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July 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

JUL 30 2018

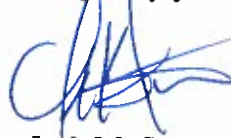
**Pennsylvania  
Insurance Department**

**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 June 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)

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

	QTD		YTD		
	ACTUAL	PLAN	ACTUAL	PLAN	PY
Total Operating Revenue	\$ 822,207	\$ 803,000	\$ 1,612,545	\$ 1,605,000	\$ 1,518,921
Total Operating Expense	799,871	800,000	1,588,741	1,602,000	1,507,776
Operating Income	\$ 22,336	\$ 3,000	\$ 23,804	\$ 3,000	\$ 11,145
Net Income (Loss)	<u>\$ 17,069</u>	<u>\$ (2,000)</u>	<u>\$ 18,052</u>	<u>\$ (18,000)</u>	<u>\$ 28,444</u>

**Allegheny Health Network  
Key Financial Indicators  
Periods Ended June 30, 2018**

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
<b>Financial Metrics</b>				
FTEs	18,742	17,754	18,725	17,742
Net EBITDA (in thousands)	\$ 61,600	\$ 50,000	\$ 106,637	\$ 84,000
Operating Margin %	2.7%	0.4%	1.5%	0.2%
Net Income %	2.1%	(0.2%)	1.1%	(1.1%)
Net EBITDA %	7.5%	6.2%	6.6%	5.2%
Days Cash on Hand	104.9	73.7	105.3	73.2
Days in A/R	41.7	40.4	42.3	40.1
Total Debt (in thousands)	\$ 1,067,892	\$ 920,000	\$ 1,067,892	\$ 920,000
<b>Statistical Metrics</b>				
Discharges	21,663	22,884	43,690	46,028
Adjusted Discharges	46,190	47,261	91,403	94,128
Emergency Department Visits	70,197	76,578	139,475	150,862
Outpatient Registrations	337,063	342,011	659,974	677,170
Physician Visits	756,161	760,573	1,469,694	1,504,978

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

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

	ACTUAL	PLAN	PY
<b><u>ASSETS</u></b>			
Cash & Cash Equivalents	\$ 213,500	\$ 174,000	\$ 190,997
Receivables	406,186	388,000	393,649
PPE, Net	1,170,553	1,313,000	1,060,141
Goodwill and Other Intangible Assets, Net	114,390	112,000	116,761
Other Assets	1,232,744	1,009,000	1,002,356
<b>TOTAL ASSETS</b>	<b><u>\$ 3,137,373</u></b>	<b><u>\$ 2,996,000</u></b>	<b><u>\$ 2,763,904</u></b>
<b><u>LIABILITIES &amp; NET ASSETS</u></b>			
Debt	\$ 1,067,892	\$ 920,000	\$ 1,428,640
Other Liabilities	979,905	952,000	1,055,781
Total Liabilities	<u>2,047,797</u>	<u>1,872,000</u>	<u>2,484,421</u>
Total Net Assets	<u>1,089,576</u>	<u>1,124,000</u>	<u>279,483</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 3,137,373</u></b>	<b><u>\$ 2,996,000</u></b>	<b><u>\$ 2,763,904</u></b>

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

	QTD		YTD	
	ACTUAL	PLAN	ACTUAL	PLAN
Cash Flow from Operating Activities:	\$ 113,268	\$ 29,000	\$ 76,390	\$ 32,000
Cash Flow from Investing Activities:	(108,872)	(113,000)	(181,682)	(189,000)
Cash Flow from Financing Activities:	60,408	79,000	98,775	159,000
Net Change in Cash and Cash Equivalents	64,804	(5,000)	(6,517)	2,000
Beginning Cash and Cash Equivalents	148,696	179,000	220,017	172,000
Ending Cash and Cash Equivalents	\$ 213,500	\$ 174,000	\$ 213,500	\$ 174,000