



**Allegheny**  
**Health Network**

**West Penn Allegheny Health System**

**ANNUAL REPORT**

**(Based upon unaudited financial information)**

**For the Fiscal Year Ended June 30, 2013**

**Financial information presented in this Annual Report is unaudited and should not be relied upon, as the information does not include the required accounting adjustments to reflect purchase accounting for the consummation of the Affiliation Agreement between WPAHS and Highmark, Inc. which occurred on April 29, 2013. Such required adjustments, which may be material, will be reflected in the audited financial statements and such statements are expected to be released in December 2013.**

**Additionally, the audited/unaudited financial statements with footnotes (similar to those contained in the Original Statement) are not available for inclusion in this Annual Report.**

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## DISCLAIMER

This Management Discussion and Analysis of West Penn Allegheny Health System, Inc. and its operating entities for the fiscal year ended June 30, 2013 may contain “forward-looking statements” within the meaning of the United States *Private Securities Litigation Reform Act of 1995*, Section 21E of the United States *Securities Exchange Act of 1934*, as amended (the “*Exchange Act*”), and Section 27A of the United States *Securities Act of 1933*, as amended (the “*Securities Act*”). The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The West Penn Allegheny Health System, Inc. and the members of the Obligated Group, expressly disclaim any obligation or undertaking to issue any updates or revisions to those forward-looking statements if or when their expectations change, or events, conditions or circumstances on which such statements are based occur.

# INTRODUCTION

## Organization of West Penn Allegheny Health System and the Obligated Group

The Annual Report is produced to comply with the \$752,370,000 Allegheny County Hospital Development Authority Health System Revenue Bonds (West Penn Allegheny Health System), Series 2007A, Continuing Disclosure Agreement. The following CUSIP numbers are covered by this Annual Report:

01728AF92 (matured)	01728AG59
01728AG26 (matured)	01728AG67
01728AG34 (matured)	01728AG75
01728AG42 (matured)	01728AG83

### West Penn Allegheny Health System

West Penn Allegheny Health System, Inc. (“WPAHS” or the “System”) is a Pennsylvania nonprofit corporation that, together with other entities under its direct or indirect control, forms a regional health system operating five hospital campuses and other health care facilities and delivering the services of health care professionals, including approximately 600 employed physicians, to residents of Western Pennsylvania. In the fiscal year ended June 30, 2013, the System recorded over 160,000 emergency department visits, over 55,000 discharges and delivered nearly 3,800 newborns. From these patient care activities, the System recorded total net patient service revenue of approximately \$1.40 billion. At June 30, 2013, the System’s total assets were approximately \$1.29 billion; its total liabilities were approximately \$1.56 billion.

The Obligated Group currently includes WPAHS and the following hospitals, physician practice networks, foundations, and research organizations which comprise the System:

#### Hospitals

- Allegheny General Hospital (AGH), a division of West Penn Allegheny Health System, Inc.
- West Penn Hospital, a division of West Penn Allegheny Health System, Inc.
- Forbes Regional Hospital, a division of West Penn Allegheny Health System, Inc.
- Alle-Kiski Medical Center (AKMC)
- Canonsburg General Hospital and Subsidiary (CGH)

#### Physician Practice Networks

- Allegheny Specialty Practice Network (ASPN)
- Allegheny Medical Practice Network (AMPN)
- West Penn Physician Practice Network (WPPPN)
- West Penn Allegheny Oncology Network (WPAON)
- West Penn Corporate Medical Services, Inc. (WPCMS)

#### Foundations and Research Organizations

- The Western Pennsylvania Hospital Foundation (WPHF)
- Forbes Health Foundation (FHF)
- Suburban Health Foundation (SHF)
- Allegheny-Singer Research Institute (ASRI)

**I. MANAGEMENT'S DISCUSSION OF THE UNAUDITED  
FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED JUNE 30,  
2013**

## **Operating Results**

The System produced a deficiency of revenues over expenses of \$137.6 million for the year ended June 30, 2013.

Net patient service revenue for the year ended June 30, 2013 increased \$3.1 million, or 0.2%, as compared to the year ended June 30, 2012. Contributing factors to the increase in revenues are increased reimbursement rates (as contractually obligated), an increase in case mix index, and the reopening of services at West Penn Hospital (WPH). These items are offset by a general decline in inpatient volume, similar to regional and national trends.

Inpatient discharges within the System declined by 4.1%, when compared to fiscal year 2012. Inpatient discharges have declined as cases have transitioned from inpatient to outpatient, which provide a lower reimbursement for the same level of care (observation cases are up 4.4% over the same period). In addition, some of the loss in volume is a result of the loss of market share due to the opening of a competitor's facility affecting patient volumes at Forbes Regional Hospital. These declines have been partially offset by an increase in volume from the reopening of the emergency department and ramp-up of services at WPH. The emergency department at WPH was closed in December 2010 as part of the "Urban Consolidation" initiative. This initiative was reversed as a part of the Highmark Affiliation Agreement, reopening the emergency department and selected acute care services on February 14, 2012.

Expenses, excluding restructuring, through June 30, 2013 increased \$33.9 million (2.1%) as compared to June 30, 2012. The increase is mainly attributable to an increase in salaries, wages, and fringe benefits (SWB). The System experienced an increase in SWB of \$24.9 million (2.9%) over the previous fiscal year. This increase is related to new physicians that were employed, reflects the added staffing related to the reopening and ramp-up of services at WPH, and annual merit increases.

Additionally, patient care supplies increased \$8.0 million (2.9%) as compared to June 30, 2012. This reflects annual increases in supply and drug costs, a higher acuity of procedures, and the reopening of services at WPH.

Depreciation and amortization contributed to an increase of \$5.6 million (8.8%). The assumptions utilized in the calculation of depreciation and amortization remained consistent year over year. System total depreciable fixed assets increased from fiscal year 2012 due to asset additions from material capital improvements at WPH and the preparation for the addition of trauma services at Forbes, as well as other additions in the normal course of business.

The abovementioned increases were offset by a decrease in professional fees and purchases services of \$3.9 million (2.4%).

Investment income decreased from prior year due to changes in market performance. Gifts and donations decreased from prior year as included in 2012 was a \$8.0 million unrestricted payment and advertising costs of approximately \$6.0 million paid on behalf of WPAHS, both from Highmark.

A comparison of expense categories as a percentage of total revenue for the year ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Salaries, wages, and fringe benefits	59.9 %	58.4 %
Patient care supplies	19.4	18.9
Professional fees and purchased services	10.8	11.1
General and administrative	11.7	11.6
Depreciation and amortization	4.8	4.4
Interest	2.5	2.7
Expenses, excluding restructuring	<u>109.1 %</u>	<u>107.1 %</u>
Restructuring	<u>1.2</u>	<u>0.6</u>
Total	<u><u>110.3 %</u></u>	<u><u>107.7 %</u></u>

Expenses, excluding restructuring, as a percentage of total revenue for the year ended June 30, 2013 increased in comparison to the year ended June 30, 2012. Driving the increase is an increase in SWB and patient care supplies (as discussed on the previous page), while maintaining consistent total revenues.

### **Liquidity and Capital Position**

As of June 30, 2013, day's cash on hand as defined in the Master Indenture of Trust (MIT) was 77.6 days. Of the \$334.2 million included in this calculation, approximately 39% is subject to daily market value fluctuations, with the majority invested in fixed income.

Contributions of \$32.7 million were made to the cash balance retirement plans during the year ended June 30, 2013, as required by the Internal Revenue Code and Employee Retirement Income Security Act and relevant regulations and guidance issued there under.

Capital expenditures during the year ended June 30, 2013 were \$53.1 million.

Principal debt payments made during the year ended June 30, 2013 were \$15.9 million.

The average number of days in net accounts receivable was 36.4 at June 30, 2013. Accounts payable are being paid in accordance with terms.

### **Other Information**

On April 29, 2013, Highmark Inc. acquired \$604,170 of the System's outstanding 2007A Bonds in a cash tender offer. At the same time, the master indenture and related bond indenture for the 2007A Bonds were amended to, among other changes, eliminate the debt service coverage ratio, days cash on hand and certain other covenants of WPAHS, defer principal and interest payments on certain maturities of the tendered bonds, and to permanently waive prior defaults. The principal and interest owed on the bonds tendered by Highmark Inc. is deferred until November 15, 2015 (fiscal year 2016). The System is no longer required to maintain Debt Service Reserve Funds relating to the tendered bonds and any such amounts that existed on April 29, 2013 were transferred into a Project Fund to be utilized for certain capital improvements. The Debt Service Reserve Fund for untendered bonds will still be required.



Also on April 29, 2013, Highmark Inc. paid WPAHS (per the terms of the Amended Affiliation agreement) \$100.0 million in the form of a loan and \$75.0 million, less advances of \$19.2 million and certain accounts payables of \$16.2 million, in the form of an unconditional, unrestricted grant. All loans from Highmark Inc. are secured by security interests in and mortgages of real and personal property of WPAHS and certain of its affiliates. Additionally, interest on such loans has been forgiven effective July 1, 2012. WPAHS will remain the primary obligor for repayment of its obligations.

Since April 29, 2013, WPAHS has been under new management and Allegheny Health Network is providing management and administrative support to WPAHS. These executives are developing and executing a turnaround plan.

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**II. UNAUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR  
ENDED JUNE 30, 2013**

# WEST PENN ALLEGHENY HEALTH SYSTEM

## CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

(dollars in thousands)

	QUARTER ENDED		FISCAL YEAR ENDED	
	JUNE 30,		JUNE 30,	
	2013	2012	2013	2012
Net patient service revenue	\$ 323,495	331,544	1,401,905	1,398,764
Other revenue	21,519	26,997	82,447	80,980
Net assets released from restrictions	728	994	3,654	3,652
Total unrestricted revenues and other support	345,742	359,535	1,488,006	1,483,396
Salaries, wages, and fringe benefits	191,960	194,060	891,431	866,488
Patient care supplies	74,095	71,445	287,916	279,937
Professional fees and purchased services	44,329	43,960	160,531	164,437
General and administrative	50,884	48,075	174,467	172,515
Depreciation and amortization	19,768	17,538	71,493	65,740
Interest	8,866	10,604	37,477	40,335
Expenses, excluding restructuring	389,902	385,682	1,623,315	1,589,452
<b>Operating loss before restructuring</b>	<b>(44,160)</b>	<b>(26,147)</b>	<b>(135,309)</b>	<b>(106,056)</b>
Restructuring	(9,887)	(981)	(17,802)	(8,841)
<b>Operating loss</b>	<b>(54,047)</b>	<b>(27,128)</b>	<b>(153,111)</b>	<b>(114,897)</b>
Investment income	1,963	3,391	9,551	14,242
Gifts and donations	199	13,731	838	14,045
Gain (loss) in joint venture investment	3,988	930	5,161	1,863
<b>Deficiency of revenues over expenses</b>	<b>\$ (47,897)</b>	<b>\$ (9,076)</b>	<b>\$ (137,561)</b>	<b>\$ (84,747)</b>

Note: Prior year amounts have been presented to conform to the current year presentation

**WEST PENN ALLEGHENY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidating Balance Sheet - Unaudited

June 30, 2013

(Amounts in thousands)

<b>Assets</b>	<b>Total Obligated</b>	<b>Total Non-Obligated</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Current assets:				
Cash and cash equivalents	\$ 62,902	1,449	—	64,351
Short-term investments	5,139	—	—	5,139
Assets limited or restricted as to use	5,903	—	—	5,903
Receivables:				
Patient accounts, less allowance for uncollectible accounts of \$57,687	148,531	—	—	148,531
Other	10,956	—	—	10,956
Inventories, net	22,389	—	—	22,389
Prepaid expenses	18,330	—	—	18,330
Total current assets	274,150	1,449	—	275,599
Investments	—	—	—	—
Assets limited or restricted as to use	508,392	753	—	509,145
Property and equipment, net	363,697	24,507	—	388,204
Other assets, net	113,125	1,524	(1,621)	113,028
Total assets	\$ 1,259,364	28,233	(1,621)	1,285,976

(Continued)

**WEST PENN ALLEGHENY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidating Balance Sheet - Unaudited

June 30, 2013

(Amounts in thousands)

Liabilities and Net Assets	Total Obligated	Total Non-Obligated	Eliminations	Total Consolidated
Current liabilities:				
Current portion of long-term debt	\$ 5,102	2,087	—	7,189
Accounts payable	95,640	1	—	95,641
Accrued expenses	20,588	8	—	20,596
Accrued interest	3,081	165	—	3,246
Accrued salaries and vacation	56,885	3	—	56,888
Current portion of deferred revenue	17,941	—	—	17,941
Current portion of self-insurance liabilities	1,202	—	—	1,202
Estimated third-party payor settlements	(6,982)	—	—	(6,982)
Other current liabilities	3,668	373	—	4,041
Due to affiliate, net	(78)	74	—	(4)
Total current liabilities	197,047	2,711	—	199,758
Deferred revenue	34,800	—	—	34,800
Self-insurance liabilities	62,630	—	—	62,630
Long-term debt	952,969	19,041	—	972,010
Accrued pension obligation	273,788	—	—	273,788
Other noncurrent liabilities	21,017	1,540	—	22,557
Total liabilities	1,542,251	23,292	—	1,565,543
Net assets (deficit):				
Unrestricted	(542,531)	4,187	(1,621)	(539,965)
Temporarily restricted	23,042	410	—	23,452
Permanently restricted	236,602	344	—	236,946
Total net assets (deficit)	(282,887)	4,941	(1,621)	(279,567)
Total liabilities and net assets (deficit)	\$ 1,259,364	28,233	(1,621)	1,285,976

**WEST PENN ALLEGHENY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidating Statement of Operations - Unaudited

Year Ended June 30, 2013

(Amounts in thousands)

	<u><b>Total Obligated</b></u>	<u><b>Total Non-Obligated</b></u>	<u><b>Eliminations</b></u>	<u><b>Total Consolidated</b></u>
Unrestricted revenues and other support:				
Net patient service revenue	\$ 1,401,905	—	—	1,401,905
Other revenue	82,282	4,081	(3,916)	82,447
Net assets released from restrictions	3,643	11	—	3,654
	<u>1,487,830</u>	<u>4,092</u>	<u>(3,916)</u>	<u>1,488,006</u>
Expenses:				
Salaries, wages, and fringe benefits	891,293	138	—	891,431
Patient care supplies	287,916	—	—	287,916
Professional fees and purchased services	160,510	21	—	160,531
General and administrative	178,297	86	(3,916)	174,467
Depreciation and amortization	69,792	1,701	—	71,493
Interest	36,180	1,297	—	37,477
Restructuring	17,774	28	—	17,802
	<u>1,641,762</u>	<u>3,271</u>	<u>(3,916)</u>	<u>1,641,117</u>
Total expenses				
Operating income (loss)	(153,932)	821	—	(153,111)
Investment income	9,551	—	—	9,551
Gifts and donations	298	540	—	838
Gain in joint venture investment	5,161	—	—	5,161
	<u>5,161</u>	<u>—</u>	<u>—</u>	<u>5,161</u>
Excess (deficiency) of revenues over expenses	\$ <u>(138,922)</u>	<u>1,361</u>	<u>—</u>	<u>(137,561)</u>

**WEST PENN ALLEGHENY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidating Statement of Changes in Net Assets - Unaudited

Year Ended June 30, 2013

(Amounts in thousands)

	<b>Total Obligated</b>	<b>Total Non-Obligated</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Unrestricted net assets:				
Excess (deficiency) of revenues over expenses	\$ (138,922)	1,361	—	(137,561)
Net assets released for property acquisitions and donated capital	275	58	—	333
Other transfers	125,913	(899)	—	125,014
Increase (decrease) in unrestricted net assets	<u>(12,734)</u>	<u>520</u>	<u>—</u>	<u>(12,214)</u>
Temporarily restricted net assets:				
Contributions	2,743	(46)	—	2,697
Investment income	655	1	—	656
Net assets released from restrictions used for:				
Operations	(3,643)	(11)	—	(3,654)
Acquisition of equipment	(275)	(58)	—	(333)
Change in net unrealized losses on other than trading securities	(61)	—	—	(61)
Change in interest of net assets of affiliates	989	—	—	989
Other transfers	(53)	1	—	(52)
Increase (decrease) in temporarily restricted net assets	<u>355</u>	<u>(113)</u>	<u>—</u>	<u>242</u>
Permanently restricted net assets:				
Investment income	10,054	—	—	10,054
Change in net unrealized gains on other than trading securities	14,586	(1)	—	14,585
Transfers out of endowments/participating trust to investment income and operations	(10,758)	—	—	(10,758)
Other transfers	(7)	—	—	(7)
Increase in permanently restricted net assets	<u>13,875</u>	<u>(1)</u>	<u>—</u>	<u>13,874</u>
Increase (decrease) in net assets	1,496	406	—	1,902
Net assets (deficit) - beginning of period	<u>(284,383)</u>	<u>4,535</u>	<u>(1,621)</u>	<u>(281,469)</u>
Net assets (deficit) - end of period	<u>\$ (282,887)</u>	<u>4,941</u>	<u>(1,621)</u>	<u>(279,567)</u>

### **III. ANNUAL REPORTING REQUIRED BY CONTINUING DISCLOSURE AGREEMENT**

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**WEST PENN ALLEGHENY HEALTH SYSTEM**  
**ACTIVE MEDICAL STAFF**  
**As of June 30, 2013**

<u>DEPARTMENT/SPECIALTY</u>	AGH	AKMC	CGH	FRH	WPH	ACTIVE *
Family Medicine	11	7	11	26	4	59
Medicine	225	49	49	147	190	660
Surgery	134	39	33	90	92	388
OB-Gyn**	18	4	6	17	51	96
Pediatrics	9	-	-	21	45	75
Neurology	15	2	-	5	4	26
Psychiatry	12	3	-	13	6	34
Hospital-Based Specialties:						
Emergency Medicine	32	11	17	14	26	100
Anesthesiology	46	3	5	41	42	137
Diagnostic and Interventional Radiology	34	6	13	31	28	112
Radiation Oncology	15	2	2	7	6	32
Pathology	13	4	2	15	15	49
Pain Management	1	-	-	5	4	10
Nuclear Medicine	4	-	-	3	3	10
Subtotal Hospital-Based Specialties	145	26	39	116	124	450
<b>TOTAL</b>	<b>569</b>	<b>130</b>	<b>138</b>	<b>435</b>	<b>516</b>	<b>1,788</b>
Average Age	49.2	55.3	49.8	50.8	49.8	51.0
# Board Certified	500	120	124	397	477	1,618
% Board Certified	87.9%	92.3%	89.9%	91.3%	92.4%	90.5%

\* - Certain physicians have admitting privileges at multiple Hospitals within the System, as such a physician may be counted more than once in this table.

\*\* - No OB, only Gyn at CGH

**WEST PENN ALLEGHENY HEALTH SYSTEM  
EMPLOYEES  
As of June 30, 2013**

Full-time employees	9,327
Part-time employees	1,396
Casual employees	<u>966</u>
Total Employees	<u>11,689</u>
Full-time equivalents	<u>10,032</u>
Employees represented by collective bargaining units	<u>2,128</u>

**WEST PENN ALLGHENY HEALTH SYSTEM**  
**SOURCES OF REVENUES**  
**for Fiscal Years ended June 30,**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Medicare (including managed care)	46%	46%	46%	46%	47%
Highmark	24%	24%	24%	26%	24%
Medicaid (including managed care)	12%	12%	13%	12%	13%
HMO / PPO	12%	12%	11%	9%	7%
Commercial	2%	2%	2%	4%	5%
Self Pay & Other	4%	4%	4%	3%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**WEST PENN ALLEGHENY HEALTH SYSTEM  
EMPLOYEE RETIREMENT PLANS**

As of January 1, 2013 (the date of the most recent actuarial report), the Retirement Plans for the Employees of West Penn Allegheny Health System were in an underfunded position, as follows:

Actuarial Current Liability (discount rate of 6.76%)	\$526,260,000
Actuarial Value of Plan Assets	<u>482,017,000</u>
Current Liability > Plan Assets	<u>\$ 44,243,000</u>

The System is required to abide by the minimum funding standards under ERISA. All plan years 2011 and prior have been funded as of June 30, 2013. Plan year 2012 was funded on January 15, 2013 and September 15, 2013 through contributions of \$7,379,512 and \$5,603,731, respectively. This is reflected in the actuarial value of plan assets above as a contribution receivable as is required under actuarial standards. The Plans are governed by the Pension Protection Act of 2006 (“PPA”). The Plans have been qualified for an exemption contained in Section 105 of PPA as Pension Benefit Guaranty Corporation settlement plans, which exempts the System from the accelerated funding rules of PPA until 2014. Additionally, both Plans are eligible charity plans which means the Plans will be required to follow the previously existing minimum funding standards of ERISA until 2017.

As a result of MAP-21, signed into law during 2012, WPAHS’ minimum contribution requirement for the plan year ending December 31, 2012 decreased by approximately \$9 million.

The above disclosures are based on actuarial calculations for funding purposes. For financial reporting purposes as of June 30, 2013 the underfunded position is reflected as follows:

Projected Benefit Obligation (discount rate of 4.30%)	\$754,403,000
Fair Value of Plan Assets	<u>480,615,000</u>
Projected Benefit Obligation > Plan Assets	<u>\$273,788,000</u>

**West Penn Allegheny Health System**  
**System Totals**  
**Selected Utilization Statistics**

	<b>Fiscal Years Ended June 30,</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Discharges</b>					
Acute*	76,464	70,790	59,972	56,146	53,572
Rehab	1,181	1,610	1,514	1,309	1,483
Hospice	502	458	409	372	410
<b>Patient Days (excludes newborns)</b>					
Acute*	389,166	367,553	316,088	296,130	290,863
Rehab	13,573	18,805	18,068	15,397	18,057
Hospice	3,301	2,872	2,516	2,723	2,616
<b>Staffed Beds</b>					
Acute*	1,662	1,513	1,274	1,382	1,297
Rehab	61	99	88	61	61
Hospice	12	12	12	12	12
<b>Occupancy Rate</b>					
Acute*	64.2%	66.6%	68.0%	58.5%	61.4%
Rehab	61.0%	52.0%	56.3%	69.0%	81.1%
Hospice	75.4%	65.6%	57.4%	62.0%	59.7%
<b>Length-of-Stay (based on discharges)</b>					
Acute*	5.08	5.19	5.27	5.30	5.43
Rehab	11.41	11.68	11.93	11.87	12.04
Hospice	6.58	6.27	6.15	7.32	6.38
<b>Observation Cases</b>	13,291	14,557	15,313	16,688	17,429
<b>Births</b>	4,880	4,522	4,018	3,884	3,782
<b>Emergency Visits</b>					
Inpatient	45,160	44,531	37,281	33,668	31,552
Outpatient	151,695	151,979	134,216	130,624	128,819
<b>Operating Room Cases</b>					
Inpatient	23,541	22,635	19,982	18,692	17,949
Outpatient	33,455	32,915	31,411	30,522	28,372
<b>Transplants</b>					
Heart	13	16	36	18	17
Kidney	70	71	61	68	81
Bone Marrow	76	80	63	60	56
Liver	8	13	18	21	12
Pancreas	-	-	3	1	5
Lung	-	-	1	-	-

\* Includes Psychiatrics

**WEST PENN ALLEGHENY HEALTH SYSTEM  
OBLIGATED GROUP  
ANNUAL DEBT SERVICE COVERAGE RATIO \***  
**as of June 30, 2013**  
*(dollars in thousands)*

Annual Debt Service Coverage Ratio

Excess of expenses over revenues	\$ (138,922)
Plus: depreciation and amortization	69,792
Plus: interest expense	36,180
Plus: net unrealized investment losses	2,545
Less: net unrealized gains in joint venture investments	<u>5,161</u>
<b>Total</b>	<b>(25,244)</b>
 Annual debt service requirement	 <u>\$ 55,500</u>
 <b>ANNUAL DEBT SERVICE COVERAGE RATIO</b>	 <b><u><u>(0.45)</u></u></b>

\* - Based upon unaudited financial information

**WEST PENN ALLEGHENY HEALTH SYSTEM**  
**OBLIGATED GROUP**  
**DAYS CASH ON HAND \***  
**as of June 30, 2013**  
*(dollars in thousands)*

Days Cash on Hand:

Cash and cash equivalents/other	\$ 62,902
Investments	56,393
Series 2007A Project Funds	41,496
Board designated	<u>173,374</u>
<b>Total</b>	<b><u><u>\$ 334,165</u></u></b>
Total operating expenses, including restructuring	\$ 1,641,762
Less: depreciation and amortization	<u>(69,792)</u>
<b>Operating expenses less depreciation and amortization</b>	<b><u><u>\$ 1,571,970</u></u></b>
Days in fiscal period	365
<b>Operating expense per day</b>	<b><u><u>\$ 4,307</u></u></b>
<b>DAYS CASH ON HAND</b>	<b><u><u>77.6</u></u></b>

\* - Based upon unaudited financial information