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April 30, 2014

VIA HAND DELIVERY

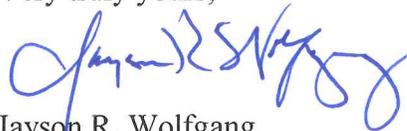
Mr. Stephen J. Johnson, CPA
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

Re: Financial Reports

Dear Deputy Commissioner Johnson:

In compliance with Condition 14 of the Approving Determination dated April 29, 2013, Highmark Health is submitting the enclosed financial reports for the period ending March 31, 2014 on a non-confidential basis. I have forwarded a copy of the reports to Mr. Beaser and Mr. Newman by email.

Very truly yours,



Jayson R. Wolfgang

JRW/skm
Enclosure

RECEIVED
Corporate & Financial Regulation
APR 30 2014
Pennsylvania
Insurance Department

Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
and Order (Order No. ID-RC-13-06)

RECEIVED
Corporate & Financial Regulation

APR 30 2014

West Penn Allegheny Health System
Consolidated Balance Sheet - UNAUDITED
March 31, 2014
(Dollars in '000)

Pennsylvania
Insurance Department

	<u>ACTUAL</u>
<u>ASSETS</u>	
Cash & Cash Equivalents	\$ 40,229
Current Debt Service Funds	1,435
Net Patient Accounts Receivable	161,484
Other Receivables	24,312
Inventories	25,819
Prepaid Expenses & Other Current Assets	19,015
	<u>Total Current Assets</u> 272,294
Unrestricted	
Board Designated Funds	83,061
Insurance Reserve Funds	2,019
Debt Service Reserve Funds	8,975
Project Funds	41,499
Letters of Credit	1,174
Other	24,177
Temporarily Restricted	17,139
Permanently Restricted	258,450
	<u>Total Assets Restricted As To Use</u> 436,494
Property, Plant & Equipment - Net	567,867
Investments	90,043
Goodwill	86,736
Other Assets, Net	42,257
	<u>Total Long-Term Assets</u> 786,903
	<u>TOTAL ASSETS</u> <u>\$ 1,495,691</u>
<u>LIABILITIES & NET ASSETS</u>	
Accounts Payable	\$ 83,581
Accrued Expenses	8,439
Accrued Salaries & Vacation	54,400
Amounts Due to Third Party Payors	5,226
Current Portion of Long-Term Liabilities	43,674
	<u>Total Current Liabilities</u> 195,320
Long-Term Debt	861,265
Deferred Revenue	33,337
Self Insurance Liabilities	64,988
Accrued Pension Obligation	243,410
Other Noncurrent Liabilities	47,754
	<u>Total Noncurrent Liabilities</u> 1,250,754
	<u>Total Liabilities</u> 1,446,074
Unrestricted Net Deficit	(225,972)
Temporarily Restricted Net Assets	17,139
Permanently Restricted Net Assets	258,450
	<u>Total Net Assets</u> 49,617
	<u>TOTAL LIABILITIES & NET DEFICIT</u> <u>\$ 1,495,691</u>

Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
and Order (Order No. ID-RC-13-06)

West Penn Allegheny Health System
Consolidated Statement of Operations - UNAUDITED
Quarter Ended March 31, 2014
(Dollars in '000)

	<u>ACTUAL</u>	<u>Base Case Projection</u>	<u>Downside Case Projection</u>
TOTAL NET PATIENT REVENUES	377,315	418,800	389,700
Other Operating Revenues	21,666		
Net Assets Released From Restrictions	3,668		
TOTAL REVENUES	<u>402,649</u>	<u>437,700</u>	<u>408,600</u>
OPERATING EXPENSES			
Salaries	192,442		
Benefits	35,262		
Professional Fees & Purchased Services	47,582		
Supplies and Drugs	82,947		
Insurance	6,667		
Other Operating Expenses	26,532		
Depreciation and Amortization	14,764		
Interest Expense	10,515		
Restructuring	1,100		
TOTAL OPERATING EXPENSES	<u>417,811</u>	<u>445,800</u>	<u>431,600</u>
OPERATING INCOME (LOSS)	(15,162)	(8,100)	(23,000)
(+) Depreciation and Amortization	14,764		
(+) Interest Expense	10,515		
EBIDA	10,117	22,800	7,900
Investment Income	2,594		
Gifts and Donations	100		
Gain (Loss) in Joint Venture Investment	-		
NET INCOME (LOSS)	<u><u>(12,468)</u></u>	<u><u>(5,200)</u></u>	<u><u>(20,300)</u></u>

Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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West Penn Allegheny Health System
Consolidated Statement of Cash Flows - UNAUDITED
Quarter Ended March 31, 2014
(Dollars in '000)

Cash Flow from Operating Activities

Decrease in Net Assets	(12,013)
Depreciation & Amortization	14,764
Amortization of debt write down	1,400
(Increase)/Decrease in:	
Current Debt Service Funds	(1,418)
Net Patient Accounts Receivable	(10,653)
Other Receivables	(11,254)
Amounts due from Third Party Payors	11,211
Inventories	129
Prepaid Expenses & Other Current Assets	(2,730)
Assets Restricted As to Use	2,131
Investments	(572)
Other	(7,383)
Increase/(Decrease) in:	
Accounts Payable	(1,191)
Accrued Expenses	(6,277)
Accrued Salaries & Vacation	875
Deferred Revenue	490
Self Insurance Liabilities	4,307
Accrued Pension Liabilities	(4,140)
Other Noncurrent Liabilities	11,171

Cash Flow from Operating Activities (11,153)

Cash Flow from Investing Activities

Capital Expenditures	(16,142)
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Cash Flow from Investing Activities (16,142)

Cash Flow from Financing Activities

Payment of Existing Debt	(826)
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Cash Flow from Financing Activities (826)

Cash Summary

Beginning Cash Balance - December 31, 2013	68,350
Net Change in Cash	(28,121)
Ending Cash Balance - March 31, 2014	40,229

Fixed asset additions in accounts payable and accrued expenses 3,578

Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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West Penn Allegheny Health System
Days Cash on Hand - UNAUDITED
Quarter Ended March 31, 2014
(Dollars in '000)

	Actual	Base Case
	Mar. 31, 2014	Mar. 31, 2014
Cash and cash equivalents	\$ 40,229	211,400
Investments	90,043	5,100
Board designated	83,061	73,600
2007A Project Funds	41,499	-
Total	\$ 254,832	\$ 290,100
Total operating expenses	\$ 417,811	\$ 445,800
Less: depreciation and amortization	(14,764)	(21,000)
Operating expenses less depreciation and amortization	403,047	424,800
Days in 3 months ending March 31, 2014	90	90
Operating expense per day	\$ 4,478	\$ 4,720
DAYS CASH ON HAND	56.9	61.5

Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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West Penn Allegheny Health System
Debt Service Coverage Ratio - UNAUDITED
Quarter Ended March 31, 2014
(Dollars in '000)

	<u>Actual (*)</u>
Excess of (expenses over revenues)/revenue over expenses \$	(12,468)
Plus: depreciation and amortization	14,764
Plus: interest expense	10,515
Plus/minus: net unrealized investment (gains)/losses	<u>(658)</u>
Total	12,153
Debt Service Requirement	<u>\$ 1,000</u>
DEBT SERVICE COVERAGE RATIO	<u>12.15</u>

* Debt service requirement (utilizing actual cash outflows of P&I) for the 3 months ending March 31, 2014. This is calculated and prepared in accordance with the 2007A Master Indenture of Trust.

**Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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**West Penn Allegheny Health System
Schedule of Capital Expenditures
Quarter Ended March 31, 2014**

Capital From January 1 through March 31, 2014

Building and building improvements	3,048,973
Equipment/software	12,072,243
Capitalized interest and salaries.	1,020,330
Fixed asset additions in accounts payable and accrued expenses	<u>3,577,778</u>
	<u><u>19,719,324</u></u>

**Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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**West Penn Allegheny Health System
Schedule of Inpatient and Outpatient Discharge Volume
Quarter Ended March 31, 2014**

	<u>ACTUAL</u>
Inpatient Discharges (Acute/Psych/Rehab)	13,472
Outpatient Registrations	184,411

**Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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**West Penn Allegheny Health System
Schedule of Occupancy Rates
Quarter Ended March 31, 2014**

Total	<u>Actual</u> 59%
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**Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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**West Penn Allegheny Health System
Schedule of Salaried and Non-Salaried employees on an FTE basis
March 31, 2014**

	<u>EXEMPT</u>	<u>NON-EXEMPT</u>	<u>TOTAL</u>
Total	3,206	6,601	9,807

**Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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**West Penn Allegheny Health System
Schedule of Occupied Beds
Quarter Ended March 31, 2014**

Total	<u>Actual</u> 870
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**Response to Condition 14 of the Pennsylvania Insurance Department's Approving Determination
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**West Penn Allegheny Health System
Schedule of FTE/Occupied Bed (and FTE/Adjusted Occupied Bed)
Quarter Ended March 31, 2014**

	<u>Actual</u>
FTE/Occupied Bed	7.93
FTE/Adjusted Occupied Bed	4.31