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VIA ELECTRONIC FILING

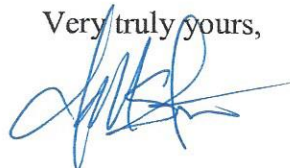
Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

Re: *Order No. ID-RC-13-06/Condition 14*

Dear Deputy Commissioner DiMemmo:

Pursuant to Condition 14 of the above-captioned Order, Highmark Health is filing with the Department the attached non-confidential Allegheny Health Network report for the period ending December 31, 2019. I have copied Mr. Beaser and Mr. DeLacey with the filing.

Very truly yours,



Jack M. Stover

JMS/jls
Attachment

cc: Lawrence J. Beaser, Esquire (via email)
Patrick T. DeLacey (via email)

ALLEGHENY HEALTH NETWORK

Unaudited Financial Information and Management's Discussion and Analysis
For the Periods Ended December 31, 2019 and 2018



March 27, 2020

ALLEGHENY HEALTH NETWORK

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For the Periods Ended December 31, 2019 and 2018

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BASIS OF PRESENTATION; FORWARD-LOOKING STATEMENTS

Allegheny Health Network is the Credit Group Representative of an obligated group (the "Obligated Group") formed pursuant to a Master Trust indenture dated as of December 1, 2017, as amended (the "Master Trust Indenture"). The Allegheny County Hospital Development Authority Revenue Bonds (Allegheny Health Network Obligated Group Issue), Series 2018A (the "Series 2018A Bonds") are secured pursuant to the Master Trust Indenture. The information contained herein is being filed by Allegheny Health Network for the purpose of complying with the Obligated Group's obligations under the Continuing Disclosure Agreement entered into in connection with the issuance of the Series 2018A Bonds. Allegheny Health Network and its consolidated subsidiaries are referred to collectively herein as "AHN."

AHN presumes that users of this financial information have read or have access to AHN's audited financial statements and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The audited financial statements of AHN for the fiscal year ended December 31, 2019 and 2018 are on file at www.emma.msrb.org.

Except as otherwise specified, information contained in this report includes the unaudited financial performance of AHN on a consolidated basis, and thus includes entities that are not members of the Obligated Group. The unaudited consolidated financial information contained herein, as of and for the periods ended December 31, 2019 and 2018, include all required adjustments that management believes are necessary for a fair presentation of AHN's financial position and the results of operations for these periods. All financial and statistical information is derived from internal records of AHN.

References herein to Highmark Health ("Highmark Health"), which is the parent of AHN and of Highmark Inc. ("Highmark"), mean those entities affiliated with AHN by virtue of common corporate control. **NEITHER HIGHMARK HEALTH NOR HIGHMARK IS OBLIGATED WITH RESPECT TO THE SERIES 2018A BONDS, AND NONE OF THEIR RESPECTIVE ASSETS OR REVENUES IS AVAILABLE TO PAY DEBT SERVICE ON THE SERIES 2018A BONDS.**

This report contains information which constitutes "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," "initiative" or "continue." These forward-looking statements are based on the current plans and expectations of AHN and are subject to a number of known and unknown uncertainties and risks, many of which are beyond AHN's control and could significantly affect current plans and expectations and AHN's future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the health care industry, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs that may impact reimbursements to health care providers and insurers, (iv) the ability to achieve expected levels of patient volumes and control the costs of providing services, (v) changes in federal, state or local regulations affecting the health care industry, (vi) the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against AHN, (viii) changes in accounting practices, (ix) changes in general economic conditions including growing numbers of uninsured and unemployed patients, (x) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms and (xi) the collectability of uninsured accounts and deductible and co-pay amounts. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of AHN. Users of this report are cautioned not to rely on such forward-looking statements when evaluating the information presented in this report, including "Management's Discussion and Analysis."

It should be noted that earnings before interest, taxes, depreciation and amortization ("EBITDA"), days cash on hand and certain other financial metrics included in this filing are not measures of operating performance, liquidity or financial leverage defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

For a discussion of the novel coronavirus (COVID-19) and the impact to AHN, please see below.

ALLEGHENY HEALTH NETWORK

Introduction and Overview

Allegheny Health Network is the parent organization of a system of acute care hospitals and affiliated providers in western Pennsylvania that constitutes the clinical delivery component of an integrated delivery and financing system ("IDFS"), with Highmark Health as its parent company. Highmark Health is also the parent of Highmark Inc. ("Highmark"), which together with its subsidiaries and controlled affiliates constitute the nation's fourth largest Blue Cross Blue Shield insurance plan (based on Q3 2019 capital). While AHN is integrated with Highmark Health and its affiliates for strategic planning, budgetary, and other purposes and shares certain common management personnel, directors, and committees, neither Highmark Health nor Highmark is part of the Obligated Group (as defined in the Master Trust Indenture). Neither Highmark Health nor Highmark is obligated with respect to the Series 2018A Bonds and none of their assets or revenues are pledged to pay debt service on such bonds.

AHN is the clinical delivery system affiliate of Highmark in western Pennsylvania for enrollees in Highmark's various health plans in the region, as well as enrollees covered by other insurers and Medicaid and Medicare programs.

Headquartered in Pittsburgh, AHN's operations are concentrated primarily in the Pennsylvania cities of Pittsburgh and Erie and their surrounding communities. AHN is a patient-centered and clinician-led academic healthcare system that provides comprehensive healthcare services to patients in western Pennsylvania and the adjacent regions of Ohio, West Virginia, New York and Maryland. With more than 20,000 total employees and 1,500 volunteers, AHN operates nine acute care hospitals with 2,300+ beds in quaternary, tertiary and community facilities, seven ambulatory surgical centers, six urgent care centers, and five Health + Wellness Pavilions. AHN employs more than 1,400 physicians who provide a variety of primary and specialty care at more than 300 healthcare sites throughout the region. AHN is affiliated with three medical schools and currently educates more than 500 residents and fellows each year in 46 accredited residency programs. AHN also controls a research institute and four charitable foundations and a trust that support certain hospitals within AHN. AHN provides an array of post-acute care services, primarily under joint venture arrangements, including durable medical equipment, home infusion services and home health and hospice services. AHN also owns and operates a group purchasing organization that supports close to 100 members (which include AHN entities) in the region, a captive insurance company, and a clinically integrated network, among other businesses.

In addition, AHN-affiliated physicians provide services to or on behalf of 29 other hospitals throughout the western Pennsylvania region. For example, AHN's hospital emergency rooms are staffed by physicians provided through an AHN joint venture that also currently provides emergency room physician services to four other non-AHN affiliated hospitals in the region. Many other clinical services, including specialty coverage services, are provided by AHN affiliates in nearby hospitals and geographies.

ALLEGHENY HEALTH NETWORK

Consolidated Balance Sheets – Unaudited*

December 31, 2019 and 2018

(Dollars in thousands)

	2019	2018
	December	December
Assets		
Current assets		
Cash and cash equivalents	\$ 160,179	\$ 162,504
Patient accounts receivable	396,948	373,930
Other current assets	171,286	166,298
Total current assets	728,413	702,732
Investments	599,281	414,780
Assets whose use is limited	58,431	60,593
Bond project funds	55,445	167,752
Restricted investments	326,015	282,057
Equity investments/other	47,125	44,424
Property and equipment, net	1,587,388	1,365,932
Right to use assets	355,757	-
Other assets	199,526	188,979
Total assets	\$ 3,957,381	\$ 3,227,249
Liabilities and net assets		
Current liabilities	\$ 503,094	\$ 527,971
Current portion of lease liabilities	59,792	-
Current portion of long-term debt	8,147	9,505
Total current liabilities	571,033	537,476
Accrued pension obligation	288,580	331,018
Long-term debt	1,005,465	1,013,829
Lease liabilities	305,430	-
Other liabilities	179,329	165,694
Total liabilities	2,349,837	2,048,017
Net assets:		
Without donor restrictions	1,274,352	891,665
With donor restrictions	333,192	287,567
Total net assets	1,607,544	1,179,232
Total liabilities and net assets	\$ 3,957,381	\$ 3,227,249

* Includes entities that are not members of the Obligated Group

Note: Certain prior year amounts have been reclassified to conform with current year presentation

ALLEGHENY HEALTH NETWORK

Consolidated Statements of Operations – Unaudited* For the Periods Ended December 31, 2019 and 2018

(Dollars in thousands)

	QTD		YTD	
	2019	2018	2019	2018
Revenue				
Net patient service revenue	\$ 866,200	\$ 807,946	\$ 3,366,287	\$ 3,112,937
Other operating revenue	55,637	46,430	205,163	171,681
Total revenue	921,837	854,376	3,571,450	3,284,618
Expenses				
Salaries, wages, and fringe benefits	517,779	490,999	1,958,518	1,807,529
Patient care supplies	193,450	174,508	741,997	663,366
Other operating expenses	175,151	170,250	689,721	658,445
Depreciation and amortization	42,453	36,595	159,330	144,045
Total operating expenses	928,833	872,352	3,549,566	3,273,385
Operating income	(6,996)	(17,976)	21,884	11,233
Investment income	10,527	7,666	32,482	32,914
Unrealized gains (losses)	11,335	(23,045)	39,760	(26,639)
Interest expense	(6,643)	(8,638)	(27,022)	(34,150)
Loss on debt refinancing	-	-	-	(7,495)
Other components of net periodic benefit credit	18,944	27,813	18,944	27,813
Net assets acquired through affiliation	10,962	-	10,962	-
Other non-operating income (expense), net	333	843	(2,929)	508
Excess (deficit) of revenue over expenses, before income taxes	38,462	(13,337)	94,081	4,184
Income tax benefit (expense)	4,204	(1,866)	4,069	(1,345)
Excess (deficit) of revenue over expenses	\$ 42,666	\$ (15,203)	\$ 98,150	\$ 2,839
Operating margin %	-0.8%	-2.1%	0.6%	0.3%
Net margin %	4.6%	-1.8%	2.7%	0.1%
Operating EBITDA	\$ 35,457	\$ 18,619	\$ 181,214	\$ 155,278
Operating EBITDA %	3.8%	2.2%	5.1%	4.7%
Net EBITDA	\$ 87,558	\$ 31,896	\$ 280,433	\$ 182,379
Net EBITDA %	9.5%	3.7%	7.9%	5.6%
Total current and long-term debt (excluding lease liabilities)	\$ 1,013,612	\$ 1,023,334	\$ 1,013,612	\$ 1,023,334
Total current and long-term debt (excluding lease liabilities) to net EBITDA	2.9	8.0	3.6	5.6

* Includes entities that are not members of the Obligated Group

Note: Certain prior year amounts have been reclassified to conform with current year presentation

Note 1: The QTD results for 2019 and 2018 include the required annual pension adjustment per ASU 2017-07. See "Adoption of New Accounting Literature"

ALLEGHENY HEALTH NETWORK

Utilization Statistics*

For the Periods Ended December 31, 2019 and 2018

	QTD		YTD	
	2019	2018	2019	2018
Discharges	19,982	21,008	82,546	85,892
Observation cases	10,458	9,233	41,160	34,295
Total discharges and observation cases	30,440	30,241	123,706	120,187
Patient days	105,273	109,716	433,580	441,819
Average length of stay (medical acute days only)	4.87	4.89	4.88	4.83
Case-mix index (all payor)	1.98	1.90	1.94	1.87
Outpatient registrations	355,935	330,419	1,364,698	1,321,294
Emergency department visits	69,374	67,223	279,193	277,587
Inpatient surgeries	7,048	7,113	28,706	29,159
Outpatient surgeries	13,911	13,871	55,722	54,504
Ambulatory surgical cases	6,115	5,895	24,846	22,826
Total surgical cases	27,074	26,879	109,274	106,489
Physician visits	835,634	771,292	3,288,885	2,983,426
Full time equivalents	20,378	19,280	20,075	18,944
Days in patient accounts receivable**	42.2	42.6	42.2	42.6

* Includes entities that are not members of the Obligated Group

** Calculated using 90 days rolling net patient revenue

ALLEGHENY HEALTH NETWORK

Financial Ratios**

For the Years Ended December 31, 2019 and 2018

(Dollars in thousands)

Days Cash on Hand

	2019	2018
Cash and cash equivalents	\$ 160,179	\$ 162,504
Investments	599,281	414,780
Board designated	58,431	60,593
Bond project funds	55,445	167,752
Total cash on hand	\$ 873,336	\$ 805,629
Operating expenses	\$ 3,549,566	\$ 3,273,385
Add: Interest expense	27,022	34,150
Less: Depreciation and amortization	(159,330)	(144,045)
Total	\$ 3,417,258	\$ 3,163,490
Days in period	365	365
Operating expense per day	\$ 9,362	\$ 8,667
Days cash on hand *	93	93

* For purposes of calculating days cash on hand, investments included in the above calculation consist only of unrestricted amounts.

Debt Service Coverage Ratio

	2019	2018
Excess of revenue over expenses	\$ 98,150	\$ 2,839
Add: Depreciation and amortization	159,330	144,045
Add: Interest expense	27,022	34,150
Add: Unrealized losses	-	26,639
Less/Add: Income tax (benefit) expense	(4,069)	1,345
Add: Loss on debt refinancing	-	7,495
Total	\$ 280,433	\$ 216,513
Debt service requirement	\$ 50,923	\$ 52,206
Debt service coverage ratio	5.5	4.1

Debt-to-Capitalization

	2019	2018
Long-term debt including current portion	\$ 1,013,612	\$ 1,023,334
Net assets without donor restrictions	1,274,352	891,665
Total Capitalization	\$ 2,287,964	\$ 1,914,999
Debt-to-Capitalization	44%	53%

** Includes entities that are not members of the Obligated Group

ALLEGHENY HEALTH NETWORK

Sources of Revenue**

For the Years Ended December 31, 2019 and 2018

Sources of Revenue - Hospital Only

	2019	2018
Highmark commercial	34.8%	35.3%
Highmark medicaid*	2.6%	2.2%
Highmark medicare*	13.0%	13.4%
Highmark subtotal	50.4%	50.9%
Other commercial	14.2%	13.7%
Other medicaid	6.6%	6.8%
Medicare fee for service	15.7%	16.2%
Other medicare	10.1%	9.2%
Other	3.0%	3.2%
Other subtotal	49.6%	49.1%
Total	100.0%	100.0%
Total commercial	49.0%	49.0%
Total government	48.0%	47.8%

* Includes products provided by Gateway Health Plan, an affiliate of Highmark Inc.

** Includes entities that are not members of the Obligated Group

ALLEGHENY HEALTH NETWORK

Management's Discussion and Analysis of Recent Financial Performance

Year to date December 31, 2019 compared to year to date December 31, 2018

The audited financial statements of AHN for the fiscal year ended December 31, 2019 and 2018 are on file at www.emma.msrb.org.

For the year ended December 31, 2019, income from operations was \$21.9 million compared to operating income of \$11.2 million for the comparable 2018 period, a year over year increase of \$10.7 million. Year over year net patient service revenue grew \$253.4 million. This increase is primarily attributable to higher case mix of patients, increases in contracted rates with payors, higher combined volumes from inpatient discharges plus observations and related quality and value based payments.

For the year ended December 31, 2019, AHN recorded an excess of revenue over expenses of \$98.2 million compared to \$2.8 million for the same period in the prior year, an increase of \$95.4 million. This increase is due to improved investment earnings and performance in the midst of stronger investment markets. AHN achieved total investment earnings (unrealized gains and investment income) of \$72.2 million for the year ended December 31, 2019 compared to \$6.3 million for the year ended December 31, 2018. Additionally, there was a \$7.5 million non-cash charge in third quarter 2018 related to the early extinguishment of debt due to the issuance of the Series 2018A Bonds. In addition, effective December 31, 2019, AHN finalized an affiliation agreement with Grove City Health System (See "Other Matters" below). In conjunction with the affiliation, AHN recognized contribution income of \$11.0 million within non-operating income on the consolidated statement of operations, representing the inherent contribution received from the affiliation.

Operating EBITDA was \$181.2 million for the year ended December 31, 2019 versus operating EBITDA of \$155.3 million for the same period in the prior year, an increase of \$25.9 million. Net EBITDA improved to \$280.4 million for the year ended December 31, 2019 versus net EBITDA of \$182.4 million during the same period in the prior year. The increase was driven by investment results as well as the prior year non-cash charge related to the early extinguishment of previously existing debt and contribution income recognized in conjunction with the Grove City Health System affiliation described above.

Volumes, as measured by the combined total of discharges and observation cases, increased 3,519 (2.9%) from 120,187 for the year ended December 31, 2018 to 123,706 for the same period during 2019. AHN continues to experience growth in observation cases that exceeds the decline in inpatient discharges, resulting in a net positive increase in this metric. The transition to greater levels of observation cases and lower levels of inpatient discharges has had a negative effect on AHN's patient service revenue because of lower reimbursement attributable to observation cases. However, a portion of the revenue decline is offset through various mechanisms in AHN's value-based payor contracts. AHN also experienced an increase in documented inpatient acuity as measured by its case mix index, which increased to 1.94 from 1.87 or an increase of approximately 3.7% for the year ended December 31, 2019 as compared to the same period in the prior year. Total surgical cases increased 2.6% (2,785 cases) for the year ended December 31, 2019, with the increase driven primarily by growth at AHN's ambulatory surgery centers ("ASC"). ASC surgical cases increased 8.8% (2,020 cases), reflecting the continuing growth trend in the ASC environment. Physician visits continue to grow as well, as AHN continues implementation of its value based model and continues to increase its physician complement. For the year ended December 31, 2019, physician visits totaled 3,288,885, an increase of 305,459 (or 10.2%) from 2,983,426 in the comparable prior period.

ALLEGHENY HEALTH NETWORK

Management's Discussion and Analysis of Recent Financial Performance

Investments in AHN by Highmark

Highmark has continued to make investments in AHN to enhance AHN's position as the provider core of the Highmark Health IDFS, although Highmark is not an obligor or guarantor of the Series 2018A Bonds and none of its assets or revenues are pledged as collateral.

For the year ended December 31, 2019, Highmark made investments in AHN pursuant to a clinical affiliation agreement between the parties to support strategic capital investments made by AHN. These investments totaled \$289.6 million and were reflected as equity transfers in the AHN financial statements.

Cash, Liquidity, Long-Term Debt and Unfunded Pension Obligations

Cash and unrestricted investments totaled \$873.3 million at December 31, 2019, which was an increase of \$67.7 million over the December 31, 2018 total of \$805.6 million. Days cash on hand remained consistent at 93 days for years ending December 31, 2019 and 2018.

Long-term debt (including the current portion) declined \$9.7 million from \$1,023.3 million as of December 31, 2018 to \$1,013.6 million as of December 31, 2019. The reduction was primarily due to required principal payments and the amortization of bond premiums.

In August 2018, the Series 2018A Bonds were issued with a par value of \$943.4 million and with proceeds of \$1.0 billion. The proceeds were used to refund the Series 2017 Bonds. The Series 2018A Bonds consist of both serial and term bonds, with the final maturity 29 years from the original issuance date at fixed rates of interest. AHN is required to pay interest only on the Series 2018A Bonds for the first three years with level debt service thereafter consisting of principal and interest. The Series 2018A Bonds remain "A" rated with a stable outlook by S&P Global Ratings.

AHN's recorded unfunded pension obligations related to its defined benefit plans declined during 2019. Certain defined benefit pension plans are frozen with no new participation permitted. As of December 31, 2019, AHN's recorded unfunded pension obligations totaled \$288.6 million, which was a decrease of \$42.4 million from \$331.0 million at December 31, 2018. The decrease was primarily due to employer contributions made during 2019 and pension credits recognized.

Net assets without donor restrictions increased to \$1,274.4 million as of December 31, 2019, an increase of \$382.7 million over the balance of \$891.7 million as of December 31, 2018. The increase was primarily a result of the clinical affiliation payments made to AHN by Highmark and AHN's excess of revenue over expenses during the period, offset by certain pension plan liability adjustments recorded in December 2019.

Adoption of New Accounting Literature

Implemented

In February 2016, FASB issued ASU 2016-02, *Leases* (ASC 842), in order to increase transparency and comparability by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. AHN adopted ASC 842 on January 1, 2019 using the modified retrospective transition approach. At December 31, 2019 AHN has recognized \$355.8 million of right to use assets and \$365.2 million of lease liabilities. The adoption of ASC 842 did not have an impact on AHN's compliance with debt covenants.

ALLEGHENY HEALTH NETWORK

Management's Discussion and Analysis of Recent Financial Performance

In March 2017, FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefits Cost. The new guidance requires an entity to disaggregate the service cost component from the other components of net benefit cost and is effective for fiscal years beginning after December 15, 2018. AHN has adopted the guidance retrospectively to each period presented. The other components of net benefit cost are now presented below the operating income subtotal in the consolidated statements of operations as other components of net periodic benefit credit, and the service cost component is presented in salaries, wages and fringe benefits. The other components of net periodic benefit cost were in an income position for the years ended December 31, 2019 and 2018 and included interest cost, expected return on plan assets and amortization of prior service credit and actuarial loss. For the year ended December 31, 2019 and 2018, other components of net benefit cost of \$18.9 million and \$27.8 million, respectively, was reclassified from salaries, wages and fringe benefits to other components of net periodic benefit credit.

Other Matters

Grove City Health System

Effective December 31, 2019, AHN finalized an affiliation agreement with Grove City Health System (Grove City), causing AHN to become the sole corporate member of Grove City. In accordance with the affiliation agreement, Grove City contemporaneously relinquished control of Grove City Health Foundation and contributed \$27.4 million to support the foundation's charitable mission. AHN's consolidated financial statements include the financial position and cash flows of Grove City from the affiliation date, December 31, 2019. In conjunction with the affiliation, AHN recognized contribution income of \$11.0 million within non-operating income on the consolidated statements of operations, representing the inherent contribution received from the affiliation. Grove City is not a member of the Obligated Group.

Neighborhood Hospitals

In 2017, AHN entered into an agreement with an Emerus affiliate to form a joint venture ("AHN Emerus JV") for the purpose of constructing and operating four neighborhood hospital facilities in western Pennsylvania. AHN maintains an ownership of 51% in AHN Emerus JV and includes the AHN Emerus JV in its consolidated financial statements. Each of these neighborhood hospitals include an emergency department, associated lab and imaging modalities, 10 inpatient beds, and, in some cases, an attached medical office capable of housing primary care physicians and community-based specialties. Subsequent to year end, three of these neighborhood hospitals are operational and accepting patients.

Consent Decrees

Beginning in 2014, the University of Pittsburgh Medical Center ("UPMC") and Highmark were each party to parallel Consent Decrees facilitated by the Pennsylvania Governor's Office and the Pennsylvania Office of the Attorney General (the "Consent Decrees"). The Consent Decrees provided for continued access for Highmark members to UPMC hospitals on an in-network basis in a number of circumstances specified therein.

ALLEGHENY HEALTH NETWORK

Management's Discussion and Analysis of Recent Financial Performance

The Consent Decrees were to terminate on June 30, 2019, thereby terminating in-network access for Highmark indemnity and managed care members (non-Medicare Advantage) at most UPMC hospitals in Allegheny County and UPMC Hamot Hospital in Erie, Pennsylvania. In addition, UPMC had notified Highmark that it was terminating its Medicare Advantage facility contracts with Highmark with respect to the same UPMC hospitals in Allegheny County and Erie, effective December 31, 2018 (with a six-month run-out for care until June 30, 2019).

In February 2019, the Office of the Attorney General brought an action against UPMC and Highmark seeking continuation of the Consent Decrees under a modified format. While the litigation was progressing, on June 24, 2019, the Pennsylvania Attorney General announced that he had facilitated an agreement between Highmark and UPMC pursuant to which the organizations had agreed to a 10 year contract offering full in-network access to Highmark members in certain Highmark health products, including Medicare Advantage. Beginning July 1, 2019, all Highmark members had full in-network access to UPMC hospitals if their health plan included UPMC in the provider network (pursuant to the Consent Decrees).

While AHN will continue to assess the overall impact of the contract, its current strategies remain the same and it has no current intention to change any of its ongoing or planned investments.

Novel Coronavirus (COVID-19)

In March 2020, the President of the United States declared the outbreak of COVID-19 a national emergency. In preparation for the potential impact of this pandemic, AHN mobilized to implement its emergency preparedness procedures for dealing with such a situation. AHN has begun the process of deploying the resources needed to support its patients and employees during this pandemic.

AHN volumes including but not limited to surgical volumes, emergency department visits, and physician visits have begun to decline as a result of state and federal government directives and other measures of containment undertaken in an effort to control the spread of the virus. Effective March 18, 2020 and immediately following the recommendations of the Centers for Disease Control and Prevention as well as the U.S. Centers for Medicare and Medicaid Services, AHN postponed all elective, non-medically urgent services. As a result, AHN has suspended services at certain of its sites of service, including ambulatory surgery centers and various physician office locations throughout the region. AHN will consider the need to temporarily close other locations as facts and circumstances change. AHN has also transitioned certain services to alternative sites of service, primarily using telephone and video consultations. AHN is also experiencing certain fluctuations in its payor and services mix. All of the foregoing will have an impact on AHN's financial performance.

The results of actions taken by local and federal governments have had a significant impact on the economy, which is creating volatility in the financial markets. AHN will continue to assess the overall impact of this pandemic to its financial performance and investment income.

ALLEGHENY HEALTH NETWORK

Appendix

Series 2018A Revenue Bonds Due Dates and CUSIPs

Serial Bonds:

<u>Due Date</u>	<u>Amount</u>	<u>CUSIP</u>
4/1/2022	\$ 18,695,000	01728A3G9
4/1/2023	19,655,000	01728A3H7
4/1/2024	20,665,000	01728A3J3
4/1/2025	21,720,000	01728A3K0
4/1/2026	22,835,000	01728A3L8
4/1/2027	24,005,000	01728A3M6
4/1/2028	25,240,000	01728A3N4
4/1/2029	26,535,000	01728A3P9
4/1/2030	27,895,000	01728A3Q7
4/1/2031	29,325,000	01728A3R5
4/1/2032	30,825,000	01728A3S3
4/1/2033	32,410,000	01728A3T1
4/1/2034	34,070,000	01728A3U8
4/1/2035	35,815,000	01728A3V6
4/1/2036	37,655,000	01728A3W4
4/1/2037	39,385,000	01728A3X2
4/1/2038	40,990,000	01728A3Y0
	<u>\$ 487,720,000</u>	Total Serial Bonds

Term Bonds:

<u>Due Date</u>	<u>Amount</u>	<u>CUSIP</u>
4/1/2044	\$ 283,575,000	01728A3Z7
4/1/2047	172,070,000	01728A4A1
	<u>\$ 455,645,000</u>	Total Term Bonds

\$ 943,365,000 Total Series 2018A Revenue Bonds