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October 30, 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

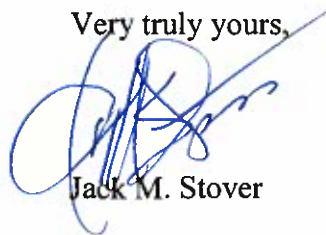
RECEIVED
Corporate & Financial Regulation
OCT 30 2018
Pennsylvania
Insurance Department

**Re: Highmark Health
Condition 14 of Order ID-RC-13-06**

Dear Deputy Commissioner DiMemmo:

In compliance with Condition 14 of the above-captioned Order, Highmark Health is submitting the enclosed non-confidential Allegheny Health Network financial reports for the period ending September 30, 2018 on a non-confidential basis. I have forwarded a copy of the reports to Mr. Beaser and Mr. DeLacey by e-mail.

Very truly yours,



Jack M. Stover

JMS/jls

Enclosure

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

The financial statements contained herein are reported against that certain AHN financial plan ("Plan") filed by Highmark with the Pennsylvania Insurance Department on February 23, 2017. The Plan included certain estimates of future performance, or forward-looking statements. The Plan has not been updated or revised since its filing and cannot be relied upon for projections or estimates of future events. The achievement of results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to vary materially from the forward-looking statements. No updates or revisions to the Plan or any other forward-looking statements that may be contained herein or therein, if or when there are changes in expectations, or events, conditions or circumstances on which such expectations are based, will be issued.

Allegheny Health Network
Consolidated Statements of Operations - UNAUDITED
Periods Ended September 30, 2018
(Dollars in Thousands)

	QTD		YTD		
	ACTUAL	PLAN	ACTUAL	PLAN	PY
Total Operating Revenue	\$ 821,897	\$ 805,000	\$ 2,442,842	\$ 2,410,000	\$ 2,290,238
Total Operating Expense	816,492	804,000	2,413,633	2,406,000	2,268,660
Operating Income	\$ 5,405	\$ 1,000	\$ 29,209	\$ 4,000	\$ 21,578
Net Income (Loss)	<u>\$ (10)</u>	<u>\$ (4,000)</u>	<u>\$ 18,042</u>	<u>\$ (22,000)</u>	<u>\$ 41,855</u>

Allegheny Health Network
Key Financial Indicators
Periods Ended September 30, 2018

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Financial Metrics				
FTEs	19,076	17,722	18,828	17,736
Net EBITDA (in thousands)	\$ 43,846	\$ 47,000	\$ 150,483	\$ 131,000
Operating Margin %	0.7%	0.1%	1.2%	0.2%
Net Income %	0.0%	(0.5%)	0.7%	(0.9%)
Net EBITDA %	5.3%	5.8%	6.2%	5.4%
Days Cash on Hand	99.5	76.2	100.0	75.6
Days in A/R	43.7	40.6	43.6	40.2
Total Debt (in thousands)	\$ 1,065,594	\$ 920,000	\$ 1,065,594	\$ 920,000
Statistical Metrics				
Discharges	21,194	22,418	64,884	68,446
Adjusted Discharges	45,784	46,778	137,187	140,902
Emergency Department Visits	70,889	77,092	210,364	227,954
Outpatient Registrations	330,901	340,947	990,875	1,018,117
Physician Visits	742,440	747,492	2,212,134	2,252,470

Note: Certain PY amounts have been revised to conform with CY presentation

Allegheny Health Network
Consolidated Balance Sheets - UNAUDITED
September 30, 2018 and 2017
(Dollars in Thousands)

	ACTUAL	PLAN	PY
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 173,022	\$ 174,000	\$ 151,752
Receivables	429,904	389,000	412,466
PPE, Net	1,216,055	1,349,000	1,053,453
Goodwill and Other Intangible Assets, Net	114,174	111,000	116,509
Other Assets	1,249,035	1,034,000	1,002,930
TOTAL ASSETS	\$ 3,182,190	\$ 3,057,000	\$ 2,737,110
<u>LIABILITIES & NET ASSETS</u>			
Debt	\$ 1,065,594	\$ 920,000	\$ 1,436,148
Other Liabilities	956,458	935,000	990,754
Total Liabilities	2,022,052	1,855,000	2,426,902
Total Net Assets	1,160,138	1,202,000	310,208
TOTAL LIABILITIES & NET ASSETS	\$ 3,182,190	\$ 3,057,000	\$ 2,737,110

Allegheny Health Network
Consolidated Statements of Cash Flows - UNAUDITED
Periods Ended September 30, 2018
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Cash Flow from Operating Activities:	\$ (27,731)	\$ 14,000	\$ 48,659	\$ 46,000
Cash Flow from Investing Activities:	(70,659)	(93,000)	(252,341)	(282,000)
Cash Flow from Financing Activities:	57,912	79,000	156,687	238,000
Net Change in Cash and Cash Equivalents	(40,478)	-	(46,995)	2,000
Beginning Cash and Cash Equivalents	213,500	174,000	220,017	172,000
Ending Cash and Cash Equivalents	\$ 173,022	\$ 174,000	\$ 173,022	\$ 174,000