(31,121)	(32,200)	(91,084)	(92,316)
Total	\$ 667,673	\$ 641,028	\$ 1,962,953	\$ 1,927,922
Days in Period	92	92	273	273
Operating Expense Per Day	\$ 7,257	\$ 6,968	\$ 7,190	\$ 7,062
DAYS CASH ON HAND	80.9	75.5	81.6	74.5

Allegheny Health Network
Consolidated Debt Service Coverage Ratio - UNAUDITED
Periods Ended September 30, 2015
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	CAP	ACTUAL	CAP
Net (Loss) Income	\$ (31,529)	\$ (21,900)	\$ (41,436)	\$ (32,301)
Add: Depreciation and Amortization	31,121	32,200	91,084	92,316
Add: Interest Expense	7,342	8,107	22,224	23,081
Add: Unrealized Investment Losses*	14,215	-	11,516	-
Less: Gain on Extinguishment of Debt*	-	-	(7,494)	-
Total	21,149	18,407	75,894	83,096
Debt Service Requirement	\$ 19,489	\$ 16,307	\$ 53,057	\$ 51,522
DEBT SERVICE COVERAGE RATIO	1.09	1.13	1.43	1.61

Note: 2015 YTD debt service includes payments on WPAHS Floating Rate Restructuring Certificates of approximately \$8 million and balloon payments on the WPAHS 2006 Series B debt of approximately \$11 million. The forecast period does not include principal payments on the WPAHS \$700 million term loans with PNC as principal payments for that debt are not required prior to December 31, 2017.

* - The YTD Debt Service Coverage Ratio (DSCR) in the original CAP filing excluded unrealized investment gains of \$1,766 and a gain on the extinguishment of debt of \$7,500. Inclusion of such items in the above YTD CAP calculation would result in a DSCR at September 30, 2015 of 1.43.

Allegheny Health Network
Schedule of Statistical Information by System
Periods Ended September 30, 2015

Year-to-Date September 30, 2015						
	INPATIENT DISCHARGES (ACUTE/PSYCH/REHAB)		OUTPATIENT REGISTRATIONS		OCCUPANCY RATES USING AVAILABLE BEDS*	
	ACTUAL	CAP	ACTUAL	CAP	ACTUAL	CAP
WPAHS	43,184	43,066	618,557	613,485	55.2%	55.9%
JRMC	11,214	10,768	189,171	195,194	54.2%	53.5%
SVH	10,754	11,059	155,851	152,195	49.8%	49.3%
Total AHN	65,152	64,893	963,579	960,874	54.1%	54.4%

*AHN occupancy rates using staffed beds approximates an average of 90%.

**Allegheny Health Network
Full Time Equivalents (FTEs)
Period Ended September 30, 2015**

	FTES (EXEMPT)		FTES (NON-EXEMPT)		TOTAL FTES	
	ACTUAL	CAP	ACTUAL	CAP	ACTUAL	CAP
Total AHN	3,970	3,965	11,446	11,553	15,416	15,518

**Allegheny Health Network
Schedule of Occupied Beds
Periods Ended September 30, 2015**

	QTD	YTD
Total AHN	1,167	1,182

Allegheny Health Network
Schedule of FTE/Occupied Bed (and FTE/Adjusted Occupied Bed)
Periods Ended September 30, 2015

	QTD	YTD
<u>Schedule of FTE/Occupied Bed</u>		
Total AHN	8.46	8.75
<u>Schedule of FTE/Adjusted Occupied Bed</u>		
Total AHN	4.19	4.00

**Allegheny Health Network
Capital Investment Detail
As of September 30, 2015**
(Dollars in Millions)

	2015	2015 Spend	2016	2017	Sched. Use
Allegheny General Hospital					
Nursing Unit Renovations	\$ 13.5	\$ 5.1	\$ 12.7	\$ -	\$ 26.2
Lab/Radiology Renovations	1.5	0.5	13.8	-	15.3
General Hospital Renovations	28.4	3.0	14.6	39.0	33.8
Replacements and Leases	18.2	20.3	15.2	27.9	3.6
Total Allegheny General Hospital	\$ 61.6	\$ 28.9	\$ 56.3	\$ 66.6	\$ 78.9
Allegheny Valley Hospital					
Outpatient Facilities	\$ -	\$ -	\$ -	\$ 10.0	\$ -
General Hospital Renovations	1.1	0.2	0.1	1.3	0.1
Replacements and Leases	4.3	3.3	0.5	0.6	0.1
Total Allegheny Valley Hospital	\$ 5.4	\$ 3.5	\$ 0.6	\$ 11.9	\$ 0.2
Canonsburg Hospital					
General Hospital Renovations	\$ 1.5	\$ 0.2	\$ -	\$ 0.1	\$ -
Replacements and Leases	4.8	1.7	0.5	0.1	0.1
Total Canonsburg Hospital	\$ 6.3	\$ 1.9	\$ 0.5	\$ 0.2	\$ 0.1
Forbes Hospital					
ICU Renovations	\$ 18.1	\$ 13.6	\$ -	\$ -	\$ 16.7
General Hospital Renovations	0.3	1.2	5.3	1.6	0.3
Replacements and Leases	2.4	2.4	1.4	1.3	0.3
Total Forbes Hospital	\$ 20.8	\$ 17.2	\$ 6.7	\$ 2.9	\$ 17.3
Allegheny Health Network/HT					
Renovations	\$ 9.2	\$ 4.0	\$ 2.9	\$ 1.0	\$ 10.1
Strategic Acquisitions	2.0	1.0	4.0	4.0	9.3
Replacements and Leases	21.4	15.6	23.8	12.8	23.7
Total A/HN/HT	\$ 32.6	\$ 20.6	\$ 30.7	\$ 17.8	\$ 43.1
Jefferson Hospital					
Bethel Park ASC	\$ 22.0	\$ 9.0	\$ -	\$ -	\$ -
Strategic Acquisition-Radiation Onc.	4.0	3.9	-	-	-
Women's Health	-	0.5	3.6	-	-
General Hospital Renovations	3.4	1.4	1.7	0.1	1.4
Replacements and Leases	6.6	2.7	9.8	0.1	1.0
Total Jefferson Hospital	\$ 36.0	\$ 17.5	\$ 15.1	\$ 0.2	\$ 2.4
Saint Vincent Hospital					
Outpatient Facility	\$ -	\$ -	\$ 7.8	\$ -	\$ -
Nursing Unit Renovations	2.8	1.7	2.5	-	5.3
General Hospital Renovations	5.7	1.3	10.4	5.0	1.9
Replacements and Leases	11.2	7.9	2.0	0.9	7.0
Total Saint Vincent Hospital	\$ 19.7	\$ 10.9	\$ 22.7	\$ 5.9	\$ 14.2
West Penn Hospital					
NICU	\$ 1.4	\$ 0.8	\$ 3.3	\$ 21.3	\$ 4.7
Autoimmune Specialty Suite	0.3	-	7.8	-	-
Unit Renovations (Post Partum)	3.9	4.5	-	-	3.9
General Hospital Renovations	4.5	2.1	0.5	6.2	6.9
Replacements and Leases	9.1	4.5	7.2	1.0	7.3
Total West Penn Hospital	\$ 19.2	\$ 11.9	\$ 18.8	\$ 28.5	\$ 18.8
Allegheny Health Network					
Physician Practice Acquisition	\$ 2.0	\$ 0.1	\$ -	\$ 5.0	\$ -
Physician Office Renovations	4.6	0.3	2.2	-	-
Replacements and Leases	2.2	1.7	0.2	-	-
Total Allegheny Clinic	\$ 8.8	\$ 2.1	\$ 2.4	\$ 5.0	\$ -
ASRI					
Replacements and Leases	\$ -	\$ 0.1	\$ 0.2	\$ -	\$ -
Total ASRI	\$ -	\$ 0.1	\$ 0.2	\$ -	\$ -
Bethel					
Replacements and Leases	\$ 0.6	\$ -	\$ -	\$ -	\$ -
Total Bethel	\$ 0.6	\$ -	\$ -	\$ -	\$ -
Core Lab					
Replacements and Leases	\$ 1.1	\$ 0.1	\$ 0.9	\$ -	\$ -
Total Core Lab	\$ 1.1	\$ 0.1	\$ 0.9	\$ -	\$ -
Monroeville					
Replacements and Leases	\$ 0.2	\$ 0.2	\$ -	\$ -	\$ -
Total Monroeville	\$ 0.2	\$ 0.2	\$ -	\$ -	\$ -
Westford					
Replacements and Leases	\$ 0.8	\$ 1.3	\$ -	\$ -	\$ -
Total Westford	\$ 0.8	\$ 1.3	\$ -	\$ -	\$ -
AHIN Combined Total					