



UPMC Unaudited Financial and Operating Report

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

UPMC
LIFE CHANGING MEDICINE

UPMC Unaudited Financial and Operating Report

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

- Introduction to Management’s Discussion and Analysis** 1
- Management’s Discussion and Analysis** 2
 - Consolidated Financial Highlights 3
 - Business Highlights 4
 - Condensed Consolidating Statement of Operations 5
- Divisional Information 6
- Revenue and Operating Metrics 8
- Key Financial Indicators 11
- Market Share 12
- Asset and Liability Management 13
- Utilization Statistics** 15
- Outstanding Debt** 16
- Debt Covenant Calculations** 17
- Unaudited Interim Condensed Consolidated Financial Statements** 18
 - Review Report of Independent Auditors 19
 - Balance Sheets 20
 - Statements of Operations and Changes in Net Assets 21
 - Statements of Cash Flows 22
 - Notes to Financial Statements 23

The following financial data as of September 30, 2020 and for the three and nine month periods ended September 30, 2020 and 2019 is derived from the interim condensed consolidated financial statements of UPMC. The interim condensed consolidated financial statements include all adjustments consisting of a normal recurring nature that UPMC considers necessary for a fair presentation of its financial position and the results of operations for these periods. The financial information as of December 31, 2019 is derived from UPMC’s audited consolidated financial statements. Operating and financial results reported herein are not necessarily indicative of the results that may be expected for any future periods.

The information contained herein is being filed by UPMC for the purpose of complying with its obligations under Continuing Disclosure Agreements entered into in connection with the issuance of the series of bonds listed herein and disclosure and compliance obligations in connection with various banking arrangements. Digital Assurance Certification, L.L.C., as Dissemination Agent, has not participated in the preparation of this Unaudited Financial and Operating Report, has not examined its contents and makes no representations concerning the accuracy and completeness of the information contained herein.



INTRODUCTION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

UPMC, doing business as the University of Pittsburgh Medical Center, is one of the world's leading Integrated Delivery and Financing Systems ("IDFS"). UPMC is based in Pittsburgh, Pennsylvania and primarily serves residents across the Commonwealth of Pennsylvania. We also draw patients for highly specialized services from across the nation and around the world. UPMC's more than 40 hospitals and more than 700 clinical locations comprise one of the largest nonprofit health systems in the United States. UPMC has three major divisions: Health Services, Insurance Services, and UPMC Enterprises.

We are committed to providing the communities that our hospitals, outpatient centers and other health care facilities serve, as well as our insurance members, with high quality, cost-effective health care while continuing to grow our business and execute on our mission to provide Life Changing Medicine. As the stewards of UPMC's community assets, we are guided by our core values of integrity, excellence, respect and teamwork. These values govern the manner in which we serve our communities and are embedded in the execution and delivery of Life Changing Medicine.

UPMC continues to make significant investments in equipment, technology, education and operational strategies designed to improve clinical quality at our hospitals and outpatient centers. As a result of our efforts, *U.S. News & World Report* consistently ranks UPMC Presbyterian Shadyside among the nation's best hospitals in many specialties and ranks UPMC Children's Hospital of Pittsburgh on its Honor Roll of America's Best Children's Hospitals. Investments in our operations and continued capital improvements are expected to become increasingly important as the competitive environment of the market and changes to health care continue to progress and change the landscape of patient care and reimbursement. We build new facilities, make strategic acquisitions, and enter into joint venture arrangements or affiliations with health care businesses — in each case in communities where we believe our mission can be effectively utilized to improve the overall health of those communities.

By continually evolving and refining UPMC's world-class financial processes, we focus on achieving optimal financial results that support the continued development of our organization, as well as ongoing investment in the future of the communities we serve. We are committed to achieving these objectives with unyielding commitments to transparency in reporting and disclosure, enterprise-wide integration, and ongoing process improvement.

The purpose of this section, Management's Discussion and Analysis ("MD&A"), is to provide a narrative explanation of our condensed consolidated financial statements that enhances our overall financial disclosures, to provide the context within which our financial information may be analyzed, and to provide information about the quality of, and potential variability of, our financial condition, results of operations and cash flows.

Unless otherwise indicated, all financial and statistical information included herein relates to our continuing operations, with dollar amounts expressed in thousands (except for statistical information). This MD&A should be read in conjunction with the accompanying unaudited condensed consolidated financial statements.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

COVID-19

Coronavirus disease 19 ("COVID-19") is a respiratory disease caused by the new coronavirus (SARS-CoV-2) not previously seen in humans. An outbreak of COVID-19 began in late 2019 in Wuhan, a city in China's Hubei province. To date, cases of COVID-19 have spread around the world. In February 2020, the United States Centers for Disease Control and Prevention confirmed the spread of the disease to the United States, and in March 2020, the World Health Organization declared the outbreak a pandemic and the Trump Administration declared it a national emergency in the United States. Now considered one of the most rapidly emerging infectious diseases worldwide, this virus is spread through human contact, much like the cold or flu, and can cause fever, cough and shortness of breath that are mild in some individuals and life-threatening or fatal in others.

UPMC and its subsidiaries have and expect to continue to experience some effect to operations as a result of the COVID-19 pandemic. Primarily in response to directives from various elected officials to attempt to quell the spread of the disease, UPMC's Health Services division experienced reductions in volumes during the second quarter before volumes began returning to near pre-COVID-19 levels towards the end of June and continued to rebound throughout the third quarter.

On March 27, 2020, the federal government enacted the CARES Act that provides, among other funding sources, relief funds to hospitals and other healthcare providers on the front lines of the COVID-19 response. This funding is to be used to support healthcare related expenses or lost revenue attributable to COVID-19. Beginning in April 2020, over 90 individual UPMC facilities received an aggregate of approximately \$400 million of CARES Act funding as of September 30, 2020, of which approximately \$318 million was recognized as other operating revenue for the nine months ended September 30, 2020. The remaining government payments received will be recognized in operations as other operating revenue in future periods, subject to complying with certain terms and conditions and on-going regulatory clarifications.

In order to increase cash flow to providers of services and suppliers impacted by the COVID-19 pandemic, the Centers for Medicare & Medicaid Services ("CMS") has expanded the current Accelerated and Advance Payment Program. Beginning in April 2020, 185 individual national provider identifier entities of UPMC, an identifier used by CMS for provider facilities, received advance funding that aggregated to a total of approximately \$840 million as of September 30, 2020. In October 2020, a bill was signed into law which changed the original Medicare loan repayment terms for healthcare providers allowing recoupment to begin one year after the Medicare Accelerated and Advance Payment Program loan was issued, an extension from 120 days under previous law. The recoupment rate has been changed to allow providers 29 months after receipt of the advances to pay back the funds in full before interest would begin to accrue.

Due to the uncertainty surrounding the governmental reaction to the COVID-19 outbreak, UPMC adopted an interim 2020 financing plan to increase working capital by temporarily issuing \$2.17 billion of debt. Refer to the Asset and Liability Management section on page 13 for additional details.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollars in millions)

Financial Results for the Nine Months Ended September 30	2020	2019*
Operating revenues	\$ 16,933	\$ 15,316
Operating income	\$ 227	\$ 73
Operating margin %	1.3%	0.5%
Operating margin (including income tax and interest expense)	0.5%	0.0%
(Loss) gain from investing and financing activities	\$ (178)	\$ 214
Excess of revenues over expenses	\$ 263	\$ 298
Operating EBIDA	\$ 742	\$ 547
Capital expenditures	\$ 599	\$ 722
Reinvestment ratio	1.16	1.52

Selected Other Information as of	September 30, 2020	December 31, 2019
Total cash and investments	\$ 10,013	\$ 6,600
Unrestricted cash and investments	\$ 8,621	\$ 5,057
Unrestricted cash and investments over long-term debt	\$ 1,322	\$ 912
Days of cash on hand	146	92
Days in net accounts receivable	42	44
Average age of plant	9.2	9.0

*Prior year results have been adjusted to reflect the retrospective adoption of ASU 2017-07, *Presentation of Net Periodic Benefit Cost Related to Defined Benefit Plans*.

Operating revenues for the nine months ended September 30, 2020 increased \$1,617 million, or 11%, as compared to the nine months ended September 30, 2019. Operating income for the nine months ended September 30, 2020 increased \$154 million over the same period in the prior year. Excess of revenues over expenses was \$263 million and operating earnings before interest, depreciation and amortization totaled \$742 million for the nine months ended September 30, 2020. As of September 30, 2020, UPMC had approximately \$10.0 billion of cash and investments, approximately \$2.8 billion of which was held by UPMC's regulated and captive insurance companies.

For the nine months ended September 30, 2020:

- Hospital medical-surgical admissions and observation cases decreased 11% compared to the prior year.
- Hospital outpatient revenue per workday decreased 4% compared to the prior year.
- Physician service revenue per weekday decreased 6% from the comparable period in the prior year, and
- Enrollment in UPMC's Insurance Services grew to nearly 3.9 million members as of September 30, 2020.

UPMC's loss from investing and financing activities for the nine months ended September 30, 2020 was (\$178) million. UPMC continues to have a long-term perspective with regard to its investment activities.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

BUSINESS HIGHLIGHTS

In July 2020, three health care innovators – Curavi Health, CarePointe, U.S. Health Systems (USHS) – merged to form Arkos Health, a company that will provide virtual care solutions and health insights to vulnerable populations across the United States. By combining Curavi's telemedicine technology, CarePointe's unified software solution and analytics and USHS's population health management capabilities, Arkos Health will be able to serve both payers and providers by facilitating high-quality in-home and virtual care for their members and patients. Curavi was spun out from UPMC in 2016 and provides clinical care in post-acute and long-term care settings via its telemedicine and software solution, which was designed specifically for those facilities. CarePointe, founded in 2015 and headquartered in Las Vegas, NV, and USHS, founded in 2018 and based in Tempe, AZ, together will provide a technology-enabled care coordination solution for Arkos Health's provider and payer partners. Currently providing services to more than 110,000 seniors, they serve at-risk and value-based organizations by driving down costs and improving quality of care. The three entities have become wholly owned subsidiaries of Arkos Health, with a merged executive leadership team. UPMC owns a financial stake in Arkos Health, while remaining both a customer and service provider.

An \$87.5 million construction project that began in January 2019 to expand services at UPMC Pinnacle West Shore in Mechanicsburg, PA, is nearing completion. In August 2020, the expansion of the Emergency Department was completed. The 8,000 extra square feet of space allows for seven additional fully private emergency exam rooms, an additional triage room, and a dedicated behavioral health space, increasing capacity by more than 30 percent. Providers can now see more patients, reduce wait times, and provide increasingly needed care to the community. In addition to the ED expansion, 12 new cardiac catheterization lab pre- and post-operative bays now support UPMC Heart and Vascular Institute's (HVI) nationally recognized cardiac services. Also nearly completed is the addition of more private patient rooms for medical, surgical, and cardiac care, additional operating rooms with larger pre- and post-operative space, new imaging technology, and enhanced clinical team support services.

UPMC continues to reinvest in other new facilities to advance high-quality clinical care for all the communities it serves. UPMC Hamot's seven story inpatient tower is on schedule to be completed by the end of 2020, and open for patients in early 2021. The largest construction project in Hamot's history, the \$111 million investment will allow for 64 new ICU beds, an expanded imaging department as well as three MRIs to meet the increasing demand for UPMC care in the Erie region. Meanwhile, construction is well under way for the UPMC Vision and Rehabilitation on the UPMC Mercy campus in Uptown Pittsburgh. The current timeline is to complete construction by December 2022 and see the first patients in May 2023. The \$490 million, 445,000 square-foot clinical and research tower will be the new home of the UPMC Ophthalmology and Physical Medicine and Rehabilitation Departments. The project also includes a structure to accommodate 1,100 vehicles.

In August 2020, UPMC opened a new outpatient center in South Hanover, PA, in the UPMC Pinnacle region. The two story, 43,000 square-foot facility offers Express Care, primary care, specialty care, and ancillary services to provide multi-specialty care under one roof, closer to home for residents south of Harrisburg, PA.

In August 2020, the UPMC Children's Express Care – Cranberry opened within the UPMC Lemieux Sports Complex in Cranberry, PA, providing pediatric care in a family friendly environment. The center is open evenings and weekends, and is staffed by UPMC Children's board-certified pediatricians, providing specialized treatment and care for minor injuries and illnesses. UPMC Children's operates seven other Express Care centers in southwestern PA.

In an effort to meet the increasing need for access to pediatric subspecialty care services in the Southwestern PA region, UPMC Children's Hospital of Pittsburgh in September 2020 opened a new specialty care center in Washington County, offering access to highly skilled specialists who will travel to the center and provide outpatient services, including diagnostic evaluations and follow-up care. Virtual visits are also available. Current pediatric subspecialists there include endocrinology, gastroenterology, and neurology. Additional subspecialties will be added over time at the center, located within Washington Hospital. UPMC Children's Express Care continues to provide services at this location for after-hours care of minor injuries and illnesses. Other Children's specialty care centers are located in Erie, Johnstown and Sharon, PA.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2020

(in millions)

	Health Services	Insurance Services	Eliminations	Consolidated
Revenues:				
Net patient service revenue	\$ 8,504	\$ -	\$ (1,748)	\$ 6,756
Insurance enrollment revenue	-	8,524	-	8,524
Other revenue	1,215	612	(174)	1,653
Total operating revenues	\$ 9,719	\$ 9,136	\$ (1,922)	\$ 16,933
Expenses:				
Salaries, professional fees and benefits	\$ 5,448	\$ 395	\$ (26)	\$ 5,817
Insurance claims expense	-	7,635	(1,748)	5,887
Supplies, purchased services and general	3,902	733	(148)	4,487
Depreciation and amortization	504	11	-	515
Total operating expenses	9,854	8,774	(1,922)	16,706
Operating income	\$ (135)	\$ 362	\$ -	\$ 227
Operating margin %	(1.4)%	4.0%	-	1.3%
Operating margin % (including income tax and interest expense)	(2.6)%	3.7%	-	0.5%
Operating EBIDA	\$ 369	\$ 373	\$ -	\$ 742
Operating EBIDA %	3.8%	4.1%	-	4.4%

Nine Months Ended September 30, 2019*

(in millions)

	Health Services	Insurance Services	Eliminations	Consolidated
Revenues:				
Net patient service revenue	\$ 8,356	\$ -	\$ (1,642)	\$ 6,714
Insurance enrollment revenue	-	7,401	-	7,401
Other revenue	864	498	(161)	1,201
Total operating revenues	\$ 9,220	\$ 7,899	\$ (1,803)	\$ 15,316
Expenses:				
Salaries, professional fees and benefits	\$ 5,117	\$ 336	\$ (22)	\$ 5,431
Insurance claims expense	-	6,802	(1,642)	5,160
Supplies, purchased services and general	3,625	692	(139)	4,178
Depreciation and amortization	450	24	-	474
Total operating expenses	9,192	7,854	(1,803)	15,243
Operating income	\$ 28	\$ 45	\$ -	\$ 73
Operating margin %	0.3%	0.6%	-	0.5%
Operating margin % (including income tax and interest expense)	(0.8)%	0.2%	-	0.0%
Operating EBIDA	\$ 478	\$ 69	\$ -	\$ 547
Operating EBIDA %	5.2%	0.9%	-	3.6%

*Prior year results have been adjusted to reflect the retrospective adoption of ASU 2017-07, *Presentation of Net Periodic Benefit Cost Related to Defined Benefit Plans*.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

Health Services

UPMC Health Services division ("Health Services") includes a comprehensive array of clinical capabilities consisting of hospitals, specialty service lines (e.g., transplantation services, woman care, behavioral health, pediatrics, cancer care and rehabilitation services), contract services (emergency medicine, pharmacy and laboratory) and 4,900 employed physicians with associated practices. Also included within Health Services are supporting foundations and UPMC's captive insurance programs. Hospital activity is monitored in four distinct groups: (i) academic hospitals that provide a comprehensive array of clinical services that include the specialty service lines listed above and serve as the primary academic and teaching centers for UPMC and are located in Pittsburgh; (ii) community hospitals that provide core clinical services mainly to the suburban Pittsburgh market place; (iii) regional hospitals that provide core clinical services to certain other areas of western (including Erie) and central (including Williamsport and Harrisburg) Pennsylvania; and (iv) pre- and post-acute care capabilities that include: UPMC HomeCare, a network of home health services, and UPMC Senior Communities, the facilities of which provide a complete network of senior living capabilities in greater Pittsburgh and surrounding counties. Health Services also includes international ventures which aim to bring new revenue streams into UPMC's domestic operations. International ventures currently include ISMETT, a transplant and specialty surgery hospital in Palermo, Italy, that has performed more than 2,200 transplants since its founding in 1999, a hospital system located in Ireland, a contract to provide management services for five world-class hospitals in partnership with Wanda Group in China, remote second-opinion pathology consultations for patients in China and Singapore, a national oncology treatment and research center in Kazakhstan, as well as the Advanced Radiosurgery Center of Excellence at San Pietro FBF Hospital in Rome.

Health Services operating income for the nine months ended September 30, 2020 decreased \$163 million versus the same period in the prior year primarily due to lower volumes as a result of the COVID-19 pandemic.

Insurance Services

UPMC holds various interests in health care financing initiatives and network care delivery operations that have nearly 3.9 million members as of September 30, 2020. UPMC Health Plan is a health maintenance organization ("HMO") offering coverage for commercial and Medicare members. UPMC for You is also an HMO, which is engaged in providing coverage to Medical Assistance & Medicare Special Needs Plan beneficiaries. UPMC Health Network offers preferred provider organization ("PPO") plan designs to serve Medicare beneficiaries. UPMC Health Options offers PPO plan designs to serve commercial beneficiaries. UPMC for Life is a Medicare product line offered by various companies within the Insurance Services division. UPMC Work Partners provides fully insured workers' compensation, and integrated workers' compensation and disability services to employers. Community Care Behavioral Health Organization ("Community Care") is a state-licensed HMO that manages the behavioral health services for Medical Assistance through mandatory managed care programs in Pennsylvania. Community HealthChoices ("CHC") is Pennsylvania's managed care program for individuals who are dual eligible for Medicaid and Medicare or qualify for Medicaid LTSS and is designed to increase opportunities for older Pennsylvanians and individuals with physical disabilities to remain in their homes and communities rather than in facilities.

Insurance Services operating income for the nine months ended September 30, 2020 increased by \$317 million versus the same period in the prior year due to increased enrollment, improvement in the operating results of the Community Health Choices product, and decreased expenses related to volume declines within the Insurance Services division's healthcare provider network related to the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

UPMC Enterprises

UPMC Enterprises leverages UPMC's integrated delivery and financing system capabilities to generate new revenue streams. This is accomplished by fostering new ideas for improvement in the delivery of health care, pursuing commercialization opportunities of digital solutions and developing strategic partnerships with industry leaders. Leveraging UPMC's long-standing reputation for academic and research excellence, UPMC Enterprises also sponsors the translation of basic science conducted in a research setting to its commercial use in bedside clinical practice, application in medical laboratories, or use across emerging venues where medicine is delivered. These ventures both support UPMC's core mission and help to stimulate the economy of western Pennsylvania.

UPMC Enterprises manages a portfolio that includes various product development initiatives and numerous operating companies with commercially available products and services directed toward the improvement of the delivery of health care. Unlike the Health Services and Insurance Services divisions, UPMC Enterprises' results are classified as investing and financing activity in the condensed consolidated statements of operations and changes in net assets, consistent with the long-term nature of developing and commercializing technology-enabled initiatives.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

REVENUE METRICS – HEALTH SERVICES

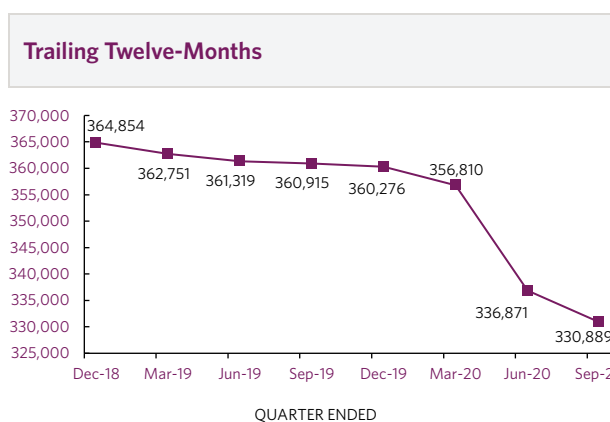
Medical-Surgical Admissions and Observation Visits

Inpatient activity as measured by medical-surgical admissions and observation visits at UPMC's hospitals for the nine months ended September 30, 2020 decreased 11% compared to the same period in 2019 driven by volume decreases as a result of the COVID-19 pandemic; however, volumes have since recovered to near pre-COVID-19 levels.

For the Nine Months Ended September 30			
(in thousands)	2020*	2019**	Change
Academic	83.1	94.4	(12)%
Community	37.8	43.5	(13)%
Regional	120.8	133.3	(9)%
Total	241.7	271.2	(11)%

*Excludes UPMC Western Maryland

**Reclassifications were made to prior year to conform to current year presentation



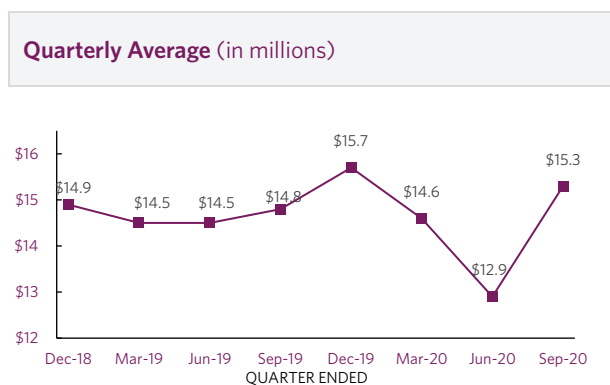
Outpatient Revenue per Workday

UPMC's outpatient activity for the nine months ended September 30, 2020 as measured by average revenue per workday decreased 4% compared to the same period in 2019. Decreases in revenue per workday in prior periods driven by volume declines related to the COVID-19 pandemic have since recovered as volumes have returned to near pre-COVID-19 levels. Hospital outpatient activity is measured on an equivalent workday ("EWD") basis to adjust for weekend and holiday hours.

For the Nine Months Ended September 30			
(in thousands)	2020*	2019**	Change
Academic	\$ 5,683	\$ 5,785	(2)%
Community	1,512	1,554	(3)%
Regional	6,828	7,245	(6)%
Total	\$ 14,023	\$ 14,584	(4)%

*Excludes UPMC Western Maryland

**Reclassifications were made to prior year to conform to current year presentation



MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

REVENUE METRICS – HEALTH SERVICES (CONTINUED)

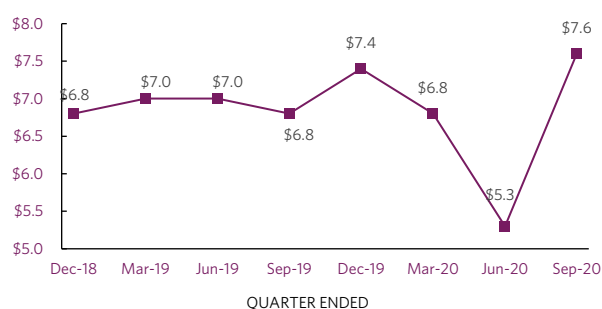
Physician Service Revenue per Weekday

UPMC's physician activity for the nine months ended September 30, 2020 as measured by average revenue per weekday decreased 6% from the comparable period in 2019. Decreases in revenue per weekday in prior periods driven by volume declines related to the COVID-19 pandemic have since recovered as volumes have returned to pre-COVID-19 levels. Physician services activity is measured on a weekday basis.

For the Nine Months Ended September 30			
(in thousands)	2020*	2019	Change
Academic	\$ 3,210	\$ 3,597	(11)%
Community	1,602	1,682	(5)%
Regional	1,749	1,719	2%
Total	\$ 6,561	\$ 6,998	(6)%

*Excludes UPMC Western Maryland

Quarterly Average (in millions)



Sources of Patient Service Revenue

The gross patient service revenues, before explicit and implicit price concessions, of UPMC are derived from payers which reimburse or pay UPMC for the services it provides to patients covered by such payers. The following table is a summary of the percentage of the subsidiary hospitals' gross patient service revenue by payer.

	Nine Months Ended September 30	
	2020*	2019
Medicare	47%	47%
Medicaid	17%	17%
UPMC Insurance Services Commercial	13%	14%
Highmark Commercial	9%	6%
National Insurers Commercial	6%	8%
Self-pay/Other	8%	8%
Total	100%	100%

*Excludes UPMC Western Maryland

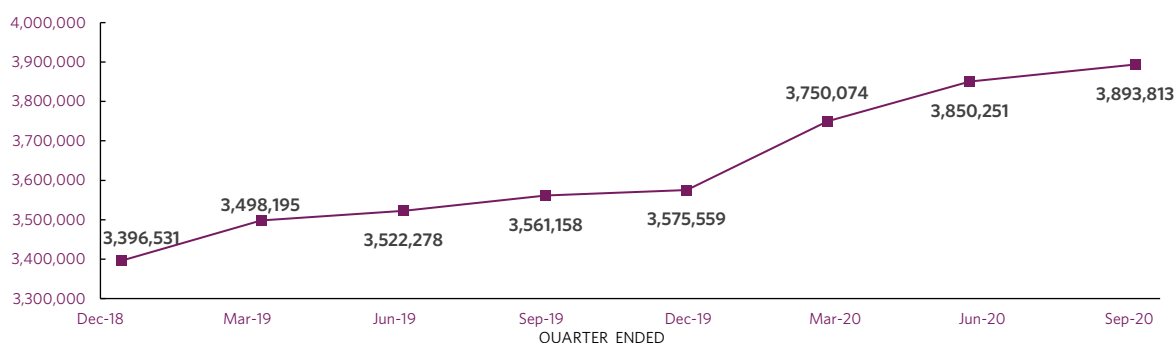
MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

OPERATING METRICS - INSURANCE SERVICES

Membership

Membership in the UPMC Insurance Services division increased to 3,893,813 as of September 30, 2020, a 9% increase versus September 30, 2019.

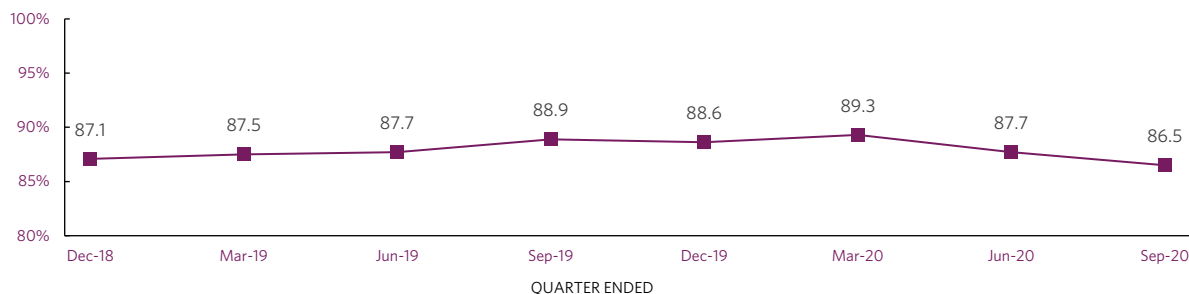


As of	September 30, 2020	September 30, 2019
Commercial Health	758,954	774,575
Medicare	195,793	192,257
Medicaid	469,151	418,799
Sub-Total Physical Health Products	1,423,898	1,385,631
Community HealthChoices	130,706	71,063
Behavioral Health	1,106,349	1,000,111
Sub-Total Health Products	2,660,953	2,456,805
Work Partners and Life Solutions	716,561	623,422
Ancillary Products	449,905	398,942
Evolent	66,394	81,989
Total Membership	3,893,813	3,561,158

Healthcare Spending Ratio

UPMC Insurance Services healthcare spending ratio has decreased to 86.5% as of September 30, 2020 from decreases in claims expenses as a result of the COVID-19 pandemic.

Trailing Twelve-Months



MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

KEY FINANCIAL INDICATORS

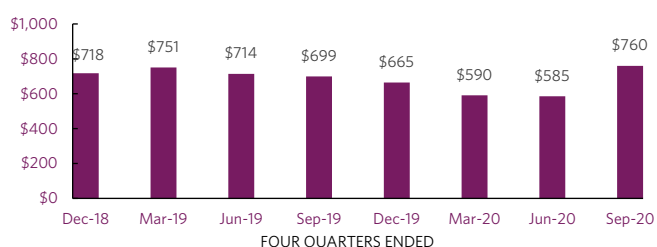
(Dollars in millions)

Operating Earnings before Interest, Depreciation and Amortization

Operating EBIDA for the nine months ended September 30, 2020 increased 36% as compared to the nine months ended September 30, 2019.

For the Nine Months Ended September 30			
(in thousands)	2020	2019*	Change
Operating Income	\$ 227	\$ 73	211%
Depreciation and Amortization	515	474	9%
Operating EBIDA	\$ 742	\$ 547	36%

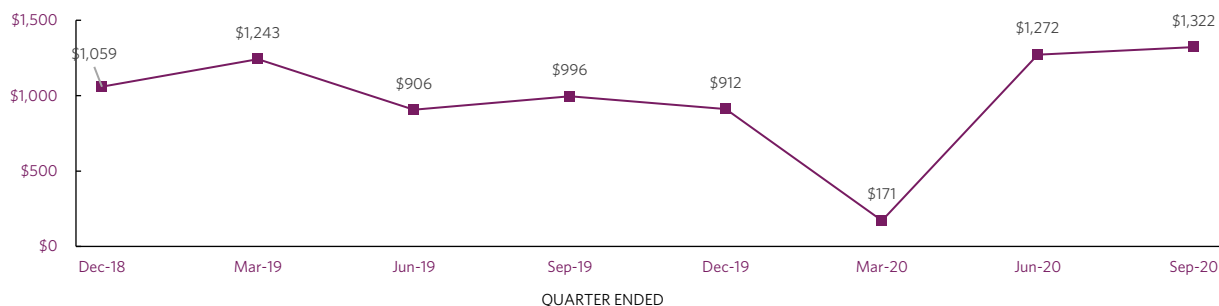
Trailing Twelve-Months EBIDA



*Prior year results have been adjusted to reflect the retrospective adoption of ASU 2017-07, *Presentation of Net Periodic Benefit Cost Related to Defined Benefit Plans*.

Unrestricted Cash and Investments Over Long Term Debt

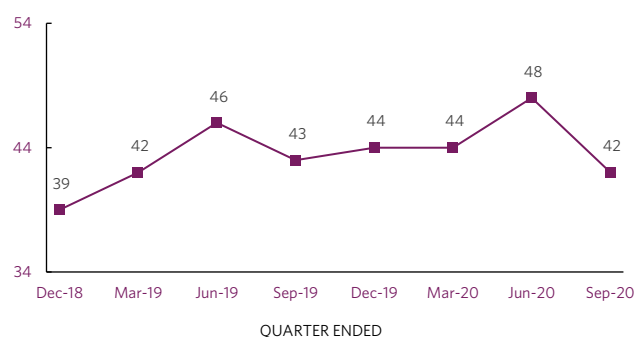
Unrestricted cash and investments over long term debt increased by \$410 million as compared to December 31, 2019 as operating activities exceeded investing activities.



Days in Net Accounts Receivable

Consolidated Days in Accounts Receivable continue to be lower than industry averages due to UPMC's rigorous procedures in this area.

By Receivable	2020 Balance	Days	
		Sep 30, 2020	Dec 31, 2019
Patient AR	\$ 1,196	46	45
Other AR	1,476	38	43
Consolidated	\$ 2,672	42	44



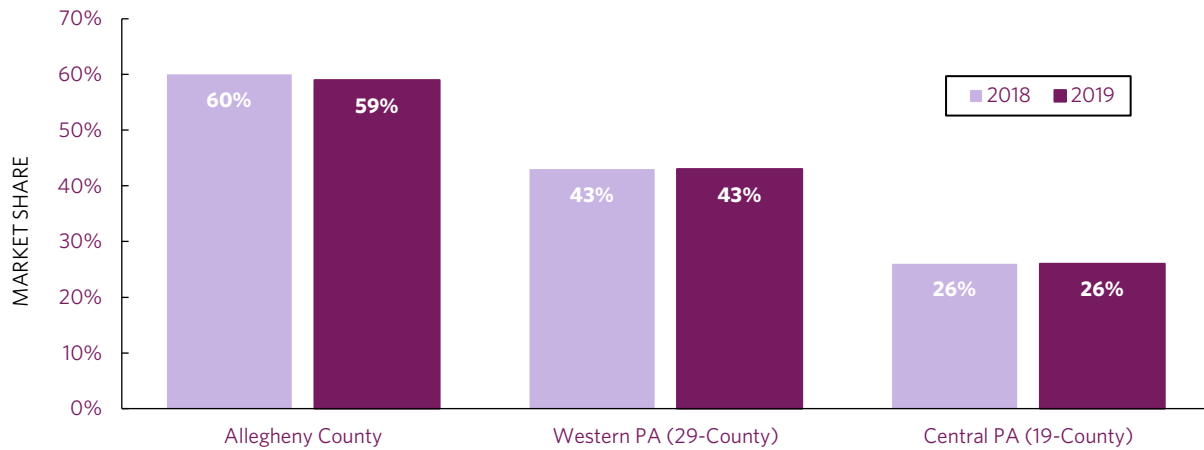
MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

Market Share

The chart below shows the change in UPMC's estimated inpatient market share for calendar years 2018 and 2019 by service area⁽¹⁾. This is the most recent market share data currently available.

UPMC INPATIENT MEDICAL-SURGICAL MARKET SHARE AS OF DECEMBER 31⁽²⁾



Source: Pennsylvania Health Care Cost Containment Council

⁽¹⁾ UPMC's three service areas are (1) Allegheny County, (2) a 29-county region including 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 and Westmoreland counties, and (3) a 19-county region including Adams, Clinton, Columbia, Cumberland, Dauphin, Franklin, Fulton, Juniata, Lancaster, Lebanon, Lycoming, Mifflin, Montour, Northumberland, Perry, Snyder, Tioga, Union, and York counties.

⁽²⁾ Excludes psychiatry and substance abuse discharges.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

ASSET AND LIABILITY MANAGEMENT

During the three months ended September 30, 2020, UPMC's investment portfolio returned 5.4%. As of September 30, 2020, UPMC utilized 151 ongoing external investment managers including 47 traditional managers, 11 hedge fund managers and 93 private capital managers. UPMC is also invested with an additional 38 legacy private capital and hedge fund managers. UPMC's investment portfolio has a long-term perspective and has generated annualized returns of 5.3%, 5.0% and 6.8% for the trailing one-, three- and five-year periods. As of September 30, 2020, 70% of UPMC's investment portfolio could be liquidated within three days.

UPMC's annualized cost of capital during the nine month period ended September 30, 2020 was 3.14%. This cost of capital includes the accrual of interest payments, the amortization of financing costs and original issue discount or premium, the ongoing costs of variable rate debt and the cash flow impact of derivative contracts. As of September 30, 2020, the interest rates on UPMC's long-term debt were approximately 76% fixed and 24% variable after giving effect to derivative contracts. Annualized interest cost for the variable rate debt for the period averaged 1.67%. The annualized interest cost for the fixed rate debt was 3.51%. UPMC's primary credit facility, which expires in January 2024, has a borrowing limit of \$600 million. As of September 30, 2020, UPMC had approximately \$84 million Letters of Credit outstanding under the credit facility leaving \$516 million available to fund operating and capital needs, of which \$500 million was drawn.

UPMC has credit facilities of \$19 million (a decrease from \$150 million to \$19 million from August 15 to May 14) and \$50 million with expiration dates in April 2022. Both credit facilities support the Insurance Services Division. As of September 30, 2020, there were no draws on either credit facility.

During 2020, UPMC's original financing plan was to issue approximately \$1.75 billion in long-term, fixed rate, tax exempt debt: \$1 billion to fund capital projects and \$750 million to refinance certain existing debt (the "Original 2020 Financing Plan"), increasing debt to approximately \$5.5 billion as of December 31, 2020.

Due to the uncertainty surrounding the governmental reaction to the COVID-19 outbreak, UPMC adopted an interim 2020 financing plan to increase working capital by temporarily issuing \$2.17 billion of debt. The interim financings consisted of a \$500 million draw from UPMC's existing revolving credit facility and taxable financings from five banks (Royal Bank of Canada, Barclays, Wells Fargo, Key Bank and an affiliate of J.P. Morgan) (the "Interim Financings"). The proceeds from the Interim Financings were intended to meet potential working capital needs. UPMC anticipated that, once those potential working capital needs passed, approximately \$1.2 billion of the proceeds from the Interim Financings would be used for certain of the purposes in the Original 2020 Financing Plan.

During the second quarter UPMC also issued the Series 2020A and 2020B tax-exempt revenue bonds to fund a portion of the capital project purposes of the Original 2020 Financing Plan and refund certain outstanding debt incurred in connection with UPMC's acquisition of UPMC Western Maryland, also as contemplated in the Original 2020 Financing Plan. Following the issuance of the Series 2020A and 2020B bonds, UPMC had over \$7 billion of debt outstanding.

Late in the second quarter of 2020, UPMC repaid \$420 million of the Interim Financings. During the third quarter of 2020, UPMC redeemed \$163 million of debt contemplated to be refinanced as part of the Original 2020 Financing Plan. Additionally, UPMC has invested \$1 billion of its unrestricted working capital to pay for capital projects in 2021 and 2022 as contemplated by the Original 2020 Financing Plan. Subsequent to the third quarter, UPMC directed its trustee to redeem an additional \$345 million of debt on November 2, 2020.

MANAGEMENT'S DISCUSSION & ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2020

As of September 30, 2020, UPMC had approximately \$2.9 billion of unregulated working capital. Subject to working capital needs, UPMC intends to repay additional debt by December 31, 2020 to achieve the targeted total of \$5.5 billion identified under the Original 2020 Financing Plan.

The table below compares reported Investing and Financing Activity for the nine months ended September 30, 2020 and 2019 by type.

Investing and Financing Activity by Type

Nine Months Ended September 30	2020	2019
<i>(in thousands)</i>		
Realized gain	\$ 136,763	\$ 182,291
Interest and dividends, net of fees	57,271	71,983
Realized investment revenue	\$ 194,034	\$ 254,274
Unrealized (loss) gain on derivative contracts	(912)	630
Other unrealized (loss) gain	(134,837)	170,172
Investment revenue	\$ 58,285	\$ 425,076
Gain (loss) on extinguishment of debt	2,246	(6,471)
Interest expense	(134,134)	(116,230)
UPMC Enterprises activity	(103,943)	(88,681)
(Loss) gain from investing and financing activities	\$ (177,546)	\$ 213,694

Sources and Uses of Cash

UPMC's primary source of operating cash is the collection of revenues and related accounts receivable. As of September 30, 2020, UPMC had approximately \$3.0 billion of cash and cash equivalents on hand.

Net cash provided by operating activities was \$1,518 million in the nine months ended September 30, 2020 compared to \$700 million in the nine months ended September 30, 2019. The increase in the current year versus the prior year is driven primarily by the receipt of approximately \$840 million in advance funding from CMS's Accelerated and Advance Payment Program. Operating EBIDA was \$742 million for the nine months ended September 30, 2020, compared to \$547 million for the nine months ended September 30, 2019.

Key uses of cash from investing activities for the nine month period ended September 30, 2020 include capital expenditures of \$599 million. Major capital projects included construction and improvements at UPMC Pinnacle, UPMC Susquehanna, and UPMC Mercy as well as ongoing expansion and improvement across the entirety of UPMC. Major information services projects included enhancements that are advancing UPMC's leading clinician centric computing environment, technology infrastructure that supports UPMC's diversified digital environment, investments in enterprise data analytics and other technologies that are transforming the consumer experience across the spectrum of health care.

UTILIZATION STATISTICS

PERIOD ENDED SEPTEMBER 30, 2020

The following table presents selected consolidated statistical indicators of medical-surgical, psychiatric, rehabilitation and skilled nursing patient activity for the nine months ended September 30, 2020 and 2019.

Nine Months Ended September 30	2020*	2019
Licensed Beds	8,665	8,378
BEDS IN SERVICE		
Medical-Surgical	4,830	4,763
Psychiatric	407	415
Rehabilitation	241	243
Skilled Nursing	1,442	1,443
Total Beds in Service	6,920	6,864
PATIENT DAYS		
Medical-Surgical	906,252	975,713
Psychiatric	89,326	95,822
Rehabilitation	54,481	55,337
Skilled Nursing	228,392	334,811
Total Patient Days	1,278,451	1,461,683
Average Daily Census	4,666	5,354
Observation Days	111,147	121,657
Obs Average Daily Census	406	446
ADMISSIONS AND OBSERVATION CASES		
Medical-Surgical	174,550	194,305
Observation Cases	67,153	76,885
Subtotal	241,703	271,190
Psychiatric	7,955	8,629
Rehabilitation	3,439	3,590
Skilled Nursing	2,072	3,640
Total Admissions and Observation Cases	255,169	287,049
Overall Occupancy	73%	84%
AVERAGE LENGTH OF STAY		
Medical-Surgical	5.2	5.0
Psychiatric	11.2	11.1
Rehabilitation	15.8	15.4
Skilled Nursing	110.2	92.0
Overall Average Length of Stay	6.8	7.0
Emergency Room Visits	682,770	836,838
TRANSPLANTS (DOMESTIC)		
Liver	140	108
Kidney	243	208
All Other	247	254
Total	630	570
OTHER POST-ACUTE METRICS		
Home Health Visits	581,022	610,547
Hospice Care Days	188,258	200,406
Outpatient Rehab Visits (CRS)	436,834	509,561

*Excludes UPMC Western Maryland

OUTSTANDING DEBT

PERIOD ENDED SEPTEMBER 30, 2020

(IN THOUSANDS)

Issuer	Original Borrower	Series	Amount Outstanding	
Allegheny County Hospital Development Authority	UPMC Health System	1997B	\$43,581	
	UPMC	2007A	53,304	
	UPMC	2010B	99,086	
	UPMC	2010C	50,000	
	UPMC	2010F	95,000	
	UPMC	2011A	73,070	
	UPMC	2017D	499,637	
Monroeville Finance Authority	UPMC	2019A	808,083	
	UPMC	2012	309,621	
	UPMC	2013B	52,587	
Pennsylvania Economic Development Financing Authority	UPMC	2014B	46,314	
	UPMC	2013A	109,751	
	UPMC	2014A	283,840	
	UPMC	2015B	119,447	
	UPMC	2016	240,929	
	UPMC	2017A	443,357	
	UPMC	2017B	95,244	
Erie County Hospital Authority	UPMC	2017C	134,599	
	UPMC	2020A	278,466	
	Hamot Health Foundation	2010A	8,488	
	Lycoming County Authority	The Williamsport Hospital	2011	11,806
		Laurel Health System	2010	6,675
	Tioga County Industrial Development Authority	Laurel Health System	2011	5,023
		Pinnacle Health System	2012A	136,434
Dauphin County General Authority	Pinnacle Health System	2016A	100,786	
	Pinnacle Health System	2016B	85,170	
	Hanover Hospital	2013	8,348	
General Authority of Southcentral Pennsylvania	Hanover Hospital	2015	23,226	
	Potter County Hospital Authority	UPMC	2018A	17,886
Somerset County Hospital Authority	Somerset Hospital	2009	1,047	
	Somerset Hospital	2015A	17,000	
Maryland Health and Higher Education Facilities Authority	UPMC	2020B	205,395	
None	UPMC	2011B	99,847	
	UPMC	2018B	187	
	UPMC	2020D	748,890	
	UPMC	2020 Term Loans ¹	412,691	
	UPMC	COVID Financings ¹	87,180	
	Susquehanna Health Innovation Center	New Market Tax Credit	17,409	
	Somerset Management Services	2013	1,628	
	Various	Financing Leases & Loans	135,244	
		Swap Liabilities	7,207	
	Total			\$ 5,973,483

¹Includes original issue discount and premium, Deferred Financing Costs, and other.

Source: UPMC Records

¹Includes allocation of a portion of a \$300M Term Loan

DEBT COVENANT CALCULATIONS

PERIOD ENDED SEPTEMBER 30, 2020

DEBT SERVICE COVERAGE RATIO

(Dollars in thousands)

	Trailing Twelve-Month Period Ended September 30, 2020	
Excess of revenues over expenses	\$	386,228
ADJUSTED BY:		
Net Unrealized Gains during Period ¹		(37,082)
Depreciation and Amortization ¹		679,064
Gain on Defeasance of Debt ¹		(2,246)
Inherent Contribution ¹		(160,030)
Realized Investment Impairments		(6,766)
Interest Expense		160,977
Revenues Available for Debt Service	\$	1,020,145
Historical Debt Service Requirements - 2007 Master Trust Indenture	\$	317,684
Debt Service Coverage Ratio - 2007 Master Trust Indenture		3.21X
Historical Debt Service Requirements - All Debt and Financing Leases	\$	354,118
Debt Service Coverage Ratio - All Debt and Financing Leases		2.88X

LIQUIDITY RATIO AS OF SEPTEMBER 30, 2020

Unrestricted Cash and Investments	\$	8,621,350
Master Trust Indenture Debt	\$	5,575,997
Unrestricted Cash to Master Trust Indenture Debt		1.55

⁽¹⁾ Non-Cash.

I hereby certify to the best of my knowledge that, as of September 30, 2020, UPMC is in compliance with the applicable covenants contained in the financing documents for the bonds listed on the cover hereof and all applicable bank lines of credit and no Event of Default (as defined in any related financing document) has occurred and is continuing.



C. Talbot Heppenstall, Jr.
Treasurer
UPMC

Unaudited Interim Condensed Consolidated Financial Statements

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

REVIEW REPORT OF INDEPENDENT AUDITORS

The Board of Directors
UPMC
Pittsburgh, Pennsylvania

We have reviewed the condensed consolidated financial information of UPMC, which comprise the condensed consolidated balance sheet as of September 30, 2020, and the related condensed consolidated statements of operations and changes in net assets for the three and nine month periods ended September 30, 2020 and 2019 and condensed consolidated cash flows for the nine month periods ended September 30, 2020 and 2019.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the condensed financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with U.S. generally accepted accounting principles.

Auditor's Responsibility

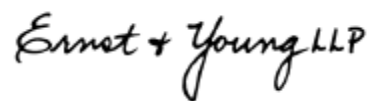
Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Report on Condensed Consolidated Balance Sheet as of December 31, 2019

We have previously audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of UPMC as of December 31, 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended (not presented herein); and we expressed an unqualified audit opinion on those audited consolidated financial statements in our report dated February 25, 2020. In our opinion, the accompanying condensed consolidated balance sheet of UPMC as of December 31, 2019, is consistent, in all material respects, with the consolidated balance sheet from which it has been derived.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Pittsburgh, Pennsylvania
November 24, 2020

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(IN THOUSANDS)

	As of	
	September 30, 2020	December 31, 2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,961,570	\$ 351,216
Patient accounts receivable	1,196,455	1,164,840
Other receivables	1,475,783	1,348,964
Securities lending collateral	49,448	73,140
Other current assets	405,061	382,943
Total current assets	6,088,317	3,321,103
Board-designated, restricted, trustee and other investments	7,051,283	6,248,658
Beneficial interests in foundations and trusts	599,625	624,691
Net property, buildings and equipment	6,029,391	5,689,785
Operating lease right-of-use assets	1,046,995	1,080,715
Other assets	573,634	529,546
Total assets	\$ 21,389,245	\$ 17,494,498
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 755,612	\$ 669,672
Accrued salaries and related benefits	982,785	793,243
Current portion of insurance reserves	959,480	759,520
Payable under securities lending agreement	49,448	73,140
Current portion of long-term obligations	479,722	316,162
Short-term debt	500,000	-
Other current liabilities	1,618,672	536,405
Total current liabilities	5,345,719	3,148,142
Long-term obligations	5,493,761	4,231,077
Long-term insurance reserves	382,102	366,100
Operating lease noncurrent liabilities	975,370	1,010,207
Other noncurrent liabilities	622,490	430,863
Total liabilities	12,819,442	9,186,389
Net assets without donor restrictions	7,396,351	7,141,410
Net assets with donor restrictions	1,173,452	1,166,699
Total net assets	8,569,803	8,308,109
Total liabilities and net assets	\$ 21,389,245	\$ 17,494,498

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (UNAUDITED)

(IN THOUSANDS)

	Nine Months Ended September 30		Three Months Ended September 30	
	2020	2019	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net patient service revenue	\$ 6,755,688	\$ 6,713,773	\$ 2,430,505	\$ 2,298,859
Insurance enrollment revenue	8,524,085	7,401,103	2,878,688	2,443,948
Other revenue	1,652,873	1,200,655	501,693	382,436
Total operating revenues	16,932,646	15,315,531	5,810,886	5,125,243
Expenses:				
Salaries, professional fees and employee benefits	5,817,323	5,431,714	1,977,440	1,831,225
Insurance claims expense	5,886,391	5,160,376	1,986,146	1,727,835
Supplies, purchased services and general	4,486,944	4,176,553	1,506,928	1,412,021
Depreciation and amortization	515,252	474,387	172,154	160,510
Total operating expenses	16,705,910	15,243,030	5,642,668	5,131,591
Operating income	226,736	72,501	168,218	(6,348)
Inherent contribution	164,523	1,608	(1,811)	(7,775)
Other non-operating gain	53,658	20,595	17,886	6,424
Income tax expense	(3,964)	(10,898)	(968)	(2,182)
After-tax income	\$ 440,953	\$ 83,806	\$ 183,325	\$ (9,881)
Investing and financing activities:				
Investment revenue (loss)	58,285	425,076	312,354	(14,545)
Interest expense	(134,134)	(116,230)	(45,370)	(34,785)
Gain (loss) on extinguishment of debt	2,246	(6,471)	2,006	66
UPMC Enterprises activity:				
Portfolio company revenue	28,604	60,105	9,326	25,600
Portfolio company and development expense	(132,547)	(148,786)	(32,953)	(41,411)
(Loss) gain from investing and financing activities	(177,546)	213,694	245,363	(65,075)
Excess of revenues over expenses (expenses over revenues)	263,407	297,500	428,688	(74,956)
Other changes in net assets without donor restrictions	(8,466)	(27,613)	(9,052)	(800)
Change in net assets without donor restrictions	254,941	269,887	419,636	(75,756)
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions and other changes	34,908	15,170	20,136	8,950
Net realized and unrealized (losses) gains on restricted investments	(5,581)	9,861	3,625	2,694
Restricted net assets acquired	12,138	1,525	-	-
Assets released from restriction for operations and capital purchases	(9,646)	(10,116)	(2,022)	(2,808)
Change in beneficial interests in foundations and trusts	(25,066)	51,051	18,480	13,029
Change in net assets with donor restrictions	6,753	67,491	40,219	21,865
Change in net assets	261,694	337,378	459,855	(53,891)
Net assets, beginning of period	8,308,109	7,735,055	8,109,948	8,126,324
Net assets, end of period	\$ 8,569,803	\$ 8,072,433	\$ 8,569,803	\$ 8,072,433

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(IN THOUSANDS)

Nine Months Ended September 30

	2020	2019
OPERATING ACTIVITIES		
Change in total net assets	\$ 261,694	\$ 337,378
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	515,252	474,387
Change in beneficial interest in foundations and trusts	25,066	(51,051)
Restricted contributions and investment revenue	(29,327)	(25,031)
Restricted net assets acquired through affiliations	(12,138)	(1,525)
Unrealized losses (gains) on investments	134,837	(170,172)
Realized gains on investments	(194,034)	(182,291)
Net change in non-alternative investments	(454,791)	382,318
Inherent contribution	(164,523)	(1,608)
Changes in operating assets and liabilities:		
Accounts receivable	(108,454)	(242,278)
Other current assets	13,241	127,128
Accounts payable and accrued liabilities	240,999	217,999
Insurance reserves	215,962	67,537
Other current liabilities	1,052,564	(229,782)
Other noncurrent assets and liabilities	64,158	29,983
Other operating changes	(42,254)	(32,749)
Net cash provided by operating activities	1,518,252	700,243
INVESTING ACTIVITIES		
Purchase of property and equipment (net of disposals)	(587,966)	(705,009)
UPMC Enterprises investments in joint ventures	(34,000)	(14,500)
Cash acquired through affiliations	43,011	21,272
Net change in investments designated as nontrading	(63,650)	(22,707)
Net change in alternative investments	(53,781)	240,870
Net change in other assets	30,035	12,793
Net cash used in investing activities	(666,351)	(467,281)
FINANCING ACTIVITIES		
Repayments of long-term obligations	(1,340,531)	(1,288,061)
Borrowings of long-term obligations	3,069,657	1,174,132
Restricted contributions and investment income	29,327	25,031
Net cash provided by (used in) financing activities	1,758,453	(88,898)
Net change in cash, cash equivalents, and restricted cash	2,610,354	144,064
Cash, cash equivalents, and restricted cash, beginning of period	351,216	277,324
Cash, cash equivalents, and restricted cash, end of period	\$ 2,961,570	\$ 421,388
SUPPLEMENTAL INFORMATION		
Finance lease obligations incurred to acquire assets	\$ 10,972	\$ 16,710

See accompanying notes

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

1. BASIS OF PRESENTATION

UPMC is a Pennsylvania nonprofit corporation and is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) of the Code. Headquartered in Pittsburgh, Pennsylvania, UPMC is one of the world's leading integrated delivery and financing systems. UPMC comprises nonprofit and for-profit entities offering medical and health care-related services, including health insurance products. Closely affiliated with the University of Pittsburgh ("University") and with shared academic and research objectives, UPMC partners with the University's Schools of the Health Sciences to deliver outstanding patient care, train tomorrow's health care specialists and biomedical scientists, and conduct groundbreaking research on the causes and course of disease.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. The accompanying unaudited interim condensed consolidated financial statements include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation. For further information, refer to the audited consolidated financial statements and notes thereto as of and for the twelve month period ended December 31, 2019.

2. COVID-19

The potential for a global or regional pandemic, such as the current COVID-19 pandemic, is a potential risk for all companies within the healthcare industry and beyond. As an integrated healthcare delivery and finance system, all three divisions within UPMC can potentially be exposed to various risks presented by a pandemic, whether financial, operational, regulatory, brand or reputational in nature. UPMC has systemwide and division-specific business continuity plans and contingency preparation activities to address the wide-ranging people, process and technology issues that can prospectively manifest themselves in the form of different risks associated with such pandemic scenarios and to ensure the continued operations of critical functions/activities. The primary focus in all such preparedness activities is the health, well-being and safety of our employees, patients, members, and other constituents, which constitutes the most substantial potential risk in pandemic situations. However, the potential inability to keep pace with, and proactively manage, the rapidly evolving, dynamic and developing scenarios that pandemics tend to present is a potential organizational risk that UPMC continually addresses and seeks to mitigate.

UPMC and its subsidiaries have and expect to continue to experience effect in operations as a result of the COVID-19 pandemic. Primarily in response to directives from various elected officials to attempt to quell the spread of the disease, UPMC's Health Services division experienced reductions in volumes during the second quarter before volumes began returning to near pre-COVID-19 levels towards the end of June. While demand for our services has rebounded and is expected to continue to increase in the future, we have taken, and continue to take, various actions to increase our liquidity and mitigate the effect of the pandemic. The outcome and ultimate effect of COVID-19 on UPMC's financial statements cannot be determined at this time.

On March 27, 2020, the federal government enacted the CARES Act that provides, among other funding sources, relief funds to hospitals and other healthcare providers on the front lines of the COVID-19 response. This funding is to be used to support healthcare related expenses or lost revenue attributable to COVID-19. Beginning in April 2020, over 90 individual UPMC facilities received an aggregate of approximately \$400,000 of CARES Act funding as of September 30, 2020, of which approximately \$318,000 was recognized as other operating revenue for the nine months ended September 30, 2020. The remaining government payments received will be recognized in operations as other operating revenue in future periods, subject to complying with certain terms and conditions and on-going regulatory clarifications.

In order to increase cash flow to providers of services and suppliers impacted by the COVID-19 pandemic, the Centers for Medicare & Medicaid Services ("CMS") has expanded the current Accelerated and Advance Payment Program. Beginning in

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

April 2020, 185 individual national provider identifier entities of UPMC, an identifier used by CMS for provider facilities, received advance funding that aggregated to a total of approximately \$840,000 in other current liabilities on the balance sheet, as of September 30, 2020. In October 2020, a bill was signed into law which changed the original Medicare loan repayment terms for healthcare providers allowing recoupment to begin one year after the Medicare Accelerated and Advance Payment Program loan was issued, an extension from 120 days under previous law. The recoupment rate has been changed to allow providers 29 months after receipt of the advances to pay back the funds in full before interest would begin to accrue.

In response to the effect of COVID-19 on UPMC's operating results and in accordance with the provisions of ASC 350 *Intangibles - Goodwill and Other* and ASC 360 *Property, Plant and Equipment*, UPMC assessed its long lived and intangible assets for indicators of impairment. While COVID-19 did adversely impact UPMC's operating results, UPMC does not believe that the effects are significant enough or of a long enough duration to indicate impairment as of and for the three and nine month periods ended September 30, 2020. UPMC will continue to assess potential indicators of impairment in all future periods.

3. BUSINESS COMBINATIONS

On February 1, 2020, UPMC and Western Maryland Health System ("WMHS"), executed an Integration and Affiliation Agreement (the "Agreement") providing for an affiliation between UPMC and WMHS. The transaction is intended to preserve and enhance the mission of WMHS and to advance its ability to provide high-quality health services to its communities. On the date of the affiliation, the articles of incorporation and bylaws of WMHS were amended such that UPMC became the sole corporate member.

As a result of this affiliation, UPMC acquired approximately \$534,000 of total assets, consisting of \$241,000 of property, plant and equipment, \$173,000 of cash and investments, \$78,000 of current and long-term assets and \$42,000 of accounts receivable, assumed approximately \$358,000 of total liabilities including \$210,000 of long-term debt obligations, \$97,000 of pension obligations, and current and long-term liabilities of \$51,000, and acquired approximately \$12,000 of restricted net assets.

The purchase accounting is preliminary primarily subject to the completion of the fair value assessment. Material adjustments, if any, to provisional amounts in subsequent periods, will be reflected as required as adjustments to assets and liabilities acquired, along with an offsetting adjustment to inherent contribution in the period in which the purchase price allocation is completed. For this affiliation, UPMC applied the not-for-profit business combination accounting guidance. The guidance primarily characterizes business combinations between not-for-profit entities as nonreciprocal transfers of assets resulting in the contribution of the acquiree's net assets to the acquirer. The guidance prescribes that the acquirer recognizes an excess of the acquisition date fair value of the unrestricted net assets acquired over the fair value of the consideration transferred as a separate credit in its statement of operations and changes in net assets as of the acquisition date. Accordingly, UPMC recognized an inherent contribution related to the unrestricted net assets acquired in the transaction of approximately \$164,000 in its statement of operations and changes in net assets for the nine month period ended September 30, 2020. The inherent contribution recorded for the period is based on the preliminary fair market values of the unrestricted net assets acquired. UPMC Western Maryland, contributing \$224,000 of total operating revenues to UPMC's consolidated results, would have contributed an additional \$32,000 of total operating revenues had it been consolidated for the entire nine month period ended September 30, 2020.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

4. NEW ACCOUNTING PRONOUNCEMENTS

In September 2020, the Financial Accounting Standards Board ("FASB") released accounting standards update ("ASU") 2020-07 *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash and other financial assets. Adoption of this standard is to be applied on a retrospective basis for annual periods beginning after June 15, 2021 and interim periods within the subsequent year. Early adoption is permitted. The adoption of ASU 2020-07 is not expected to have a material impact on UPMC's results from operations, cash flows or debt covenants.

5. REVENUE

Net Patient Service Revenue

UPMC's net patient service revenue is reported at the amount that reflects the consideration to which UPMC expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs), and others and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, UPMC bills the patients and third-party payers several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by UPMC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. UPMC believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to inpatient services. UPMC measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and UPMC does not believe it is required to provide additional goods or services to the patient.

The majority of UPMC's services are rendered to patients with third-party coverage. Reimbursement under these programs for all payers is based on a combination of prospectively determined rates, discounted charges and historical costs. Amounts received under Medicare and Medical Assistance programs are subject to review and final determination by program intermediaries or their agents and the contracts UPMC has with commercial payers also provide for retroactive audit and review of claims. Agreements with third-party payers typically provide for payments at amounts less than established charges. Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. UPMC also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. UPMC estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods if final settlements differ from estimates. Adjustments arising from a change to previously estimated transaction prices were not significant in the three or nine months ended September 30, 2020 or 2019.

Consistent with UPMC's mission, care is provided to patients regardless of their ability to pay. UPMC has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

amounts billed to patients and the amounts UPMC expects to collect based on its collection history with those patients. Patients who meet UPMC's criteria for charity care are provided care without charge or at amounts less than established rates and UPMC has determined it has provided an implicit price concession. Price concessions including charity care are not reported as net patient service revenue.

The composition of net patient service revenue for the three and nine months ended September 30, 2020 and 2019, primarily resulting from patients in the western Pennsylvania region, are as follows:

Periods Ended September 30	Nine Months Ended		Three Months Ended	
	2020	2019	2020	2019
Medicare	39%	39%	40%	41%
Commercial	37%	38%	38%	37%
Medicaid	17%	15%	14%	15%
Self-pay/other	7%	8%	8%	7%
	100%	100%	100%	100%

Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. UPMC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from Medicare and Medical Assistance programs. As a result, there is at least a reasonable possibility that the recorded estimates may change.

Insurance Enrollment Revenue

UPMC's insurance subsidiaries (collectively, "Health Plans") provide health care services on a prepaid basis under various contracts. Insurance enrollment revenues are recognized as income in the period in which enrollees are entitled to receive health care services, which represents the performance obligation. Health care premium payments received from UPMC's members in advance of the service period are recorded as unearned revenues.

Insurance enrollment revenues include commercial, Medicare, Medicaid and behavioral health contracts. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. UPMC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the programs. As a result, there is at least a reasonable possibility that recorded estimates may change.

Other Revenue

UPMC's other revenue consists of various contracts related to its Health Services and Insurance Services divisions. These contracts vary in duration and in performance obligations. In evaluating these contracts for compliance with ASU 2014-09, *Revenue from Contract with Customers*, there were no changes to the nature, timing or extent of revenues previously recognized or how revenues are recognized prospectively. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collectability is probable.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

6. FAIR VALUE MEASUREMENTS

As of September 30, 2020, UPMC held certain assets that are required to be measured at fair value on a recurring basis. These include cash and cash equivalents and certain board-designated, restricted, trustee, and other investments and derivative instruments. Certain alternative investments are measured using the equity method of accounting and are therefore excluded from the fair value hierarchy tables presented herein. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are generally unsupported by market activity. The three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, includes:

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables represent UPMC's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2020 and December 31, 2019. The interest rate swaps are valued using internal models, which are primarily based on market observable inputs including interest rate curves. When quoted market prices are unobservable for fixed income securities, quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates, where applicable, are used for valuation purposes. These investments are included in Level 2 and include corporate fixed income, government bonds, and mortgage and asset-backed securities.

Other investments measured at fair value represent funds included on the condensed consolidated balance sheets that are reported using the net asset value practical expedient as prescribed by ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. These amounts are not required to be categorized in the fair value hierarchy. The fair value of these investments is based on the net asset value ("NAV") information provided by the general partner. Fair value is based on the proportionate share of the NAV based on the most recent partners' capital statements received from the general partners, which is generally one quarter prior to the balance sheet date. With the adoption of ASU 2016-01, *Financial Instruments*, certain of UPMC's alternative investments are now utilizing NAV to calculate fair value and are included in other investments in the following tables.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

FAIR VALUE MEASUREMENTS AS OF SEPTEMBER 30, 2020

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Fixed income	\$ 1,684,523	\$ 1,441,819	\$ -	\$ -	\$ 3,126,342
Domestic equity	862,532	15,114	-	-	877,646
International equity	599,081	697	-	-	599,778
Public real estate	65,418	-	-	-	65,418
Long/short equity	35,911	-	-	-	35,911
Absolute equity	19,139	-	-	-	19,139
Commodities	6,555	-	-	-	6,555
Derivative instruments	-	598	-	-	598
Securities on loan	208,785	-	-	-	208,785
Securities lending collateral	49,448	-	-	-	49,448
Alternative and other investments at NAV	-	-	-	1,319,081	1,319,081
Total assets measured at fair value on a recurring basis	\$ 3,531,392	\$ 1,458,228	\$ -	\$ 1,319,081	\$ 6,308,701
LIABILITIES					
Payable under securities lending agreement	\$ (49,448)	\$ -	\$ -	\$ -	\$ (49,448)
Derivative instruments	-	(7,207)	-	-	(7,207)
Total liabilities measured at fair value on a recurring basis	\$ (49,448)	\$ (7,207)	\$ -	\$ -	\$ (56,655)

FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2019

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Fixed income	\$ 744,751	\$ 1,248,921	\$ -	\$ -	\$ 1,993,672
Domestic equity	792,501	17,915	-	-	810,416
International equity	723,059	118	-	-	723,177
Public real estate	69,746	-	-	-	69,746
Long/short equity	65,424	-	-	-	65,424
Absolute equity	24,077	-	-	-	24,077
Commodities	5,379	-	-	-	5,379
Derivative instruments	-	532	-	-	532
Securities on loan	218,933	-	-	-	218,933
Securities lending collateral	73,140	-	-	-	73,140
Alternative and other investments at NAV	-	-	-	1,664,883	1,664,883
Total assets measured at fair value on a recurring basis	\$ 2,717,010	\$ 1,267,486	\$ -	\$ 1,664,883	\$ 5,649,379
LIABILITIES					
Payable under securities lending agreement	\$ (73,140)	\$ -	\$ -	\$ -	\$ (73,140)
Derivative instruments	-	(6,230)	-	-	(6,230)
Total liabilities measured at fair value on a recurring basis	\$ (73,140)	\$ (6,230)	\$ -	\$ -	\$ (79,370)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

7. FINANCIAL INSTRUMENTS

UPMC's investments in debt and equity securities are classified as trading. This classification requires UPMC to recognize unrealized gains and losses on its investments in debt and equity securities as investment revenue in the condensed consolidated statements of operations and changes in net assets. Unrealized gains and losses on donor-restricted assets are recorded as changes in net assets with donor restrictions in the condensed consolidated statements of operations and changes in net assets. Gains and losses on the sales of securities are determined by the average cost method. Realized gains and losses are included in investment revenue in the condensed consolidated statements of operations and changes in net assets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices or model-driven valuations. Cash and cash equivalents and investments recorded at fair value aggregate to \$9,220,225 and \$5,926,923 at September 30, 2020 and December 31, 2019, respectively. As of September 30, 2020 and December 31, 2019, respectively, UPMC has \$2,816,721 and \$2,080,508 of total cash and investments that are held by UPMC's captive and regulated entities.

Investments in limited partnerships that invest in nonmarketable securities are primarily recorded at fair value using the NAV practical expedient if the ownership percentage is less than 5% and are reported using the equity method of accounting if the ownership percentage is greater than 5%. UPMC had \$792,628 and \$672,951 of alternative investments accounted for under the equity method, which approximates fair value, at September 30, 2020 and December 31, 2019, respectively.

UPMC participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the condensed consolidated balance sheet. Total collateral is required to have a market value between 102% and 105% of the market value of securities loaned. As of September 30, 2020 and December 31, 2019, respectively, securities loaned, of which UPMC maintains ownership, total \$208,785 and \$218,933, and total collateral (cash and noncash) received related to the securities loaned was \$218,345 and \$226,910.

In May 2020, UPMC issued the Series 2020A and 2020B tax-exempt revenue bonds with a total par value of \$449,585, as well as Series 2020D notes totaling \$750,000, to fund capital projects and refund certain outstanding debts. Additionally, UPMC issued taxable instruments of \$300,000 and \$200,000 during the nine months ended September 30, 2020. UPMC's primary credit facility, which expires in January 2024, has a borrowing limit of \$600,000. As of September 30, 2020, UPMC had approximately \$84,000 in letters of credit outstanding under the credit facility leaving \$516,000 available to fund operating and capital needs, of which \$500,000 was drawn. Additionally, UPMC has credit facilities of \$19 million (a decrease from \$150 million to \$19 million from August 15 to May 14) and \$50,000 with expiration dates in April 2022. Both of these credit facilities support the Insurance Services Division.

8. DERIVATIVE INSTRUMENTS

UPMC uses derivative financial instruments to manage exposures on its debt. By using derivatives to manage these risks, UPMC exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivatives. When the fair value of a derivative is positive, the counterparty owes UPMC, which creates credit risk for UPMC. When the fair value of a derivative is negative, UPMC owes the counterparty and, therefore, it does not incur credit risk. UPMC minimizes the credit risk in derivatives by entering into transactions that require the counterparty to post collateral for the benefit of UPMC based on the credit rating of the counterparty and the fair value of the derivative. If UPMC has a derivative in a liability position, the counterparty bears UPMC's credit risk and fair market values could be adjusted downward. Market risk is the effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

UPMC maintains interest rate swap programs on certain of its debt in order to manage its interest rate risk. To meet this objective, UPMC entered into various interest rate swap agreements. The notional amount under each agreement is reduced over the term of the respective agreement to correspond with reductions in various outstanding bonds series.

The following table summarizes UPMC's interest rate swap agreements:

Swap	Maturity Date	UPMC Pays	UPMC Receives	Notional Amount at	
				Sep 30, 2020	Dec 31, 2019
Floating to fixed	2025	3.60%	68% one-month LIBOR	\$ 70,220	\$ 70,220
Basis	2021	SIFMA Index ¹	67% three-month LIBOR plus .2077%	7,375	14,485
Basis	2037	SIFMA Index ¹	67% three-month LIBOR plus .3217%	46,095	46,095
Floating to fixed	2024	1.413%	67% one-month LIBOR	8,500	8,500
				\$ 132,190	\$ 139,300

¹The SIFMA Index is a 7-day high-grade market index comprised of tax-exempt variable rate demand obligations.

Pursuant to master netting arrangements, UPMC has the right to offset the fair value of amounts recognized for derivatives, including the right to reclaim or obligation to return cash collateral from/to counterparties. The fair values of UPMC's derivative financial instruments are presented below, representing the gross amounts recognized as of September 30, 2020 and December 31, 2019 which are not offset by counterparty or by type of item hedged:

	Sep 30, 2020	Dec 31, 2019
Other assets	\$ 598	\$ 532
Long-term obligations	(7,207)	(6,230)
	\$ (6,609)	\$ (5,698)

The accounting for changes in the fair value (i.e., unrealized gains or losses) of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. None of UPMC's derivatives outstanding as of September 30, 2020 and December 31, 2019 are designated as hedging instruments and as such, changes in fair value are recognized in investing and financing activities as investment revenue in the condensed consolidated statements of operations and changes in net assets. Certain of UPMC's derivatives contain provisions that require UPMC's debt to maintain an investment grade credit rating from certain major credit rating agencies. If UPMC's debt were to fall below investment grade, it would be in violation of these provisions and the counterparties to the derivatives could request payment or demand immediate and ongoing full overnight collateralization on derivatives in net liability positions.

9. PENSION PLANS

UPMC and its subsidiaries maintain defined benefit pension plans (the "Plans"), defined contribution plans and nonqualified pension plans that cover substantially all UPMC's employees. Benefits under the Plans vary and are generally based upon the employee's earnings and years of participation.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

The components of net periodic pension cost, of which only service cost is included in operating income on the condensed consolidated statements of operations and changes in net assets, for the Plans are as follows:

	Nine Months Ended September 30		Three Months Ended September 30	
	2020	2019	2020	2019
Service cost	\$ 114,930	\$88,804	\$ 38,310	\$ 29,146
Interest cost	56,628	72,309	18,876	24,491
Expected return on plan assets	(126,360)	(118,498)	(42,120)	(39,423)
Recognized net actuarial loss	20,016	29,536	6,672	9,822
Amortization of prior service credit	(3,942)	(3,942)	(1,314)	(1,314)
Net periodic pension cost	\$ 61,272	\$ 68,209	\$ 20,424	\$ 22,722

10. LEASES

UPMC has operating and finance leases for corporate offices, physician offices and various equipment types, among others. These lease arrangements have remaining lease terms of one year to 64 years, some of which include options to extend the leases for several periods, and some of which include options to terminate the leases within one year. Balance sheet information related to leases were as follows:

	As of September 30 2020
OPERATING LEASES	
Operating lease right-of-use assets	\$ 1,046,995
Other current liabilities	122,004
Operating lease liabilities	975,370
Total operating lease liabilities	\$ 1,097,374
FINANCE LEASES	
Property, plant and equipment, net	\$ 100,459
Other current liabilities	23,688
Other noncurrent liabilities	72,902
Total finance lease liabilities	\$ 96,590

Undiscounted maturities of lease liabilities were as follows:

For the Years Ended December 31	Operating Leases	Finance Leases
2020 (rest of year)	\$ 78,787	\$ 26,289
2021	142,905	23,414
2022	130,264	15,829
2023	124,000	7,576
2024	112,326	3,458
Thereafter	831,619	22,057

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

11. CONTINGENCIES

On October 9, 2012, UPMC received a Civil Investigative Demand (“CID”) from the Department of Justice (“DOJ”) that sought records relating to 40 surgical procedures performed between January 25, 2008 and June 24, 2010. UPMC timely responded to that CID. In November 2013, the DOJ advised UPMC that the CID had been served as part of the DOJ’s investigation of allegations asserted by Relators in a federal qui tam lawsuit filed under seal. On July 27, 2016, the DOJ announced that it had reached an agreement with UPMC to settle certain allegations that UPMC had violated the False Claims Act for approximately \$2,500. UPMC admitted no liability in settling those claims. The DOJ declined to intervene in the remaining allegations of the Relators’ lawsuit, which was also unsealed on July 27, 2016. In their Second Amended Complaint against UPMC and UPP, Inc., Relators allege that UPMC violated the False Claims Act violations, by overpaying physicians and encouraging physicians to perform medically unnecessary procedures. On March 27, 2018, the Court granted UPMC’s motion to dismiss all claims with prejudice. On September 17, 2019, the Third Circuit Court of Appeals reversed the Court’s Order. On December 20, 2019, the Third Circuit vacated its September 17, 2019 Order and issued a new Order that also reversed the trial court’s dismissal Order. On January 28, 2020, UPMC answered the Second Amended Complaint. Discovery is proceeding. The outcome and ultimate effect on UPMC’s financial statements cannot be determined at this time.

On June 14, 2019, Homestead Strategic Holdings Inc. and certain of its subsidiaries filed a Complaint with the Pennsylvania Department of State challenging the Institution of Purely Public Charity Act status of UPMC, UPMC Health Coverage, Inc. and UPMC Susquehanna and is seeking arbitration of its claims. An arbitration was held in October 2020 with a decision expected before year end. The outcome and ultimate effect on UPMC’s financial condition cannot be determined at this time.

On July 29, 2019, UPMC received two grand jury subpoenas and an unexecuted search warrant from the U.S. Department of Justice seeking various records from one of UPMC’s clinical departments. UPMC received a Civil Investigative Demand from DOJ about that same department on January 15, 2020. UPMC is complying with the subpoenas, search warrant and CID. The ultimate outcome and effect on UPMC’s financial condition are unknown.

On January 24, 2020, a putative class action lawsuit was filed against UPMC in the Court of Common Pleas of Allegheny County, Pennsylvania. The state court action alleges unauthorized disclosures of provider-patient communications and violations of the Pennsylvania Wiretapping and Electronic Surveillance Control Act, the Pennsylvania Unfair Trade Practices and Consumer Protection Law, and common law. On April 30, 2020, UPMC removed the action to federal court. On July 31, 2020, the district court denied Plaintiffs’ to remand the matter to state court. On October 5, 2020, the plaintiff voluntarily dismissed the lawsuit.

On or about June 8, 2020, a False Claims Act lawsuit that had been filed against UPMC in federal court in September 2019, was unsealed after the Department of Justice filed a notice of its decision not to intervene in the matter. Among other things, the Relator alleges in the suit that certain UPMC physicians allegedly secured patients’ informed consent the wrong way by delegating the informed consent process to other practitioners. On August 7, 2020, UPMC moved to dismiss the Relator’s claims. The ultimate outcome and effect on UPMC’s financial condition cannot be determined at this time.

12. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to September 30, 2020 through November 24, 2020, the date the unaudited interim condensed consolidated financial statements of UPMC were issued. During this period, there were no subsequent events requiring recognition or disclosure in the condensed consolidated financial statements.