

CONFIDENTIAL PROPRIETARY/TRADE SECRET INFORMATION

Medicare Advantage Plans Available in the 29-County Area

Highmark, Inc.

County	FreedomBlue Classic (PPO)		FreedomBlue Deluxe (PPO)		FreedomBlue HD (PPO)		FreedomBlue Select (PPO)		FreedomBlue Standard (PPO)		SecurityBlue Value (HMO)		SecurityBlue ValueRx (HMO)		SeniorBlue Option 1 (HMO)		SeniorBlue Option 2 (HMO)		SeniorBlue Option 3 (HMO)			
	Rx (PPO)	Basic (PPO)	Deluxe (PPO)	HD (PPO)	Select (PPO)	Standard (PPO)	Value (HMO)	ValueRx (HMO)	Option 1 (HMO)	Option 2 (HMO)	Option 3 (HMO)	Value (HMO)	ValueRx (HMO)	Option 1 (HMO)	Option 2 (HMO)	Option 3 (HMO)	Value (HMO)	ValueRx (HMO)	Option 1 (HMO)	Option 2 (HMO)	Option 3 (HMO)	
Allegheny	X																					
Armstrong	X																					
Beaver	X																					
Bedford	X																					
Blair	X																					
Butler	X																					
Cambria	X																					
Canaron	X																					
Centre	X																					
Clarion	X																					
Crawford	X																					
Elk	X																					
Eria	X																					
Fayette	X																					
Forest	X																					
Greene	X																					
Huntingdon	X																					
Indiana	X																					
Jefferson	X																					
Lawrence	X																					
Lawrence	X																					
McKean	X																					
Merger	X																					
Potter	X																					
Sumner	X																					
Union	X																					
Warren	X																					
Washington	X																					
Westmoreland	X																					

Methodology: Medicare plans were searched based on the zip codes in the 29-county area. After navigating to the plan finder website and selecting "Find Plans" the following responses to queries were selected:

- "How do you get your Medicare coverage?" - I don't have any Medicare coverage yet.
- "Do you get help from Medicare or your state to pay your Medicare prescription drug costs?" - I don't know.
- After selecting "I don't want to add drugs now" and confirming "Skip Drug Entry", we chose the following options that appear: Medicare Health Plans with drug coverage.
- Medicare Health Plans without drug coverage.

Source: <https://www.medicare.gov/find-a-plan/questions/home.aspx>

Medicare Advantage Plans Available in the 29-County Area

County	Humana Insurance Company										UnitedHealthcare			
	Humana Gold Choice H8145-052 (PFS)	Humana Gold Choice H8145-053 (PFS)	Humana Gold Choice H8145-054 (PFS)	Humana Gold Choice H8145-055 (PFS)	HumanaChoice H6900-001 (PPO)	HumanaChoice H6900-002 (PPO)	HumanaChoice H6900-003 (PPO)	HumanaChoice H6900-004 (PPO)	HumanaChoice H6900-005 (PPO)	HumanaChoice H6900-006 (PPO)	HumanaChoice H6900-007 (PPO)	HumanaChoice H6900-008 (PPO)	AARP MedicareChoice Complete (PPO)	UnitedHealthcare MedicareChoice Complete (HMO)
Allegheny	X													X
Armstrong														
Beaver														X
Benford														
Blair														
Butter														X
Cambria														
Cameron														
Centre														
Clarion														
Crawford														
Elk														
Elk														
Fayette														
Forest														
Greene														
Huntington														
Indiana														
Jefferson														
Lawrence														
Leban														
Mercer														
Potter														
Somerset														
Venango														
Warren														
Washington														
Westmoreland														

Methodology:
 Medicare plans were searched based on the zip codes in the 29-county area. After navigating to the plan finder website and selecting "Find Plans" the following responses to queries were selected:
 "How do you get your Medicare coverage?" - I don't have any Medicare coverage yet.
 "Do you get help from Medicare or your state to pay your Medicare prescription drug costs?" - I don't know.
 After selecting "I don't want to add drugs now" and confirming "Skip Drug Entry", we chose the following options that appear:
 Medicare Health Plans with drug coverage.
 Medicare Health Plans without drug coverage.

Source: <https://www.medicare.gov/find-a-plan/questions/home.aspx>

Medicare Advantage Plans Available in the 29-County Area
Universal American Corp.

County	Today's Options Advantage Plus 400 (PPO)	Today's Options Advantage Plus 450G (PPO)	Today's Options Advantage Plus 450I (PPO)	Today's Options Premier 100 (PFFS)	Today's Options Premier 400 (PFFS)	Today's Options Premier Plus 150A (PFFS)	Today's Options Premier Plus 450B (PFFS)	Today's Options Premier Plus 450G (PFFS)	Today's Options Premier Plus 450H (PFFS)
Allegheny									
Armstrong									
Beaver									
Bedford									
Blair									
Butler									
Cambria									
Cameron									
Centre									
Clarion									
Crawford									
Crawford	X		X		X				
Elk	X								
Erie									
Fayette									
Forest									
Greene									
Huntingdon									
Indiana									
Jefferson									
Lawrence									
McKean									
Merrill									
Potter									
Somerset									
Venango									
Warren									
Washington									
Westmoreland									

Methodology:

Medicare plans were searched based on the zip codes in the 29-county area. After navigating to the plan finder website and selecting "Find Plans" the following responses to queries were selected:
 "How do you get your Medicare coverage?" - I don't have any Medicare coverage yet.
 "Do you get help from Medicare or your state to pay your Medicare prescription drug costs?" - I don't know.
 After selecting "I don't want to add drugs now" and confirming "Skip Drug Entry", we chose the following options that appear:
 Medicare Health Plans with drug coverage.
 Medicare Health Plans without drug coverage.

Source: <https://www.medicare.gov/find-a-plan/questions/home.aspx>

County	Universal Health Care Insurance Company, Inc.				UPMC Health Plan				
	Any, Any, (PFS)	Any Gold (PFS)	Universal Hassle-Free (PPO)	Universal Hassle-Free MA Only (PPO)	UPMC for Life (HMO)	UPMC for Life HMO Rx (HMO)	UPMC for Life HMO Rx Enhanced Deductible (HMO)	IP/MC for Life PPO High Deductible (HMO)	IP/MC for Life PPO High Deductible (HMO)
Allegheny	X		X	X	X	X	X	X	X
Armstrong					X	X	X	X	X
Beaver	X		X	X	X	X	X	X	X
Bedford					X	X	X	X	X
Blair					X	X	X	X	X
Butler	X		X	X	X	X	X	X	X
Cambria					X	X	X	X	X
Cameron					X	X	X	X	X
Centre					X	X	X	X	X
Clarion					X	X	X	X	X
Clearfield					X	X	X	X	X
Crawford					X	X	X	X	X
Elk					X	X	X	X	X
Erie	X		X	X	X	X	X	X	X
Fayette					X	X	X	X	X
Forest					X	X	X	X	X
Greene					X	X	X	X	X
Huntingdon					X	X	X	X	X
Indiana					X	X	X	X	X
Jefferson					X	X	X	X	X
Lawrence					X	X	X	X	X
Lewis					X	X	X	X	X
McKean					X	X	X	X	X
Mercer	X		X	X	X	X	X	X	X
Monroe					X	X	X	X	X
Potter					X	X	X	X	X
Somerset					X	X	X	X	X
Venango					X	X	X	X	X
Warren					X	X	X	X	X
Washington	X		X	X	X	X	X	X	X
Westmoreland	X		X	X	X	X	X	X	X

Methodology:
 Medicare plans were searched based on the zip codes in the 29-county area. After navigating to the plan finder website and selecting "Find Plans" the following responses to queries were selected:
 "How do you get your Medicare coverage?" - I don't have any Medicare coverage yet.
 "Do you get help from Medicare or your state to pay your Medicare prescription drug costs?" - I don't know.
 After selecting "I don't want to add drugs now" and confirming "Skip Drug Entry", we chose the following options that appear:
 Medicare Health Plans with drug coverage.
 Medicare Health Plans without drug coverage.

Source: <https://www.medicare.gov/find-a-plan/questions/home.aspx>

Exhibit 6
 Highmark Share of Medicare Eligibles by County
 2007 - 2011

	2007	2008	2009	2010	2011
County	Highmark Share				
Allegheny					
Armstrong					
Beaver					
Bedford					
Blair					
Butler					
Cambria					
Cameron					
Centre					
Clarion					
Clearfield					
Crawford					
Elk					
Erie					
Fayette					
Forest					
Greene					
Huntingdon					
Indiana					
Jefferson					
Lawrence					
McKean					
Mercer					
Potter					
Somerset					
Venango					
Warren					
Washington					
Westmoreland					

Sources: Highmark Enrollment Data (2007-2011); Highmark MediGap Enrollment Information (2007-2011); Insured Estimates: Exhibit 2 Tables 2.1-2.31; Insured Estimates Source Notes: Exhibit 2 Table 3

Highmark's Medicare Advantage Enrollment*
by County as of September 2012
Region: 29-County Western PA (WPA) Area

	Beneficiaries	Share
<i>All Counties</i>	247,371	55.5%
Armstrong	7,059	74.3%
Beaver	16,809	67.0%
Butler	12,590	65.1%
Blair	8,895	64.5%
Indiana	5,875	63.9%
Washington	16,307	58.7%
Westmoreland	30,598	57.8%
Erie	12,958	57.2%
Allegheny	84,082	57.1%
Cambria	10,948	55.0%
Lawrence	6,304	52.5%
Somerset	5,288	52.5%
Bedford	2,911	52.3%
Centre	4,259	48.2%
Clarion	1,032	46.4%
Elk	541	45.9%
Mercer	5,113	44.7%
Crawford	2,188	44.2%
McKean	708	44.0%
Forest	182	43.6%
Cameron	117	41.8%
Huntingdon	1,138	39.2%
Fayette	6,979	38.8%
Potter	263	27.7%
Jefferson	811	26.4%
Warren	361	25.8%
Clearfield	1,491	23.9%
Greene	764	21.7%
Venango	800	20.7%

Notes:

*Enrollment figures report the number of beneficiaries enrolled by contract in the county.

To comply with HIPAA privacy rules, CMS set enrollment numbers to zero for plans with 10 or less enrollees.

Source: Centers for Medicare and Medicaid Services.

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Appendix II 4: ADMISSIONS TO WPAHS FACILITIES BY COMMERCIAL INSURERS
IN THE 29-COUNTY WESTERN PA (WPA) AREA,
2011 AND FIRST SIX MONTHS OF 2012

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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| Total | [REDACTED] |
|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Allegheny General | [REDACTED] |
| Forbes Regional | [REDACTED] |
| Alle-Kiski | [REDACTED] |
| Canonsburg | [REDACTED] |
| West Penn | [REDACTED] |

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<i>Total</i>									
Allegheny General									
Forbes Regional									
Alle-Kiski									
Canonsburg									
West Penn									

Appendix II 5: MARKET RESEARCH STUDIES CONDUCTED BY HIGHMARK

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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Estimated Share in WPA by Insurance Company*

Time Period: 2005 - 2011

	2005	2006	2007	2008	2009	2010	2011
Highmark	60%	60%	60%	62%	62%	62%	65%
Aetna	2%	3%	3%	3%	3%	3%	2%
HealthAmerica	9%	7%	7%	6%	6%	7%	6%
UPMC	13%	8%	9%	8%	6%	7%	8%
UHC	2%	3%	4%	3%	3%	3%	4%
Geisinger	1%	2%	1%	1%	3%	2%	2%
Other	13%	17%	16%	17%	17%	16%	13%

Note:

*Survey respondents aged 18 to 64 were asked for the name of their primary health insurance plan. Based on these survey results, the study calculated "market shares" over time in WPA. Sample size is [REDACTED]

Source: Market Study Wave XVI: Western PA, Wave X: Central PA, Wave VI: West Virginia, May 2011. UPE-0006784-862, UPE-0006817.

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Estimated Share in WPA by Insurance Company and Plan Type*
Time Period: 2009 - 2011

	Group			Direct		
	2009	2010	2011	2009	2010	2011
Highmark	64%	63%	65%	62%	71%	74%
UPMC	6%	6%	8%	6%	5%	6%
HealthAmerica	6%	8%	6%	6%	4%	3%
UHC	3%	3%	4%	5%	4%	4%
Aetna	3%	3%	2%	3%	2%	2%
Geisinger	3%	2%	2%	0%	1%	2%
Other	15%	15%	13%	18%	13%	10%

Note:

*Survey respondents aged 18 to 64 were asked for the name of their primary health insurance plan. Based on these survey results, the study calculated "market shares" over time in WPA, for group and direct plans. The document does not explicitly define "Group" and "Direct" insurance plans.

Source: Market Study Wave XVI: Western PA, Wave X: Central PA, Wave VI: West Virginia, May 2011. UPE-0006784-862, UPE-0006822.

Estimated Highmark Share in WPA by Employer Size*

Time Period: 2005 -2011

	2005	2006	2007	2008	2009	2010	2011
Less than 50 employees	64%	60%	68%	65%	60%	60%	56%
50 - 999 employees	66%	66%	70%	67%	71%	70%	72%
More than 1000 employees	54%	55%	55%	62%	58%	59%	61%

Note:

*Survey respondents aged 18 to 64 were asked for the name of their primary health insurance plan, and how many employees worked at their company. Based on these survey results, the study calculated "market shares" over time in WPA by employer size.

Source: Market Study Wave XVI: Western PA, Wave X: Central PA, Wave VI: West Virginia, May 2011. UPE-0006784-862, UPE-0006823.

**Summary of Survey Results Regarding which Health Insurance Company
An Employer in WPA Would Most Seriously Consider in Selecting a New Plan**

Time Period: March/April 2010

	Mentions			
	Total	2-9 Employees	10-49 Employees	50-99 Employees
	First	First	First	First
UPMC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Highmark BCBS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
HealthAmerica	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Aetna	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
UHC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CIGNA	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gelsinger	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
None	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

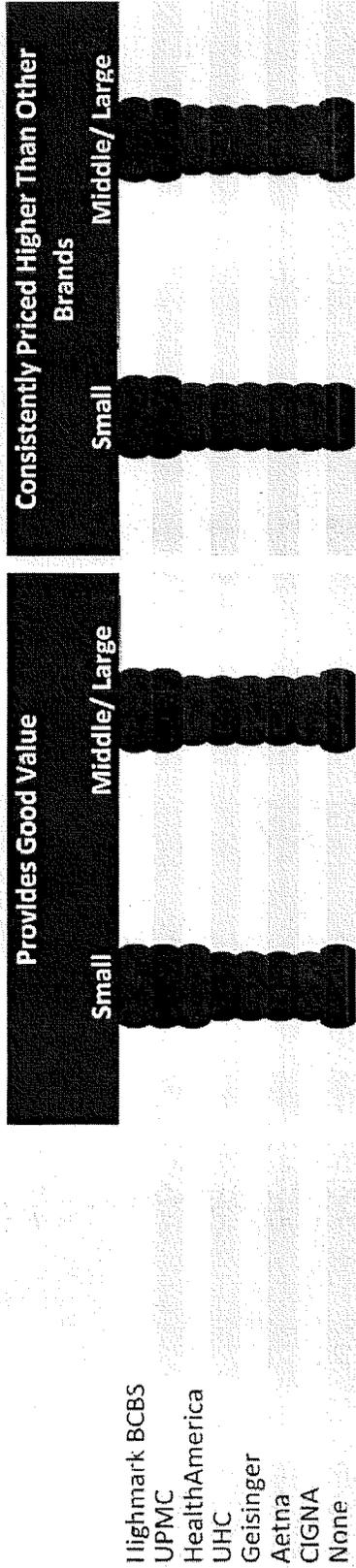
Note:

Survey respondents were asked which health insurer they would most seriously consider the next time they were selecting a new plan to offer to their employees. They were then asked what other health insurers they would seriously consider.

Source: Employer Brand Equity Research, April 2010. UPE-0007027-57, UPE 0007032.

**Summary of Survey Results Regarding which Health Insurance Company Employers
In WPA Believe Provides Good Value and which is Priced Higher than Others**

Time Period: March/April 2010



Note:

Survey respondents [redacted] were asked which company best fit each statement - "company provides good value" and "company is consistently priced higher than other brands".

Source: Employer Brand Equity Research, April 2010. UPE-0007027-57, UPE-0007045.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

APPENDIX III

APPENDIX III

Overview of Hospital Services Provided in Western Pennsylvania

A significant number of hospitals provide inpatient acute-care services in the Pittsburgh area. Among these are several academic medical centers and tertiary-care facilities, which are generally located in the downtown area, and numerous community hospitals located throughout the region. I provide an overview of each of the major systems and key independent hospitals below.

I. WPAHS

WPAHS is a five-hospital system formed by the merger of Allegheny General Hospital and the Western Pennsylvania Hospital. The broader organization over Allegheny General was founded as the Allegheny Health, Education and Research Foundation in 1983. It expanded in the 1980s and 1990s with the acquisition of physician groups in the western part of the state and additional hospitals and medical education facilities in the Pittsburgh area. After this period of growth, it struggled financially and declared bankruptcy in 1998. The West Penn Health System purchased a number of these assets out of bankruptcy to create the current WPAHS. It has continued to struggle financially and has operated at a loss for five consecutive years. In 2010, the executive team that was then managing the system undertook a dramatic strategy to reduce costs at its facilities. The Urban Consolidation Plan (“UCP”), as it was called, closed services at West Penn Hospital, most notably its emergency room. The UCP contemplated that patients who would have used West Penn would use other WPAHS hospitals, particularly Allegheny General. This, however, did not materialize at the levels anticipated by management. The entire system, not just West Penn Hospital, experienced dramatic declines in inpatient admissions.¹ Financial projections prepared for Highmark by Grant Thornton, discussed later in this Report, show that substantial increases in patient volumes would be required to return the system to profitability and reverse the pattern of losses.

The system operates two larger tertiary-care hospitals in the downtown area of Pittsburgh and three community hospitals in the suburbs. It has been recognized by Thompson Reuters as one of the country’s top hospital systems.² The system comprises:

- Allegheny General is one of the system’s two tertiary-care facilities. It is located in the North Shore area of Pittsburgh and has 460 staffed beds. It has been recognized by U.S. News & World Report and a number of local media and community organizations as a top-performing hospital.³ The Allegheny General emergency department has board-

¹ Amendment No.2 to Confidential Supplement Submitted with Form A, Tab 8, Exhibit K at 11.

² <http://www.wpahs.org/awards-and-recognitions>.

³ <http://www.wpahs.org/awards-and-recognitions>.

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certified physicians in emergency medicine, a Level 1 trauma center, and treats high-severity patients from a wide geographic area through its LifeFlight helicopter transport service. In the twelve-month period ended June 30, 2012, Allegheny General had 23,589 inpatient discharges and an average daily census of 359.⁴

- The Western Pennsylvania Hospital is a 292-bed facility located in the Bloomfield neighborhood in the northeast part of Pittsburgh. It is the other academic medical center in the system and has the ability to provide tertiary care services to patients. The obstetrics unit delivers more than 3,000 newborns each year and it has a Level III Neonatal Intensive Care Unit (the most advanced classification for neonatal intensive care units).⁵ It had 6,246 acute-care inpatient discharges in the twelve-month period ended June 30, 2012, down from 8,845 in the previous year. The occupancy rate was 49.0 percent.⁶
- Forbes Regional, in the eastern suburb of Monroeville, is a 350-bed facility that serves approximately 50,000 emergency department visits annually.⁷ In the twelve-month period ended June 30, 2012, it reported 13,511 acute-care discharges and an occupancy rate of 63.0 percent.⁸ Its specialties include surgery, pain and stroke care, and diagnostic imaging. Forbes Regional also provides obstetrics services and recently opened a new maternity unit, with eleven labor and delivery rooms.⁹
- Alle-Kiski Medical Center (also known as Allegheny Valley Hospital) is a WPAHS facility in the suburb of Harrison Township, northeast of Pittsburgh. It has 228 beds and offers general medical and surgical care.¹⁰ It operates a 24-hour emergency room but does not provide obstetrics or maternity services. In the twelve-month period ended June 30, 2012, the hospital had 7,501 acute-care inpatient discharges.¹¹
- Canonsburg General Hospital is located to the southwest of Pittsburgh. It is a 104-bed facility that also includes a round-the-clock emergency department, which sees about 21,000 visits per year. It had 2,999 acute-care inpatient discharges in the twelve-month period ended June 30, 2012 and annually performs around 3,000 surgeries.¹²
- WPAHS had 1,382 staffed beds with about 56,146 inpatient admissions in FY12.¹³

⁴ WPAHS Allegheny General Hospital Unaudited Financial Statements, June 30, 2012 at p. 4.

⁵ <http://www.wpahs.org/locations/western-pennsylvania-hospital> and WPAHS West Penn Hospital Unaudited Financial Statements, June 30, 2012 at p. 8.

⁶ WPAHS West Penn Hospital Unaudited Financial Statements, June 30, 2012 at p. 4.

⁷ <http://www.wpahs.org/locations/forbes-regional-hospital>

⁸ WPAHS Forbes Regional Hospital Unaudited Financial Statements, June 30, 2012 at p. 4.

⁹ <http://www.wpahs.org/specialties/ob-gyn/labor-delivery-recovery-and-postpartum-services-forbes-regional-hospital>.

¹⁰ <http://www.wpahs.org/locations/allegheny-valley-hospital/our-specialties>.

¹¹ WPAHS Allegheny Valley Hospital Unaudited Financial Statements, June 30, 2012 at p. 4.

¹² <http://www.wpahs.org/locations/canonsburg-general-hospital/our-specialties> and WPAHS Canonsburg General Hospital Unaudited Financial Statements, June 30, 2012 at p. 4.

¹³ West Penn Allegheny Health System, Annual Report for the Fiscal Year Ended June 30, 2012.

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II. UPMC System

The UPMC system is the largest single operator of hospitals in the area. As its name implies, it is the clinical institution affiliated with University of Pittsburgh's medical school. The system consists of hospitals, outpatient facilities, cancer centers, urgent care facilities, and other ancillary care centers, located both in the Pittsburgh area and internationally. Twelve of the UPMC acute-care hospitals and a large psychiatric hospital are located in the western part of Pennsylvania. These twelve facilities acute-care facilities are the UPMC locations most relevant to this Affiliation and thus the focus of my analysis of the UPMC system U.S. News & World Report Honor Roll ranks UPMC's facilities among the best in the country.¹⁴ In addition to patient care, it also serves research and medical education missions. In total, the UPMC System has 4,023 beds with over 190,000 inpatient admissions as of 2011.¹⁵ UPMC is an integrated system of healthcare delivery that also markets its own insurance plans. I provide a brief description of each UPMC hospital below:

- UPMC Presbyterian is the system's largest facility. It is an academic medical center with more than 1,600 beds and numerous specialty services including organ transplantation, cardiac and stroke services, neurosurgery, and critical care medicine.¹⁶ It has a Level 1 trauma center, the highest level of trauma care. The emergency room has 44 beds, with laboratory and imaging services.
- UPMC Montefiore Hospital is an additional care center physically connected to UPMC Presbyterian, and part of the same campus.
- Magee-Women's Hospital specializes in women's health, childbirth, and children's services. It is located near the Presbyterian Shadyside facility. Currently Magee-Women's Hospital ranks in the top 12 among gynecological programs in the US and was one of the first facilities named as a National Center of Excellence in Women's Health. It accounts for almost 10,000 births annually.¹⁷
- UPMC acquired Mercy Hospital in 2008. Mercy retained its affiliation with the Catholic Church and faith-based mission in patient care.¹⁸ It has 395 staffed beds and is a Level 1 trauma center.
- Children's Hospital of Pittsburgh is a 296-bed hospital with a Level 1 pediatric trauma center. It performed more than 25,000 surgeries in its 2011 fiscal year.¹⁹ U.S. News designated it as one of the twelve top children's hospitals in the country in its 2012-2013 Honor Roll.²⁰

¹⁴ U.S. News & World Report, "Best Hospitals 2011-12: The Honor Roll" (July 18, 2011).

¹⁵ A table showing the UPMC Health System hospitals (as well as others) is provided in Appendix III 1, which lists staffed beds, admissions, and occupancy rates where available.

¹⁶ All information on bed counts unless otherwise indicated is from data provided by Economists Incorporated on April 3, 2012 as the file "Hospital Locations List_CKD.xlsx."

¹⁷ <http://www.upmc.com/locations/hospitals/Magee/about/Pages/default.aspx>.

¹⁸ <http://www.upmc.com/locations/hospitals/mercy/about/Pages/default.aspx>.

¹⁹ <http://www.chp.edu/CHP/about%20childrens>.

²⁰ U.S. News & World Report, "Best Children's Hospitals 2012-13: The Honor Roll", June 5, 2011.

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- UPMC acquired McKeesport in April 1998. It is an acute-care community hospital that has residency programs in internal medicine and family practice. The hospital contains 216 beds for acute-care patients and 56 beds for patients who require skilled nursing care. The facility opened a new emergency room in December of 1999.²¹
- UPMC Passavant is UPMC system's tertiary care center north of Pittsburgh. UPMC Passavant includes two campuses, McCandless and Cranberry. Areas of special focus include cancer care, cardiac care and orthopedics and spine surgery. The hospital has 330 staffed beds.²²
- UPMC St. Margaret is a 249-bed acute care facility that serves residents in Northeastern Allegheny County.²³ It is a teaching hospital that has achieved distinction as a Magnet hospital from the American Nurses Credentialing Center.²⁴
- UPMC Bedford Memorial is an acute care general hospital with 27 staffed beds in Everett, PA. It offers several inpatient services, including a 24-hour emergency room, in addition to various outpatient procedures and an ambulatory surgical unit.²⁵
- UPMC Hemot Medical Center became part of the UPMC system in a merger announced on February 1, 2011.²⁶ The hospital has 412 beds. Over the past decade, it has ranked among Thomson Reuters Top National Hospitals, US News and World Reports Best Hospitals for Pulmonary Medicine, and National Research Corporations Consumer Choice Award.²⁷
- UPMC Horizon is an academic community hospital with 198 staffed beds providing specialized diagnostic and treatment procedures in addition to inpatient, outpatient and emergency care. The hospital comprises two campuses, Greenville and Shenango Valley.²⁸
- UPMC Northwest in Seneca, Cranberry Township is a 126-bed hospital. Attached to the hospital are a 28-bed behavioral health facility, a 9-bed inpatient rehabilitation unit, and a 16-bed transitional care unit.²⁹
- UPMC has recently expanded east of Pittsburgh with the opening of UPMC East in Monroeville. In July 2012, UPMC opened its new 156-bed acute-care hospital. It is located about one mile from an existing WPAHS hospital, Forbes Regional.

²¹ <http://www.upmc.com/locations/hospitals/mckeesport/about/Pages/history.aspx>.

²² <http://www.upmc.com/locations/hospitals/passavant/about/Pages/default.aspx>.

²³ <http://www.upmc.com/locations/hospitals/st-margaret/about/Pages/default.aspx>.

²⁴ The Magnet distinction is described as the highest international recognition for nursing excellence and leadership. Only 5% of hospitals statewide have earned this title; see:

<http://www.upmc.com/media/NewsReleases/2009/Pages/st-margaret-achieves-magnet-status.aspx>.

²⁵ <http://www.upmc.com/locations/hospitals/bedford/about/Pages/default.aspx>.

²⁶ http://youreerie.com/fulltext?nxd_id=157206.

²⁷ <http://www.upmchamot.org/about/>.

²⁸ <http://www.upmc.com/locations/hospitals/horizon/about/Pages/default.aspx>.

²⁹ <http://www.upmc.com/locations/hospitals/northwest/about/Pages/default.aspx>.

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III. Jefferson Regional Medical Center

Jefferson Regional Medical Center (“JRMC”) is a 369-bed hospital in Pittsburgh, located about 10 miles south and east of downtown.³⁰ Highmark now has an affiliation with JRMC. Highmark also has committed to make grants of up to \$100 million to JRMC for capital expenditure and an additional \$75 million in grants to JRMC’s Foundation by 2014.³¹ JRMC is under UPE Provider Sub, as WPAHS will be.³² This affiliation is part of the \$1 billion that Highmark has designated for its provider and infrastructure strategy in western Pennsylvania. The transaction was closed on March 1, 2013. As a result, for purposes of analyses, I will assess Jefferson Regional as part of UPE. Highmark’s strategy in affiliating with Jefferson Regional is to expand further its network of community hospitals, in addition to the WPAHS community facilities, in the Pittsburgh area.³³ In the twelve months ending June 30, 2012 Jefferson Regional lost \$2.9 million. In the previous year, it also operated at a loss, losing \$1.3 million.³⁴

IV. Independent hospitals and smaller systems

The 29-county area of WPA also has 63 additional hospitals of which 11 of these additional hospitals are the seven-county Pittsburgh MSA. These hospitals operate either independently or as smaller, two- or three-hospital systems. Figure A.III-1 shows the locations of the key facilities discussed above and all other acute care facilities operating in the western portion of Pennsylvania. The shaded area in Figure 2 shows the seven-county MSA.³⁵

³⁰ Amendment 2 to Form A, Tab D1 at 2.

³¹ Amendment 2 to Form A at 12-3.

³² Amendment 2 to Form A at 11.

³³ See Amendment 2 to Form A, Exhibit K at 9.

³⁴ See also, Nixon, Alex, “Jefferson Regional loss doubles,” *Pittsburgh Tribune*, published September 20, 2012; see: <http://triblive.com/business/2632853-74/million-hospital-jefferson-highmark-regional-health-income-loss-debt-patient>. Additionally, Highmark has announced an affiliation with St. Vincent Health Center in Erie, PA. This hospital is geographically distant from the WPAHS hospitals and JRMC and thus is not considered in any competitive effects analysis of hospital competition in the Pittsburgh area.

³⁵ I note that WPAHS documents identify a somewhat narrower area consisting of 6 counties as the system’s “primary service area.” These counties include Allegheny, Butler, Armstrong, Westmoreland, Washington, and Beaver. See the Houlihan Lokey report produced as HL002596-704 (at 632) for the reference to the WPAHS “primary service area.” See also Highmark Inc. Report to the Board of Directors Regarding West Penn Allegheny Health System February 5, 2013 Affiliation with Highmark. Addendum No. 2 to Amendment No. 2 at 16, February 5, 2013.

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Figure A.III-1



West Penn Allegheny	
W1	West Penn
W2	Allegheny General
W3	Forbes Regional
W4	Alle-Kiski
W5	Canonsburg General
Jefferson Regional	
JR	Jefferson Regional
St. Vincent	
SI	St. Vincent
UPMC Health System	
U1	Presbyterian
U2	Mercy
U3	Passavant
U4	Magee-Women's
U5	St. Margaret
U6	McKeesport
U7	Horizon
U8	Northwest
U9	East
U10	Children's
U11	Bedford Memorial

Excelsa Health	
E1	Westmoreland
E2	Latrobe
E3	Frick
OHR	
Q1	Clarion
Q2	J. C. Blair Memorial
Essent Healthcare	
ES	Southwest Regional
Other/Unaffiliated Hospitals	
O1	Altoona Regional
O2	Hamot
O3	St. Clair Memorial
O4	Washington
O5	Butler Memorial
O6	Jameson
O7	Sharon Regional
O8	Meadville
O9	Monongahela Valley
O10	Elk Regional
O11	Uniontown
O12	Bradford Regional

Other/Unaffiliated Hospitals	
O13	Indiana Regional
O14	Warren General
O15	Grove City
O16	Ellwood City
O17	Charles Cole Memorial
O18	Ohio Valley General
O19	Fulton County
O20	Highlands
O21	Windber
O22	Titusville Area
O23	Nason
O24	Punxsutawney Area
O25	Brookville
O26	Kane Community
O27	Tyrone

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As part of its IDN strategy, Highmark identified seven community hospitals as facilities for “aligned secondary care” – [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Saint Vincent is located farther north of Pittsburgh in Erie. It contains 467 staffed beds. The hospital’s performance improvement received recognition when it ranked among the top 25 most improved hospitals in Most Wired’s 2012 survey.⁴⁰

[REDACTED]

³⁶ [REDACTED]

⁴⁰ <http://www.saintvincenthealth.com/About/default.aspx>. On October 16, 2012, Saint Vincent Health System announced its pending affiliation with Highmark. Although not geographically proximate to the Pittsburgh area, the affiliation would add a hospital to Highmark’s planned IDN. In the press release announcing the deal, Highmark’s President and CEO William Winkenwerder said that “Saint Vincent will be an important part of Highmark’s integrated delivery network in Erie and across northwest Pennsylvania.” See <http://www.saintvincenthealth.com/About/In-the-News/NewsDetail.aspx?a=6560&ReturnUrl=%2fAbout%2fIn-the-News%2fdefault.aspx> and the document “SVHS for release 10152012.pptx” provided to the PID by email on October 15, 2012.

⁴¹ [REDACTED]

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Highmark identified an additional ten area hospitals as candidates for potential alignment.⁴² These include [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

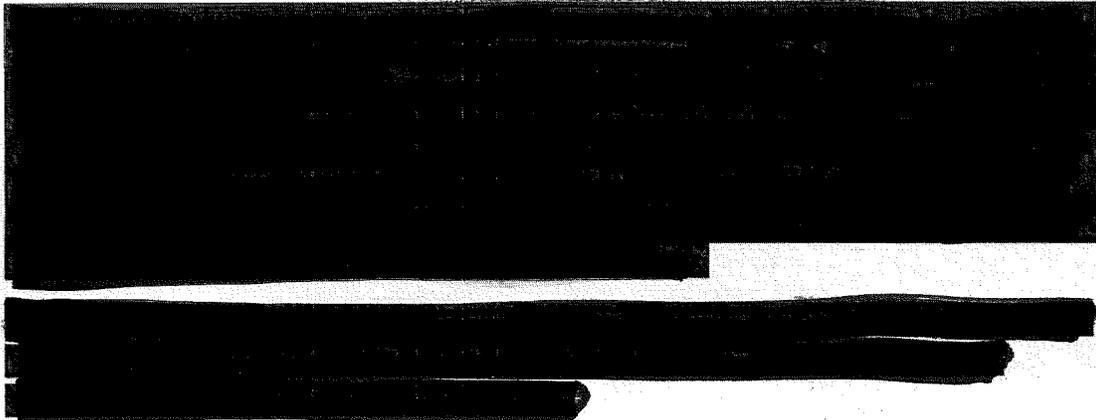
Altoona Regional Health System is a nonprofit community health care system with 440 staffed beds. Although Highmark identified Altoona for potential alignment with its IDN, UPMC recently announced that it has entered into negotiations with Altoona Regional Health System to join the UPMC system.⁴⁹ Altoona is located in Altoona, PA, which is about 100

⁴² [REDACTED]

⁴⁹ ARHS to focus on UPMC partnership, *AltoonaMirror.com*, November 21, 2012. <http://www.altoonamirror.com/page/content.detail/id/566245/ARHS-to-focus-on-UPMC-partnership.html?nav=742>.

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east of Pittsburgh. In 2011, AHA reported that it had more than 19,000 inpatient admissions. The hospital met performance standards set nationally through The Joint Commission and received recognition from Highmark, Unison, the American Health Association and the U.S. Department of Health and Human Services.⁵⁰



V. Additional Supporting Tables

⁵⁰ <http://www.altoonaregional.org/exceptional/qualityofcare.htm>.



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Table A.III-1
Hospitals in Western Pennsylvania

Hospitals in the 29-County Western Pennsylvania Area

Hospital Name	System	County	All Staffed			Occupancy Rate
			Beds (Incl. Nursing)	Admissions	Census	
Allegheny General Hospital	WPAHS	Allegheny	460	30,102	456	70%
Forbes Regional	WPAHS	Allegheny	300	16,023	201	66%
Alle-Kiski Medical Center	WPAHS	Allegheny	258	10,730	140	57%
Canonsburg General Hospital	WPAHS	Washington	104	4,049	58	45%
Western Pennsylvania Hospital	WPAHS	Allegheny	500	17,337	233	
Jefferson Regional Medical Center	Affiliated with UPE	Allegheny	No Data Available			64%
Saint Vincent Health Center	Affiliated with UPE	Erie	467	16,970	253	57%
UPMC Presbyterian	UPMC	Allegheny	1,510	63,913	1,250	83%
UPMC Shadyside	UPMC	Allegheny	Included with UPMC Presbyterian			
UPMC Montefiore	UPMC	Allegheny	Included with UPMC Presbyterian			
UPMC St. Margaret	UPMC	Allegheny	249	14,996	199	81%
UPMC McKeesport	UPMC	Allegheny	207	9,784	156	80%
UPMC Passavant	UPMC	Allegheny	330	17,031	250	76%
UPMC Mercy	UPMC	Allegheny	395	18,716	282	73%
UPMC Bedford Memorial	UPMC	Bedford	27	2,221	19	60%
UPMC Hamot Medical Center	UPMC	Erie	351	17,410	221	60%
UPMC Northwest	UPMC	Venango	182	8,085	105	56%
UPMC Horizon	UPMC	Mercer	198	8,715	123	54%
Children's Hospital of Pittsburgh of UPMC	UPMC	Allegheny	296	13,006	187	
Magee-Womens Hospital of UPMC	UPMC	Allegheny	278	20,413	233	
Excelsa Westmoreland Regional Hospital	Excelsa Health	Westmoreland	365	20,708	281	72%
Excelsa Frick Hospital	Excelsa Health	Westmoreland	83	4,121	56	68%
Excelsa Latrobe Area Hospital	Excelsa Health	Westmoreland	162	8,858	102	57%
Heritage Valley Beaver	Heritage Valley	Beaver	312	16,486	218	68%
Sewickley Valley Hospital	Heritage Valley	Allegheny	171	9,950	115	63%
Conemaugh Miners Medical Center	Conemaugh	Cambria	503	24,315	369	69%
Meyersdale Medical Center	Conemaugh	Somerset	20	428	5	23%
St. Clair Memorial Hospital		Allegheny	291	15,599	200	69%
Monongahela Valley Hospital		Washington	224	8,811	133	63%
Washington Hospital		Washington	274	15,801	186	62%
Sharon Regional Health System		Mercer	239	10,559	155	61%
Uniontown Hospital		Fayette	189	10,275	126	59%
Indiana Regional Medical Center		Indiana	162	8,817	105	59%
ACMH Hospital		Armstrong	170	No Data Available		59%
Altoona Regional Health System		Blair	440	19,236	247	54%
Ohio Valley General Hospital		Allegheny	92	4,641	58	54%
Butler Memorial Hospital		Butler	260	13,038	175	54%
Jameson Hospital		Lawrence	254	10,662	147	51%
Meadville Medical Center		Crawford	233	7,539	115	51%
DuBois Regional Medical Center		Clearfield	203	No Data Available		48%
Somerset Hospital		Somerset	117	4,630	58	46%
Clarion Hospital		Clarion	79	3,276	34	39%

Note: Butler Memorial Hospital includes values for all locations in the Butler Memorial Health System.
Source: File "Hospital Locations List_CKD" provided by Economists Incorporated on April 3, 2012.

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Table A.III-2a

Commercial Discharges in the WPAHS 90-Percent Draw Area

Hospital	Discharges	Share
UPMC System Total	45,154	46.5%
<i>UPMC Presbyterian Shadyside</i>	14,827	15.3%
<i>Magee Women's Hospital</i>	9,289	9.6%
<i>UPMC Passavant</i>	5,141	5.3%
<i>Other UPMC</i>	15,897	16.4%
WPAHS System Total	15,449	15.9%
<i>Allegheny General Hospital</i>	5,817	6.0%
<i>Western Pennsylvania Hospital</i>	3,896	4.0%
<i>Forbes Regional</i>	3,429	3.5%
<i>Alle-Kiski Medical Center</i>	1,534	1.6%
<i>Canonsburg General Hospital</i>	773	0.8%
St. Clair Memorial Hospital	6,958	7.2%
Jefferson Regional Medical Center (Affiliated with UPE)	3,473	3.6%
Heritage Valley System Total	5,648	5.8%
<i>Heritage Valley Beaver</i>	2,955	3.0%
<i>Sewickley Valley Hospital</i>	2,693	2.8%
Excelsa System Total	4,798	4.9%
<i>Excelsa Westmoreland Regional Hospital</i>	3,416	3.5%
<i>Excelsa Latrobe Area Hospital</i>	1,052	1.1%
<i>Excelsa Frick</i>	330	0.3%
Washington Hospital	3,021	3.1%
Butler Memorial Hospital	2,057	2.1%
Jameson Hospital	1,415	1.5%
Conemaugh Miners Medical Center	1,266	1.3%
Monongahela Valley Hospital	1,065	1.1%
ACMH Hospital	989	1.0%
All Other	6,060	6.2%

Source: Harris Report Ex. 10, Table 1