



UPMC Unaudited Financial and Operating Report

FOR THE PERIOD ENDED JUNE 30, 2021

UPMC
LIFE CHANGING MEDICINE

UPMC Unaudited Financial and Operating Report

FOR THE PERIOD ENDED JUNE 30, 2021

TABLE OF CONTENTS

Introduction to Management's Discussion and Analysis	1
Management's Discussion and Analysis	3
Consolidated Financial Highlights	3
Business Highlights	4
Condensed Consolidating Statements of Operations	6
Divisional Information	7
Revenue and Operating Metrics	9
Key Financial Indicators	12
Market Share	13
Asset and Liability Management	14
Utilization Statistics	16
Outstanding Debt	17
Debt Covenant Calculations	18
Unaudited Interim Condensed Consolidated Financial Statements	19
Review Report of Independent Auditors	20
Condensed Consolidated Balance Sheets	21
Condensed Consolidated Statements of Operations and Changes in Net Assets	22
Condensed Consolidated Statements of Cash Flows	23
Notes to Unaudited Condensed Consolidated Financial Statements	24

The following financial data as of June 30, 2021 and for the three- and six-month periods ended June 30, 2021 and 2020 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, 2020 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 JUNE 30, 2021

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, as well as western New York and northwestern Maryland. We also draw patients for highly specialized services from across the nation and around the world. UPMC's more than 40 hospitals and 700 clinical locations comprise one of the largest nonprofit health systems in the United States. UPMC serves customers across the continuum of healthcare with its hospital, physician and homecare services; physical and behavioral insurance product offerings; international operations; and its Enterprises division.

We are committed to providing high quality, cost-effective healthcare to our communities and our insurance members, while continuing to grow our business and execute on our mission of service. As part of this mission, UPMC continues to make significant investments in equipment, technology and operational strategies designed to improve clinical quality and to provide the best possible patient and member experience. Investments in our operations and continued capital improvements are expected to become increasingly important as the competitive environment of the market and national changes to the industry continue to shift the landscape of healthcare. We build new facilities, make strategic acquisitions and enter into joint venture arrangements or affiliations with healthcare businesses — in each case in communities where we believe our mission can be effectively utilized to improve the overall health of those communities.

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

INTRODUCTION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

COVID-19

Coronavirus disease 19 ("COVID-19") is a respiratory disease caused by the new coronavirus (SARS-CoV-2) not previously seen in humans. 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. 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.

Although volumes have generally rebounded to pre-COVID-19 levels, UPMC and its subsidiaries have and expect to continue to experience some impact on operations as a result of the COVID-19 pandemic.

On March 27, 2020, the federal government enacted the CARES Act that provides, among other funding sources, relief funds to hospitals and other health care providers on the front lines of the COVID-19 response. This funding has been used to support health care related expenses or lost revenue attributable to COVID-19. Beginning in April 2020, over 90 individual UPMC facilities received an aggregate of approximately \$618 million of federal CARES Act funding through June 30, 2021. Approximately \$380 million was recognized as other operating revenue for the year ended December 31, 2020. For the six months ended June 30, 2021, an additional \$213 million was recognized as UPMC continued to experience COVID-19 impacts, compared to \$257 million recognized in the six months ended June 30, 2020. The remaining amounts received will be evaluated for recognition in future periods as the impact of COVID-19 continues and regulatory guidance further develops.

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") expanded the current Accelerated and Advance Payment Program. Beginning in April 2020, CMS provided advance funding that aggregated to approximately \$840 million to 185 individually identified UPMC entities. In October 2020, a bill was signed into law which changed the original Medicare loan repayment terms for health care providers allowing recoupment to begin one year after the Medicare Accelerated and Advance Payment Program loan was issued. Recoupment has begun as of April 2021 and the recovery period is estimated to be approximately 18 months. As of June 30, 2021, \$104 million of the advance funding has been recouped by CMS. Additionally, the CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security/FICA taxes. As part of this deferral program, UPMC has deferred approximately \$225 million of FICA payments as of June 30, 2021. Repayment generally starts in December 2021 and end in December 2022. The total amount accrued is unchanged since December 31, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollars in millions)

Financial Results for the Six Months Ended June 30	2021	2020*
Operating revenues	\$ 12,182	\$ 11,122
Operating income	\$ 605	\$ 172
Operating margin %	5.0%	1.5%
Operating margin % (including income tax and interest expense)	4.3%	0.7%
Gain (loss) from investing and financing activities	\$ 531	\$ (423)
Excess of revenues over expenses (expenses over revenues)	\$ 1,058	\$ (165)
Operating EBIDA	\$ 949	\$ 515
Capital expenditures	\$ 374	\$ 420
Reinvestment ratio	1.09	1.22

Selected Other Information as of	June 30, 2021	December 31, 2020
Total cash and investments	\$ 10,422	\$ 9,873
Unrestricted cash and investments	\$ 8,951	\$ 8,440
Unrestricted cash and investments over long-term debt ¹	\$ 1,854	\$ 2,036
Days of cash on hand	144	142
Days in net accounts receivable	57	39
Average age of plant (in years)	9.5	9.2

*Reclassifications were made to prior year to conform to current year presentation. See reclassifications disclosure in Footnote 4.

¹Excludes \$736 million and \$840 million of Medicare advance funding as of June 30, 2021 and December 31, 2020, respectively, and \$225 million of deferred FICA payments.

Operating income for the six months ended June 30, 2021 increased \$433 million compared to the same period in the prior year. Excess of revenues over expenses was \$1.1 billion. Operating earnings before interest, depreciation and amortization (EBIDA) totaled \$949 million for the six months ended June 30, 2021. As of June 30, 2021, UPMC had \$10.4 billion of cash and investments, of which approximately \$2.7 billion is held by UPMC's regulated health and captive insurance companies.

For the six months ended June 30, 2021:

- Hospital medical-surgical admissions and observation cases increased 8% compared to the prior year,
- Hospital outpatient revenue per workday increased 21% compared to the prior year,
- Physician service revenue per weekday increased 20% from the comparable period in the prior year,
- Enrollment in UPMC's Insurance Services grew to over 4.0 million members as of June 30, 2021 and
- Days in net accounts receivable increased to 57 as of June 30, 2021, driven by the expected Commonwealth of Pennsylvania's insurance payment delays.

UPMC's gain from investing and financing activities for the six months ended June 30, 2021 was \$531 million. UPMC continues to have a long-term perspective with regard to its investment activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

BUSINESS HIGHLIGHTS

UPMC's Board of Directors unanimously selected Leslie C. Davis to succeed Jeffrey A. Romoff as president and chief executive officer, effective August 1, 2021. Ms. Davis has more than 30 years of health care experience, having most recently served as president of the Health Services Division at UPMC. She has been responsible for leading UPMC's 40-hospital system and has played a large role in positioning UPMC as a national health care innovator and directed the organization's efforts to improve the patient experience, provide superb patient care and enhance employee and physician engagement. Ms. Davis served as president of UPMC Magee-Womens hospital from 2004 to 2018, prior to serving as chief operating officer of the Health Services Division for three years. Before joining UPMC, Ms. Davis was president of Graduate Hospital in Philadelphia, part of Tenet Healthcare Corp. She began her career at Mt. Sinai Medical Center in New York City and subsequently spent 13 years with Thomas Jefferson University in Philadelphia in positions of increasing responsibility, including vice president of clinical affiliations and ambulatory programs. She also served as chief operating officer of Presbyterian Medical Center and the Hospital of the University of Pennsylvania, as well as the chief marketing and planning officer for the University of Pennsylvania Health System.

Mr. Romoff was named president emeritus, reflecting the transfer of responsibilities and his continuing role as a resource to Ms. Davis and UPMC until October 1, 2021. Under Mr. Romoff's leadership, UPMC has evolved from a preeminent academic medical center to a fully integrated \$23 billion global integrated health care delivery system. He has guided UPMC to become the largest non-governmental employer in Pennsylvania and has overseen its transformation of health care by integrating academic, community and specialty hospitals, physicians, doctors' offices and outpatient sites, as well as a health insurance services division that is the largest medical insurer in western Pennsylvania. Mr. Romoff also spearheaded UPMC's international expansion, and UPMC now has global programs spanning four continents with focused efforts in China, Italy, Ireland and Kazakhstan.

In June 2021, UPMC released its Community Benefits Report, showing its continuing commitment to serve the needs of all regions throughout Pennsylvania, western New York and northwestern Maryland where there are UPMC facilities. The report details how, in those regions, UPMC provided \$1.7 billion in IRS-defined community benefits during fiscal year 2020, up by \$264 million from the previous year. Over the past five years, UPMC has delivered \$6.2 billion in community contributions. Also, during the past five years, UPMC's total economic impact of \$42 billion has nearly doubled from the prior five-year period. The health system's spending has a multiplier effect that ripples benefits through local economies. As the Commonwealth's largest non-governmental employer, UPMC supports more than one in four hospital jobs in Pennsylvania, and paid \$919 million in federal, state and local taxes last year. UPMC's \$1.7 billion in community-focused programs last year equals nearly \$4.6 million per day or more than 18% of net patient service revenue. According to the most recent publicly available data, UPMC contributes more to its communities than any other health system in Pennsylvania.

In June 2021, UPMC Children's Hospital of Pittsburgh was recognized again as one of the top pediatric hospitals in the country, earning the ninth position on the 2021-22 U.S. News & World Report Honor Roll of America's Best Children's Hospitals. The Best Children's Hospitals rankings feature 50 pediatric hospitals ranked in each of 10 specialties: cancer, cardiology and heart surgery, diabetes and endocrinology, gastroenterology, neonatology, nephrology, neurology and neurosurgery, orthopedics, pulmonology, and urology. Hospitals that ranked high in three or more specialties made the Honor Roll. UPMC Children's Hospital is ranked for excellence in all pediatric specialty areas and is among the top ten again in three specialties: cardiology and heart surgery (No. 2); diabetes and endocrinology (No. 7); and gastroenterology and gastroenterology surgery (No. 9).

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

UPMC Children's Hospital is expanding its pediatric specialties and subspecialties throughout UPMC regions, including:

- UPMC Harrisburg's cutting-edge pediatric in-patient unit, which brings the nationally ranked care from UPMC Children's Hospital in Pittsburgh to families in southcentral Pennsylvania.
- UPMC Children's Hospital Emergency Department Affiliation program, which provides more regional hospitals with around-the-clock access to board-certified emergency medicine physicians at UPMC Children's Hospital in Pittsburgh through Emergency Department-to-Emergency Department consultations. The affiliation program is rapidly growing with additional locations.
- UPMC Children's Community Pediatrics ("CCP") recent expansion and growth efforts have allowed its primary, behavioral health, and subspecialty care to reach more families and communities throughout the region. Overall, UPMC CCP will reach 54 practices by the end of summer of 2021, including nine Express Care locations.

It was announced in June 2021 that internationally renowned architect Renzo Piano and his team are designing a 256-bed hospital in Italy near Carini that embodies the lessons learned from the COVID-19 pandemic. Expected to open in 2025, the new hospital will expand access to specialized services for the region. It will be integrated with the Ri.MED Foundation's Biomedical Research and Biotechnology Center ("BRBC"), currently under construction on the same site. Together, these facilities are expected to drive biomedical advances and spinoff companies that will transform the delivery of care to patients while boosting the economy of Sicily. Funded by the regional and national governments of Italy, the new hospital and the BRBC will be managed by UPMC, which has operated the ISMETT transplant and high-specialty hospital in nearby Palermo for more than 20 years. With the creation of this new academic hospital, the biomedical hub being established in Sicily is unprecedented in Europe. UPMC's commitment to Italy started more than two decades ago when it initiated its public-private partnership with Sicily to ensure that patients did not have to leave the region for transplants. The new facility, referred to as "ISMETT 2," will build upon that success and embrace scientific and technological advances that would have been considered science fiction when the first ISMETT was created. Designed to eventually replace the original hospital at a cost of more than €180 million (approximately \$214 million), ISMETT 2 will continue the extensive transplantation programs and highly specialized therapies that served more than 2,600 patients last year. It will add advanced programs in oncology, orthopedics and neuroscience, expanding the range of treatments available to patients in Sicily. Based on UPMC's experience during the COVID-19 pandemic, ISMETT 2 is designed to rapidly allow the conversion of ordinary inpatient beds into intensive and sub-intensive beds, while ensuring best practices in infection control and the seamless and separate care of patients with both chronic and infectious diseases.

As part of its commitment to investing in translational science that significantly improves the lives of patients, UPMC has launched Novasenta, a drug discovery and development company seeking novel and effective treatments for cancer. Based on years of cancer research by renowned University of Pittsburgh scientists and a machine-learning-enabled platform that drives the discovery of potential drug targets, Novasenta focuses on the tumor microenvironment – or the ecosystem that surrounds and constantly interacts with the tumor inside the body – to develop immunotherapies. UPMC invested in Novasenta through the health system's innovation and venture capital arm, UPMC Enterprises, in a \$20 million seed round. Novasenta is one of three local life science start-ups incubated by UPMC Enterprises in collaboration with Pitt over the last four years and is adding to a growing number of preclinical development programs this partnership is rapidly advancing. Novasenta recently celebrated the opening of its new office and laboratory space at The Riviera in Pittsburgh's South Oakland neighborhood, part of a growing hub of biomedical activity in the city.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Six Months Ended June 30, 2021

(in millions)

	Health Services	Insurance Services	Eliminations	Consolidated
Revenues:				
Net patient service revenue	\$ 6,391	\$ -	\$ (1,296)	\$ 5,095
Insurance enrollment revenue	-	5,967	-	5,967
Other revenue	839	434	(153)	1,120
Total operating revenues	\$ 7,230	\$ 6,401	\$ (1,449)	\$ 12,182
Expenses:				
Salaries, professional fees and benefits	\$ 3,770	\$ 264	\$ (32)	\$ 4,002
Insurance claims expense	-	5,461	(1,296)	4,165
Supplies, purchased services and general	2,647	540	(121)	3,066
Depreciation and amortization	337	7	-	344
Total operating expenses	6,754	6,272	(1,449)	11,577
Operating income	\$ 476	\$ 129	\$ -	\$ 605
Operating margin %	6.6%	2.0%	-	5.0%
Operating margin % (including income tax and interest expense)	5.4%	2.0%	-	4.3%
Operating EBIDA	\$ 813	\$ 136	\$ -	\$ 949
Operating EBIDA %	11.2%	2.1%	-	7.8%

Six Months Ended June 30, 2020*

(in millions)

	Health Services	Insurance Services	Eliminations	Consolidated
Revenues:				
Net patient service revenue	\$ 5,397	\$ -	\$ (1,072)	\$ 4,325
Insurance enrollment revenue	-	5,645	-	5,645
Other revenue	852	398	(98)	1,152
Total operating revenues	\$ 6,249	\$ 6,043	\$ (1,170)	\$ 11,122
Expenses:				
Salaries, professional fees and benefits	\$ 3,551	\$ 303	\$ (14)	\$ 3,840
Insurance claims expense	-	4,972	(1,072)	3,900
Supplies, purchased services and general	2,465	486	(84)	2,867
Depreciation and amortization	336	7	-	343
Total operating expenses	6,352	5,768	(1,170)	10,950
Operating (loss) income	\$ (103)	\$ 275	\$ -	\$ 172
Operating margin %	(1.6)%	4.6%	-	1.5%
Operating margin % (including income tax and interest expense)	(2.8)%	4.3%	-	0.7%
Operating EBIDA	\$ 233	\$ 282	\$ -	\$ 515
Operating EBIDA %	3.7%	4.7%	-	4.6%

*Reclassifications were made to prior year to conform to current year presentation. See reclassifications disclosure in Footnote 4.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

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 more than 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 marketplace; (iii) regional hospitals that provide core clinical services to certain other areas of western (including Erie), and central (including Williamsport and Harrisburg) Pennsylvania, as well as western New York and northwestern Maryland; 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 the 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 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, 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 six months ended June 30, 2021 increased \$579 million versus the same period in the prior year. Volumes within Health Services entities have generally rebounded to pre-COVID-19 levels in 2021, while the prior year saw sharp volume declines as the initial impacts of the COVID-19 pandemic were felt, resulting in losses for the division. Additionally, UPMC recognized \$51 million in operating income in the current year related to the CARES Act Employer Retention Credit and a one-time favorable legal settlement of \$42 million.

Insurance Services

UPMC holds various interests in health care financing initiatives and network care delivery operations that have over four million members as of June 30, 2021. UPMC Health Plan is a health maintenance organization ("HMO") offering coverage for commercial and Medicare members. UPMC for You, also an HMO, 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 Long Term Services and Supports ("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 six months ended June 30, 2021 decreased by \$146 million versus the same period in the prior year. This decrease in operating income is due largely to an increase in medical claims expense in 2021. The prior year volumes and related medical claims expense were significantly impacted by the governmental restrictions as a result of the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

UPMC Enterprises

As an organization dedicated to outstanding patient care, UPMC has defined a bold mission: to shape the future of health care through innovation. UPMC Enterprises helps bring this mission to life by transforming ideas into thriving businesses and Life Changing Medicine. UPMC Enterprises leverages UPMC's integrated delivery and financing system capabilities to generate new revenue streams by collaborating across UPMC, the University of Pittsburgh, and Carnegie Mellon University, as well as health care entrepreneurs, companies and investors across the globe in all stages of commercial development, to bring to market new health care companies, technologies, and solutions. These ventures support both UPMC's core mission and help stimulate the economy of western Pennsylvania.

UPMC Enterprises manages a portfolio that includes various research and 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 life sciences and technology-enabled initiatives.

MANAGEMENT'S DISCUSSION AND ANALYSIS

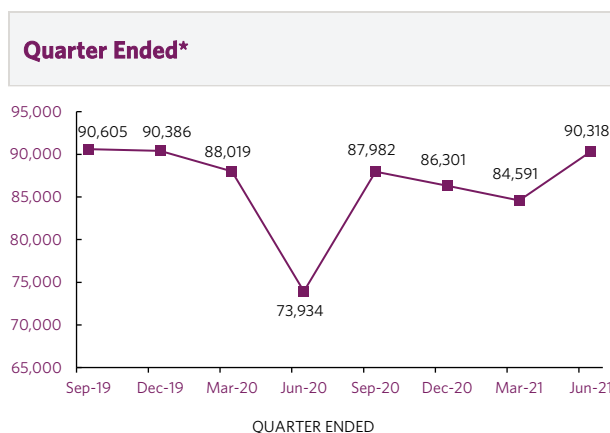
PERIOD ENDED JUNE 30, 2021

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 six months ended June 30, 2021 increased 8% compared to the same period in 2020 as volumes have now generally rebounded.

For the Six Months Ended June 30			
(in thousands)	2021	2020*	Change
Academic	58.1	53.6	8%
Community	26.6	24.5	9%
Regional	90.3	83.9	8%
Total	175.0	162.0	8%

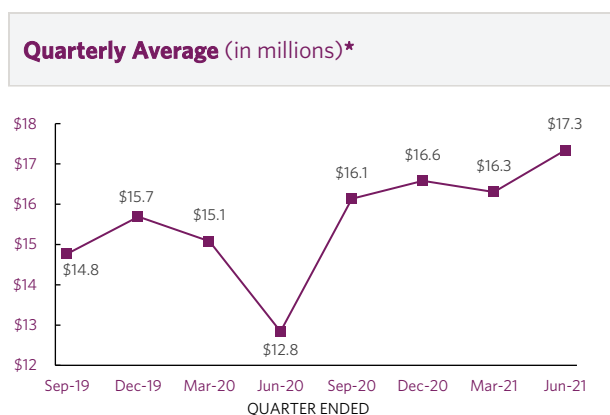


*Prior year amounts have been adjusted to conform to current year presentation.

Outpatient Revenue per Workday

UPMC's outpatient activity for the six months ended June 30, 2021 as measured by average revenue per workday increased 21% compared to the same period in 2020. Increases in revenue per workday from prior periods continue as ambulatory patient volumes continue to increase. Hospital outpatient activity is measured on an equivalent workday ("EWD") basis to adjust for weekend and holiday hours.

For the Six Months Ended June 30			
(in thousands)	2021	2020*	Change
Academic	\$ 6,307	\$ 5,426	16%
Community	1,803	1,448	25%
Regional	8,715	7,079	23%
Total	\$ 16,825	\$ 13,953	21%



*Prior year amounts have been adjusted to conform to current year presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

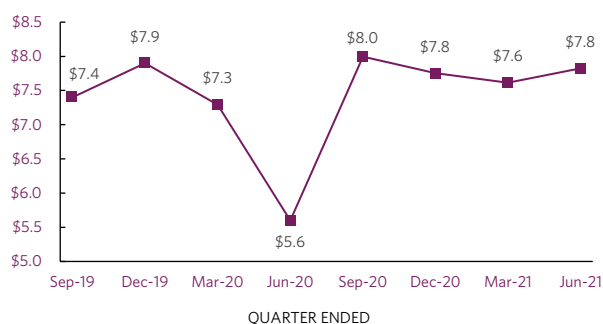
REVENUE METRICS – HEALTH SERVICES (CONTINUED)

Physician Service Revenue per Weekday

UPMC's physician activity for the six months ended June 30, 2021 as measured by average revenue per weekday increased 20% from the comparable period in 2020. Increases in revenue per weekday for the current year are driven by volume rebounds since the beginning of the COVID-19 pandemic. Physician services activity is measured on a weekday basis.

For the Six Months Ended June 30			
(in thousands)	2021	2020*	Change
Academic	\$ 3,515	\$ 3,013	17%
Community	1,651	1,437	15%
Regional	2,553	1,990	28%
Total	\$ 7,719	\$ 6,440	20%

Quarterly Average (in millions)*



*Prior year amounts have been adjusted to conform to current year presentation.

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.

	Six Months Ended June 30	
	2021	2020
Medicare	47%	47%
Medical Assistance	18%	17%
UPMC Insurance Services Commercial	12%	13%
Highmark Commercial	9%	9%
National Insurers Commercial	6%	6%
Self-pay/Other	8%	8%
Total	100%	100%

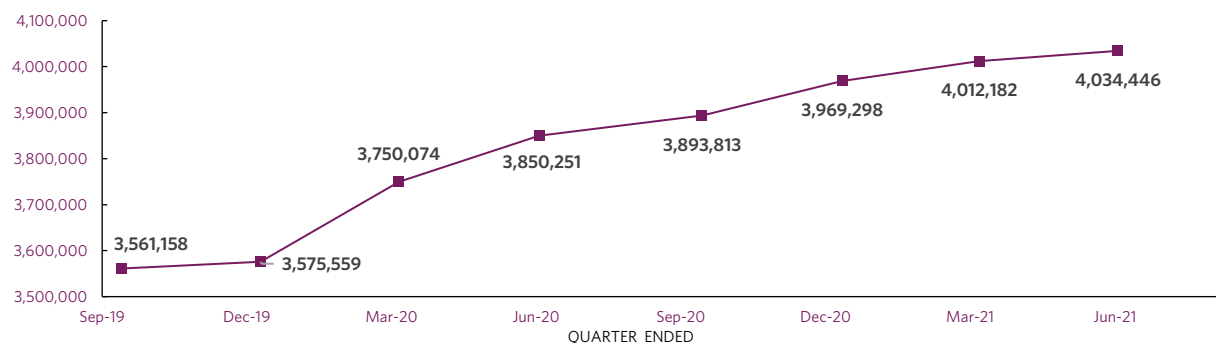
MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

OPERATING METRICS - INSURANCE SERVICES

Membership

Membership in the UPMC Insurance Services division increased to 4,034,446 as of June 30, 2021, a 5% increase versus June 30, 2020.



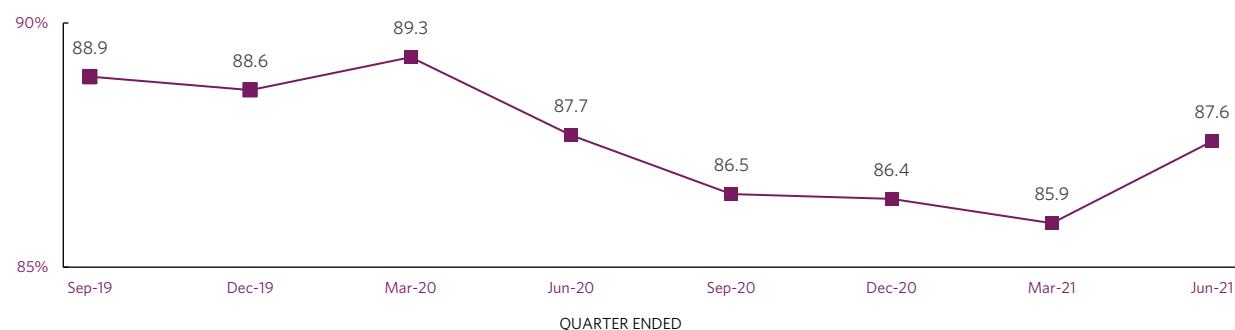
As of	June 30, 2021	June 30, 2020*
Commercial Health	665,812	702,559
Medicare	199,472	193,202
Medical Assistance	548,799	498,336
Sub-Total Physical Health Products	1,414,083	1,394,097
Community HealthChoices	131,490	127,480
Behavioral Health	1,203,779	1,092,285
Sub-Total Health Products	2,749,352	2,613,862
Work Partners and Life Solutions	736,797	686,150
Ancillary Products	479,887	483,774
Third-Party Administration	68,410	66,465
Total Membership	4,034,446	3,850,251

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

Health Care Spending Ratio

UPMC Insurance Services' health care spending ratio for the trailing twelve months has increased to 87.6% as of June 30, 2021 as a result of an increase in medical claims expense in 2021 related to the effects of utilization increases.

Trailing Twelve Months



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

KEY FINANCIAL INDICATORS

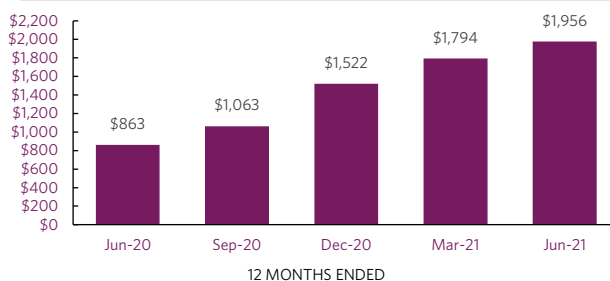
(Dollars in millions)

Operating Earnings before Interest, Depreciation and Amortization

Operating EBIDA for the six months ended June 30, 2021 increased 84% as compared to the six months ended June 30, 2020.

For the Six Months Ended June 30			
(in thousands)	2021	2020*	Change
Operating Income	\$ 605	\$ 172	252%
Depreciation and Amortization	344	343	0%
Operating EBIDA	\$ 949	\$ 515	84%

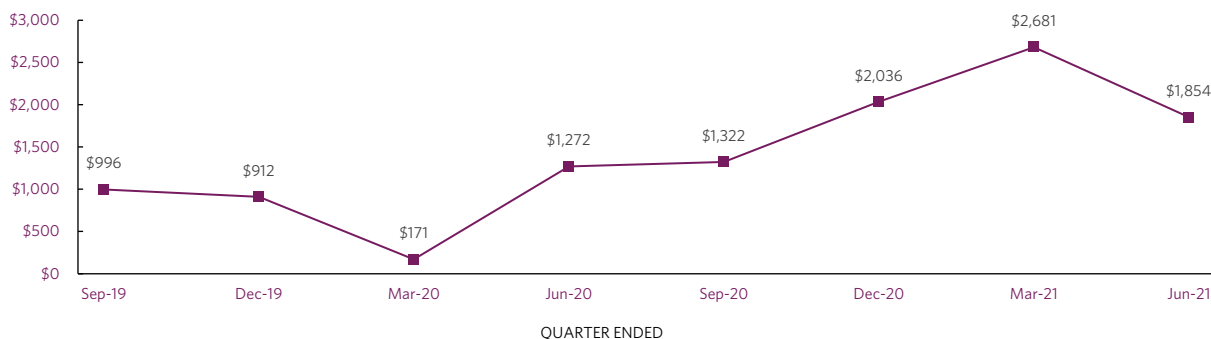
Trailing Twelve Months Operating EBIDA



*Reclassifications were made to prior periods to conform to current year presentation. See reclassifications disclosure in Footnote 4.

Unrestricted Cash and Investments Over Long Term Debt

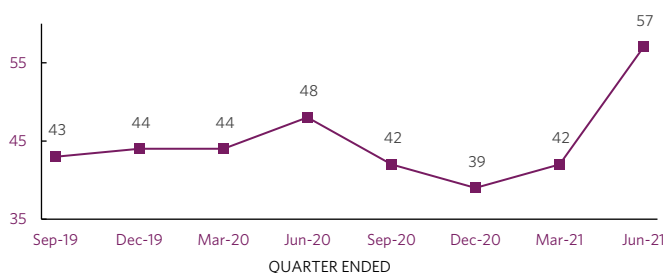
Unrestricted cash and investments over long term debt as of June 30, 2021 decreased \$182 million when compared to December 31, 2020 due primarily to approximately \$900 million in expected payment delays from Medicaid, CHC and Community Care Insurance Products. This is partially offset by strong operating performance and positive investment returns in the first six months of 2021. Advance funding from CMS and deferred FICA payments are excluded from this calculation.



Days in Net Accounts Receivable

Patient Days in Accounts Receivable continues to be lower than industry averages due to UPMC's rigorous procedures in this area. Increases in consolidated Days in Accounts Receivable from December 31, 2020 are driven by UPMC's Insurance Services Division, primarily related to the Commonwealth of Pennsylvania's payment practices at this time of year, resulting in payment delays from Medicaid, CHC and Community Care.

By Receivable	June 2021 Balance	Days	
		Jun 30, 2021	Dec 31, 2020
Patient AR	\$ 1,312	46	47
Other AR	2,514	65	35
Consolidated	\$ 3,826	57	39



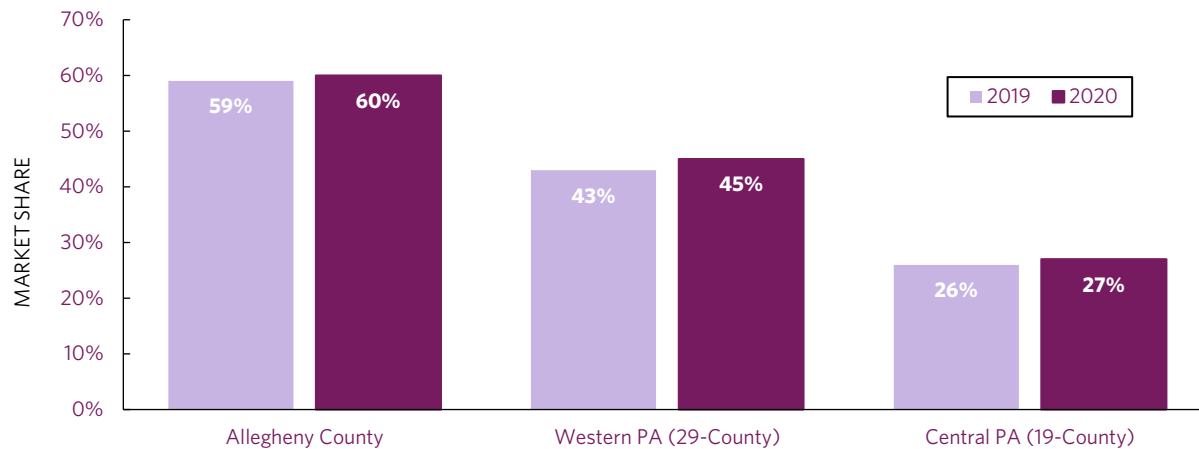
MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

MARKET SHARE

The chart below shows the change in UPMC's estimated inpatient market share for calendar years 2019 and 2020 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⁾



⁽¹⁾ UPMC's three service areas are (1) Allegheny County, (2) a 29-county region which also includes 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 AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

ASSET AND LIABILITY MANAGEMENT

During the six months ended June 30, 2021, UPMC's investment portfolio returned 6.7%. As of June 30, 2021, UPMC utilized 158 ongoing external investment managers including 47 traditional managers, 15 hedge fund managers and 96 private capital managers. UPMC is also invested with an additional 34 legacy private capital and hedge fund managers. UPMC's investment portfolio has a long-term perspective and has generated annualized returns of 23.8%, 9.2% and 9.4% for the trailing one-, three- and five-year periods. As of June 30, 2021, 72% of UPMC's investment portfolio could be liquidated within three days.

UPMC's annualized cost of capital during the six-month period ended June 30, 2021 was 3.06%. 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 June 30, 2021, the interest rates on UPMC's long-term debt were approximately 88% fixed and 12% variable after giving effect to derivative contracts. Annualized interest cost for the variable rate debt for the period averaged 1.49%. The annualized interest cost for the fixed rate debt was 3.31%. UPMC's primary credit facility, which expires in January 2024, has a borrowing limit of \$600 million. As of June 30, 2021, UPMC had approximately \$82 million letters of credit outstanding under the credit facility leaving \$518 million available to fund operating and capital needs, none of which was drawn.

UPMC has credit facilities of \$150 million (increased from \$19 million to \$150 million from May 14 to August 15) and \$50 million with expiration dates in April 2022. Both credit facilities support the Insurance Services Division. As of June 30, 2021, both credit facilities were fully drawn. In July 2021, these credit facilities were repaid in full.

To further support the Insurance Services Division, UPMC entered into two additional credit facilities with a capacity totaling \$400 million. The credit facilities expire on varying dates through April 2022. As of June 30, 2021, both of these credit facilities were fully drawn. In July 2021, these credit facilities were repaid in full.

During the second quarter UPMC issued the tax-exempt Series 2021A bonds to fund capital projects and refund certain indebtedness. Concurrently, UPMC issued, on a forward delivery basis, the tax-exempt Series 2021B bonds, which closed in July 2021, proceeds from which will be used to refund certain indebtedness. Also, during the second quarter UPMC closed on the taxable Series 2021C notes whose proceeds were used to refund certain indebtedness issued in the wake of the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2021

The table below compares reported Investing and Financing Activity for the six months ended June 30, 2021 and 2020 by type.

Investing and Financing Activity by Type

Six Months Ended June 30	2021	2020
<i>(in thousands)</i>		
Realized gain	\$ 288,501	\$ 69,193
Interest and dividends, net of fees	27,622	37,373
Realized investment gain	\$ 316,123	\$ 106,566
Unrealized gain (loss) on derivative contracts	1,445	(1,505)
Other unrealized gain (loss)	320,733	(359,133)
Investment gain (loss)	\$ 638,301	\$ (254,072)
Interest expense	(83,172)	(88,763)
(Loss) gain on extinguishment of debt	(7,979)	240
UPMC Enterprises activity	(16,083)	(80,317)
Gain (loss) from investing and financing activities	\$ 531,067	\$ (422,912)

Sources and Uses of Cash

UPMC's primary source of operating cash is the collection of revenues and related accounts receivable. As of June 30, 2021, UPMC had approximately \$614 million of cash and cash equivalents on hand and borrowing availability under the primary credit facility was \$518 million. As of June 30, 2021, UPMC had approximately \$2.5 billion of other receivables compared to \$1.4 billion at December 31, 2020. This increase is driven by UPMC's Insurance Services Division, primarily related to anticipated payment delays from Medicaid, CHC and Community Care as of June 30, 2021.

Operating EBIDA was \$949 million for the six months ended June 30, 2021, compared to \$515 million for the six months ended June 30, 2020. Key uses of cash for the six months ended June 30, 2021 include capital expenditures of \$374 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 JUNE 30, 2021

The following table presents selected consolidated statistical indicators of medical-surgical, psychiatric, rehabilitation and skilled nursing patient activity for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30	
	2021	2020*
Licensed Beds	8,752	8,587
BEDS IN SERVICE		
Medical-Surgical	5,085	4,935
Psychiatric	430	424
Rehabilitation	256	243
Skilled Nursing	1,554	1,563
Total Beds in Service	7,325	7,165
PATIENT DAYS		
Medical-Surgical	696,921	599,436
Psychiatric	61,035	60,583
Rehabilitation	38,357	37,515
Skilled Nursing	195,793	232,558
Total Patient Days	992,106	930,092
Average Daily Census	5,481	5,110
Observation Days	82,551	73,698
Obs Average Daily Census	456	405
ADMISSIONS AND OBSERVATION CASES		
Medical-Surgical	125,845	116,919
Observation Cases	49,064	45,034
Subtotal	174,909	161,953
Psychiatric	5,506	5,531
Rehabilitation	2,336	2,461
Skilled Nursing	1,973	1,990
Total Admissions and Observation Cases	184,724	171,935
Overall Occupancy	81%	77%
AVERAGE LENGTH OF STAY		
Medical-Surgical	5.5	5.1
Psychiatric	11.1	11.0
Rehabilitation	16.4	15.2
Skilled Nursing	99.2	116.9
Overall Average Length of Stay	7.3	7.3
Emergency Room Visits	490,630	464,245
TRANSPLANTS (DOMESTIC)		
Liver	83	108
Kidney	142	159
All Other	146	155
Total	371	422
OTHER POST-ACUTE METRICS		
Home Health Visits	359,748	387,059
Hospice Care Days	119,814	124,116
Outpatient Rehab Visits (CRS)	362,940	266,284

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

OUTSTANDING DEBT

PERIOD ENDED JUNE 30, 2021

(DOLLARS IN THOUSANDS)

Issuer	Original Borrower	Series	Amount Outstanding
Allegheny County Hospital Development Authority	UPMC Health System	1997B	\$43,590
	UPMC	2007A	45,951
	UPMC	2011A	68,371
	UPMC	2017D	399,722
	UPMC	2019A	801,394
Monroeville Finance Authority	UPMC	2012	293,071
	UPMC	2013B	52,502
	UPMC	2014B	45,163
Pennsylvania Economic Development Financing Authority	UPMC	2013A	109,714
	UPMC	2014A	273,492
	UPMC	2015B	116,561
	UPMC	2016	231,559
	UPMC	2017A	432,911
	UPMC	2017B	93,056
	UPMC	2017C	134,618
	UPMC	2020A	273,703
Tioga County Industrial Development Authority	Laurel Health System	2010	6,335
	Laurel Health System	2011	4,678
Dauphin County General Authority	Pinnacle Health System	2012A	136,105
	Pinnacle Health System	2016A	97,628
	Pinnacle Health System	2016B	82,950
General Authority of Southcentral Pennsylvania	Hanover Hospital	2013	6,813
	Hanover Hospital	2015	22,534
Potter County Hospital Authority	UPMC	2018A	15,332
Somerset County Hospital Authority	Somerset Hospital	2009	843
	Somerset Hospital	2015A	16,000
Maryland Health and Higher Educational Facilities Authority	UPMC	2020B	201,870
None	UPMC	2018B	47
	UPMC	2020D	349,550
	UPMC	2020 Term Loans	499,891
	UPMC	2021C	399,292
	Susquehanna Health Innovation Center	New Market Tax Credit	17,553
	Somerset Management Services	2013	1,554
	Various	Financing Leases & Loans	139,704
		Swap Liabilities	5,108
Total			\$5,680,690

Includes original issue discount and premium, deferred financing costs and other.

Source: UPMC Records

DEBT COVENANT CALCULATIONS

PERIOD ENDED JUNE 30, 2021

DEBT SERVICE COVERAGE RATIO

(Dollars in thousands)

	Trailing Twelve-Month Period Ended June 30, 2021	
Excess of revenues over expenses	\$	2,296,769
ADJUSTED BY:		
Net Unrealized Gains during Period ⁽¹⁾		(889,352)
Depreciation and Amortization ⁽¹⁾		686,888
Loss on Extinguishment of Debt ⁽¹⁾		6,945
Inherent Contribution ⁽¹⁾		5,769
Realized Investment Impairments ⁽²⁾		(18,387)
Interest Expense ⁽³⁾		167,858
Revenues Available for Debt Service	\$	2,256,490
Historical Debt Service Requirements - 2007 MTI	\$	341,537
Debt Service Coverage Ratio - 2007 MTI		6.61X
Historical Debt Service Requirements - All Debt and Finance Leases	\$	377,182
Debt Service Coverage Ratio - All Debt and Finance Leases		5.98X

LIQUIDITY RATIO AS OF JUNE 30, 2021

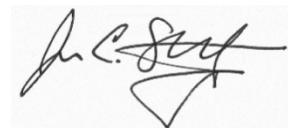
Unrestricted Cash and Investments	\$	8,950,790
Master Trust Indenture Debt		5,255,036
Unrestricted Cash to MTI Debt		1.70

⁽¹⁾ Non-Cash.

⁽²⁾ Reflects ultimate realization of previously impaired cost-based investments.

⁽³⁾ Includes only interest on long-term debt.

I hereby certify to the best of my knowledge that, as of June 30, 2021, 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.



J.C. Stille
Treasurer
UPMC

Unaudited Interim Condensed Consolidated Financial Statements

FOR THE PERIOD ENDED JUNE 30, 2021

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 June 30, 2021, and the related condensed consolidated statements of operations and changes in net assets for the three and six-month periods ended June 30, 2021 and 2020 and condensed consolidated cash flows for the six-month periods ended June 30, 2021 and 2020.

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

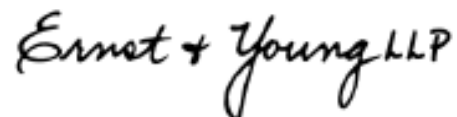
Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries 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 of America, 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, 2020

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, 2020, 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 March 1, 2021. In our opinion, the accompanying condensed consolidated balance sheet of UPMC as of December 31, 2020, is consistent, in all material respects, with the consolidated balance sheet from which it has been derived.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Pittsburgh, Pennsylvania
August 26, 2021

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(DOLLARS IN THOUSANDS)

	As of	
	June 30, 2021	December 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 614,403	\$ 1,541,036
Patient accounts receivable	1,311,932	1,210,992
Other receivables	2,514,030	1,412,735
Other current assets	794,825	510,565
Total current assets	5,235,190	4,675,328
Board-designated, restricted, trustee and other investments	9,807,133	8,332,120
Beneficial interests in foundations and trusts	736,558	678,806
Net property, buildings and equipment	6,164,929	6,110,771
Operating lease right-of-use assets	967,773	1,033,598
Other assets	742,237	755,022
Total assets	\$ 23,653,820	\$ 21,585,645
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 747,459	\$ 763,798
Accrued salaries and related benefits	939,660	866,890
Current portion of insurance reserves	952,523	950,387
Current portion of long-term obligations	142,309	333,864
Short-term debt	600,000	-
Other current liabilities	1,826,700	1,281,417
Total current liabilities	5,208,651	4,196,356
Long-term obligations	5,538,381	5,258,046
Pension liability	213,451	171,983
Long-term insurance reserves	417,998	389,290
Operating lease noncurrent liabilities	898,890	963,812
Other noncurrent liabilities	828,013	1,184,968
Total liabilities	13,105,384	12,164,455
Net assets without donor restrictions	9,218,451	8,166,762
Net assets with donor restrictions	1,329,985	1,254,428
Total net assets	10,548,436	9,421,190
Total liabilities and net assets	\$ 23,653,820	\$ 21,585,645

See accompanying notes

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

(DOLLARS IN THOUSANDS)

	Six Months Ended June 30		Three Months Ended June 30	
	2021	2020	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net patient service revenue	\$ 5,094,538	\$ 4,325,183	\$ 2,664,439	\$ 2,030,424
Insurance enrollment revenue	5,966,720	5,645,397	2,979,330	2,855,500
Other revenue	1,120,453	1,151,180	518,445	732,192
Total operating revenues	12,181,711	11,121,760	6,162,214	5,618,116
Salaries, professional fees and employee benefits	4,001,567	3,839,873	1,992,204	1,960,066
Insurance claims expense	4,165,182	3,900,245	2,091,487	1,897,141
Supplies, purchased services and general	3,065,972	2,866,311	1,588,528	1,432,285
Depreciation and amortization	344,401	343,098	173,259	172,020
Total operating expenses	11,577,122	10,949,527	5,845,478	5,461,512
Operating income	604,589	172,233	316,736	156,604
Academic and research support provided	(115,150)	(113,705)	(57,575)	(56,853)
Inherent contribution	-	166,334	-	(4,079)
Other non-operating gains	39,306	35,762	20,505	17,886
Income tax (expense) benefit	(1,723)	(2,996)	55	(1,536)
After-tax income	\$ 527,022	\$ 257,628	\$ 279,721	\$ 112,022
Investing and financing activities:				
Investment gain (loss)	638,301	(254,072)	254,360	467,517
Interest expense	(83,172)	(88,763)	(41,706)	(50,747)
(Loss) gain on extinguishment of debt	(7,979)	240	(7,979)	240
UPMC Enterprises activity:				
Portfolio company revenue and net gains from sales	80,165	19,279	48,599	11,029
Portfolio company and research and development expense	(96,248)	(99,596)	(48,423)	(52,305)
Gain (loss) from investing and financing activities	531,067	(422,912)	204,851	375,734
Excess of revenues over expenses (expenses over revenues)	1,058,089	(165,284)	484,572	487,756
Other changes in net assets without donor restrictions	(6,400)	589	(5,475)	38,220
Change in net assets without donor restrictions	1,051,689	(164,695)	479,097	525,976
NET ASSETS WITH DONOR RESTRICTIONS				
Net contributions and other changes	5,879	14,772	2,605	(1,152)
Net realized and unrealized gains (losses) on restricted investments	18,124	(9,206)	9,217	(2,647)
Restricted net assets acquired	-	12,138	-	-
Assets released from restriction for operations and capital purchases	(6,198)	(7,624)	(2,849)	(4,374)
Change in beneficial interests in foundations and trusts	57,752	(43,546)	30,031	49,201
Change in net assets with donor restrictions	75,557	(33,466)	39,004	41,028
Change in total net assets	1,127,246	(198,161)	518,101	567,004
Net assets, beginning of period	9,421,190	8,308,109	10,030,335	7,542,944
Net assets, end of period	\$ 10,548,436	\$ 8,109,948	\$ 10,548,436	\$ 8,109,948

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(DOLLARS IN THOUSANDS)

Six Months Ended June 30

	2021	2020
OPERATING ACTIVITIES		
Increase (decrease) in total net assets	\$ 1,127,246	\$ (198,161)
Adjustments to reconcile change in total net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	344,401	343,098
Change in beneficial interest in foundations and trusts	(57,752)	43,546
Restricted contributions and investment revenue	(24,003)	(5,566)
Restricted net assets acquired	-	(12,138)
Unrealized (gains) losses on investments	(320,733)	359,133
Realized gains on investments	(316,123)	(106,566)
Net changes in non-alternative investments	(747,427)	538,822
Inherent contribution	-	(166,334)
Changes in operating assets and liabilities:		
Accounts receivable	(1,202,235)	(662,228)
Other current assets	(284,260)	43,577
Accounts payable and accrued liabilities	56,431	3,153
Insurance reserves	30,844	214,101
Other current liabilities	545,283	944,116
Other noncurrent assets and liabilities	(380,409)	(14,280)
Other operating changes	(48,133)	15,145
Net cash (used in) provided by operating activities	(1,276,870)	1,339,418
INVESTING ACTIVITIES		
Purchase of property and equipment (net of disposals)	(357,392)	(413,556)
UPMC Enterprises investments in joint ventures	(25,077)	(20,000)
Cash acquired through affiliations and divestitures	-	43,011
Net change in investments designated as nontrading	(4,821)	(7,837)
Net change in alternative investments	(65,539)	(48,271)
Net change in other assets	94,605	39,896
Net cash used in investing activities	(358,224)	(406,757)
FINANCING ACTIVITIES		
Repayments of long-term obligations	(619,010)	(966,821)
Borrowings of long-term obligations	703,468	2,378,764
Restricted contributions and investment income	24,003	5,566
Borrowings on lines of credit	600,000	700,000
Net cash provided by financing activities	708,461	2,117,509
Net change in cash and cash equivalents	(926,633)	3,050,170
Cash and cash equivalents, beginning of period	1,541,036	351,216
Cash and cash equivalents, end of period	\$ 614,403	\$ 3,401,386
Cash held in board designated, restricted, trustee, and other investments	-	(1,000,000)
Total cash and cash equivalents on condensed consolidated balance sheet	\$ 614,403	\$ 2,401,386
SUPPLEMENTAL INFORMATION		
Finance lease obligations incurred to acquire assets	\$ 16,915	\$ 9,422

See accompanying notes

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS 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, 2020.

2. COVID-19

Although volumes have generally rebounded to pre-COVID-19 levels, UPMC and its subsidiaries have and expect to continue to experience an impact on operations as a result of the COVID-19 pandemic.

On March 27, 2020, the federal government enacted the CARES Act that provides, among other funding sources, relief funds to hospitals and other health care providers on the front lines of the COVID-19 response. This funding has been used to support health care related expenses or lost revenue attributable to COVID-19. Beginning in April 2020, over 90 individual UPMC facilities received an aggregate of approximately \$618,000 of federal CARES Act funding through June 30, 2021. Approximately \$380,000 was recognized as other operating revenue for the year ended December 31, 2020. For the six months ended June 30, 2021, an additional \$213,000 was recognized as UPMC continued to experience COVID-19 impacts, compared to \$257,000 recognized in the six months ended June 30, 2020. The remaining amounts received will be evaluated for recognition in future periods as the impact of COVID-19 continues and regulatory guidance further develops.

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") expanded the current Accelerated and Advance Payment Program. Beginning in April 2020, CMS provided advance funding that aggregated to a total of approximately \$840,000 to 185 individually identified UPMC entities. In October 2020, a bill was signed into law which changed the original Medicare loan repayment terms for health care providers allowing recoupment to begin one year after the Medicare Accelerated and Advance Payment Program loan was issued. Recoupment has begun as of April 2021 and the recovery period is estimated to be approximately 18 months. As of June 30, 2021, \$104,000 of the advance funding has been recouped by CMS. Additionally, the CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security/FICA taxes. As part of this deferral program, UPMC has deferred approximately \$225,000 of FICA payments, half of which is recorded in other current liabilities with the remainder in other noncurrent liabilities, as of June 30, 2021. Repayment generally starts in December 2021 and end in December 2022. The total amount accrued is unchanged since December 31, 2020.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

3. NEW ACCOUNTING PRONOUNCEMENTS

No new accounting pronouncements were released or adopted that will have an effect on UPMC's condensed consolidated financial statements.

4. RECLASSIFICATIONS

In order to increase transparency within UPMC's consolidated financial statements, expenditures related to academic and research support provided to the University have been reclassified to a separate line item in the condensed consolidated statements of operations and changes in net assets. To conform to this presentation for the six and three months ended June 30, 2021, a reclassification of \$113,705 and \$56,853, respectively, was made that reduced supplies, purchased services and general expense and increased academic and research support provided for the six and three months ended June 30, 2020. As a result of this reclass, there was no impact to excess of revenues over expenses, expenses over revenues or net assets without donor restrictions.

5. REVENUE

Net Patient Service Revenue

UPMC's net patient service revenue is recorded based upon the estimated amounts UPMC expects to be entitled to receive from patients, third-party payers (including health insurers and government programs) and others and includes 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. Estimates of the explicit price concessions under managed care, commercial and governmental insurance plans are based upon the payment terms specified in the related contractual agreements or as mandated under government payer programs. UPMC continually reviews the explicit price concession estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care and commercial contractual terms resulting from contract negotiations and renewals. 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. Payment 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. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). UPMC also records estimated implicit price concessions (based primarily on historical collection

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

experience) related to uninsured accounts to record these revenues at the estimated amounts UPMC expects to collect. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net 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 six months ended June 30, 2021 or 2020.

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 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 deducted from net patient service revenue.

The collection of outstanding receivables from Medicare, Medicaid, managed care payers, other third-party payers and patients is UPMC's primary source of cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the age of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon UPMC's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators.

The composition of net patient service revenue for the three and six months ended June 30, 2021 and 2020, primarily resulting from patients in the western Pennsylvania region, is as follows:

Periods Ended June 30	Six Months Ended		Three Months Ended	
	2021	2020	2021	2020
Commercial	39%	38%	38%	37%
Medicare	37%	38%	36%	38%
Medical Assistance	16%	16%	18%	17%
Self-pay/other	8%	8%	8%	8%
	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, the "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 premiums that are

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

collected from companies, individuals and government entities. 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 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 ASC 606, *Revenue from Contracts 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. Revenue recognized related to the CARES Act funding is captured in other revenue over the period of losses related to the COVID-19 pandemic.

6. FAIR VALUE MEASUREMENTS

As of June 30, 2021, 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 June 30, 2021 and December 31, 2020. 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 net asset value ("NAV"). 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 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. Certain of UPMC's alternative investments are utilizing NAV to calculate fair value and are included in other investments in the following tables.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

FAIR VALUE MEASUREMENTS AS OF JUNE 30, 2021

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Fixed income	\$ 913,492	\$ 3,303,725	\$ -	\$ -	\$ 4,217,217
Domestic equity	1,208,258	13,207	-	-	1,221,465
International equity	914,435	174	-	-	914,609
Public real estate	113,707	-	-	-	113,707
Long/short equity	51,946	11,941	-	-	63,887
Absolute equity	33,980	-	-	-	33,980
Commodities	6,130	-	-	-	6,130
Derivative instruments	-	536	-	-	536
Securities on loan	459,287	-	-	-	459,287
Securities lending collateral	338,843	-	-	-	338,843
Alternative and other investments at NAV	-	-	-	1,722,546	1,722,546
Total assets measured at fair value on a recurring basis	\$ 4,040,078	\$ 3,329,583	\$ -	\$ 1,722,546	\$ 9,092,207
LIABILITIES					
Payable under securities lending agreement	\$ (338,843)	\$ -	\$ -	\$ -	\$ (338,843)
Derivative instruments	-	(5,108)	-	-	(5,108)
Total liabilities measured at fair value on a recurring basis	\$ (338,843)	\$ (5,108)	\$ -	\$ -	\$ (343,951)

FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2020

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Fixed income	\$ 655,043	\$ 3,166,311	\$ -	\$ -	\$ 3,821,354
Domestic equity	1,059,489	15,061	-	-	1,074,550
International equity	708,306	719	-	-	709,025
Public real estate	70,857	-	-	-	70,857
Long/short equity	31,188	10,423	-	-	41,611
Absolute equity	16,093	-	-	-	16,093
Commodities	6,601	-	-	-	6,601
Derivative instruments	-	544	-	-	544
Securities on loan	251,339	-	-	-	251,339
Securities lending collateral	80,527	-	-	-	80,527
Alternative and other investments at NAV	-	-	-	1,483,455	1,483,455
Total assets measured at fair value on a recurring basis	\$ 2,879,443	\$ 3,193,058	\$ -	\$ 1,483,455	\$ 7,555,956
LIABILITIES					
Payable under securities lending agreement	\$ (80,527)	\$ -	\$ -	\$ -	\$ (80,527)
Derivative instruments	-	(6,562)	-	-	(6,562)
Total liabilities measured at fair value on a recurring basis	\$ (80,527)	\$ (6,562)	\$ -	\$ -	\$ (87,089)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS 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 \$9,367,231 and \$9,015,921 at June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, respectively, UPMC has \$2,698,708 and \$3,050,333 of total cash and investments that are held by UPMC's 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 \$1,054,305 and \$857,235 of alternative investments accounted for under the equity method, which approximates fair value, at June 30, 2021 and December 31, 2020, 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 (reported in other current assets and other current liabilities, respectively). Total collateral is required to have a market value between 102% and 105% of the market value of securities loaned. As of June 30, 2021 and December 31, 2020, respectively, securities loaned, of which UPMC maintains ownership, total \$459,287 and \$251,339, and total collateral (cash and noncash) received related to the securities loaned was \$476,726 and \$265,892.

In April 2021, UPMC issued tax exempt Series 2021A revenue bonds with a total par value of \$222,000, as well as Series 2021C notes totaling \$400,000, to fund capital projects and refund certain outstanding debts. UPMC's primary credit facility, which expires in January 2024, has a borrowing limit of \$600,000. As of June 30, 2021, UPMC had approximately \$82,000 in letters of credit outstanding under the credit facility leaving \$518,000 available to fund operating and any capital needs, of which none was drawn. Additionally, UPMC has credit facilities of \$150,000 (increased from \$19,000 to \$150,000 from May 14 to August 15) and \$50,000 with expiration dates in April 2022. Both of these credit facilities support the Insurance Services Division. As of June 30, 2021, both credit facilities were fully drawn. To further support the Insurance Services Division, UPMC entered into two additional credit facilities with a capacity totaling \$400,000, with varying expiration dates through April 2022. As of June 30, 2021, both of these credit facilities were fully drawn.

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

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 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	
				Jun 30, 2021	Dec 31, 2020
Floating to fixed	2025	3.60%	68% one-month LIBOR	\$ 60,030	\$ 60,030
Basis	2021	SIFMA Index	67% three-month LIBOR plus .2077%	-	7,375
Basis	2037	SIFMA Index	67% three-month LIBOR plus .3217%	46,095	46,095
Floating to fixed	2024	1.413%	67% one-month LIBOR	8,000	8,000
				\$ 114,125	\$ 121,500

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 June 30, 2021 and December 31, 2020, which are not offset by counterparty or type of item hedged:

	Jun 30, 2021	Dec 31, 2020
Other assets	\$ 536	\$ 544
Long-term obligations	(5,108)	(6,562)
	\$ (4,572)	\$ (6,018)

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 June 30, 2021 and December 31, 2020 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

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 of UPMC's employees. Benefits under the Plans vary and are generally based upon the employee's earnings and years of participation.

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

	Six Months Ended June 30		Three Months Ended June 30	
	2021	2020	2021	2020
Service cost	\$ 87,010	\$ 76,620	\$ 43,505	\$ 38,310
Interest cost	38,326	37,762	19,163	18,876
Expected return on plan assets	(95,692)	(84,240)	(47,846)	(42,120)
Recognized net actuarial loss	14,140	13,344	7,070	6,672
Amortization of prior service credit	(2,628)	(2,628)	(1,314)	(1,314)
Net periodic pension cost	\$ 41,156	\$ 40,858	\$ 20,578	\$ 20,424

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 25 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:

	Jun 30, 2021	Dec 31, 2020
OPERATING LEASES		
Operating lease right-of-use assets	\$ 967,773	\$ 1,033,598
Other current liabilities	118,088	119,135
Operating lease liabilities	898,890	963,812
Total operating lease liabilities	\$ 1,016,978	\$ 1,082,947
FINANCE LEASES		
Property, plant and equipment, net	\$ 67,583	\$ 74,143
Other current liabilities	25,111	24,245
Other noncurrent liabilities	54,935	54,866
Total finance lease liabilities	\$ 80,046	\$ 79,111

Undiscounted maturities of lease liabilities were as follows:

For the Years Ended December 31	Operating Leases	Finance Leases
2021 (rest of year)	\$71,612	\$14,274
2022	135,118	22,381
2023	126,990	13,844
2024	112,914	6,403
2025	97,139	2,324
Thereafter	681,508	19,402

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS 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 by overpaying physicians and encouraging physicians to perform medically unnecessary procedures. On January 28, 2020, UPMC answered the Second Amended Complaint. Fact discovery has concluded. Expert discovery is proceeding. The outcome and ultimate effect on UPMC’s condensed consolidated 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 (“IPPCA”) status of UPMC, UPMC Health Coverage, Inc. and UPMC Susquehanna (collectively, “UPMC”). On December 21, 2020, an Arbitrator entered a Final Determination in UPMC’s favor, finding no violation of the IPPCA and ordering the Plaintiffs to pay the costs of the arbitration. On January 19, 2021, the Plaintiffs filed an appeal to the Philadelphia Court of Common Pleas. The outcome and ultimate effect on UPMC’s condensed consolidated financial statements cannot be determined at this time.

On July 29, 2019, UPMC received two grand jury subpoenas and an unexecuted search warrant from the DOJ seeking various records from one of UPMC’s clinical departments. UPMC received a CID from the 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 condensed consolidated financial statements cannot be determined at this time.

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 DOJ filed a notice of its decision not to intervene in the matter. Among other things, the Relator alleges that certain UPMC physicians allegedly secured patients’ informed consent the wrong way by delegating the informed consent process to other practitioners. On May 14, 2021, the Court granted UPMC’s motion to dismiss the Relator’s claims. On June 28, 2021, the Court entered final judgment for UPMC.

On or about December 15, 2020, a current employee filed a claim against UPMC, the University of Pittsburgh and other defendants, contending that the Defendants retaliated against him for authoring an article asserting that the medical profession discriminates against applicants from underrepresented races and ethnicities. On April 11, 2021, the UPMC Defendants moved to dismiss most of the claims in the Complaint. The ultimate outcome and effect on UPMC’s condensed consolidated financial statements cannot be determined at this time.

On or about March 9, 2021, two plaintiffs filed a putative class action in the Allegheny County Court of Common Pleas against UPMC and a local law firm, Charles J. Hilton & Associates (“Hilton”), that UPMC had retained. The lawsuit alleges that a data breach at Hilton exposed the plaintiffs’ personal medical and financial information. On or about June 23, 2021, a different plaintiff filed a putative class action in the United States District Court for the Western District of Pennsylvania against UPMC, Hilton, and a third-party administrative services firm alleging that the alleged Hilton breach and two unrelated data breaches exposed the plaintiff’s personal medical and financial information. UPMC intends to zealously defend against the allegations in both actions. The ultimate outcome and effect of either suit on UPMC’s condensed consolidated financial statements cannot be determined at this time.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

12. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to June 30, 2021 through August 26, 2021, 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.