UPMC Year End Financial and Operating Report & Audited Consolidated Financial Statements

FOR THE PERIOD ENDED DECEMBER 31, 2021

UPMC
LIFE CHANGING MEDICINE

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The following financial data is as of and for the years ended December 31, 2021 and 2020. 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 Year End Financial and Operating Report & Audited Consolidated Financial Statements and has not examined its contents and makes no representations concerning the accuracy and completeness of the information contained herein.

UPMC LIFE CHANGING MEDICINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 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 40 hospitals and 800 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 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 audited consolidated financial statements.

BUSINESS HIGHLIGHTS

Throughout 2021 and the evolving COVID-19 global pandemic, UPMC served as a leading provider of vaccines, latest evidence-based therapies, and a trusted source for rapidly changing information on prevention and treatment in every region we serve. Our clinical experts and operational leaders have hosted 37 press conferences and granted hundreds of media interviews since the onset of the pandemic to provide the most crucial up-to-date information to help keep our communities safe. UPMC leaders have provided expert testimony and advice to federal, state and local government officials on how to best serve their constituents during the pandemic through dozens of joint press conferences, expert panels, and community forums.

Meanwhile, UPMC never stopped providing essential, compassionate, and clinical care that our patients and communities needed in the present, and we never stopped investing in innovative clinical excellence, translational sciences and the clinical services growth our patients and communities need for the future. At the core of it all is UPMC's dedicated workforce of 92,000, and amidst the nationwide staffing challenges of an unprecedented year in healthcare, UPMC targeted investments of more than $350 million to bolster protective equipment and provide pay protection and enhanced benefits for our employees.

Leading Provider of COVID-19 Community Vaccinations

UPMC has remained committed to community-based vaccination clinics by working with community partners to take care of our most vulnerable citizens and attempting to ensure access for all. We have set up dozens of clinics at locations such as churches, community centers and events where many of our employees volunteer their service. In addition to our fixed clinic locations where people can schedule appointment times, we have also provided thousands of vaccines to those who are in long-term care facilities or who are homebound. As of February 2022, we had provided more than 785,000 total vaccine doses, more than any other health system in Pennsylvania, and we will continue to offer these clinics as long as there is a need.

Leading Provider of Monoclonal Antibodies

In late 2020, an outpatient treatment became available for COVID-19 known as monoclonal antibodies. As of February 2022, UPMC had given this treatment to nearly 23,000 patients, more than any other health system in Pennsylvania, and is among the top providers of monoclonal antibodies in the nation. UPMC's own clinical data has shown that monoclonal antibodies cut the risk of hospitalization and death by more than 60 percent. In recognition of our efforts, The White House partnered with UPMC to give ample supply of monoclonal antibodies for further research. Since monoclonal antibodies must be given through IV infusion or injection to people actively contagious with the virus, administering can be difficult and many hospitals and health systems do not offer it. However, UPMC rose to the challenge and set up more than 40 outpatient clinics across the communities we serve, and when a patient is not able to come to one of these locations, we go to them. This work, coupled with thoughtful dialogue to answer questions and raise awareness, allowed UPMC to achieve equity in its administration of this treatment, eliminating racial disparities of patients aided. In late 2021, in the first and largest clinical study in the world to compare different methods of administering Regeneron's monoclonal antibody treatment, UPMC showed that it is just as effective to give it through subcutaneous injections as it is to administer intravenously. This breakthrough allowed us to treat more than double the number of patients. Our efforts to promote UPMC's monoclonal antibody research led to inquiries about our best practices from more than 20 health care providers, from small rural hospitals to peer academic institutions, proving once again that our press briefings where we share our successes with our communities have a profound, life-saving impact on the practice of medicine. In January 2022, the U.S. Food and Drug Administration restricted the use of certain types of monoclonal antibodies after they were found ineffective against the COVID-19 variant Omicron. Not included in this restricted group was the monoclonal antibody sotrovimab. As the first health system to administer sotrovimab after it was authorized by the FDA, UPMC has abundant experience providing it safely and effectively to those in our communities who are most likely to have severe outcomes from COVID-19.

Leading Provider of Evusheld for Our Most Vulnerable Patients

During the last week of December 2021, UPMC learned it would receive its first limited shipment of the preventive monoclonal antibody Evusheld for those with severely compromised immune systems, such as cancer and transplant patients. We promptly hosted a media briefing to share the news with our communities about how UPMC would be equitably distributing this scarce resource in an evidence-based fashion to our most vulnerable patients in all the regions UPMC serves. As of February 2022, UPMC had administered Evusheld to nearly 1,000 patients, with hundreds more scheduled.

Advancing Other Clinical Excellence and Translational Sciences

Even as battling COVID-19 is a top priority, UPMC continued to advance other areas of clinical excellence and translational sciences. In December 2021, *Science Magazine* recognized UPMC as the premier organization transforming the traditionally slow process of clinical trials into a dynamic patient-serving, data-driven approach to getting life-saving answers in near real time.

UPMC expanded services in new regions at home and abroad, and showed how technologies like telehealth and data analytics have re-envisioned critical care, patient education, palliative care, and more. Additional breakthroughs involved specialties like vision restoration and brain-computer interface. In order to meet increasing demand for new UPMC clinical programs and services, we spent approximately $800 million on capital expenditures in 2021 to continue our focus on advancing world-class care even during a global pandemic. These investments support numerous specialty care expansions, including the addition of UPMC Children's facilities and services at UPMC Harrisburg, UPMC Western Maryland, UPMC Hillman Cancer Center and UPMC Magee-Womens expertise and enhancements in multiple locations throughout our service areas, including North Central PA.

Earning More Accolades for Clinical Excellence and Innovation

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

- UPMC Harrisburg's cutting-edge pediatric inpatient 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.
- UPMC Children's Community Pediatrics ("CCP") expansion and growth efforts have allowed its primary, behavioral health, and subspecialty care to reach more families and communities throughout the region.

In September 2021, UPMC was named one of the nation's "Digital Health Most Wired" health systems by the College of Healthcare Information Management Executives ("CHIME") for the 23rd year in a row, and one of only seven health systems eligible for the highest tier of recognition.

For the third year in a row, the Ethisphere Institute, an organization focused on defining and advancing the standards of ethical business practices, named UPMC one of the World's Most Ethical Companies. UPMC is one of 135 organizations on Ethisphere's 2021 list, which spans 22 countries and 47 different industries. Ethisphere evaluated UPMC as an integrated health care delivery and financing system, making it one of only two organizations recognized in that category.

Investing in Our Communities

UPMC's commitment to providing needed community services to every corner of the regions we serve is stronger than ever. In addition to supporting the ongoing growth of our clinical services, outpatient centers, and state-of-the-art facilities, UPMC contributed $1.7 billion in IRS-guided community benefits during fiscal year 2020, including more care to the region's most vulnerable citizens than any other health care institution. This contribution encompasses $509 million in charity care and costs for those in need (providing 25 percent of hospital charity care in Pennsylvania), $558 million in health and wellness programs and charitable contributions (which lead Pennsylvania in hospital contributions to community improvement programs) and $599 million for medical research and education funding 98% of all hospital-supported research in the western Pennsylvania region and half of hospital-funded research in the state.

UPMC's annual total economic impact of $46 billion in 2020 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 benefits equals nearly $4.6 million per day or more than 18 percent 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.

Our many community engagement activities include:

- Our investment in an affordable housing loan fund focused in western Pennsylvania as part of an initiative by the Robert Wood Johnson Foundation.
- A new homeless shelter, Second Avenue Commons, where UPMC will run and manage the medical clinic.
- A unique program called "Freedom House 2.0," which recruits, trains, and employs first responders from economically disadvantaged communities.
- Dozens of community-based COVID-19 vaccine clinics in areas including McKeesport, Homestead, and East Liberty.
- A "Street Medicine" program in Harrisburg helping address the health needs of the community's unhoused population by offering primary care services in camps and shelters and connecting individuals with support services and resources in the community.

Investing in Our Workforce

At the foundation of UPMC's continuing leadership role as the pandemic evolves is our workforce of 92,000. In ways beyond 2020's significant efforts, UPMC employees have stretched themselves further and thinner than ever thought possible. To recognize outstanding work throughout these unprecedented times, in November 2021, UPMC announced investments to support our workforce, with enhancements in several areas, including rewarding each eligible employee with a one-time bonus as a special "thank you" for their service. Since then, UPMC has announced additional investments that include substantial improvements to our already robust benefit programs to ensure all employees have affordable and valuable coverage, and a boost to our merit program to ensure leaders are better positioned to reward strong performances during 2021. Before this, UPMC had increased minimum starting salaries effective in January 2021 for entry-level positions in its urban and Central Pennsylvania facilities to $15 an hour plus a rich benefits package, the first healthcare provider in the Commonwealth to do so. Market data shows $15 an hour in the urban setting is 10% higher than the market rate.

Creating UPMC's Own In-House Travel Staffing Agency

In December 2021, UPMC launched UPMC Travel Staffing as an innovative way to support our workforce by addressing the clinical staffing shortage impacting health care throughout the nation. The program is for registered nurses and surgical technologists, with the potential to evolve to include additional job roles. As of February 2022, more than 135 travel positions have been filled.

Forging Ahead Under New President and CEO

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. Additionally, she 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2021

CONSOLIDATED FINANCIAL HIGHLIGHTS

Financial Results for the Years Ended December 31		2021		2020*
Operating revenues	**$**	**24,366**	$	23,093
Operating income	**$**	**843**	$	878
Operating margin %		**3.5%**		3.8%
Operating margin % (after income tax and interest expense)		**2.8%**		3.0%
Gain from investing and financing activities	**$**	**810**	$	232
Excess of revenues over expenses attributable to controlling interest	**$**	**1,460**	$	1,073
Operating EBIDA	**$**	**1,532**	$	1,564
Capital expenditures	**$**	**782**	$	865
Reinvestment ratio		**1.13**		1.26

Selected Other Information as of		December 31, 2021		December 31, 2020
Total cash and investments	**$**	**10,697**	$	9,873
Unrestricted cash and investments	**$**	**9,184**	$	8,440
Unrestricted cash and investments over long-term debt[1]	**$**	**3,131**	$	2,036
Days of cash on hand		**148**		142
Days in net accounts receivable		**46**		39
Average age of plant (in years)		**9.8**		9.2

**Adjustments were made to prior year to conform to current year presentation. See disclosure in Footnote 1.*
[1]Excludes $515 million and $840 million of Medicare advance funding as of December 31, 2021 and December 31, 2020, respectively, and $104 million and $225 million of deferred FICA payments as of December 31, 2021 and December 31, 2020, respectively.

Operating income of $843 million for the year ended December 31, 2021 decreased $35 million compared to the same period in the prior year. Excess of revenues over expenses was $1.5 billion. Operating earnings before interest, depreciation and amortization (EBIDA) totaled $1.5 billion for the year ended December 31, 2021. As of December 31, 2021, UPMC had $10.7 billion of cash and investments, of which approximately $2.9 billion is held by UPMC's regulated health and captive insurance companies.

In March 2020 and March 2021, the federal government enacted the CARES Act and the American Rescue Plan, respectively, that provide, 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 $761 million of federal funding through December 31, 2021. Approximately $380 million was recognized as other operating revenue for the year ended December 31, 2020. For the year ended December 31, 2021, an additional $264 million was recognized as UPMC continued to incur COVID-19 related expenses. The remaining amounts received will be evaluated for recognition in future periods as COVID-19 volumes and corresponding expenses continue to be incurred.

For the year ended December 31, 2021:

- Hospital medical-surgical admissions and observation cases increased 3% compared to the prior year,
- Hospital outpatient revenue per workday increased 13% compared to the prior year,
- Physician service revenue per weekday increased 11% from the comparable period in the prior year, and
- Enrollment in UPMC's Insurance Services increased 3% to approximately 4.1 million members as of December 31, 2021.

UPMC's gain from investing and financing activities for the year ended December 31, 2021 was $810 million. UPMC continues to have a long-term perspective with regard to its investment activities.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Year Ended December 31, 2021 *(in millions)*

Revenues:	Health Services	Insurance Services	Eliminations	Consolidated
Net patient service revenue	$ 12,874	$ -	$ (2,869)	$ 10,005
Insurance enrollment revenue	-	12,110	-	12,110
Other revenue	1,471	877	(97)	2,251
Total operating revenues	$ 14,345	$ 12,987	$ (2,966)	$ 24,366
Expenses:				
Salaries, professional fees and benefits	$ 7,732	$ 538	$ (63)	$ 8,207
Insurance claims expense	-	11,339	(2,869)	8,470
Supplies, purchased services and general	5,277	914	(34)	6,157
Depreciation and amortization	678	11	-	689
Total operating expenses	13,687	12,802	(2,966)	23,523
Operating income	$ 658	$ 185	$ -	$ 843
Operating margin %	4.6%	1.4%	-	3.5%
Operating margin % (including income tax and interest expense)	3.4%	1.4%	-	2.8%
Operating EBIDA	$ 1,336	$ 196	$ -	$ 1,532
Operating EBIDA %	9.3%	1.5%	-	6.3%

Year Ended December 31, 2020* *(in millions)*

Revenues:	Health Services	Insurance Services	Eliminations	Consolidated
Net patient service revenue	$ 11,613	$ -	$ (2,413)	$ 9,200
Insurance enrollment revenue	-	11,432	-	11,432
Other revenue	1,848	856	(243)	2,461
Total operating revenues	$ 13,461	$ 12,288	$ (2,656)	$ 23,093
Expenses:				
Salaries, professional fees and benefits	$ 7,300	$ 511	$ (33)	$ 7,778
Insurance claims expense	-	10,329	(2,413)	7,916
Supplies, purchased services and general	5,034	1,011	(210)	5,835
Depreciation and amortization	671	15	-	686
Total operating expenses	13,005	11,866	(2,656)	22,215
Operating income	$ 456	$ 422	$ -	$ 878
Operating margin %	3.4%	3.4%	-	3.8%
Operating margin % (including income tax and interest expense)	2.2%	3.2%	-	3.0%
Operating EBIDA	$ 1,127	$ 437	$ -	$ 1,564
Operating EBIDA %	8.4%	3.6%	-	6.8%

**Adjustments were made to prior year to conform to current year presentation. See disclosure in Footnote 1.*

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 approximately 5,200 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 extend UPMC's core mission and aim to bring new revenue streams into UPMC's domestic operations. International ventures currently include ISMETT, which is a government-approved hospital for end-stage organ disease treatment and research, a network of three hospitals and two UPMC Hillman Cancer Centers across southeast Ireland stretching from Cork to Dublin, a contract to provide management services for five world-class hospitals in partnership with Wanda Group in China, a national oncology treatment and research center in Kazakhstan, Salvator Mundi International Hospital in Rome, and UPMC Hillman Cancer Centers in Rome and Campania.

Health Services operating income for the year ended December 31, 2021 increased $202 million versus the same period in the prior year. Volumes within Health Services entities have generally rebounded to near 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. This resulted in reduced patient revenues for the division in the prior year. Additionally, UPMC recognized $51 million in operating income in 2021 related to the CARES Act Employer Retention Credit and a favorable legal settlement of $42 million. UPMC remains vigilant about the ongoing effects of the COVID-19 pandemic.

Insurance Services

UPMC holds various interests in health care financing initiatives and network care delivery operations that have over four million members as of December 31, 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 year ended December 31, 2021 decreased by $237 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 as prior year volumes and related medical claims expense were significantly reduced by the governmental restrictions as a result of the COVID-19 pandemic. UPMC remains vigilant about the ongoing effects of the COVID-19 pandemic.

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 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.

REVENUE METRICS – HEALTH SERVICES

Medical-Surgical Admissions and Observation Visits

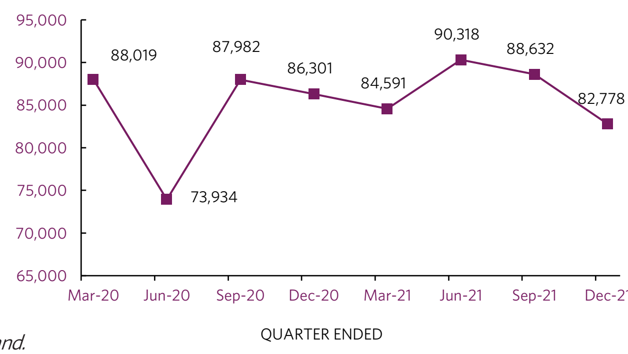
Inpatient activity, as measured by medical-surgical admissions and observation visits at UPMC's hospitals for the year ended December 31, 2021, increased 3% compared to the same period in 2020 as volumes have now generally rebounded to near pre-COVID-19 levels. In the fourth quarter of 2021, volumes declined as a result of rising COVID-19 activity across the regions we serve.

For the Years Ended December 31

(in thousands)	**2021**	2020*	Change
Academic	**117.4**	111.4	5%
Community	**50.9**	51.2	(1%)
Regional	**178.1**	173.6	3%
Total	**346.4**	336.2	3%

**Prior year amounts have been adjusted to include UPMC Western Maryland.*

Quarter Ended*



Outpatient Revenue per Workday

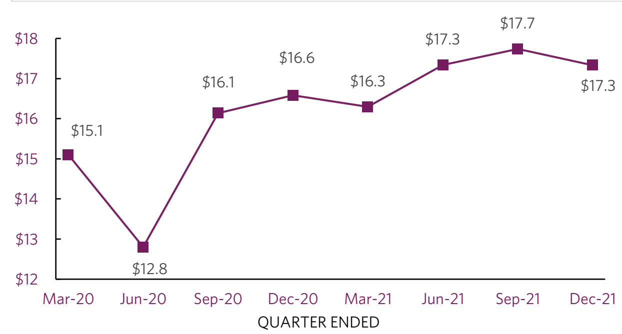
UPMC's outpatient activity for the year ended December 31, 2021, as measured by average revenue per workday, increased 13% compared to the same period in 2020. Increases in revenue per workday from prior periods continue as ambulatory patient volumes continue to increase. Hospital outpatient activity is measured on an equivalent workday ("EWD") basis to adjust for weekend and holiday hours.

For the Years Ended December 31

(in thousands)	**2021**	2020*	Change
Academic	**$ 6,424**	$ 5,833	10%
Community	**1,804**	1,556	16%
Regional	**8,953**	7,763	15%
Total	**$ 17,181**	$ 15,152	13%

**Prior year amounts have been adjusted to include UPMC Western Maryland.*

Quarterly Average (in millions)*



REVENUE METRICS – HEALTH SERVICES (CONTINUED)

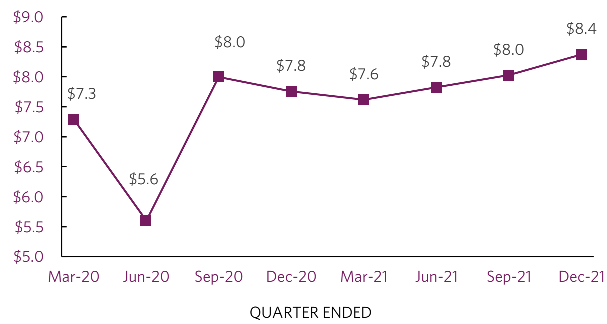
Physician Service Revenue per Weekday

UPMC's physician activity for the year ended December 31, 2021, as measured by average revenue per weekday, increased 11% from the comparable period in 2020. Physician services activity is measured on a weekday basis.

For the Years Ended December 31			
(in thousands)	**2021**	2020*	Change
Academic	**$ 3,592**	$ 3,322	8%
Community	**1,726**	1,607	7%
Regional	**2,640**	2,233	18%
Total	**$ 7,958**	$ 7,162	11%

Prior year amounts have been adjusted to include UPMC Western Maryland.

Quarterly Average (in millions)*



Sources of Patient Service Revenue

The gross patient service revenues, before price concessions and intercompany transactions, 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.

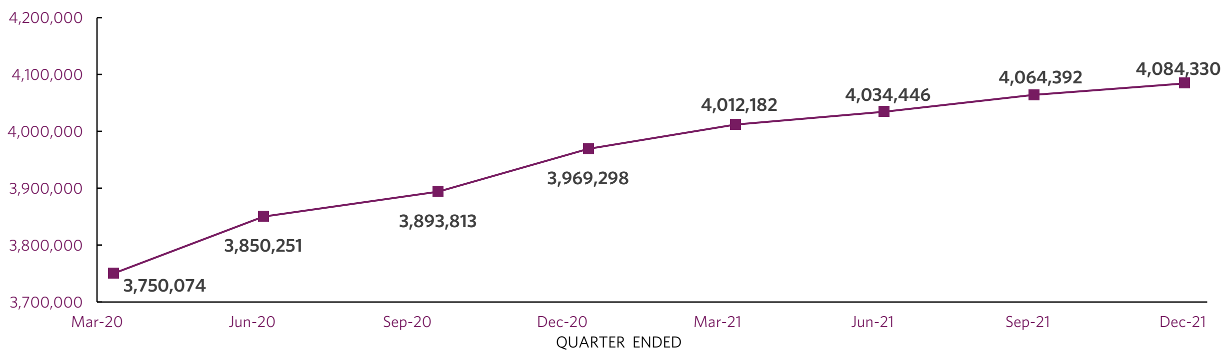
	Years Ended December 31	
	2021	2020*
Medicare	**47%**	47%
Medical Assistance	**18%**	17%
UPMC Insurance Services Commercial	**12%**	13%
Highmark Commercial	**9%**	9%
National Insurers Commercial	**6%**	6%
Self-pay/Other	**8%**	8%
Total	**100%**	100%

Prior year amounts have been adjusted to include UPMC Western Maryland.

OPERATING METRICS - INSURANCE SERVICES

Membership

Membership in the UPMC Insurance Services division increased to 4,084,330 as of December 31, 2021, a 3% increase versus December 31, 2020.

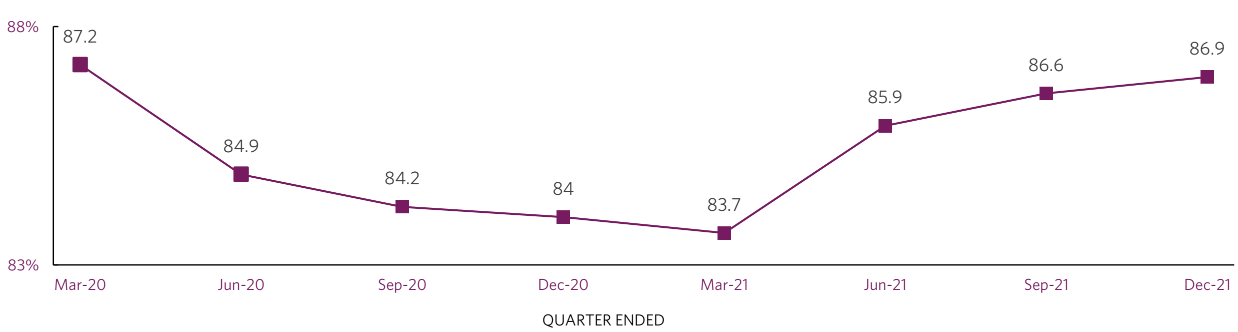


As of	**Dec 31, 2021**	Dec 31, 2020
Commercial Health	**642,653**	686,157
Medicare	**200,128**	196,758
Medical Assistance	**567,458**	523,235
Sub-Total Physical Health Products	**1,410,239**	1,406,150
Community HealthChoices	**133,914**	132,986
Behavioral Health	**1,258,036**	1,159,027
Sub-Total Health Products	**2,802,189**	2,698,163
Work Partners and Life Solutions	**743,430**	725,558
Ancillary Products	**471,236**	479,120
Third-Party Administration	**67,475**	66,457
Total Membership	**4,084,330**	3,969,298

Medical Expense Ratio

UPMC Insurance Services' medical expense ratio for the trailing twelve months has increased to 86.9% as of December 31, 2021 as a result of an increase in medical claims expense in 2021 related to the effects of utilization increases. The chart below is updated quarterly to reflect updated estimates and actual medical claims expense experience for each presented period.

Trailing Twelve Months



KEY FINANCIAL INDICATORS
(Dollars in millions)

Operating Earnings before Interest, Depreciation and Amortization

Operating EBIDA for the year ended December 31, 2021 is comparable to the prior year.

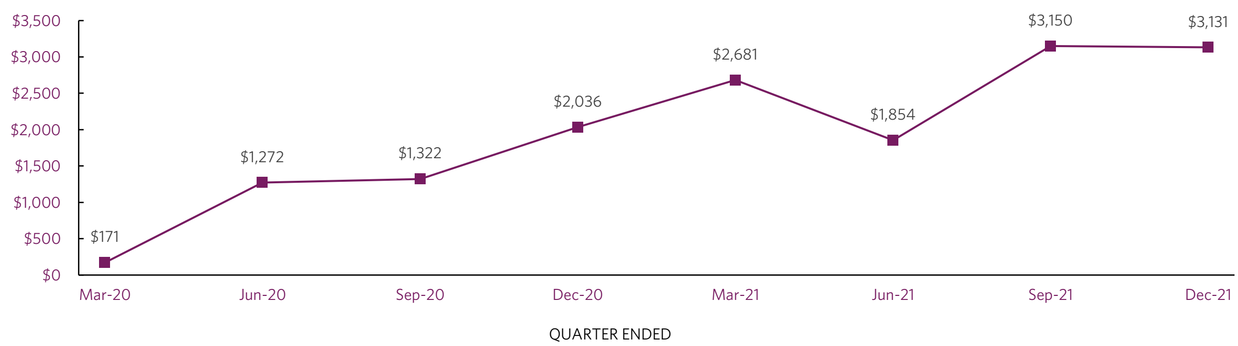
For the Years Ended December 31			
(in thousands)	**2021**	2020*	Change
Operating Income	**$ 843**	$ 878	(4%)
Depreciation and Amortization	**689**	686	0%
Operating EBIDA	**$ 1,532**	$ 1,564	(2%)

Adjustments were made to prior periods to conform to current year presentation. See disclosure in Footnote 1.

Trailing Twelve Months Operating EBIDA*

Unrestricted Cash and Investments Over Long Term Debt

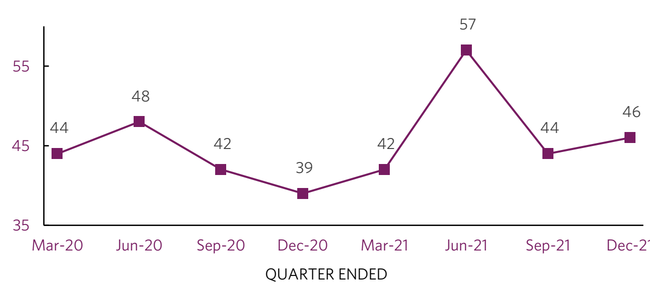
Unrestricted cash and investments over long term debt as of December 31, 2021 increased $1.1 billion when compared to December 31, 2020 due primarily to strong operating performance and positive investment returns in 2021. Advance funding from CMS and deferred FICA payments are excluded from this calculation.



Days in Net Accounts Receivable

Days in Accounts Receivable at December 31, 2021 and December 31, 2020 were 46 and 39, respectively. Increases in days in patient AR from December 31, 2020 are due to increased claim reviews by commercial payers resulting in payment delays. Additionally, increases in days in Insurance and other AR are the result of premium payment delays within UPMC's Insurance Services Division.

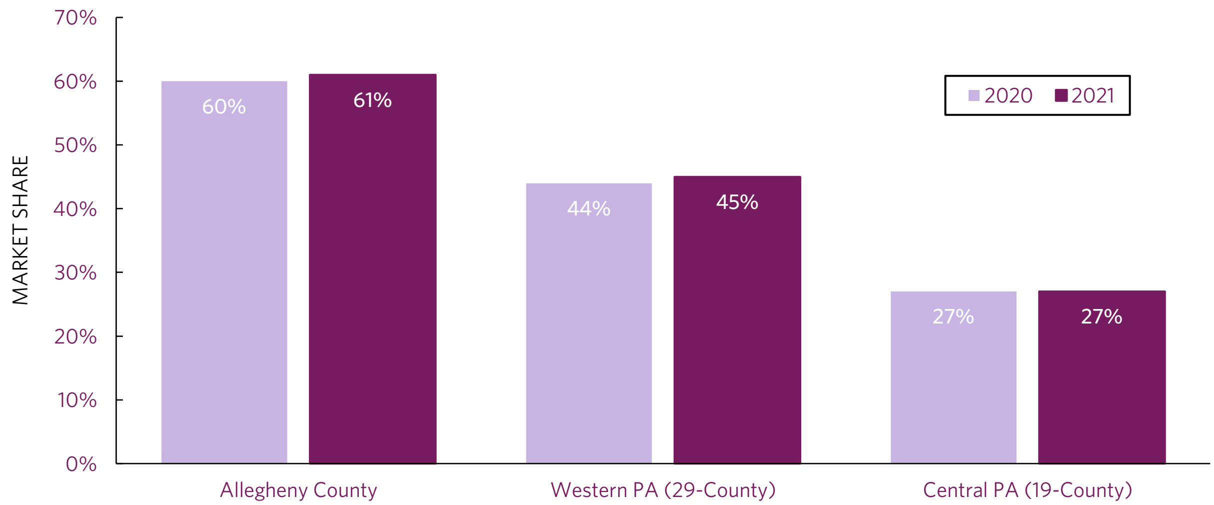
By Receivable	2021 Balance	Days Dec 31, 2021	Days Dec 31, 2020
Patient	**$ 1,405**	**54**	47
Insurance and other	**1,634**	**41**	35
Consolidated	**$ 3,039**	**46**	39



MARKET SHARE

The chart below shows the change in UPMC's estimated inpatient market share for the first two quarters of calendar years 2020 and 2021 by service area.[1] This is the most recent market share data currently available.

UPMC INPATIENT MEDICAL-SURGICAL MARKET SHARE
AS OF JUNE 30[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.*

ASSET AND LIABILITY MANAGEMENT

During the twelve months ended December 31, 2021, UPMC's investment portfolio returned 10.2%. As of December 31, 2021, UPMC utilized 171 ongoing external investment managers including 48 traditional managers, 18 hedge fund managers and 105 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 10.2%, 11.9% and 9.1% for the trailing one-, three- and five-year periods. As of December 31, 2021, 68% of UPMC's investment portfolio could be liquidated within three days.

UPMC's cost of capital during the twelve-month period ended December 31, 2021 was 3.00%. 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 December 31, 2021, the interest rates on UPMC's long-term debt were approximately 88% fixed and 12% variable after giving effect to derivative contracts. Interest cost for the variable rate debt for the period averaged 1.30%. The interest cost for the fixed rate debt was 3.23%. UPMC's primary credit facility, which expires in January 2024, has a borrowing limit of $600 million. As of December 31, 2021, UPMC had approximately $83 million in letters of credit outstanding under the credit facility leaving $517 million available to fund operating and capital needs, none of which was drawn.

UPMC has credit facilities of $50 million and $19 million, the latter of which temporarily increases each year to $150 million from May 14th to August 15th, with expiration dates in April 2022. Both credit facilities support the Insurance Services Division. As of December 31, 2021, there were no draws on either credit facility. To further support the Insurance Services Division, in the second quarter of 2021, UPMC entered into additional credit facilities with a capacity totaling $400 million. In the fourth quarter of 2021 the capacity was reduced to $200 million as a result of a scheduled facility termination. For the remaining facility with a scheduled termination in April 2022, there were no draws outstanding as of December 31, 2021.

The table below compares reported Investing and Financing Activity for the years ended December 31, 2021 and 2020 by type.

Investing and Financing Activity by Type

Years Ended December 31		2021		2020*
(in thousands)				
Realized gain	$	575,402	$	271,288
Interest and dividends, net of fees		79,530		76,117
Realized investment gain	$	654,932	$	347,405
Unrealized gain (loss) on derivative contracts		2,557		(320)
Other unrealized gain		245,080		208,855
Investment gain	$	902,569	$	555,940
Interest expense		(161,976)		(177,244)
(Loss) gain on extinguishment of debt		(2,342)		1,274
UPMC Enterprises activity		71,697		(148,077)
Gain from investing and financing activities	$	809,948	$	231,893

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

Sources and Uses of Cash

UPMC's primary source of operating cash is the collection of revenues and related accounts receivable. As of December 31, 2021, UPMC had approximately $930 million of cash and cash equivalents on hand and borrowing availability under the primary credit facility was $517 million.

Operating EBIDA was $1.5 billion for the year ended December 31, 2021, compared to $1.6 billion for the year ended December 31, 2020. Key uses of cash for the year ended December 31, 2021 include capital expenditures of $757 million (after excluding any capital acquired through lease arrangements). 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 DECEMBER 31, 2021

The following table presents selected consolidated statistical indicators of medical-surgical, psychiatric, rehabilitation and skilled nursing patient activity for the years ended December 31, 2021 and 2020.

	Years Ended December 31	
	2021	2020*
Licensed Beds	**8,771**	8,517
BEDS IN SERVICE		
Medical-Surgical	**5,089**	4,877
Psychiatric	**430**	420
Rehabilitation	**256**	245
Skilled Nursing	**1,551**	1,561
Total Beds in Service	**7,326**	7,103
PATIENT DAYS		
Medical-Surgical	**1,446,186**	1,294,676
Psychiatric	**122,366**	121,584
Rehabilitation	**74,332**	75,839
Skilled Nursing	**319,638**	355,591
Total Patient Days	**1,962,522**	1,847,690
Average Daily Census	**5,377**	5,048
Observation Days	**168,726**	153,599
Obs Average Daily Census	**462**	420
ADMISSIONS AND OBSERVATION CASES		
Medical-Surgical	**251,039**	243,732
Observation Cases	**95,280**	92,504
Subtotal	**346,319**	336,236
Psychiatric	**10,643**	11,190
Rehabilitation	**4,566**	4,892
Skilled Nursing	**3,444**	3,494
Total Admissions and Observation Cases	**364,972**	355,812
Overall Occupancy	**80%**	77%
AVERAGE LENGTH OF STAY		
Medical-Surgical	**5.8**	5.3
Psychiatric	**11.5**	10.9
Rehabilitation	**16.3**	15.5
Skilled Nursing	**92.8**	101.8
Overall Average Length of Stay	**7.3**	7.0
Emergency Room Visits	**1,030,438**	947,369
TRANSPLANTS (DOMESTIC AND INTERNATIONAL)		
Liver	**247**	245
Kidney	**328**	383
All Other	**312**	336
Total	**887**	964
OTHER POST-ACUTE METRICS		
Home Health Visits	**679,616**	770,740
Hospice Care Days	**242,688**	253,398
Outpatient Rehab Visits	**722,628**	605,968

**Reclassifications were made to prior year to include UPMC Western Maryland.*

OUTSTANDING DEBT

PERIOD ENDED DECEMBER 31, 2021
(DOLLARS IN THOUSANDS)

Issuer	Original Borrower	Series	Amount Outstanding
Allegheny County Hospital Development Authority	UPMC Health System	1997B	$43,595
	UPMC	2007A	45,965
	UPMC	2011A	5,049
	UPMC	2017D	399,730
	UPMC	2019A	773,629
	UPMC	2021B	54,665
Monroeville Finance Authority	UPMC	2012	292,340
	UPMC	2013B	48,409
	UPMC	2014B	45,119
Pennsylvania Economic Development Financing Authority	UPMC	2013A	107,075
	UPMC	2014A	272,627
	UPMC	2015B	116,507
	UPMC	2016	230,456
	UPMC	2017A	422,495
	UPMC	2017B	90,794
	UPMC	2017C	134,630
	UPMC	2020A	273,145
	UPMC	2021A	260,670
Tioga County Industrial Development Authority	Laurel Health System	2010	6,095
	Laurel Health System	2011	4,443
Dauphin County General Authority	Pinnacle Health System	2012A	135,886
	Pinnacle Health System	2016A	97,153
	Pinnacle Health System	2016B	82,950
General Authority of Southcentral Pennsylvania	Hanover Hospital	2013	5,239
	Hanover Hospital	2015	21,863
Potter County Hospital Authority	UPMC	2018A	15,335
Somerset County Hospital Authority	Somerset Hospital	2009	704
	Somerset Hospital	2015A	15,000
Maryland Health and Higher Educational Facilities Authority	UPMC	2020B	201,480
None	UPMC	2020D	349,610
	UPMC	2020 Term Loans	499,903
	UPMC	2021C	399,366
	Somerset Management Services	2013	1,509
	Various	Financing Leases & Loans	124,523
		Swap Liabilities	3,683
Total			**$5,581,642**

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

Source: UPMC Records

DEBT COVENANT CALCULATIONS

PERIOD ENDED DECEMBER 31, 2021

DEBT SERVICE COVERAGE RATIO

(Dollars in thousands)

		Trailing Twelve-Month Period Ended December 31, 2021
Excess of revenues over expenses attributable to controlling interest	$	1,460,026
ADJUSTED BY:		
Net Unrealized Gains during Period[(1)]		(247,637)
Depreciation and Amortization[(1)]		689,389
Loss on Extinguishment of Debt[(1)]		2,342
Realized Investment Impairments[(2)]		(16,245)
Interest Expense[(3)]		160,750
Revenues Available for Debt Service	$	2,048,625
Historical Debt Service Requirements - 2007 MTI	$	335,386
Debt Service Coverage Ratio - 2007 MTI		6.11X
Historical Debt Service Requirements - All Debt and Finance Leases	$	375,639
Debt Service Coverage Ratio - All Debt and Finance Leases		5.45X

LIQUIDITY RATIO AS OF DECEMBER 31, 2021

Unrestricted Cash and Investments	$	9,184,383
Master Trust Indenture Debt		5,193,915
Unrestricted Cash to MTI Debt		**1.77**

(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 December 31, 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. Stilley
Treasurer
UPMC

Audited Consolidated Financial Statements

FOR THE PERIOD ENDED DECEMBER 31, 2021

Ernst & Young LLP
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Pittsburgh, PA 15222

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of UPMC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UPMC (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2022 (not presented herein) expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Building a better working world

Implicit and Explicit Price Concessions for Revenue Recognition

Description of the Matter	For the year ended December 31, 2021, the Company's net patient service revenue was $10.0 billion. As discussed in Note 1 to the consolidated financial statements, net patient service revenue is recorded based upon the estimated amounts the Company expects to be entitled to receive from patients and third-party payers in exchange for providing patient care. 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. Management 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. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care insurance coverage may have discounts applied (uninsured discounts and contractual discounts). The Company also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record these revenues and accounts receivable at the estimated amounts the Company expects to collect. Additional collection risks relate to uninsured patients accounts, including amounts owed from patients after insurance has paid the amounts covered by the applicable agreement. Implicit price concessions relate primarily to amounts due directly from patients and are based upon management's assessment of a patient's historical propensity to pay and write-offs, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Auditing management's estimates of explicit and implicit price concessions was complex and judgmental due to the significant data inputs and subjective assumptions utilized in determining related amounts.
How We Addressed the Matter in Our Audit	We tested internal controls that address the risks of material misstatement related to the measurement and valuation of revenues, including estimation of explicit and implicit price concessions. For example, we tested management's internal controls over the key data inputs to the explicit and implicit price concessions models, significant assumptions underlying management's models, and management's internal controls over retrospective hindsight reviews of historical reserve accuracy. To test the estimated explicit and implicit price concessions, we performed audit procedures that included, among others, assessing methodologies and evaluating the significant assumptions discussed above and testing completeness and accuracy of the underlying data used by the Company in its estimates. We compared the significant assumptions used by management to current industry and economic trends and considered changes, if any, to the Company's business and other relevant factors. We also assessed the historical accuracy of management's estimates based on the results of the analysis comparing prior year estimates to actual results and other analytics as a source of potential corroborative or contrary evidence.

Ernst & Young LLP

We have served as the Company's auditor since 1994.
February 28, 2022

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

		As of		
		December 31, 2021		December 31, 2020
CURRENT ASSETS				
Cash and cash equivalents	**$**	**930,376**	$	1,541,036
Patient accounts receivable		**1,404,695**		1,210,992
Insurance and other receivables		**1,634,524**		1,412,735
Other current assets		**591,570**		510,565
Total current assets		**4,561,165**		4,675,328
Board-designated, restricted, trusteed and other investments		**9,766,549**		8,332,120
Beneficial interests in foundations and trusts		**783,779**		678,806
Property, buildings and equipment:				
Land and land improvements		**532,564**		529,575
Buildings and fixed equipment		**8,314,299**		8,048,913
Movable equipment		**3,294,921**		3,146,341
Finance leases		**194,118**		180,988
Construction in progress		**590,085**		520,119
		12,925,987		12,425,936
Less allowance for depreciation		**(6,715,391)**		(6,315,165)
		6,210,596		6,110,771
Operating lease right-of-use assets		**976,026**		1,033,598
Other assets		**790,300**		755,022
Total assets	**$**	**23,088,415**	$	21,585,645
CURRENT LIABILITIES				
Accounts payable and accrued expenses	**$**	**783,477**	$	763,798
Accrued salaries and related benefits		**963,076**		866,890
Current portion of insurance reserves		**1,018,418**		950,387
Current portion of long-term obligations		**280,793**		333,864
Other current liabilities		**1,571,781**		1,281,417
Total current liabilities		**4,617,545**		4,196,356
Long-term obligations		**5,300,849**		5,258,046
Pension liability		**-**		171,983
Long-term insurance reserves		**429,182**		389,290
Operating lease noncurrent liabilities		**895,949**		963,812
Other noncurrent liabilities		**566,530**		1,184,968
Total liabilities		**11,810,055**		12,164,455
Net assets without donor restrictions		**9,883,697**		8,166,762
Net assets with donor restrictions		**1,394,663**		1,254,428
Total net assets		**11,278,360**		9,421,190
Total liabilities and net assets	**$**	**23,088,415**	$	21,585,645

See accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(DOLLARS IN THOUSANDS)

	Years Ended December 31 **2021**	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net patient service revenue	**$ 10,005,556**	$ 9,199,717
Insurance enrollment revenue	**12,110,124**	11,432,067
Other revenue	**2,250,804**	2,461,633
Total operating revenues	**24,366,484**	23,093,417
Salaries, professional fees and employee benefits	**8,207,431**	7,778,450
Insurance claims expense	**8,469,749**	7,915,612
Supplies, purchased services and general	**6,157,002**	5,835,501
Depreciation and amortization	**689,389**	685,585
Total operating expenses	**23,523,571**	22,215,148
Operating income	**842,913**	878,269
Academic and research support provided	**(240,300)**	(227,409)
Inherent contribution	**-**	160,565
Other non-operating activities	**87,171**	66,777
Income tax expense	**(6,032)**	(5,094)
After-tax income	**$ 683,752**	$ 873,108
Investing and financing activities:		
Investment gain	**902,569**	555,940
Interest expense	**(161,976)**	(177,244)
(Loss) gain on extinguishment of debt	**(2,342)**	1,274
UPMC Enterprises activity:		
Portfolio company revenue and net gains from sales	**271,482**	53,515
Portfolio company and research and development expense	**(199,785)**	(201,592)
Gain from investing and financing activities	**809,948**	231,893
Excess of revenues over expenses	**1,493,700**	1,105,001
Excess of revenues over expenses attributable to noncontrolling interest	**33,674**	31,605
Excess of revenues over expenses attributable to controlling interest	**1,460,026**	1,073,396
Net change in pension liability and other	**256,909**	(48,044)
Change in net assets without donor restrictions	**$ 1,716,935**	$ 1,025,352
NET ASSETS WITH DONOR RESTRICTIONS		
Net contributions and other changes	**21,081**	32,808
Net realized and unrealized gains on restricted investments	**22,754**	5,180
Restricted net assets acquired	**-**	12,138
Assets released from restriction for operations and capital purchases	**(8,573)**	(16,512)
Change in beneficial interests in foundations and trusts	**104,973**	54,115
Change in net assets with donor restrictions	**140,235**	87,729
Change in total net assets	**1,857,170**	1,113,081
Net assets, beginning of period	**9,421,190**	8,308,109
Net assets, end of period	**$ 11,278,360**	$ 9,421,190

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	Years Ended December 31	
	2021	2020
OPERATING ACTIVITIES		
Increase in total net assets	**$ 1,857,170**	$ 1,113,081
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	**689,389**	685,585
Change in beneficial interest in foundations and trusts	**(104,973)**	(54,115)
Restricted contributions and investment revenue	**(43,835)**	(37,988)
Restricted net assets acquired	**-**	(12,138)
Unrealized gains on investments	**(245,080)**	(208,855)
Realized gains on investments	**(575,402)**	(271,288)
Purchases of non-alternative investments	**(11,759,789)**	(8,283,826)
Sales of non-alternative investments	**11,128,045**	6,972,277
Inherent contribution	**-**	(160,565)
Changes in operating assets and liabilities:		
Accounts receivable	**(415,492)**	(59,943)
Other current assets	**(81,005)**	(44,815)
Accounts payable and accrued liabilities	**115,865**	131,332
Insurance reserves	**107,923**	214,057
Other current liabilities	**290,364**	665,861
Other noncurrent assets and liabilities	**(830,497)**	612,061
Other operating changes	**(153,202)**	(261,154)
Net cash (used in) provided by operating activities	**(20,519)**	999,567
INVESTING ACTIVITIES		
Purchase of property and equipment	**(756,970)**	(844,180)
UPMC Enterprises investments in non-consolidated entities	**(43,156)**	(52,500)
Cash acquired through divestitures	**83,543**	255,011
Net change in investments designated as nontrading	**(21,593)**	(37,854)
Purchases of alternative investments	**(289,523)**	(226,148)
Sales of alternative investments	**363,264**	152,530
Net change in other assets	**39,131**	58,196
Net cash used in investing activities	**(625,304)**	(694,945)
FINANCING ACTIVITIES		
Repayments of long-term obligations	**(1,372,555)**	(2,212,531)
Borrowings of long-term obligations	**1,363,883**	3,059,741
Restricted contributions and investment income	**43,835**	37,988
Net cash provided by financing activities	**35,163**	885,198
Net change in cash and cash equivalents	**(610,660)**	1,189,820
Cash and cash equivalents, beginning of period	**1,541,036**	351,216
Cash and cash equivalents, end of period	**$ 930,376**	$ 1,541,036
SUPPLEMENTAL INFORMATION		
Finance lease obligations incurred to acquire assets	**$ 25,130**	$ 20,888

See accompanying notes

1. ORGANIZATIONAL OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (the "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 audited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

New Accounting Pronouncements

Effective January 1, 2021, UPMC adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-14, *Compensation – Retirement Benefits- Defined Benefit Plans* (Topic 715). This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. UPMC applied the relevant provisions of the standard to their consolidated financial statement disclosures accordingly.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and investments, which are so near to maturity that they present insignificant risk of changes in value. Fixed income instruments with original, short-term maturities of less than 90 days that are held in Master Trust Funds ("MTF") are excluded from cash equivalents as they are commingled with longer-term investments.

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 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 years ended December 31, 2021 or 2020.

(DOLLARS IN THOUSANDS)

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 years ended December 31, 2021 and 2020 is as follows:

Years Ended December 31	**2021**	2020
Commercial	**39%**	37%
Medicare	**37%**	39%
Medical Assistance	**16%**	16%
Self-pay/other	**8%**	8%
	100%	100%

(DOLLARS IN THOUSANDS)

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 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. 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 and the American Rescue Plan funding is captured in other revenue.

Receivables

Concentrations of patient accounts receivable at December 31, 2021 and 2020 include:

Years Ended December 31	**2021**	2020
Commercial	**44%**	41%
Medicare	**28%**	32%
Medical Assistance	**12%**	11%
Self-pay/other	**16%**	16%
	100%	100%

Insurance and other receivables are primarily comprised of payments due to Insurance Services and include the uncollected amounts from fully insured groups, individuals and government programs and are reported net of an allowance for estimated terminations and uncollectible accounts.

Board-Designated, Restricted, Trusteed and Other Investments

Substantially all of UPMC's investments in debt and equity securities are classified as trading. This classification requires UPMC to recognize unrealized gains and losses on substantially all of its investments in debt and equity securities as investment revenue in the consolidated statements of operations and changes in net assets. This classification also includes UPMC Enterprises' cost basis investments in early stage entities, which are categorized as alternative investments. Gains and losses on the sales of securities are determined by the average cost method. Realized and unrealized gains and losses are included in investment revenue in the consolidated statements of operations and changes in net assets. Realized and unrealized gains and losses on donor-restricted assets are recorded as changes in net assets with donor restrictions in the 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. These investments predominantly include those maintained in MTF and are summarized as nonalternative investments in Note 5.

Investments in limited partnerships that invest in marketable securities (hedge funds) are reported using the equity method of accounting based on information provided by the respective partnership, generally received on a one month lag. The values provided by the respective partnerships are based on historical cost, appraisals or other estimates that require varying degrees of judgment. Generally, UPMC's holdings reflect net contributions to the partnership and an allocated share of realized and unrealized investment income and expenses. The investments may individually expose UPMC to securities lending, short sales, and trading in futures and forward contract options and other derivative products. UPMC's risk is limited to its carrying value for these lending and derivatives transactions. Amounts can be divested only at specified times. The financial statements of the limited partnerships are audited annually, generally as of December 31.

The values of UPMC's private equity investments are based upon financial statements received from the general partners, which are generally received on a quarterly lag. As a result, the market values and earnings recorded as of December 31, 2021 generally reflect the partnership activity experienced during the year ended September 30, 2021. These investments are summarized as alternative investments in Note 5.

Fair Value Elections

Pursuant to accounting guidance provided by ASC 825-10, *Financial Instruments*, UPMC makes elections, on an investment-by-investment basis, as to whether it measures certain equity method investments that are traded in active markets at fair value. Fair value elections are generally irrevocable. The initial unrealized gains recognized upon election of the fair value option are recorded as operating revenue in the consolidated statements of operations and changes in net assets consistent with accounting for other equity method investments where UPMC has the ability to exercise significant influence but not control. Any subsequent changes in the fair value of the investment are recorded as investment revenue in the consolidated statements of operations and changes in net assets consistent with UPMC's reporting of gains and losses on other marketable securities included in board-designated, restricted, trusteed and other investments. Management believes this reporting increases the transparency of UPMC's financial condition.

Financial Instruments

Cash and cash equivalents and investments recorded at fair value aggregate to $9,583,692 and $9,015,921 at December 31, 2021 and 2020, respectively. The fair value of these instruments is based on market prices as estimated by financial institutions. The fair value of amounts owed to counterparties under derivative contracts at December 31, 2021 and 2020, is $3,683 and $6,562, respectively, and due from counterparties is $222 and $544, respectively, based on pricing models that take into account the present value of estimated future cash flows.

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 with a corresponding payable in the consolidated balance sheets. The total collateral is required to have a market value between 102% and 105% of the market value of securities loaned. As of December 31, 2021 and 2020, securities loaned to various parties, of which UPMC maintains ownership, were $203,256 and $251,339, respectively, and total collateral (cash and noncash) received related to the securities loaned was $213,284 and $265,892, respectively.

Beneficial Interests in Foundations and Trusts

Several of UPMC's subsidiary hospitals have foundations that, according to their bylaws, were formed for the exclusive purpose of supporting and furthering the mission of the respective hospital. The foundations are separate corporations and are not liable for the obligations of UPMC, including any claims of creditors of any UPMC entities. The net assets of certain foundations are included in the consolidated balance sheets as beneficial interests in foundations and net assets with donor restrictions because the hospitals' use of these assets is at the discretion of the foundations' independent boards of directors.

Beneficial interests in foundations and trusts of $783,779 and $678,806 and the net assets with donor restrictions of consolidated foundations of $61,262 and $82,580 as of December 31, 2021 and 2020, respectively, are not pledged as collateral for UPMC's debt.

Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost or, if donated or impaired, at fair market value at the date of receipt or impairment. Interest cost incurred on borrowed funds (net of interest earned on such funds) during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Costs associated with the development and installation of internal-use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage or post-implementation stage.

Depreciation is computed using the straight-line method at rates designed to depreciate the assets over their estimated useful lives (predominantly ranging from 3 to 40 years) and includes depreciation related to finance leases. Certain newly constructed buildings have estimated useful lives of up to 60 years. Depreciation expense on property, buildings and equipment for the years ended December 31, 2021 and 2020 was $687,178 and $682,711, respectively.

Leases

Leases are classified as either operating or financing, and the lease classification determines whether the expense is recognized on a straight-line basis (operating leases) or based on an effective interest method (finance leases). UPMC has made accounting policy elections not to apply lease recognition requirements to short-term leases as well as to use the risk-free discount rate for its operating leases. Operating leases are categorized as operating lease right-of-use assets on the consolidated balance sheets, while finance leases are recognized as property, buildings and equipment. UPMC has also made an accounting policy election not to bifurcate lease components from non-lease components. For leases that include variable lease payments, the payment is determined based on the executed contract terms. Some leases contain options to extend or terminate the lease, but these are not recognized in the right-of-use assets and lease liabilities as of December 31, 2021, unless it is probable that the option will be exercised.

Asset Impairment

UPMC evaluates the recoverability of the carrying value of long-lived assets by reviewing long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and adjusts the asset cost to fair value if undiscounted cash flows are less than the carrying amount of the asset. There were no significant impairments in the years ended December 31, 2021 or 2020.

Other Assets

Investments in individual entities in which UPMC has the ability to exercise significant influence but does not control, generally 20% to 50% ownership, are reported using the equity method of accounting unless the fair value option is elected. Other assets include approximately $384,920 and $390,601 at December 31, 2021 and 2020, respectively, relating to investments in partnerships and joint ventures that provide health care, management, and other goods and services to UPMC, its affiliates and the community at large.

Goodwill

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to the fair value of assets acquired and liabilities assumed. As of December 31, 2021 and 2020, goodwill of $267,702 and $241,075 respectively, is recorded in UPMC's consolidated balance sheets as other assets. The overall increase in goodwill compared to prior year is primarily related to the acquisition of minor international businesses within the Health Services division.

Goodwill is reviewed annually for impairment, or more frequently if events or circumstances indicate that the carrying value of an asset may not be recoverable. UPMC has the option to qualitatively assess goodwill for impairment before completing a quantitative assessment. Under the qualitative approach, if, after assessing the totality of events or circumstances, including both macroeconomic, industry and market factors, and entity-specific factors, UPMC determines it is likely (more likely than not) that the fair value is greater than its carrying amount, then the quantitative impairment analysis is not required. As of December 31, 2021 and 2020, after application of the qualitative approach, there were no indicators of impairment.

Derivatives

UPMC uses derivative financial instruments ("derivatives") to modify the interest rates and manage risks associated with its asset allocation and outstanding debt. UPMC records derivatives as assets or liabilities in the consolidated balance sheets at fair value. The accounting for changes in the fair value (i.e., 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. UPMC has entered into interest rate swap agreements that convert a portion of its variable rate debt to a fixed interest rate. None of UPMC's swaps outstanding as of December 31, 2021 and 2020 are designated as hedging instruments and, as such, changes in fair value are recognized in investing and financing activities as investment revenue (expense) in the consolidated statements of operations and changes in net assets.

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, UPMC's credit is a 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 derivative positions in the context of UPMC's total blended cost of capital.

Net Assets

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions. Board-designated net assets are net assets without donor restrictions that have been set aside by the Board for specific purposes. Net assets with donor restrictions are those assets, including contributions and accumulated investment returns, whose use has been limited by donors for a specific purpose or time period or are those for which donors require the principal of the gifts to be maintained in perpetuity to provide a permanent source of income.

Net assets with donor restrictions include $439,517 and $384,683 of net assets held in perpetuity and $955,146 and $869,745 of temporary restricted net assets at December 31, 2021 and 2020, respectively. Net assets with donor restrictions include beneficial interests in foundations that support research and other health care programs. Some net assets with donor restrictions are limited by donors and the foundations to a specific time period or purpose and are reclassified to net assets without donor restrictions and included in the consolidated statements of operations and changes in net assets as other revenue or assets released from restriction for capital purchases when the restriction is met.

Inherent Contribution

UPMC applies the guidance set forth in ASC 958-805, *Not-for-Profit Entities for Business Combinations*, for affiliations and acquisitions. 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 unrestricted net assets acquired over the fair value of the consideration transferred as a separate credit in its statement of operations as of the acquisition date or, conversely, recognizes the excess of the fair value of the consideration transferred over the fair value of the unrestricted net assets acquired as goodwill. Adjustments to these fair value assessments and other related charges are recorded in the statement of operations and changes in net assets in the period incurred or identified.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses as a performance indicator. Excess of revenues over expenses includes all changes in net assets without donor restrictions except for contributions and distributions from foundations for the purchase of property and equipment, adjustments for pension liability, other than net periodic pension cost, discontinued operations, if any, and the cumulative effect of changes in accounting principles, if any.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change to Prior Year Statement of Operations and Changes in Net Assets

In order to enhance transparency within UPMC's consolidated financial statements, UPMC disclosed all gains and losses related to its noncontrolling interests in a separate line item on the consolidated statements of operations and changes in net assets. To conform to this presentation for the year ended December 31, 2021, $41,892 of operating expenses and ($10,287) of net investing and financing activities were reclassified to excess of revenues over expenses attributable to noncontrolling interest for the year ended December 31, 2020.

2. COVID-19

In March 2020 and March 2021, the federal government enacted the CARES Act and the American Rescue Plan, respectively, 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 $761,000 of federal funding through December 31, 2021. Approximately $264,000 and $380,000 were recognized as other revenue for the years ended December 31, 2021 and 2020, respectively. The remaining amounts received will be evaluated for recognition in future periods. UPMC and its subsidiaries have and expect to continue to experience an impact on operations as a result of the COVID-19 pandemic.

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 began in April 2021 and the recovery period is estimated to be approximately 18 months from that date. As of December 31, 2021, $325,000 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 currently has $104,000 of deferred FICA payments as of December 31, 2021. Remaining repayment to the federal government will occur in December 2022.

3. SIGNIFICANT TRANSACTIONS

In February 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 $532,000 of total assets, consisting of $241,000 of property, plant and equipment, $189,000 of cash and investments, $60,000 of current and long-term assets and $42,000 of accounts receivable, and assumed approximately $360,000 of total liabilities, including $210,000 of long-term debt obligations, and current and long-term liabilities of $150,000, and acquired approximately $12,000 of net assets with donor restrictions.

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 net assets without donor restrictions acquired over the fair value of the consideration transferred as a separate credit in its consolidated statement of operations and changes in net assets as of the acquisition date. Accordingly, UPMC recognized an inherent contribution related to the net assets without donor restrictions acquired in the transaction of approximately $160,000 in its consolidated statement of operations and changes in net assets for the year ended December 31, 2020. The inherent contribution recorded for the period is based on the fair market values of the net assets without donor restrictions acquired. WMHS, contributing $314,000 of total operating revenues to UPMC's consolidated results for the year ended December 31, 2020, would have contributed an additional $32,000 of total operating revenues had it been consolidated for the entire year ended December 31, 2020.

In December 2020, UPMC executed an agreement with CarepathRx whereby a portion of UPMC Chartwell, one of the largest health system-based providers of home infusion therapy and specialty pharmacy services, was sold to CarepathRx. UPMC Chartwell transferred certain management and administrative assets, including related personnel, to a newly formed management services entity (the "MSO"). All of the equity interests in the MSO were subsequently sold to CarepathRx in exchange for $385,000 in aggregate consideration, comprised of $210,000 in cash and $175,000 in equity of CarepathRx. UPMC retains its ownership of Chartwell, which will in turn retain all core pharmacy and fulfillment assets. UPMC recognized a gain on sale of approximately $236,000 in other revenues, of which approximately $35,000 was attributable to noncontrolling interest, in its consolidated statement of operations and changes in net assets for the year ended December 31, 2020, in accordance with ASC 810, *Consolidation*.

4. CHARITY CARE

UPMC's patient acceptance policy is based on its mission and its community service responsibilities. Accordingly, UPMC accepts patients in immediate need of care, regardless of their ability to pay. UPMC does not pursue collection of amounts determined to qualify as charity care based on established policies of UPMC. These policies define charity care as those services for which no payment is due for all or a portion of the patient's bill. For financial reporting purposes, charity care is excluded from net patient service revenue. The amount of charity care provided, determined on the basis of cost, was $87,331 and $110,378 for the years ended December 31, 2021 and 2020, respectively. UPMC estimates the cost of providing charity care using the ratio of average patient care cost to gross charges and then applying that ratio to the gross uncompensated charges associated with providing charity care.

(DOLLARS IN THOUSANDS)

5. CASH AND INVESTMENTS

Following is a summary of cash and investments included in the consolidated balance sheets:

	December 31	
	2021	2020
Internally designated:		
Health insurance programs	**$ 1,694,242**	$ 1,411,146
Professional and general liability insurance program	**692,969**	653,827
Employee benefit and workers' compensation self-insurance programs	**159,220**	145,216
Other	**99,182**	59,374
	2,645,613	2,269,563
Externally designated:		
Trusteed assets for capital and debt service payments	**3,447**	3,445
Donor-restricted assets	**606,064**	584,473
	609,511	587,918
Other long-term investments	**6,511,425**	5,474,639
Board-designated, restricted, trusteed and other investments	**9,766,549**	8,332,120
Cash and cash equivalents	**930,376**	1,541,036
	$ 10,696,925	$ 9,873,156

Investments are primarily maintained in MTF and administered using a bank as trustee. As of December 31, 2021, UPMC utilized 171 ongoing external investment managers, including 48 traditional managers, 18 hedge fund managers and 105 private capital managers. UPMC is also invested with an additional 34 legacy private capital and hedge fund managers. The largest allocation to any alternative investment fund is $138,868 as of December 31, 2021. Certain managers use various equity and interest rate derivatives. These instruments are subject to various risks similar to nonderivative financial instruments, including market, credit, liquidity, operational and foreign exchange risk. UPMC's unfunded commitments to investments are $376,193 and $297,977 as of December 31, 2021 and 2020, respectively. Unfunded commitments may be called by managers pursuant to the terms of each specific fund's documents, which allow capital to be called during a fund's investment period for new investments. While terms vary, investment periods are generally within six years.

(DOLLARS IN THOUSANDS)

As of December 31, 2021 and 2020, respectively, UPMC had $1,113,233 and $857,235 of alternative investments accounted for under the equity method, which approximates fair value. Investment return from cash and investments is comprised of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest income	**$ 73,213**	$ 78,829
Dividend income	**40,928**	27,068
Net realized gains on sales of securities	**575,402**	271,288
	689,543	377,185
Unrealized investment gains	**245,080**	208,855
Derivative contracts mark to market	**2,557**	(320)
	247,637	208,535
Total investment gain	**937,180**	585,720
Traditional investment manager and trustee fees	**(34,611)**	(29,780)
Investment gain	**$ 902,569**	$ 555,940

In managing the UPMC investment strategy, an important consideration is to ensure sufficient liquidity. While UPMC's relationships with its external investment managers vary in terms of exit provisions, a percentage of the agreements allow ready access to underlying assets which are generally liquid and marketable. Liquidity as of December 31, 2021 is shown below:

Liquidity Availability	**Cash and Cash Equivalents**	**Nonalternative Investments**	**Alternative Investments**	**Total**
Within three days	$ 930,376	$ 6,634,148	$ -	$ 7,564,524
Within 30 days	–	156,737	51,478	208,215
Within 60 days	–	-	129,529	129,529
Within 90 days	–	-	342,022	342,022
More than 90 days	–	351,788	2,100,847	2,452,635
Total	$ 930,376	$ 7,142,673	$ 2,623,876	$ 10,696,925

6. CREDIT ARRANGEMENTS

UPMC has a revolving line and letter of credit facility (the "Revolving Facility") with a capacity of $600,000. The Revolving Facility expires on January 24, 2024. The Revolving Facility is used to manage cash flow during the year and to provide for a consolidated method of issuing various letters of credit for certain business units. A note to secure UPMC's repayment obligation with respect to the Revolving Facility was issued under the 2007 Master Trust Indenture ("2007 UPMC MTI") and is secured by a pledge of and security interest in the gross revenues of UPMC's parent corporation, UPMC Presbyterian Shadyside, UPMC Magee-Womens Hospital, UPMC Passavant and UPMC St. Margaret as members of the obligated group under the 2007 UPMC MTI. Advances may be variable rate based on the prime rate or the Federal Funds effective rates or fixed on the date of the advance based on the LIBOR Rate and the reserve requirement on Eurocurrency liabilities.

As of December 31, 2021 and 2020, UPMC had issued $82,990 and $83,920, respectively, of letters of credit under the Revolving Facility. These letters of credit predominantly support the capital requirements of certain insurance subsidiaries. As of December 31, 2021 and 2020, there was $517,010 and $516,080, respectively, available to borrow under the Revolving Facility. No amounts were outstanding under the Revolving Facility as of December 31, 2021 and 2020.

(DOLLARS IN THOUSANDS)

UPMC has credit facilities of $50,000 and $19,000, the latter of which temporarily increases each year to $150,000 from May 14th to August 15th, with expiration dates in April 2022. Both credit facilities support the Insurance Services Division. As of December 31, 2021, there were no draws on either credit facility. To further support the Insurance Services Division, in the second quarter of 2021 UPMC entered into additional credit facilities with a capacity totaling $400 million. In the fourth quarter of 2021 the capacity was reduced to $200 million as a result of a scheduled facility termination. For the remaining facility with a scheduled termination in April 2022, there were no draws outstanding as of December 31, 2021.

7. LONG-TERM OBLIGATIONS AND DERIVATIVE INSTRUMENTS

Long-term obligations consist of the following:

	December 31	
	2021	2020
Fixed rate revenue bonds	**$ 4,496,406**	$ 4,089,762
Variable rate revenue bonds	**701,192**	1,126,477
Finance leases and other	**124,758**	142,111
Par value of long-term obligations	**5,322,356**	5,358,350
Net premium and other	**259,286**	233,560
	5,581,642	5,591,910
Less current portion	**(280,793)**	(333,864)
Total long-term obligations	**$ 5,300,849**	$ 5,258,046

Bonds and leases outstanding represent funds borrowed by the UPMC parent corporation and various subsidiaries pursuant to loan agreements and lease and sublease financing arrangements with governmental authorities. The proceeds were used for the purchase, construction and renovation of hospital facilities, certain buildings and equipment, as well as the extinguishment of debt.

The fixed rate revenue bonds bear interest at fixed coupon rates ranging from 1.80% to 6.00% as of December 31, 2021 and from 2.00% to 6.00% as of December 31, 2020. The average interest costs for the variable rate revenue bonds were 1.30% and 1.66% during the years ended December 31, 2021 and 2020, respectively. Bonds have varying principal payments and final maturities from 2022 through 2051. Certain revenue bonds ($43,595 and $43,584 for 2021 and 2020, respectively) are secured by bond insurance. The bonds contain redemption provisions whereby, at the direction of UPMC, the bonds may be redeemed on various dates as presented within the bond agreements.

Bonds in the aggregate of $5,193,915 and $5,209,677 as of December 31, 2021 and 2020, respectively, are issued under the UPMC MTI. The bonds are secured by a pledge of and security interest in gross revenues. Certain amounts borrowed under the MTI are loaned to certain subsidiary corporations pursuant to loan and contribution agreements and require the transfer of subsidiary funds to the parent corporation in the event of failure to satisfy the UPMC parent corporation liquidity covenant.

The various indebtedness agreements contain restrictive covenants, the most significant of which are the maintenance of minimum debt service coverage and liquidity ratios, and restrictions as to the incurrence of additional indebtedness and transfers of assets. UPMC was in compliance with such covenants as of December 31, 2021 and 2020.

(DOLLARS IN THOUSANDS)

Aggregate maturities of long-term obligations for the next five years, assuming no remarketing of UPMC's variable rate debt, indicating the maximum potential payment obligations in these years, are as follows:

2022	$ 280,793
2023	363,477
2024	150,410
2025	502,131
2026	564,315

Interest paid, net of amounts capitalized, on all obligations was $191,221 and $201,413 during the years ended December 31, 2021 and 2020, respectively.

During the year ended December 31, 2021, UPMC issued Series 2021A, 2021B, and 2021C fixed rate bonds in the par amount of $221,860, $47,430, and $400,000, respectively, with an original issue premium of $42,165, $10,288, and $0, respectively, in order to fund new capital projects and refund existing debt.

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

During the term of these agreements, the floating to fixed rate swaps convert variable rate debt to a fixed rate and the basis swaps convert the interest rate on underlying LIBOR-based bonds to the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA Index").

Under the basis swaps, UPMC pays a rate equal to the SIFMA Index, an index of seven-day, high-grade, tax-exempt variable rate demand obligations. The SIFMA Index rates ranged from 0.02% to 0.11% (weighted average rate of 0.04%) and from 0.08% to 5.20% (weighted average rate of 0.55%) as of December 31, 2021 and 2020, respectively.

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

				Notional Amount at	
Swap	**Maturity Date**	**UPMC Pays**	**UPMC Receives**	**Dec 31, 2021**	Dec 31, 2020
Floating to fixed	2025	3.60%	68% one-month LIBOR	**$ 49,280**	$ 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	**7,500**	8,000
				$ 102,875	$ 121,500

(DOLLARS IN THOUSANDS)

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

	Dec 31, 2021	Dec 31, 2020
Other assets	**$ 222**	$ 544
Long-term obligations	**(3,683)**	(6,562)
	$ (3,461)	$ (6,018)

8. FAIR VALUE MEASUREMENTS

As of December 31, 2021 and 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, trusteed, 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 December 31, 2021 and 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 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 CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2021

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Fixed income	$ 1,041,729	$ 2,911,201	$ -	$ -	$ 3,952,930
Domestic equity	1,490,595	9,760	-	-	1,500,355
International equity	873,730	-	-	-	873,730
Public real estate	137,364	-	-	-	137,364
Long/short equity	73,485	15,173	-	-	88,658
Absolute equity	54,195	-	-	-	54,195
Commodities	-	-	-	-	-
Derivative instruments	-	222	-	-	222
Securities on loan	203,256	-	-	-	203,256
Securities lending collateral	117,873	-	-	-	117,873
Alternative and other investments at NAV	-	-	-	1,842,828	1,842,828
Total assets measured at fair value on a recurring basis	$ 3,992,227	$ 2,936,356	$ -	$ 1,842,828	$ 8,771,411
LIABILITIES					
Payable under securities lending agreement	$ (117,873)	$ -	$ -	$ -	$ (117,873)
Derivative instruments	-	(3,683)	-	-	(3,683)
Total liabilities measured at fair value on a recurring basis	$ (117,873)	$ (3,683)	$ -	$ -	$ (121,556)

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)

(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. Under the defined contribution plans, employees may elect to contribute a percentage of their salary, which is matched in accordance with the provisions of the defined contribution plans. Contributions to the nonqualified pension plans are based on a percentage of salary or contractual arrangements. Total expense relating to the aforementioned pension plans was $231,374 and $228,120, respectively, for the years ended December 31, 2021 and 2020.

Benefits under the Plan vary and are generally based upon the employee's earnings and years of participation. It is UPMC's policy to meet the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA") and the Pension Protection Act of 2006. UPMC's policy is to contribute amounts sufficient to, among other things, avoid Pension Benefit Guaranty Corporation variable premiums. Contributions made to the Plan were $0 and $31,100 for the years ended December 31, 2021 and 2020, respectively.

To develop the expected long-term rate of return on plan assets assumption, UPMC considers the current level of expected returns on risk-free investments, the historical level of risk premium associated with the other asset classes in which the pension portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the pension portfolio.

The table below sets forth the accumulated benefit obligation, the change in the projected benefit obligation and the change in the assets of the Plan. The table also reflects the funded status of the Plan as well as recognized and unrecognized amounts in the consolidated balance sheets. As of December 31, 2021, the pension asset is included in other assets on the consolidated balance sheet.

	Year Ended December 31	
	2021	2020
Accumulated benefit obligation	**$ 2,895,156**	$ 2,883,938
CHANGE IN PROJECTED BENEFIT OBLIGATION		
Projected benefit obligation at beginning of year	**$ 3,018,239**	$ 2,485,106
Pension plans acquired	**-**	359,481
Service cost	**174,019**	148,740
Interest cost	**76,674**	80,069
Actuarial (gain) loss	**(5,429)**	244,363
Annuity purchases	**-**	(122,953)
Benefits paid	**(206,074)**	(176,567)
Projected benefit obligation at end of year	**3,057,429**	3,018,239
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	**2,846,256**	2,507,361
Pension plans acquired	**-**	282,196
Actual return on plan assets	**447,012**	325,119
Employer contributions	**-**	31,100
Annuity purchases	**-**	(122,953)
Benefits paid	**(206,074)**	(176,567)
Fair value of plan assets at end of year	**3,087,194**	2,846,256
Pension (asset) liability at end of year	**$ (29,765)**	$ 171,983

(DOLLARS IN THOUSANDS)

Included in net assets without donor restrictions at December 31, 2021 and 2020 are the following amounts that have not yet been recognized in net periodic pension cost:

	As of December 31	
	2021	2020
Unrecognized prior service credit	**$ 34,063**	$ 39,319
Unrecognized net actuarial loss	**(243,569)**	(532,905)
	$ (209,506)	$ (493,586)

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions during 2021 and 2020 include the following:

	Year Ended December 31	
	2021	2020
Current year net actuarial gain (loss)	**$ 261,056**	$ (90,896)
Amortization of actuarial loss	**28,280**	29,647
Amortization of prior service credit	**(5,256)**	(5,256)
	$ 284,080	$ (66,505)

The service cost component of net periodic benefit cost is included in salaries, professional fees and employee benefits and all other components of net periodic benefit cost are included in other non-operating activities in the consolidated statements of operations and changes in net assets. The components of net periodic pension cost for the Plan were as follows:

	Year Ended December 31	
	2021	2020
Service cost	**$ 174,019**	$ 148,740
Interest cost	**76,674**	80,069
Expected return on plan assets	**(191,385)**	(171,652)
Recognized net actuarial loss	**28,280**	29,647
Amortization of prior service credit	**(5,256)**	(5,256)
Net periodic pension cost	**$ 82,332**	$ 81,548

The weighted average actuarial assumptions used to determine the benefit obligations and net periodic pension cost for the Plan are as follows:

	December 31	
	2021	2020
Discount rates:		
Used for benefit obligations	**2.87%**	2.49%
Used for net periodic pension cost	**2.49%**	3.17%
Expected rate of compensation increase:		
Used for benefit obligations	**Age-graded**	Age-graded
Used for net periodic pension cost	**Age-graded**	Age-graded
Expected long-term rate of return on plan assets	**7.00%**	7.00%
Interest crediting rate	**2.40%**	2.40%

(DOLLARS IN THOUSANDS)

The assumptions for long-term rate of return are developed using the expected returns of the various asset classes in which the pension invests and the allocations of each asset class with respect to the investment as a whole. The change in discount rate from 2.49% to 2.87% had the net effect of decreasing the projected benefit obligation by $114,779 for the year ended December 31, 2021.

The following pension benefit payments are expected to be paid in the years ending December 31:

2022	$ 221,137
2023	226,269
2024	228,592
2025	229,616
2026	228,187
2027-2031	1,091,267

UPMC employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return on plan assets subject to accepting a prudent level of risk. Risk tolerance is established through consideration of plan liabilities, plan funded status and corporate financial condition. The pension portfolio contains a diversified blend of equity, fixed income and alternative investments. Equity investments are diversified across United States and non-United States corporate stocks, as well as growth, value, and small and large capitalizations. Other assets such as real estate, private equity and hedge funds are used to enhance long-term returns while improving portfolio diversification. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements and periodic asset/liability studies.

As of December 31, 2021, UPMC employed 179 external investment managers to handle the investment of the assets in the pension portfolio. Of these, 25 managers manage equity investments, 10 manage fixed income investments and 144 managers oversee alternative investment strategies. The largest allocation to any alternative investment manager is $60,202 as of December 31, 2021. Unfunded commitments due to investments within the Plan, funded with Plan assets, are $349,438 and $396,013 as of December 31, 2021 and 2020, respectively. Unfunded commitments may be called by managers pursuant to the terms of each specific fund's documents, which allow capital to be called during a fund's investment period for new investments. While terms vary, investment periods are generally within six years.

(DOLLARS IN THOUSANDS)

The following is a summary of the pension plan asset allocations at December 31, 2021 and 2020:

	2021	2020	2021 Target
Nonalternative investments:			
Fixed income	**11.8%**	12.2%	13.0%
Domestic equity	**21.1%**	23.2%	23.0%
International equity	**18.2%**	22.4%	22.0%
Total nonalternative investments	**51.1%**	57.8%	58.0%
Real assets:			
Real estate	**3.7%**	2.8%	4.0%
Income opportunities	**1.7%**	2.5%	2.0%
Natural resources	**4.2%**	3.5%	4.0%
Total real assets	**9.6%**	8.8%	10.0%
Alternative investments:			
Long/short equity	**10.9%**	10.1%	10.0%
Absolute return	**6.0%**	5.3%	7.0%
Private equity	**22.4%**	18.0%	15.0%
Total alternative investments	**39.3%**	33.4%	32.0%
Total	**100.0%**	100.0%	100.0%

All of the Plan's assets are measured at fair value, including its alternative investments. The same levels of the fair value hierarchy as described in Note 8 are used to categorize the Plan's assets. Corporate debt instruments and fixed income/bonds are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The fair value of common/collective trust funds is determined by the issuer sponsoring such funds by dividing the fund's net assets at fair value by its units outstanding at the valuation dates. Partnership interests are valued using NAV, which is based on the unit values of the interests as determined by the issuer sponsoring such interests dividing the fund's net assets at fair value by its units outstanding at the valuation dates.

(DOLLARS IN THOUSANDS)

The fair values of the Plan's assets at December 31, 2021, by asset category and by the level of inputs used to determine fair value, were as follows:

	Level 1	Level 2	Level 3	NAV	Total
ASSETS					
Equity securities:					
Domestic equity	$ 576,856	$ 6,403	$ -	$ -	$ 583,259
International equity	322,344	-	-	-	322,344
U.S. REITS	51,923	1,598	-	-	53,521
Fixed income:					
Government securities	30,976	-	-	-	30,976
Bond funds	145,405	-	-	-	145,405
Corporate debt instruments	-	42,145	-	-	42,145
Asset and mortgage-backed securities	-	68,948	-	-	68,948
Long/short equity	47,895	-	-	-	47,895
Absolute return	11,482	-	-	-	11,482
Other investments	-	-	-	1,780,190	1,780,190
Net receivables	1,029	-	-	-	1,029
Plans' assets at fair value	$ 1,187,910	$ 119,094	$ -	$ 1,780,190	$ 3,087,194

The fair values of the Plan's assets at December 31, 2020, by asset category and by the level of inputs used to determine fair value, were as follows:

	Level 1	Level 2	Level 3	NAV	Total
ASSETS					
Equity securities:					
Domestic equity	$ 609,619	$ 3,353	$ -	$ -	$ 612,972
International equity	444,684	-	-	-	444,684
U.S. REITS	32,266	-	-	-	32,266
Fixed income:					
Government securities	-	35,194	-	-	35,194
Bond funds	156,884	-	-	-	156,884
Corporate debt instruments	-	43,171	-	-	43,171
Asset and mortgage-backed securities	3,356	64,405	-	-	67,761
Long/short equity	25,679	-	-	-	25,679
Absolute return	-	-	-	-	-
Other investments	-	-	-	1,427,290	1,427,290
Net receivables	355	-	-	-	355
Plans' assets at fair value	$ 1,272,843	$ 146,123	$ -	$ 1,427,290	$ 2,846,256

(DOLLARS IN THOUSANDS)

10. HEALTH INSURANCE REVENUE AND COSTS

Health care costs were $11,338,966 and $10,328,949, of which $2,869,217 and $2,413,337 were eliminated in consolidation representing medical services performed by other UPMC entities for the years ended December 31, 2021 and 2020, respectively. Such costs are included in insurance claims expense. These costs include estimates of payments to be made on claims reported but not yet processed as of the balance sheet date and estimates of health care services incurred but not reported to the Health Plans. Such estimates include the cost of services that will continue to be incurred after the balance sheet date when the Health Plans are obligated to remit payment for such services in accordance with contract provisions or regulatory requirements. UPMC determines the amount of the reserve for incurred but not paid claims by following a detailed actuarial process that uses both historical claim payment patterns as well as emerging medical cost trends to project UPMC's best estimate of reserve for physical health care costs. This process involves formatting of historical paid claims data into claim triangles, which compare claim incurred dates to the dates of claim payments. This information is analyzed to create completion factors that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Completion factors are applied to claims paid through the period-end date to estimate the ultimate claim expense incurred for the period. Actuarial estimates of incurred but not paid claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims.

For the most recent incurred months, the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factors methodology less reliable for such months. Therefore, incurred claims for most recent months are not projected from historical completion and payment patterns; rather, they are projected by estimating the claims expense for those months based on recent claims expense levels and health care trend levels, or trend factors.

While there are many factors that are used as part of the estimation of UPMC's reserve for physical health care costs, the two key assumptions having the most significant impact on UPMC's incurred but not paid claims liability as of December 31, 2021 were the completion and trend factors.

	2021	2020
Reserve for physical health care costs (beginning balance)	**$ 705,361**	$ 493,731
Add: Provisions for medical costs occurring in:		
Current year	**10,149,739**	9,319,976
Prior year	**(26,263)**	(17,285)
Net incurred medical costs	**10,123,476**	9,302,691
Deduct: Payments for claims occurring in:		
Current year	**9,507,661**	8,623,868
Prior year	**679,098**	467,193
Net paid medical costs	**10,186,759**	9,091,061
Reserve for physical health care costs (ending balance)	**$ 642,078**	$ 705,361

The foregoing rollforward shows favorable development of $26,263 and $17,285 for the years ended December 31, 2021 and 2020, respectively. UPMC regularly reviews and sets assumptions regarding cost trends and utilization when initially establishing a reserve for physical health care costs. UPMC continually monitors and adjusts the reserve and claim expense based on subsequent paid claims activity. If it is determined that UPMC's assumptions regarding cost trends and utilization are materially different from actual results, UPMC's consolidated statement of operations and changes in net assets and consolidated balance sheet could be impacted in future periods. Adjustments of prior year estimates may result in additional claim expense or a reduction of claim expense in the period an adjustment is made.

Incurred claims development for the years ended December 31, 2021, 2020 and 2019 are as follows:

	(Unaudited) December 31, 2019	(Unaudited) December 31, 2020	**December 31, 2021**
December 31, 2019	$ 8,232,994	$ 8,215,709	**$ 8,208,948**
December 31, 2020		9,319,976	**9,300,474**
December 31, 2021			**10,149,739**
			$ 27,659,161

Paid claims development for the years ended December 31, 2021, 2020 and 2019 are as follows:

	(Unaudited) December 31, 2019	(Unaudited) December 31, 2020	**December 31, 2021**
December 31, 2019	$ 7,741,510	$ 8,206,456	**$ 8,208,948**
December 31, 2020		8,623,868	**9,300,474**
December 31, 2021			**9,507,661**
			$ 27,017,083

At December 31, 2021, the total of incurred but not reported ("IBNR") liabilities plus expected development on reported claims and the cumulative number of reported claims for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Total IBNR and Expected Development on Reported Claims	**(Unaudited) Cumulative Number of Reported Claims***
December 31, 2019	$ -	24,459
December 31, 2020	-	23,307
December 31, 2021	642,078	25,671
Total	**$ 642,078**	**73,437**

** In thousands*

The cumulative number of reported claims for each claim year has been developed using historical data captured by UPMC's claims payment system and data warehouse.

Net assets without donor restrictions required to meet statutory requirements of the Health Plans were $1,587,303 and $1,207,408 at December 31, 2021 and 2020, respectively.

(DOLLARS IN THOUSANDS)

11. PROFESSIONAL AND GENERAL LIABILITY INSURANCE

UPMC is insured for professional and general liability losses through wholly owned, multiprovider insurance companies (the "Captives"). The Captives provide primary and excess professional liability coverage to UPMC subsidiaries, employed physicians of UPMC and other entities not included in the consolidated financial statements. For those self-insured risks, UPMC has established irrevocable trust funds to pay claims and related costs.

Certain insurance agreements have retrospective clauses that permit additional premiums or refunds to be made based on actual experience. The reserve for professional and general liability indemnity losses and loss adjustment expenses is determined using individual case-based evaluations and actuarial analyses and represents an estimate of reported claims and claims incurred but not reported. Those estimates are subject to the effects of trends in average loss severity and average frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for professional and general liability losses and loss adjustment expenses are reasonable. The estimates are reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations. Reserves for professional and general liability losses and loss adjustment expenses of $533,315 and $479,421, discounted at 1.00% and 0.25% (which approximates the risk-free rates), were recorded as of December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, respectively, $104,133 and $90,939 of the loss reserves are included in current portion of insurance reserves and $429,182 and $388,482 are included in long-term insurance reserves.

The following table provides a rollforward of the reserve balances for professional and general liability costs for the years ended December 31, 2021 and 2020.

	2021	2020
Reserve for professional and general liability costs (beginning balance)	**$ 479,421**	$ 393,400
Add: Provisions for expenses occurring in:		
Current year	**125,437**	112,556
Prior year	**5,292**	(1,651)
Change in discount rate	**(8,100)**	20,000
Net incurred expenses	**122,629**	130,905
Deduct: Payments for expenses occurring in:		
Current year	**363**	759
Prior year	**81,791**	84,931
Net paid expenses	**82,154**	85,690
Changes in other reserves	**13,419**	40,806
Reserve for professional and general liability costs (ending balance)	**$ 533,315**	$ 479,421

The foregoing rollforward shows unfavorable development of $5,292 and favorable development $1,651 for the years ended December 31, 2021 and 2020, respectively.

(DOLLARS IN THOUSANDS)

The following table provides undiscounted information for claims development for incurred losses and paid claim loss by incident year for the year ended December 31, 2021. The information about incurred and paid claims development for the years ended December 2012 to 2020 is presented as supplementary information. For the reported development, the adequacy of case reserves has been consistent and favorable over time, and there have been no significant changes in the rate at which claims have been reported. For the paid development, the rate of payment of claims has been relatively consistent over time.

DIRECT CLAIM LOSS INCURRED

Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited									
2012	$ 78,082	$ 86,177	$ 81,507	$ 75,921	$ 74,831	$ 77,367	$ 74,732	$ 71,171	$ 71,345	**$ 71,924**
2013	-	77,146	79,850	72,831	68,055	72,144	68,116	68,529	69,693	**72,457**
2014	-	-	86,191	84,910	83,562	78,108	75,644	73,443	74,808	**76,487**
2015	-	-	-	96,593	102,111	89,569	88,801	83,033	80,946	**79,273**
2016	-	-	-	-	90,844	94,155	91,655	84,615	73,214	**72,195**
2017	-	-	-	-	-	100,732	99,428	104,403	103,570	**100,146**
2018	-	-	-	-	-	-	100,781	97,451	96,836	**93,128**
2019	-	-	-	-	-	-	-	103,995	106,787	**109,126**
2020	-	-	-	-	-	-	-	-	108,482	**109,915**
2021	-	-	-	-	-	-	-	-	-	**125,438**
								Total		**$ 910,089**

DIRECT CLAIM LOSS PAID

Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited									
2012	$ 1,029	$ 6,777	$ 16,334	$ 27,212	$ 47,768	$ 57,588	$ 62,641	$ 66,886	$ 67,407	**$ 68,588**
2013	-	353	5,861	12,020	28,016	42,775	49,807	56,494	58,760	**64,342**
2014	-	-	467	7,771	16,949	40,736	48,191	57,372	61,217	**64,744**
2015	-	-	-	355	16,914	26,838	43,634	58,646	65,427	**68,562**
2016	-	-	-	-	446	6,375	14,220	27,736	39,232	**46,946**
2017	-	-	-	-	-	1,610	10,168	27,867	50,244	**55,202**
2018	-	-	-	-	-	-	251	3,555	22,235	**37,270**
2019	-	-	-	-	-	-	-	216	13,936	**25,751**
2020	-	-	-	-	-	-	-	-	759	**12,369**
2021	-	-	-	-	-	-	-	-	-	**361**
								Total		**$ 444,135**

Net reserves	**$ 465,954**
Other reserves	54,239
Risk retention group	25,520
Discount adjustment	(12,398)
Total reserves	**$ 533,315**

(DOLLARS IN THOUSANDS)

AVERAGE ANNUAL PERCENTAGE PAYOUT OF INCURRED CLAIMS (UNAUDITED)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10 and Prior
0.7%	9.9%	13.2%	21.0%	16.4%	10.9%	6.3%	4.5%	4.2%	12.9%

In addition, the following table shows the total of IBNR plus expected development on reported claims by incident year and the cumulative number of reported claims by incident year. The cumulative number of reported claims are counted on a per occurrence and per coverage basis. Claim counts include open claims, claims that have been paid and closed, and asserted reported claims that have been closed without the need for any payment.

Incident Year	Incurred Claim Loss and Adjustment Expenses for the Year Ended December 31, 2021	Total Incurred but Not Reported as of December 31, 2021	Cumulative Number of Claims Reported as of December 31, 2021
2012	$ 71,924	$ -	303
2013	72,457	-	275
2014	76,487	424	275
2015	79,273	1,697	301
2016	72,195	7,807	309
2017	100,146	27,440	295
2018	93,128	37,080	281
2019	109,126	55,237	331
2020	109,915	85,612	165
2021	125,438	115,880	83

The methodology for reserving and determining the reserve for loss and loss adjustment expenses, IBNR reserves, considers, among other things, the line of business, the number of years of experience and the age of the experience year being developed.

Loss development factors are also applied to the current evaluations of losses to project the ultimate incurred losses arising from each period of coverage. The selected loss development factors are based on the historical loss experience of UPMC. Therefore, it is assumed that the selected loss development factors coupled with UPMC's experience and actuarial support are appropriate to project the loss development that will be experienced.

The reserve for costs and claims adjustment expenses was based on the best data available to UPMC; however, these estimates are subject to a degree of inherent variability. It is possible that UPMC's actual incurred costs and claim adjustment expenses will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of costs and the related claims adjustment expenses may vary from the estimates included in the consolidated financial statements.

The Medical Care Availability and Reduction of Error ("MCARE") Act was enacted by the legislature of the Commonwealth of Pennsylvania (the "Commonwealth") in 2002. This Act created the MCARE Fund, which replaced The Pennsylvania Medical Professional Liability Catastrophe Loss Fund (the "Medical CAT Fund"), as the agency for the Commonwealth to facilitate the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by UPMC and other health care providers practicing in the Commonwealth.

(DOLLARS IN THOUSANDS)

The MCARE Fund is funded on a “pay as you go basis” and assesses health care providers based on a percentage of the rates established by the Joint Underwriting Association (also a Commonwealth agency) for basic coverage. The MCARE Act of 2002 provides for a further reduction to the current MCARE coverage of $500 per occurrence to $250 per occurrence and the eventual phaseout of the MCARE Fund, subject to the approval of the Pennsylvania Insurance Commissioner. To date, the Pennsylvania Insurance Commissioner has deferred the change in coverage and eventual phaseout of the MCARE Fund to future years.

12. RELATED-PARTY TRANSACTIONS

UPMC monitors its relationships with related or affiliated entities on an ongoing basis. The most significant of these relationships is with the University in which UPMC purchases and sells certain services from and to the University. With shared academic and research objectives, UPMC provides financial support annually to the University to advance these objectives recognizing the long-term inherent benefit to UPMC’s core clinical operations. UPMC looks to the University to lead the efforts related to the academic and research support objectives of UPMC and believes that, while complementary to its mission, the support provided to the University for academics and research is not part of UPMC’s core operating activities of providing direct patient care or offering health insurance coverage. For the years ended December 31, 2021 and 2020, UPMC incurred expenses of $240,300 and $227,409, respectively, for academic and research support. Payments to the University that are core to UPMC’s missions related to providing clinical care and insurance coverage totaled $208,854 and $229,242 for the years ended December 31, 2021 and 2020, respectively, which includes clinical services rendered by certain faculty and medical residents, facility rental agreements and other related services, and are reflected within operating expense.

13. 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:

	Year Ended December 31	
	2021	2020
Finance lease cost:		
Depreciation	**$ 26,975**	$ 26,037
Interest on lease liabilities	**2,115**	2,638
Total finance lease cost	**29,090**	28,675
Operating lease cost	**152,068**	142,887
Short-term/variable lease cost	**30,554**	37,596
Total	**$ 211,712**	$ 209,158

(DOLLARS IN THOUSANDS)

Supplemental balance sheet information related to leases was as follows:

	Year Ended December 31	
	2021	2020
OPERATING LEASES		
Operating lease right-of-use assets	**$ 976,026**	$ 1,033,598
Other current liabilities	**127,194**	119,135
Operating lease liabilities	**895,949**	963,812
Total operating lease liabilities	**$ 1,023,143**	$ 1,082,947
FINANCE LEASES		
Property, plant and equipment, net	**$ 60,501**	$ 74,143
Other current liabilities	**24,555**	24,245
Other noncurrent liabilities	**47,269**	54,866
Total finance lease liabilities	**$ 71,824**	$ 79,111
WEIGHTED AVERAGE REMAINING LEASE TERM		
Operating leases	**11.7 years**	12.8 years
Finance leases	**7.4 years**	7.3 years
WEIGHTED AVERAGE DISCOUNT RATE		
Operating leases	**2.9%**	3.0%
Finance leases	**2.9%**	3.1%

Undiscounted maturities of lease liabilities were as follows:

For the Years Ended December 31	Operating Leases	Finance Leases
2022	**$ 148,097**	**$ 24,446**
2023	**138,096**	**15,983**
2024	**120,988**	**8,111**
2025	**103,140**	**3,383**
2026	**92,316**	**1,983**
Thereafter	**615,932**	**47,629**
Total undiscounted maturities of lease liabilities	**$ 1,218,569**	**$ 101,535**
Less: discount on lease liabilities	**(195,426)**	**(29,711)**
Total lease liabilities	**$ 1,023,143**	**$ 71,824**

14. INCOME TAXES

UPMC calculates income taxes using the balance sheet method for its taxable subsidiaries. Taxable income differs from pretax book income principally due to certain income and deductions for tax purposes being recorded in the financial statements in different periods. Deferred income tax assets and liabilities are recorded for the tax effect of these differences using enacted tax rates for the years in which the differences are expected to reverse. UPMC assesses the realization of deferred tax assets and the need for a valuation allowance to reduce those assets to their net realizable value based on future operations, reversal of existing temporary differences, carryforward and carryback periods for credits and net operating losses, and potential tax planning strategies that may exist.

(DOLLARS IN THOUSANDS)

As of December 31, 2021, the for-profit entities of UPMC had gross federal net operating loss ("NOL") carryforwards of $799,670 (expiring in years 2022 through 2041) and gross state NOL carryforwards of $1,754,109 (expiring in years 2022 through 2041) that are available to offset future taxable income. Utilization of the state NOL carryforwards in any one year is limited to 40% of taxable income on an annual basis per company. Non-insurance NOL's generated subsequent to December 31, 2017, carryforward indefinitely. During the calendar years ended December 31, 2021 and 2020, UPMC generated future tax benefits of $30,304 and $18,210, respectively, from the use of NOL carryforwards.

The following is a reconciliation of income taxes computed at the statutory U.S. federal income tax rate to the actual effective income tax expense:

Years Ended December 31	**2021**	2020
Taxes computed at the federal rate	**$ (60,405)**	$ 41,783
State income taxes, net of federal tax benefit	**1,384**	1,052
Valuation allowance	**58,291**	(10,773)
Permanent differences	**4,730**	(28,687)
Other items, net	**2,032**	1,719
Income tax expense	**$ 6,032**	$ 5,094

The following table presents deferred tax assets as of December 31, 2021 and 2020:

	2021	2020
Deferred tax assets:		
Net operating losses	**$ 306,814**	$ 226,909
Accrued benefits	**18,922**	17,439
Other	**33,895**	17,472
	359,631	261,820
Less valuation allowance	**(359,631)**	(261,820)
	$ -	$ -

Tax benefits are recognized when it is more likely than not that a tax position will be sustained upon examination by the tax authorities based on the technical merits of the position. Such tax positions are measured as the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the tax authorities assuming full knowledge of the position and all relevant facts. As of December 31, 2021 and 2020, there were no uncertain tax positions. Certain of UPMC's subsidiaries are subject to taxation in the United States and foreign jurisdictions. As of December 31, 2021, UPMC's returns for the calendar years ended December 31, 2018 through December 31, 2020, are open for examination by the various taxing authorities.

(DOLLARS IN THOUSANDS)

15. FUNCTIONAL EXPENSES

UPMC provides general health care services primarily to residents within its geographic locations and supports related research and education programs. For the years ended December 31, 2021 and 2020, expenses related to providing these services were as follows:

FOR THE YEAR ENDED DECEMBER 31, 2021

	Hospital & health care services	Insurance services	Academic & research activities	UPMC Enterprises activity	Admin support	Total
Salaries, professional fees and employee benefits	$ 6,718,365	$ 537,570	$ -	$ -	$ 951,496	$ 8,207,431
Insurance claims expense	-	8,469,749	-	-	-	8,469,749
Supplies, purchased services and general	4,916,400	846,517	-	-	394,085	6,157,002
Depreciation and amortization	504,900	11,330	-	-	173,159	689,389
Academic and research support provided	-	-	240,300	-	-	240,300
Income tax expense	-	-	-	-	6,032	6,032
Interest expense	161,976	-	-	-	-	161,976
Portfolio company and development expense	-	-	86,582	113,203	-	199,785
	$ 12,301,641	$ 9,865,166	$ 326,882	$ 113,203	$ 1,524,772	$ 24,131,664

FOR THE YEAR ENDED DECEMBER 31, 2020

	Hospital & health care services	Insurance services	Academic & research activities	UPMC Enterprises activity	Admin support	Total
Salaries, professional fees and employee benefits	$ 6,356,072	$ 511,334	$ -	$ -	$ 911,044	$ 7,778,450
Insurance claims expense	-	7,915,612	-	-	-	7,915,612
Supplies, purchased services and general	4,491,307	844,079	-	-	500,115	5,835,501
Depreciation and amortization	506,891	14,597	-	-	164,097	685,585
Academic and research support provided	-	-	227,409	-	-	227,409
Income tax expense	-	-	-	-	5,094	5,094
Interest expense	177,244	-	-	-	-	177,244
Portfolio company and development expense	-	-	116,889	84,703	-	201,592
	$ 11,531,514	$ 9,285,622	$ 344,298	$ 84,703	$ 1,580,350	$ 22,826,487

(DOLLARS IN THOUSANDS)

16. UPMC ENTERPRISES ACTIVITY

UPMC Enterprises conducts research, development and innovation activities on behalf of UPMC primarily focused on technologies for use in the health care industry to lower costs and improve care; such activities are expensed as incurred. From time to time, UPMC invests in companies that are developing technologies that align with its strategic imperatives, including companies that are not yet at the commercialization stage. UPMC's level of investment is dependent on numerous strategic considerations and may provide either a controlling or a non-controlling ownership interest. UPMC Enterprises also seeks partnerships with external companies to accelerate commercial growth of innovation activities, which may include the sale of internally developed technology solutions. 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; such activities are expensed as incurred.

UPMC Enterprises activity is comprised of the following for the years ended December 31:

	2021	2020
Technology research and development costs	**$ (48,211)**	$ (70,962)
Investments in translational sciences	**(38,371)**	(45,927)
Revenue from portfolio companies with controlling interest	**37,828**	36,521
Expenses of portfolio companies with controlling interest	**(108,251)**	(87,424)
Net loss from non-consolidated interest in portfolio companies	**(4,952)**	2,721
Net gains from technology-related investments	**233,654**	16,994
UPMC Enterprises activity	**$ 71,697**	$ (148,077)

17. 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. After fact discovery and expert discovery concluded, motions for summary judgment were filed in October 2021 with briefing concluding in December 2021. 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. On or about September 2, 2021, the United States filed a Complaint in Partial Intervention against UPMC, UPP and a UPMC cardiothoracic surgeon, in the matter previously filed under seal in the United States District Court of the Western District of Pennsylvania as U.S. ex. rel. Jonathan D'Cunha, M.D. v. UPMC et al, alleging that the Defendants violated the False Claims Act by, inter alia, performing concurrent surgeries. UPMC plans to zealously defend against the United States' claims. On November 1, 2021, Defendants moved to dismiss the United States' claims, contending, among other things, that no federal regulations prohibit the surgeons from conducting concurrent or overlapping surgeries in the manner that they do. The American Hospital Association ("AHA") and the Hospital & Healthsystem Association of Pennsylvania ("HAP") filed a friend-of-the-court brief in support of the Defendants' motion, which criticized the government's attempt to impose its "own view of proper medicine" over hospitals, particularly when experts have deemed such surgeries to be safe and a practice that allows more patients to receive necessary health care. The ultimate outcome and effect on UPMC's condensed consolidated financial statements cannot be determined at this time.

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. On December 21, 2021, the Court entered an Order granted the UPMC Defendants motion in part and denying it in part and provided the employee with leave to amend certain of his claims. On January 11, 2022, the employee filed an Amended Complaint that would ultimately assert two claims. On January 25, 2022, the UPMC Defendants moved to dismiss one of the claims and answered the other. The ultimate outcome and effect on UPMC's condensed consolidated financial statements cannot be determined at this time.

On or about March 9, 2021, Vince Ranalli and Lou Ranalli filed a putative class action in the Allegheny County Court of Common Pleas against UPMC and a local law firm that UPMC had retained. The lawsuit alleges that a data breach at the law firm exposed the plaintiffs' personal medical and financial information. Michael Bowen was later substituted as the named plaintiff. The parties have reached a tentative settlement that will result in no material impact to UPMC's financial condition.

18. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to December 31, 2021 through February 28, 2022, the date the consolidated financial statements of UPMC were issued. During this period, there were no subsequent events requiring recognition or disclosure in the consolidated financial statements.