

General description of WPAHS

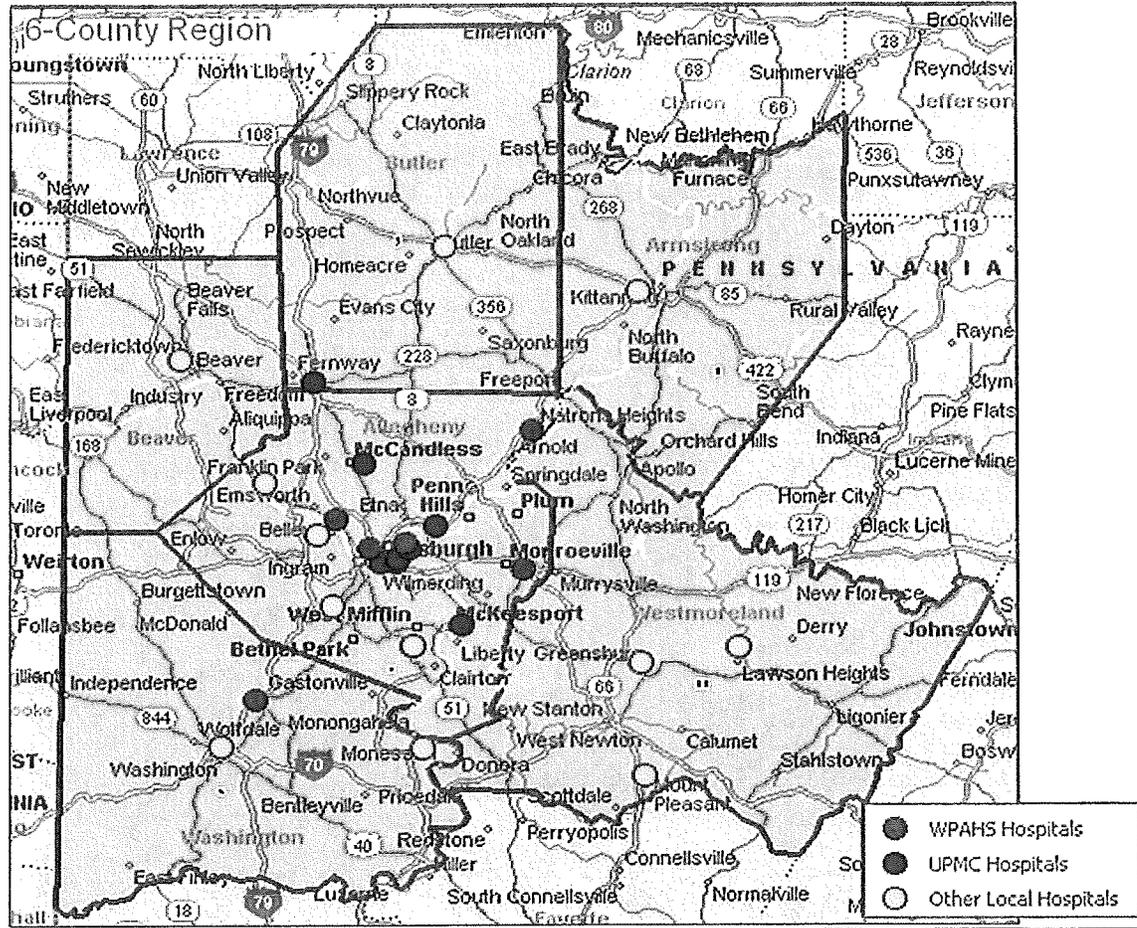
Overview

In November 1999, The Western Pennsylvania Health System acquired the western Pennsylvania affiliates of the former Allegheny Health Education and Research Foundation: Allegheny General Hospital, Allegheny Valley Hospital, Forbes Health System, Canonsburg General Hospital and affiliated physician practices.

Today, the West Penn Allegheny Health System (WPAHS) includes five hospitals with ~1,600 beds, 1700 physicians (employed and private practice) and approximately 11,500 employees and over 230 primary and specialty care practice sites throughout western Pennsylvania. In total, the System admits more than 60,000 patients, logs 170,000 emergency visits, delivers nearly 5,000 newborns and handles more than one million outpatient visits annually (includes office visits, labs and testing).

WPAHS educates about 120 third- and fourth-year medical students, 250 nursing students in two RN programs, trains 450 graduate residents and numerous other undergraduates in allied health programs. WPAHS has a 18% market share in its overall service area, second among systems to UPMC's 40% share¹. Payor mix across WPAHS is dominated by the Medicare inpatient population (53.8% or 33,415 discharges), followed by 30.7% commercial payors (19,036), then Medicaid at 14.7% (9,125 discharges). Other government, self pay and unknown contribute the remaining 519 discharges or 0.8% of the total (FY 11, WPAHS internal data).

WPAHS serves a six county area: Allegheny, Armstrong, Butler, Beaver, Washington and Westmoreland. The map below provides a snapshot of inpatient facilities in that area. Allegheny County, with the largest population of the six has the greatest concentration of inpatient facilities, offering tertiary and quaternary services. Other local providers include University of Pittsburgh Medical Center (UPMC), Excelsa Health (Excelsa) southeast of Pittsburgh, Heritage Valley Health System (Heritage) to the north, and independent hospitals throughout the six counties.

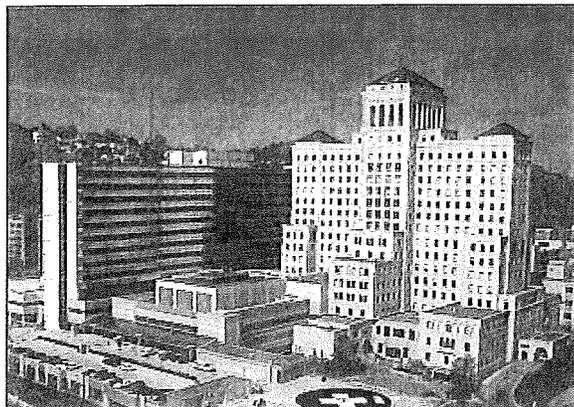


Facility Capabilities

Allegheny General Hospital (AGH)

Founded in 1885 on Pittsburgh's historic North Side, AGH has earned an international reputation for excellence and innovation in the care of patients, medical education and research. Serving Pittsburgh and the surrounding five-state area, the 661-bed academic medical center is one of the largest tertiary facilities in the region and offers a wide array of medical and surgical specialties. AGH is also home to nationally recognized, disease-specific comprehensive centers.

AGH was recently ranked as one of the nation's top 50 programs in cardiology and heart surgery, gastroenterology and



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orthopaedics by U.S. News & World Reportⁱⁱ.

AGH has been recognized as one of the country's 100 Top Hospitals by Thomson Reuters Healthcare. The hospital also received the Consumer Choice Award for western Pennsylvania from the National Research Corporation. In addition, Solucient Inc., one of the healthcare industry's leading quality research organizations, recognizes AGH as a Top 100 hospital in the country for both orthopaedic surgery and the treatment of stroke.

AGH is home to a Spine Surgery Center of Excellence, Primary Stroke Center and Comprehensive Epilepsy Center. AGH offers the most advanced care available in a variety of specialty areas, including cardiology, cardiothoracic surgery, neurology, neurosurgery, nutrition, oncology, orthopaedic surgery, autoimmunity diseases, transplant (heart, liver, kidneys, pancreas) surgery and critical care.

It was the first hospital in the Pittsburgh region to receive designation as a Level I Shock Trauma Center, which is the highest designation available, and LifeFlight aeromedical service was the first to fly in the northeastern United States. LifeFlight operates five helicopters, maintains four regional bases and responds to calls within a 150-mile radius of Pittsburgh.

Annually, nearly 600 doctors and approximately 5,000 staff members admit more than 29,000 patients; log over 68,000 emergency visits; and perform more than 25,000 surgical procedures; all while upholding a commitment to excellence in patient care, medical education and research.

A microcosm of WPAHS overall, AGH FY 11 payor mix is similar to that of the System, with Medicare as the dominant payor (51.2%), followed by commercial insurance (33.8%), then Medicaid (14.2%). There has been a recent infusion of nearly \$30 million capital dollars to realign perioperative services and complete renovations of four units over the last two years. While the cardiothoracic Step-Down Unit and the Cardiothoracic/Cardiovascular Surgical ICU are designed for very specific purposes, they are also variable acuity critical care units, which can be "flexed" as necessary with staffing.

Cardiothoracic Step-Down Unit: 24 private beds with full unit telemetry. Patient population includes post-surgical ICU patients who have had cardiothoracic surgery, cardiovascular surgery, or major organ transplants. Full-time Critical Care Medicine coverage is provided.

CTC/VICU – Cardiothoracic/Cardiovascular Surgical ICU: 24 bed unit for post-surgical ICU patients who have had cardiothoracic surgery, cardiovascular surgery, or

heart/lung/pancreas/liver transplants. Transfers and direct admits to this unit have diagnoses of cardiac arrest, or may be unstable general surgery patients.

Progressive Care Unit: 24 bed unit for post- ICU patients who require ventilator support or vasoactive/vasopressure drips.

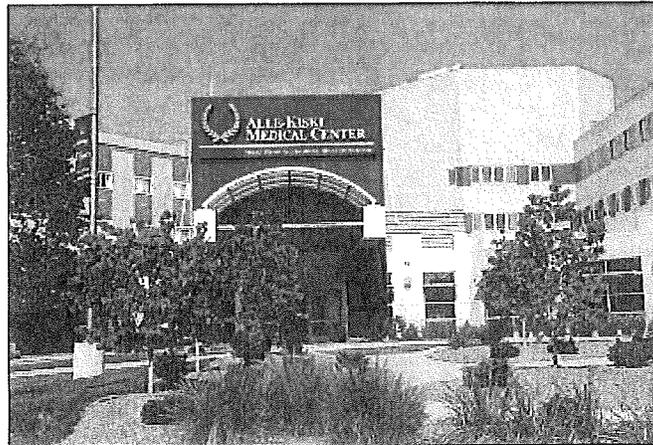
Neurosurgical Intensive Care Unit (NICU): 24 bed state-of-the-art unit staffed with an interdisciplinary team of expert clinicians, including neurosurgeons, neurologists, critical care specialists, anesthesiologists, neuro-radiologists, specially trained nurses, pharmacy personnel and physical therapists.

Orthopaedic Joint Center (opened in 2008): 20 bed medical and surgical center with all private rooms. Beds are outfitted with scales and pressure relief surfaces.

AGH has two satellite locations: AGH McCandless in the North Hills and AGH Suburban in Bellevue. AGH McCandless provides radiology and diagnostic imaging services, an endoscopy center as well as access to specialists in women's heart care, rheumatology, cardiology, neurosurgery and thoracic and vascular surgery. AGH Suburban is an urgent care center that is open seven days a week providing outpatient services which include GI lab, rehabilitation, radiology and diagnostic imaging services, cardiology testing, a Sleep Disorders Center and the Institute for Advanced Pain Medicine. Appointments are not required and pediatricians are available.

Alle-Kiski Medical Center dba Allegheny Valley Hospital (AVH)

AVH is a 258-bed (primarily semi-private) community hospital located in the northeast region of Pittsburgh. It has physicians and 1,100 employees that admit 10,000 patients; log over 35,000 emergency visits 17,000 urgent care visits; perform more than 6,100



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surgical procedures annually. Medicare is an even more dominant proportion of the payor mix than at other WPAHS hospitals at 69.8%, followed by commercial payors at 16.8% then Medicaid at 11.5% (FY 11, internal data). The market is experiencing increasing penetration by managed care competitors. The renovated and expanded (from 12 to 24 beds) Emergency Department was opened in October 2010.

AVH provides a moderate intensity of services with a focus toward employer-related programs. Strategic initiatives by AVH management include expansion of its primary care network and development of ambulatory care centers. AVH Vandergrift offers a wide range of state-of-the-art health care services including laboratory testing, cardiac testing, sleep studies, radiology services including routine X-rays. AVH Radiological Imaging provides more advanced imaging services nearby.

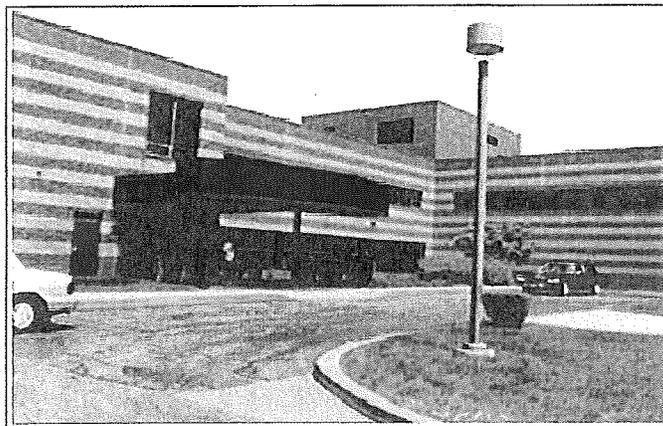
The Chest Pain Center at AVH is one of two in the region that is accredited by the Society of Chest Pain Centers (SCPC). The second Center is located at Forbes Regional Hospital in Monroeville.

AVH New Kensington, which includes an Urgent Care Center, is located at the site of the former Citizens General Hospital. In addition to routine laboratory tests and imaging, AVH New Kensington is home to a Joslin Diabetes Center Affiliate.

Destination Wellness is a community health and wellness education resource center that AVH established at the Pittsburgh Mills Mall. The walk-in center is open six days per week and offers blood drives, classes on heart disease, diabetes, weight management, arthritis, among others.

Canonsburg General Hospital (CGH)

CGH is a 104-bed (primarily semi-private) community hospital in northern Washington County, approximately 20 miles southwest of Pittsburgh. The 220 attending physicians and staff admit more than 3,400 patients, log approximately 21,000 emergency visits and perform nearly 2,200 surgeries annually. Similar to AVH, Medicare dominates the payor mix at 70.8%, followed by commercial payors at 23.3% then Medicaid at 5.1% (FY 11, internal sources).



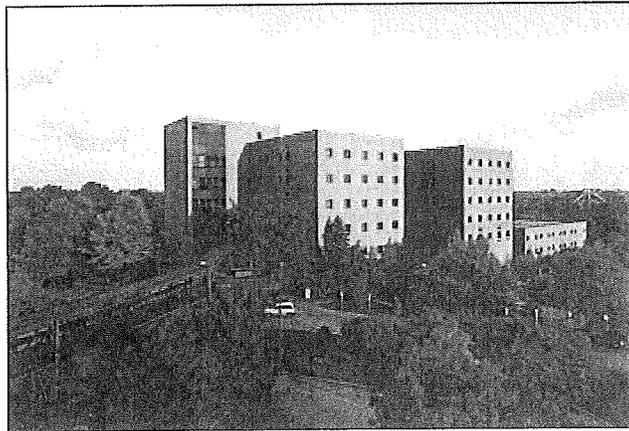
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It provides a wide range of “low intensity” medical and surgical services, with advanced diagnostic and treatment services accessible on both an inpatient and outpatient basis.

The 16-bed inpatient rehabilitation unit has been credentialed as a Uniform Data System for Medical Rehabilitation. The Mutschler Orthopaedic Institute specializes in joint replacement surgeries and sports medicine. The Center for Women's Health opened in 2010 and the expanded Emergency Department opened in 2006. LifeFlight, the WPAHS aeromedical transport system, has a helicopter based at CGH which enhances emergency response in the region and enables transport of critically ill patients to AGH. CGH has historically been committed to health education, improvement and wellness, which is reflected in the new Peters Township Ambulatory Care Center. This is a 55,000 square foot outpatient facility with primary care, specialty, imaging, outpatient rehabilitation, ambulatory surgery and radiation oncology.

The Western Pennsylvania Hospital-Forbes Regional Campus dba Forbes Regional Hospital (FRH)

FRH is located in Monroeville and primarily serves eastern Allegheny and western Westmoreland counties with a 350-bed (primarily semi-private) facility. The physician complement of nearly 500 (employed and private practice) and staff of 1,200 admits 15,000 patients, delivers more than 900 newborns, performs 12,000 surgeries, including 300 neurosurgery cases, and logs nearly 50,000 emergency department visits year. Medicare represents 59.6% of the payor mix, followed by 27.2% by commercial payors then Medicaid by 12.8% (FY 11, internal data).



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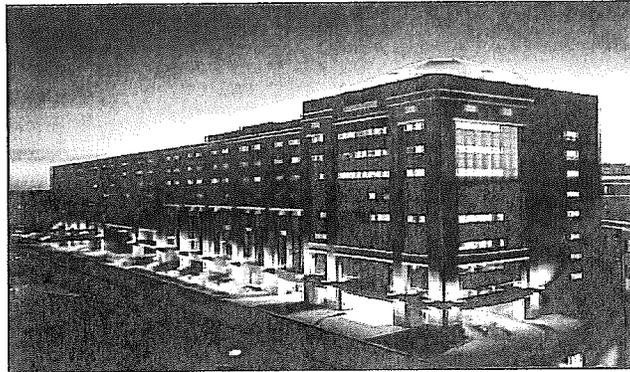
FRH is home to certified Chest Pain and Stroke Centers. The Forbes Regional Heart Surgery Program, which began in 2008, has been recognized twice by The Society of Thoracic Surgeons (STS) for its overall performance and patient outcomes. The Joint and Spine and the Women's and Infants Centers offer state-of-the-art patient care areas coupled with personalized patient care. The Stroke Center was certified in 2010 as Primary Stroke Center by The Joint Commission.

Competition in the eastern suburban market is particularly acute with the anticipated opening of UPMC East in July 2012, however, there are other sources of competition from managed care contractors and Excelsa located further east in Westmoreland County. The FRH Emergency Department underwent a major renovation and expansion in 2006 and was expanded again in 2010 to accommodate community needs.

The go-forward strategy planned for FRH includes an increasing intensity of service, in part by seeking designation as a Level II Trauma Center, as well as expanding the cancer and cardiac surgery programs. FRH is continuing to build relationships with EMS services and is expanding primary and specialty care networks to increase referrals and admissions.

Western Pennsylvania Hospital (WPH)

In June 2010 the WPAHS Board approved an Urban Consolidation Plan (UCP) which included the downsizing of WPH from beds to 251 to support woman and infant's programs, the burn unit, inpatient rehabilitation and



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the bone marrow and cell transplantation unit. The UCP dictated the move of other medical and surgical services at WPH to AGH to create a single tertiary and quaternary hub for the System. The UCP also redirected resources to expansion of the suburban assets and to the development of a network of ambulatory care sites.

The actual volume loss at has exceeded projections and resulted in operating losses cannot be sustained. The inpatient census has remained 125 range since January 2011 the Emergency Department the last of other inpatient

Inpatient Acute Payor Mix		
WPH	FY 11	%'s
Commercial	4,304	45.3%
Medicare	2,708	28.5%
Medicaid	2,458	25.8%
Self Pay & Other	41	0.4%
Total	9,511	100.0%

WPH has that daily in the when and

services were closed. About 7-8 of the 19 operating rooms are used each day for approximately 20 procedures, which are primarily outpatient in nature. The payor mix has experienced a significant shift in the second half of FY 11 and beginning of FY 12. Medicare is dropping consistent with the types of services now offered.

The current mix of inpatient and outpatient services is not viable to sustain the facility over the long term. However, potential remains to revive the facility and recapture lost volume. The obstetrics program is one of the busiest in the region and its neonatal intensive care unit is one of the region's largest referral resources for sick newborns. Established in 1969, West Penn Burn Center treats more than 500 inpatients per year and serves as a national, regional and community resource dedicated to the prevention and care of burn injuries. The Cellular and Bone Marrow Transplantation Program is the

region's largest such program, providing the most advanced treatment options and drug therapies available, guiding patients through all phases of transplantation from marrow and blood collection to processing, transplantation and follow-up care.

System Capabilities

In today's health care environment there is an expectation that providers, hospitals, health insurers, and others are developing new relationships that will help to bend the health care cost curve, ensure the delivery of high quality care, improve the coordination of care and deliver value in health care benefits. Working together, organizations will have the ability and flexibility to develop innovative patient and family centered models of care and craft new initiatives aimed at better managing care of complex conditions. Both Highmark and WPAHS believe that combining the services and expertise of both organizations will result in a stronger patient experience and address growing needs for care coordination and management, health equity, and the ability to help curb health care costs. WPAHS brings strengths to this relationship critical to achieving these expectations in the Pittsburgh market for the benefit of the Highmark subscribers.

Tertiary and Quaternary Care Capabilities

WPAHS is recognized for delivering high quality care. In July 2011, AGH was recognized as one of the nation's top hospitals in a number of specialty areas by U.S. News & World Report. U.S. News' 2011-2012 Best Hospitals guide ranks AGH among the top 50 centers in the nation for quality care in the fields of cardiology and heart surgery (44th), gastroenterology (43rd) and orthopaedics (50th).

In addition, AGH, FRH, AVH and WPH were also recognized by U.S. News in regional rankings for high achievement in several of the 16 specialty areas analyzed by the magazine.

The following awards and designations were bestowed on WPAHS and/or individual hospitals and clinical programs by outside experts in 2010 and 2011:

- For the second straight year, WPAHS has been named to an exclusive list of the country's top performing healthcare systems based on patient care quality and efficiency. The analysis, conducted by Thomson Reuters and published in Modern Healthcare Magazine, places WPAHS among the 57 best U.S. healthcare systems, the only healthcare provider in western Pennsylvania and one of just four in the state to earn the distinction.
- AGH received the Gold level award for stroke as well as congestive heart failure care for the American Heart Association's *Get With The Guidelines* program.

- For the second straight year, AGH received the Premium Cardiac Specialty Center designation from United Healthcare.
- Forbes Regional Hospital has been awarded Joint Commission Certification as Primary Stroke Center.
- CGH won a national award for improving Quality and Efficiency in the Emergency Department. CGH is one of six hospitals to receive the first annual T-System Client Excellence Award. Award winners represented the facilities that most effectively partnered with T-System in 2010 to improve their quality, operational and financial results in the ED.
- CGH was awarded the Amerinet Achievement Award under the category “Financial and Operational improvements,” outlining their journey to length of stay reduction.
- AVH has received Chest Pain Center Accreditation from the Society of Chest Pain Centers (SCPC), an international organization dedicated to eliminating heart disease as the number one cause of death worldwide.
- WPAHS physicians have been recognized for excellence in 2011 with 47 receiving designation as TOP DOCTORS by Castle Connolly and 86 being named to the annual BEST DOCTORS IN AMERICA list. Both designations are based on peer voting.

WPAHS is a full partner with Highmark in the QualityBLUE Program. All member hospitals achieved the maximum reimbursement level of \$8.2 million through the 2011 Highmark QualityBLUE Pay-for-Performance Program. West Penn Allegheny’s scores ranged from 92.3 to 95.8 on a scale of 100 possible points. The Highmark QualityBLUE Program is a hospital-specific, pay-for-performance program to support and advance Highmark’s commitment to helping members receive the highest levels of service and quality possible. This program parallels WPAHS’ commitment to excellence and dedication to improving the health of the people in the western Pennsylvania region.

WPAHS has established four Institutes of Excellence, in which integrated teams of specialists, nurses and staff provide specialized patient care, advanced research and educate healthcare providers of tomorrow:

- Cancer Institute
- Cardiovascular Institute
- Neuroscience Institute
- Orthopaedic & Rehabilitation Institute

Additionally, WPAHS is recognized for excellent quality in a variety of other disciplines:

Transplantation: The heart transplantation program at AGH has the highest one-year survival rate of any program in Pennsylvania, and a success rate that exceeds the national average, according to a July 2011 report by the Scientific Registry of Transplant Recipients (SRTR). AGH demonstrated a one-year heart transplant survival rate of 96 percent during that period, surpassing each of Pennsylvania's additional eight adult transplant centers and besting the national average of 89 percent. AGH's one year survival rate was also ten percentage points higher than the expected rate considering the high acuity – or severity of illness – among its transplant patients. With 31 heart transplants performed in 2010, AGH was the 15th busiest adult heart transplant center in the country last year, from more than 90 active programs. Transplant surgeons at AGH performed the first robotic kidney transplant in western Pennsylvania, and one of only a few nationwide, in July 2011. The Bone Marrow & Cell Transplantation Center at WPH is among elite providers nationwide recognized as a Center of Excellence by the Myelodysplastic Syndromes Foundation, an organization dedicated to treating disorders that inhibit healthy blood cell production.

Burns: West Penn Burn Center was the first burn center in the region verified by the American Burn Association (ABA) and the American College of Surgeons (ACS), and is the only burn center in Pennsylvania to earn ABA/ACS verification five times. The West Penn Burn Center is also the only certified burn center in western Pennsylvania for both adult and pediatric burn care.

Bariatrics: The WPAHS bariatric surgery program received initial "Bariatric Surgery Center of Excellence" designation from the American Society for Metabolic and Bariatric Surgery (ASMBS) in 2006 and redesignation in 2010 which recognizes surgical programs with a demonstrated track record of favorable outcomes in bariatric surgery. The program is also accredited by the American College of Surgeons.

Orthopaedics & Rehabilitation: The Institute is recognized as a Blue Distinction Center™ for spine surgery and hip and knee replacement by Highmark. It is also the official medical provider of the Pittsburgh Pirates.

Distributed Network and Coordinated Care

West Penn Allegheny Health System offers a robust mix of inpatient, outpatient and diagnostic services conveniently located in the community to bring high quality care closer to Highmark subscribers. With five hospitals, five outpatient care locations and outpatient diagnostic testing at ten locations, WPAHS offers services to the estimated 2,212,687 residents of six countiesⁱⁱⁱ. WPAHS primary care practice includes specialists in Internal Medicine, Family Medicine, Pediatrics and Obstetrics and Gynecology across 70 practice sites.

WPAHS recently expanded access to outpatient care at the new Peters Township Outpatient Care Center and at the Vandergrift Center. A partnership between WPAHS and Highmark would mean subscribers would be “in-network” for comprehensive

clinical services as close to home as possible. As WPAHS continues its transition, care provider resources are becoming further organized around patient need/ clinical risk/ care complexity through a distributed care network model. This will provide accessibility and integrated care coordination to Highmark subscribers, including management of complex conditions. With a direct relationship between Highmark and WPAHS, system accountability for high-quality care while reducing the unnecessary use of resources could be coordinated and implemented in a streamlined effort, supporting an integrated financing and delivery system. This relationship would self-reinforce steps to improve performance through financial rewards to both WPAHS and Highmark; further encouraging steps to improve care management, leading to further rewards and a steady evolution toward fully coordinated care systems.

Education

Excellence in healthcare is driven by innovation and discovery focused on the patient. AGH has provided graduate medical education to thousands for nearly 50 years. WPH also has a long tradition of clinical education and has been joined by FRH in fulfilling this important mission in recent years. Combined, more than 450 residents and fellows are training and providing care to patients on all three campuses in 2011. The System Medical Education Consortium sponsors 34 residency programs that are accredited by the Accreditation Council for Graduate Medical Education. Additionally, WPAHS sponsors residency programs in dentistry, foot & ankle care, osteopathic family medicine, oral maxillofacial surgery and internal/family medicine, which are accredited by various professional societies.

WPAHS and the Temple University School of Medicine (TUSM) recently announced plans to create a new four-year medical school campus on Pittsburgh's North Side. The first class will enter the new program in Fall 2013. The System has served as a clinical campus for third- and fourth-year medical students with TUSM since 2000. With the establishment of the TUSM-WPAHS campus, AGH's current clinical affiliation with Drexel University College of Medicine will wind down by May 2015. The growth of medical training programs and the full complement of residency training programs will help to address the urgent need to attract and retain physicians in Pennsylvania. The new medical school enterprise will build on the TUSM's existing collaborations with Duquesne and Washington & Jefferson Universities and develop similar programs with other institutions to attract students from western Pennsylvania that want to study medicine. The Pennsylvania Medical Society reported in 2008 that the residency retention rate dropped from 60% in 1992 to only 22% in 2006. Specialty specific physicians have been on the decline since 1997 especially in the areas of family medicine, internal medicine, obstetrics and gynecology, cardiology, pathology, orthopaedic surgery, general surgery, and neurosurgery ("The State of Medicine in Pennsylvania: An Overview of Pennsylvania's Physician Market Place"). WPAHS

sponsors GME programs in each of these specialties and hopes to leverage its relationship with Highmark to help attract the best and brightest physicians to Pennsylvania and to retain them in a rewarding practice environment over the long term.

WPAHS also offers numerous health sciences education programs. AGH, the tertiary care flagship of WPAHS, sponsors several Pharmacy residency programs for graduate pharmacists. WPAHS has two NLNAC-accredited diploma schools of nursing, one at WPH, which partners with Clarion University of Pennsylvania, and one at the Citizens School of Nursing of AVH, which partners with Penn State University (PSU) and Westmoreland County Community College (WCCC). The WPH - Indiana University of Pennsylvania (IUP) School of Respiratory Care is the fifth-oldest in the nation and offers a highly regarded Bachelor of Science degree in respiratory care. WPH also sponsors clinical affiliations for radiologic technology students.

The Simulation, Teaching, and Academic Research (STAR) Center at WPAHS is a multidisciplinary medical simulation center dedicated to excellence in patient care through the pursuit of lifelong learning, research, and innovation. STAR is a WPAHS-wide resource for clinical, teamwork, and quality care training that uses state-of-the-art simulation technology to enable medical professionals and community stakeholders to practice and perfect skills to meet the needs of patients and the community. It is one of only ten simulation centers in the world accredited by the Society for Simulation Healthcare.

Since its grand opening on September 8, 2007, STAR has worked with over ten thousand students, doctors, clinical team members, and community stakeholders to provide training and development through simulation. At inception, STAR offered 15 courses. By June 2011, STAR will have nearly 80 courses offered to and utilized by students and professionals throughout WPAHS and the broader community on an annual basis. STAR staff has developed a robust outreach program to local school districts, emergency medicine providers and local colleges and universities. These programs involve learning at the STAR Center in Bloomfield and via "Mobile STAR" van which delivers a SimMan 3G manikin and a STAR simulation specialist to students in their communities. Highmark subscribers will benefit from the educational mission of WPAHS and the ability of the combined resources to craft new initiatives aimed at better managing care of complex conditions.

Research Capacity and Innovation

Research, and the translation of innovation into clinical practice sets medical centers apart in their ability to offer state of the art, high quality care. An organization with a culture of research is poised to innovate and adapt delivery systems and care coordination in this era of healthcare reform. Allegheny-Singer Research Institute

(ASRI) is a non-profit, independent research institute founded in 1977. ASRI is responsible for managing and conducting clinical, translational and basic research conducted throughout West Penn Allegheny Health System including activities at all hospital and non-hospital sites. ASRI is also one of four members of the Keystone Institute, a Pennsylvania statewide research consortium that includes Temple University School of Medicine, Fox Chase Cancer Center and Geisinger Health System. Research efforts within ASRI involve numerous medical and scientific disciplines such as Neurosciences (including stroke, traumatic brain injury, epilepsy and psychiatry), Cancer, Allergy and Asthma, Autoimmunity (including lupus, diabetes, Sjogren's syndrome and inflammatory bowel disease), Cardiovascular Disease, Orthopaedics, and Genomic Sciences. Total current research revenue from grants and contracts (not including clinical trials) is over \$23 million.

ⁱ This market share data is specific to WPAHS' service area which includes the county of Armstrong. The Highmark service area does not include Armstrong, explaining the minimal difference in representation of WPAHS and UPMC market share. Both analysis are directionally the same. 2010 Pennsylvania Health Care Cost Containment Council; Thomson – Reuters

ⁱⁱ US News & World Report; U.S. News Best Hospitals 2011-12

ⁱⁱⁱ Source: US Census Bureau: Preliminary Annual Estimates of the Resident Population for Counties: April 1, 2000 to July 1, 2010.