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Corporate & Financial Regulation

JUL 26 2017

**Pennsylvania
Insurance Department**

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July 26, 2017

VIA HAND DELIVERY

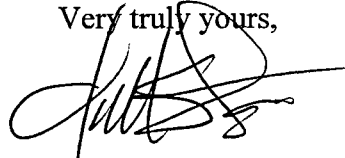
Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

**Re: Highmark Health
Condition 14 of Order 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 June 30, 2017 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/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 June 30, 2017
(Dollars in Thousands)

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Total Operating Revenue	\$ 770,823	\$ 757,000	\$ 1,518,921	\$ 1,508,000
Total Operating Expense	754,376	763,000	1,506,312	1,528,000
Operating Income (Loss)	\$ 16,447	\$ (6,000)	\$ 12,609	\$ (20,000)
<i>Operating Margin</i>	2.1%	(0.8%)	0.8%	(1.3%)
Net Income (Loss)	<u>\$ 28,329</u>	<u>\$ (7,000)</u>	<u>\$ 28,444</u>	<u>\$ (23,000)</u>
<i>Net Margin</i>	3.7%	(0.9%)	1.9%	(1.5%)
EBITDA	\$ 70,719	\$ 32,000	\$ 105,487	\$ 56,000
<i>EBITDA Margin</i>	9.2%	4.2%	6.9%	3.7%
DCOH	82	77	82	76
Total Discharges	21,959	22,228	44,653	44,714
Outpatient Registrations	328,438	328,768	648,172	650,854

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

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

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Financial Metrics				
FTEs	17,334	17,553	17,130	17,483
EBITDA (in thousands)	\$ 70,719	\$ 32,000	\$ 105,487	\$ 56,000
Operating Margin %	2.1%	(0.8%)	0.8%	(1.3%)
Net Income %	3.7%	(0.9%)	1.9%	(1.5%)
EBITDA %	9.2%	4.2%	6.9%	3.7%
Days Cash on Hand	82	77	82	76
Days in A/R	43.0	41.4	43.3	41.2
Total Debt (in thousands)	\$ 1,428,640	\$ 910,000	\$ 1,428,640	\$ 910,000
Statistical Metrics				
Discharges	21,959	22,228	44,653	44,714
Adjusted Discharges	44,818	45,489	90,481	90,663
Emergency Department Visits	72,855	75,217	144,634	148,373
Outpatient Registrations	328,438	328,768	648,172	650,854
Physician Office Visits	712,774	718,932	1,434,611	1,412,231

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

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

	ACTUAL	PLAN
<u>ASSETS</u>		
Cash & Cash Equivalents	\$ 190,997	\$ 186,000
Receivables	393,620	375,000
PPE, Net	1,060,141	1,153,000
Goodwill and Other Intangible Assets, Net	116,761	114,000
Other Assets	996,428	962,000
TOTAL ASSETS	<u>\$ 2,757,947</u>	<u>\$ 2,790,000</u>
<u>LIABILITIES & NET ASSETS</u>		
Debt	\$ 1,428,640	\$ 910,000
Other Liabilities	1,049,823	1,025,000
Total Liabilities	<u>2,478,463</u>	<u>1,935,000</u>
Total Net Assets	<u>279,484</u>	<u>855,000</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 2,757,947</u>	<u>\$ 2,790,000</u>

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

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Cash Flow from Operating Activities:	29,940	22,000	29,875	33,000
Cash Flow from Investing Activities:	(46,678)	(84,000)	(64,030)	(146,000)
Cash Flow from Financing Activities:	12,373	62,000	28,599	133,000
Net Change in Cash and Cash Equivalents	(4,365)	-	(5,556)	20,000
Beginning Cash and Cash Equivalents	195,362	186,000	196,553	166,000
Ending Cash and Cash Equivalents	190,997	186,000	190,997	186,000