

**Jack M. Stover**  
717 237 4837  
jack.stover@bipc.com

409 North Second Street  
Suite 500  
Harrisburg, PA 17101-1357  
T 717 237 4800  
F 717 233 0852  
www.bipc.com

April 30, 2015

**VIA HAND DELIVERY**

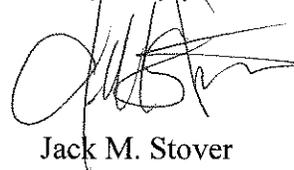
Mr. Stephen J. Johnson, CPA  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation  
Pennsylvania Insurance Department  
1345 Strawberry Square  
Harrisburg, PA 17120

**Re: Highmark Health**

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 West Penn Allegheny Health System for the period ending March 31, 2015 on a non-confidential basis. I have forwarded a copy of the reports to Mr. Beaser and Mr. Newman by email.

Very truly yours,



Jack M. Stover

JMS/gmt  
Enclosure

**RECEIVED**  
Corporate & Financial Regulation  
APR 30 2015  
Pennsylvania  
Insurance Department

**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 Balance Sheet - UNAUDITED  
March 31, 2015  
(Dollars in '000)**

	<u>ACTUAL</u>
<b><u>ASSETS</u></b>	
Cash & Cash Equivalents	\$ 53,992
Net Patient Accounts Receivable	198,186
Other Receivables	40,481
Amounts Due from Third Party Payors	12,860
Inventories	27,811
Prepaid Expenses & Other Current Assets	17,291
	<u>Total Current Assets</u> 350,621
Unrestricted	
Board Designated Funds	118,603
Insurance Reserve Funds	2,100
Letters of Credit	1,076
Other	19,364
Temporarily Restricted	14,541
Permanently Restricted	266,290
	<u>Total Assets Restricted As To Use</u> 421,974
Property, Plant & Equipment - Net	590,645
Investments	116,788
Goodwill	103,999
Other Assets, Net	74,921
	<u>Total Long-Term Assets</u> 886,353
	<u><b>TOTAL ASSETS</b></u> <u><b>\$ 1,658,948</b></u>
 <b><u>LIABILITIES &amp; NET ASSETS</u></b>	
Accounts Payable	\$ 144,585
Accrued Expenses	74,065
Current Portion of Long-Term Liabilities	15,138
	<u>Total Current Liabilities</u> 233,788
Long-Term Debt	1,022,222
Deferred Revenue	25,668
Self Insurance Liabilities	68,925
Accrued Pension Obligation	242,229
Other Noncurrent Liabilities	44,387
	<u>Total Noncurrent Liabilities</u> 1,403,431
	<u>Total Liabilities</u> 1,637,219
Unrestricted Net Deficit	(259,102)
Temporarily Restricted Net Assets	14,541
Permanently Restricted Net Assets	266,290
	<u>Total Net Assets</u> 21,729
	<u><b>TOTAL LIABILITIES &amp; NET ASSETS</b></u> <u><b>\$ 1,658,948</b></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, 2015  
(Dollars in '000)**

	<b>ACTUAL</b>	<b>Base Case Projection</b>	<b>Downside Case Projection</b>
<b>TOTAL NET PATIENT REVENUES</b>	\$ 422,049	\$ 505,900	\$ 425,100
Other Operating Revenues	22,611		
Net Assets Released From Restrictions	529		
<b>TOTAL REVENUES</b>	<b>445,189</b>	<b>525,100</b>	<b>444,300</b>
<b>OPERATING EXPENSES</b>			
Salaries	205,418		
Benefits	36,183		
Professional Fees & Purchased Services	65,956		
Patient Care Supplies & Drugs	88,404		
Insurance	6,177		
Other Operating Expenses	30,583		
Depreciation and Amortization	16,724		
Interest Expense	3,878		
Restructuring	1,606		
<b>TOTAL OPERATING EXPENSES</b>	<b>454,929</b>	<b>499,800</b>	<b>460,200</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(9,740)</b>	<b>25,300</b>	<b>(15,900)</b>
(+) Depreciation and Amortization	16,724		
(+) Interest Expense	3,878		
<b>EBIDA</b>	<b>10,862</b>	<b>59,000</b>	<b>17,800</b>
Investment Income	4,558		
Gifts and Donations	67		
Net Loss Attributable to Joint Venture Investment	(2,068)		
<b>NET (LOSS) INCOME</b>	<b>\$ (7,183)</b>	<b>\$ 28,600</b>	<b>\$ (13,200)</b>

**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, 2015  
(Dollars in '000)**

**Cash Flow from Operating Activities**

Increase in Net Assets	2,768
Depreciation & Amortization	16,724
Assets Acquired Through Acquisition	(25,362)
(Increase)/Decrease in:	
Net Patient Accounts Receivable	(24,679)
Other Receivables	4,388
Amounts due from Third Party Payors	4,046
Inventories	(320)
Prepaid Expenses & Other Current Assets	(1,654)
Assets Restricted As to Use	(3,608)
Other	(1,553)
Increase/(Decrease) in:	
Accounts Payable	22,332
Accrued Expenses	(4,036)
Deferred Revenue	12,310
Self Insurance Liabilities	(971)
Accrued Pension Liabilities	(7,074)
Other Noncurrent Liabilities	<u>(2,427)</u>
<b>Cash Flow from Operating Activities</b>	<b>(9,116)</b>

**Cash Flow from Investing Activities**

Capital Expenditures	(27,873)
Net Sales of Investments	24,151
Cash Acquired Through Acquisitions	<u>8,100</u>
<b>Cash Flow from Investing Activities</b>	<b>4,378</b>

**Cash Flow from Financing Activities**

Borrowing/(Payment) of Existing Debt	<u>(5,345)</u>
<b>Cash Flow from Financing Activities</b>	<b>(5,345)</b>

**Cash Summary**

Beginning Cash Balance - December 31, 2014	<u>64,075</u>
Net Change in Cash	<u>(10,083)</u>
<b>Ending Cash Balance - March 31, 2015</b>	<b><u>53,992</u></b>

Fixed asset additions in accounts payable and accrued expenses	1,770
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**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  
Days Cash on Hand - UNAUDITED  
Quarter Ended March 31, 2015  
(Dollars in '000)**

	<b>Actual</b>	<b>Base Case</b>
	<b>Mar 31, 2015</b>	<b>Quarter Ended Mar 31, 2015</b>
Cash and cash equivalents	\$ 53,992	340,700
Investments	116,788	5,100
Board designated	118,603	73,600
<b>Total</b>	\$ 289,383	\$ 419,400
Total operating expenses	\$ 454,929	\$ 499,800
Less: depreciation and amortization	(16,724)	(23,500)
<b>Operating expenses less depreciation and amortization</b>	438,205	476,300
<b>Days in 3 months ending March 31, 2015</b>	90	90
<b>Operating expense per day</b>	\$ 4,869	\$ 5,292
<b>DAYS CASH ON HAND</b>	<b>59.4</b>	<b>79.3</b>

**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**  
**Debt Service Coverage Ratio - UNAUDITED**  
**Quarter Ended March 31, 2015**  
(Dollars in '000)

	<b>Actual</b>
Excess of (expenses over revenues)/revenues over expenses	\$ (7,183)
Plus: depreciation and amortization	16,724
Plus: interest expense	3,878
Plus: net unrealized investment (gains)/losses	(1,747)
<b>Total</b>	<b>11,672</b>
Debt Service Requirement (*)	\$ 9,400
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>1.24</b>

\* Debt service requirement (utilizing actual cash outflows of P&I) for the three months ending March 31, 2015.

**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, 2015**

**Paid Capital From January 1 through March 31, 2015**

Building and building improvements	\$	15,358,345
Equipments/software		11,557,241
Capitalized interest and salaries		957,350
Fixed asset additions in accounts payable and accrued expenses		1,770,283
	\$	<u>29,643,219</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, 2015**

	<u>ACTUAL</u>
INPATIENT DISCHARGES (Acute/Psych/Rehab)	14,364
OUTPATIENT REGISTRATIONS	195,867

**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, 2015**

	<u>Actual</u>
Total	57%

**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, 2015**

	<u>EXEMPT</u>	<u>NON-EXEMPT</u>	<u>TOTAL</u>
Total	3,217	6,376	9,593

**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  
Schedule of Occupied Beds  
Quarter Ended March 31, 2015**

	<u>Actual</u>
Total	834

**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, 2015**

	<u>Actual</u>
Schedule of FTE/Occupied Bed	8.01
Schedule of FTE/Adjusted Occupied Bed	4.35