

**Buchanan Ingersoll & Rooney PC**

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April 29, 2016

**VIA HAND DELIVERY**

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

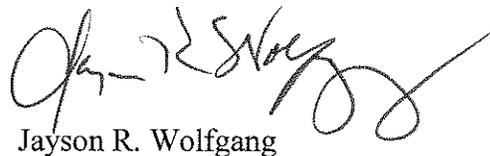
**RECEIVED**  
Corporate & Financial Regulation  
APR 29 2016  
Pennsylvania  
Insurance Department

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

Dear Mr. DiMemmo:

Pursuant to the above-captioned Order and Section III (D) of the above-captioned Approval Letter, Highmark Health is filing the enclosed financial reports for Allegheny Health Network for the period ending March 31, 2016 on a non-confidential basis. I have forwarded a copy of the reports to Mr. Beaser and Mr. DeLacey by email.

Very truly yours,



Jayson R. Wolfgang

JRW/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 Balance Sheet - UNAUDITED**  
**March 31, 2016**  
(Dollars in Thousands)

	<b>ACTUAL</b>	<b>CAP*</b>
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 128,677	\$ 100,919
Net Patient Accounts Receivable	308,642	251,308
Other Receivables	63,954	67,330
Inventory, Net	51,997	47,700
Prepaid Expenses & Other Current Assets	36,718	45,100
Total Current Assets	<u>589,988</u>	<u>512,357</u>
Unrestricted - Board Designated Funds	121,057	162,620
Temporarily Restricted	25,208	19,400
Permanently Restricted	252,303	268,500
Total Assets Restricted As To Use	<u>398,568</u>	<u>450,520</u>
Property, Plant & Equipment, Net	1,066,450	1,076,506
Investments	256,771	351,100
Goodwill & Other Intangible Assets, Net	117,262	118,400
Other Assets, Net	190,464	173,700
Total Long-Term Assets	<u>1,630,947</u>	<u>1,719,706</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,619,503</u></b>	<b><u>\$ 2,682,583</u></b>
<b>LIABILITIES &amp; NET ASSETS</b>		
Accounts Payable & Accrued Expenses	\$ 247,331	\$ 220,225
Accrued Salaries & Benefits	108,959	98,800
Total Debt	1,424,023	1,425,770
Benefit Plan Liabilities	381,556	369,372
Other Liabilities	278,684	253,300
Total Liabilities	<u>2,440,553</u>	<u>2,367,467</u>
Unrestricted Net Assets	(98,561)	27,216
Temporarily Restricted Net Assets	25,208	19,400
Permanently Restricted Net Assets	252,303	268,500
Total Net Assets	<u>178,950</u>	<u>315,116</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 2,619,503</u></b>	<b><u>\$ 2,682,583</u></b>

\*Corrective Action Plan

**Allegheny Health Network**  
**Consolidated Statements of Operations - UNAUDITED**  
**Quarter Ended March 31, 2016**  
(Dollars in Thousands)

	QTD	
	ACTUAL	CAP
Net Patient Revenues	\$ 638,321	
Other Operating Revenues	51,068	
<b>TOTAL REVENUES</b>	<b>689,389</b>	<b>684,071</b>
Salaries	340,124	
Benefits	42,131	
Professional Fees & Purchased Services	74,549	
Patient Care Supplies & Drugs	135,399	
Insurance	7,947	
Other Operating Expenses	75,366	
Depreciation & Amortization	30,274	
Restructuring	1,427	
<b>TOTAL OPERATING EXPENSES</b>	<b>707,217</b>	<b>689,252</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(17,828)</b>	<b>(5,181)</b>
Interest Expense	(6,934)	
Investment (Loss) Income	6,067	
Gifts & Donations	134	
Other (Expense) Income	(2,244)	
Net Income Attributable to Non-Controlling Interest	(576)	
Income Tax (Expense) Benefit	737	
<b>NET (LOSS) INCOME</b>	<b>\$ (20,644)</b>	<b>\$ (9,381)</b>

**Allegheny Health Network**  
**Consolidated Statement of Cash Flows - UNAUDITED**  
**Quarter Ended March 31, 2016**  
(Dollars in Thousands)

	QTD	
	ACTUAL	CAP
<b><u>Cash Flow from Operating Activities</u></b>		
Increase (Decrease) in Net Assets	\$ (2,158)	\$ 85,842
Depreciation & Amortization	30,274	
Change in Fair Value of Derivative Financial Instruments	10,054	
Provision for Doubtful Accounts	23,995	
CAPEX Equity Transfer from Highmark	(33,118)	
Restricted Contributions	(483)	
(Increase)/Decrease in:		
Accounts Receivable	(43,641)	
Other Receivables	306	
Inventories, Prepaid Expenses & Other Current Assets	(6,843)	
Other Long-Term Assets	(13,379)	
Increase/(Decrease) in:		
Accounts Payable & Accrued Expenses	12,902	
Accrued Pension Liabilities	(2,468)	
Other Liabilities	13,703	
<b>Cash Flow from Operating Activities</b>	<u>(10,856)</u>	<u>19,199</u>
<b><u>Cash Flow from Investing Activities</u></b>		
Capital Expenditures	(47,258)	
(Purchases)/Sales Of Investments	18,393	
<b>Cash Flow from Investing Activities</b>	<u>(28,865)</u>	<u>(115,724)</u>
<b><u>Cash Flow from Financing Activities</u></b>		
Payment of Debt	(3,720)	
CAPEX Equity Transfer from Highmark	33,118	
Restricted Contributions	483	
Additional Financing	900	
<b>Cash Flow from Financing Activities</b>	<u>30,781</u>	<u>95,149</u>
<b><u>Cash Summary</u></b>		
Beginning Cash Balance	<u>137,617</u>	<u>102,295</u>
Net Change in Cash	<u>(8,940)</u>	<u>(1,376)</u>
<b>Ending Cash Balance</b>	<u><u>\$ 128,677</u></u>	<u><u>\$ 100,919</u></u>

**Allegheny Health Network**  
**Consolidated Days Cash on Hand - UNAUDITED**  
**Quarter Ended March 31, 2016**  
(Dollars in Thousands)

	QTD	
	ACTUAL	CAP
Cash & Cash Equivalents	\$ 128,677	\$ 100,919
Investments	256,771	351,100
Unrestricted - Board Designated Funds	121,057	162,620
<b>Total</b>	<b>\$ 506,505</b>	<b>\$ 614,639</b>
Total Operating Expenses	\$ 707,217	\$ 689,252
Add: Interest Expense	6,934	7,444
Less: Depreciation & Amortization	(30,274)	(34,050)
<b>Total</b>	<b>\$ 683,877</b>	<b>\$ 662,646</b>
<b>Days in Period</b>	<b>91</b>	<b>91</b>
<b>Operating Expense Per Day</b>	<b>\$ 7,515</b>	<b>\$ 7,282</b>
<b>DAYS CASH ON HAND</b>	<b>67.4</b>	<b>84.4</b>

**Allegheny Health Network**  
**Consolidated Debt Service Coverage Ratio - UNAUDITED**  
**Quarter Ended March 31, 2016**  
(Dollars in Thousands)

	QTD	
	ACTUAL	CAP
Net (Loss) Income	\$ (20,644)	\$ (9,381)
Add: Depreciation & Amortization	30,274	34,050
Add: Interest Expense	6,934	7,444
Less/Add: Unrealized Investment (Gains)/Losses	(3,150)	-
<b>Total</b>	<b>13,414</b>	<b>32,113</b>
Debt Service Requirement	\$ 10,654	\$ 8,699
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>1.26</b>	<b>3.69</b>

**Allegheny Health Network**  
**Schedule of Statistical Information by System**  
**Quarter Ended March 31, 2016**

<b>Quarter Ended March 31, 2016</b>						
	<b>INPATIENT DISCHARGES</b>		<b>OUTPATIENT REGISTRATIONS</b>		<b>OCCUPANCY RATES USING AVAILABLE BEDS</b>	
	<b>ACTUAL</b>	<b>CAP</b>	<b>ACTUAL</b>	<b>CAP</b>	<b>ACTUAL</b>	<b>CAP</b>
WPAHS	14,497	14,535	209,163	212,777	56.7%	55.9%
JRMC	3,606	3,765	60,015	69,724	60.8%	55.3%
SVH	3,600	3,504	49,635	48,825	53.8%	46.4%
Total AHN	21,703	21,804	318,813	331,326	56.9%	54.2%

<b>Quarter Ended March 31, 2016</b>
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<b>ACTUAL OCCUPANCY RATES USING BEDS IN SERVICE</b>
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WPAHS	72.3%
JRMC	66.7%
SVH	58.7%
Total AHN	69.0%

**Allegheny Health Network  
Full Time Equivalents (FTEs)  
March 31, 2016**

	FTEs (EXEMPT)		FTEs (NON-EXEMPT)		TOTAL FTEs	
	ACTUAL	CAP	ACTUAL	CAP	ACTUAL	CAP
Total AHN	4,277	3,887	12,364	11,355	16,641	15,242

**Allegheny Health Network  
Schedule of Occupied Beds  
Quarter Ended March 31, 2016**

	<b>QTD</b>
<b>Total AHN</b>	1,216

**Allegheny Health Network**  
**Schedule of FTE/Occupied Bed (and FTE/Adjusted Occupied Bed)**  
**Quarter Ended March 31, 2016**

	QTD
<u>Schedule of FTE/Occupied Bed</u>	
Total AHN	8.36
<u>Schedule of FTE/Adjusted Occupied Bed</u>	
Total AHN	4.20

**Allegheny Health Network**  
**Capital Investment Detail**  
**As of March 31, 2016**  
(Dollars in Millions)

		2016 CAP	2016 Spend			2016 CAP	2016 Spend			2016 CAP	2016 Spend
				Jefferson Hospital				Allegheny Clinic			
		\$ 12.7	\$ 8.1	Bethel Park ASC	\$ -	\$ 0.2	Physician Practice Acquisition	\$ -	\$ 0.1		
		13.8	0.2	Strategic Acquisition-Radiation Onc.	-	0.1	Physician Office Renovations	2.2	2.0		
		14.6	6.8	Women's Health	3.6	-	Replacements and Leases	0.2	0.4		
		15.2	6.4	General Hospital Renovations	1.7	0.4	<i>Total Allegheny Clinic</i>	<b>\$ 2.4</b>	<b>\$ 2.5</b>		
<i>ital</i>		<b>\$ 56.3</b>	<b>\$ 21.5</b>	Replacements and Leases	9.8	0.5					
				<i>Total Jefferson Hospital</i>	<b>\$ 15.1</b>	<b>\$ 1.2</b>	ASRI				
				Saint Vincent Hospital			Replacements and Leases	\$ 0.2	\$ -		
		\$ 0.1	\$ 0.1	Outpatient Facility	\$ 7.8	\$ -	<i>Total ASRI</i>	<b>\$ 0.2</b>	<b>\$ -</b>		
		0.5	0.6	Nursing Unit Renovations	2.5	0.7	Core Lab				
<i>il</i>		<b>\$ 0.6</b>	<b>\$ 0.7</b>	General Hospital Renovations	10.4	0.4	Replacements and Leases	\$ 0.9	\$ 0.6		
				Replacements and Leases	2.0	3.2	<i>Total Core Lab</i>	<b>\$ 0.9</b>	<b>\$ 0.6</b>		
		\$ -	\$ 0.5	<i>Total Saint Vincent Hospital</i>	<b>\$ 22.7</b>	<b>\$ 4.3</b>	AHN Combined Total	<b>\$ 154.9</b>	<b>\$ 45.3</b>		
		0.5	0.5	West Penn Hospital							
		<b>\$ 0.5</b>	<b>\$ 1.0</b>	NICU	\$ 3.3	\$ -					
				Autoimmune Specialty Suite	7.8	-					
		\$ -	\$ 1.6	General Hospital Renovations	0.5	0.2					
		5.3	1.0	Replacements and Leases	7.2	2.3					
		1.4	1.7	<i>Total West Penn Hospital</i>	<b>\$ 18.8</b>	<b>\$ 2.5</b>					
		<b>\$ 6.7</b>	<b>\$ 4.3</b>	Allegheny Health Network/IT							
				Renovations	\$ 2.9	\$ 0.6					
				Strategic Acquisitions	4.0	-					
				Replacements and Leases	23.8	6.1					
				<i>Total AHN/IT</i>	<b>\$ 30.7</b>	<b>\$ 6.7</b>					