

UPMC Unaudited Financial and Operating Report

FOR THE PERIOD ENDED MARCH 31, 2025



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The following financial data as of March 31, 2025 and for the three month periods ended March 31, 2025 and 2024 is derived from the interim condensed consolidated financial statements of UPMC. The interim condensed consolidated financial statements include all adjustments consisting of a normal recurring nature that UPMC considers necessary for a fair presentation of its financial position and the results of operations for these periods. The financial information as of December 31, 2024 is derived from UPMC’s audited consolidated financial statements. Operating and financial results reported herein are not necessarily indicative of the results that may be expected for any future periods.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

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. UPMC also draws patients for highly specialized services from across the nation and around the world. UPMC's more than 40 hospitals and 800 clinical locations comprise one of the largest nonprofit health systems in the United States. UPMC serves patients and members across the continuum of health care with its hospitals; physician and homecare services; physical and behavioral health insurance product offerings; international operations and its Enterprises division.

UPMC is committed to providing high quality, cost-effective health care to its communities and its insurance members, while continuing to grow its business and execute on its 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 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 health care. UPMC builds new facilities, makes strategic acquisitions and enters into joint venture arrangements or affiliations with health care businesses — in each case in communities where it believes its mission can be effectively utilized to improve the overall health of those communities.

As the stewards of UPMC's community assets, UPMC is guided by the core values of integrity, quality, excellence and respect. These values govern the manner in which UPMC serves its communities and are embedded in the execution and delivery of Life Changing Medicine. By continually evolving and refining UPMC's world-class financial processes, UPMC focuses on achieving optimal financial results that support the continued development of its organization, as well as ongoing investment in the future of the communities it serves. UPMC is 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 UPMC's condensed consolidated financial statements that enhances the overall financial disclosures, to provide the context within which the financial information may be analyzed, and to provide information about the quality of, and potential variability of, UPMC's financial condition, results of operations and cash flows.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

CONSOLIDATED FINANCIAL HIGHLIGHTS

Financial Results for the Three Months Ended March 31 (in millions)	2025	2024
Operating revenues	\$ 8,230	\$ 7,138
Operating income prior to restructuring costs*	\$ 252	(63)
Operating margin % prior to restructuring costs*	3.1%	(0.9)%
Operating income	\$ 237	\$ (103)
Operating margin %	2.9%	(1.4)%
Operating margin % after income tax and interest expense	2.2%	(2.3)%
(Loss) gain from investing and financing activities	\$ (64)	\$ 138
Excess of revenues over expenses (expenses over revenues) attributable to controlling interest	\$ 113	\$ (24)
Operating EBIDA	\$ 413	\$ 72
Capital expenditures	\$ 261	\$ 210
Reinvestment ratio	1.49	1.20

Selected Other Information as of	March 31, 2025	December 31, 2024
Total cash and investments	\$ 8,225	\$ 8,893
Unrestricted cash and investments	\$ 6,838	\$ 7,526
Unrestricted cash and investments over long-term debt	\$ 442	\$ 1,067
Days of cash on hand**	78	93
Days in net accounts receivable	44	41
Average age of plant (in years)	11.6	11.4

*Excludes \$15 million and \$40 million of restructuring costs for the three months ended March 31, 2025 and March 31, 2024, respectively.

**Excludes \$15 million and \$128 million of restructuring costs for the three months ended March 31, 2025 and year ended December 31, 2024, respectively.

Operating income, prior to restructuring costs, increased by \$315 million for the three months ended March 31, 2025 when compared to the prior year. This improvement in operating results was primarily driven by Health Services increased inpatient and outpatient hospital volumes, improved underwriting margin in the Insurance Services Division, as well as gains on dispositions of approximately \$69 million. Further strides were made in reducing operational expenses from ongoing efficiency measures, continuing a strong improvement from prior year. UPMC continues to manage its investment portfolio using a long-term perspective. As of March 31, 2025, UPMC had more than \$8.2 billion of cash and investments, of which approximately \$2.4 billion was held by UPMC's regulated health and captive insurance companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

BUSINESS HIGHLIGHTS

UPMC Hillman Cancer Greatly Impacting Pennsylvania's Economy

UPMC Hillman Cancer Center continues its positive impact on lives throughout Pennsylvania and as a driver of the Commonwealth's economy. A report published in January 2025 displayed that UPMC Hillman Cancer Center generated \$4.0 billion in total economic impact in Pennsylvania through its clinical, research and educational missions in 2023. The comprehensive report, published by the Kansas City-based consulting firm Tripp Umbach, details how UPMC Hillman Cancer Center supports 17,615 jobs statewide, including 4,100 direct jobs and 13,515 indirect jobs. UPMC Hillman generates \$180.1 million in tax revenue to support schools, public safety and public infrastructure with an additional \$83.4 million in direct tax payments, resulting in a total contribution of \$263.5 million to state and local governments. Visitors to UPMC Hillman, including patients, caregivers and individuals utilizing its facilities for events and education, generated \$542.8 million in economic benefits.

Organizations Recognizing UPMC's Commitment to Quality

The UPMC Heart Transplant Program continues to be the national leader in heart transplant outcomes. Data released in January 2025 by the Scientific Registry of Transplant Recipients ("SRTR") revealed UPMC's position as the top transplant program in the country for outcomes 90-days post adult heart transplant. The SRTR data evaluated all adult heart transplants in the United States from July 2021 through December 2023. During that period, UPMC's heart transplant recipients experienced a 100% survival rate in the first 90 days after transplant. The UPMC Heart Transplant Program also ranks among the top in the nation for patient survival rates one-year post transplant, with an estimated survival rate of approximately 97%.

For the seventh year in a row, UPMC was named one of the World's Most Ethical Companies® by Ethisphere, a global leader in defining and advancing the standards of ethical business practices. Announced in March 2025, UPMC is the only organization honored in the integrated health care system category. UPMC was one of 136 companies from 19 countries and 44 industries recognized for commitment to business integrity through robust ethics, compliance and governance programs.

Investing in Expanded Access to Clinical Excellence

In January 2025, to meet the growing local demand for access to UPMC's pediatric specialty services in south central Pennsylvania, UPMC opened a new UPMC Children's Express Care in Mechanicsburg. Appointments are not necessary for UPMC Children's Express centers, with evening and weekend hours allowing for the treatment of minor injuries and illnesses for pediatric patients outside of normal hours for most primary care practices.

In February 2025, cardiovascular magnetic resonance imaging technology was added at UPMC Hanover's Hillside Medical Center. Offering this service closer to home for patients who reside in Hanover and neighboring communities provides enhanced access to advanced care throughout York and Adams County.

In March 2025, UPMC marked a significant milestone in expanding multinational access to its world-class cancer network with the opening of UPMC Hillman Cancer Center in Croatia. Located approximately 25 miles from Zagreb, on the campus of Zabok General Hospital and Croatian Veterans Hospital, the new UPMC Hillman Cancer Center brings advanced cancer treatments and cutting-edge diagnostics to patients in Croatia and surrounding countries. This collaboration between UPMC and Croatian health leaders is UPMC's first endeavor in Eastern Europe. The center offers comprehensive cancer services, including radiation oncology, medical oncology and PET-CT diagnostics, significantly improving access to high-quality cancer care in the region. UPMC Hillman Cancer Center at Zabok General Hospital is the sixth UPMC Hillman Cancer Center located in Europe, joining nearly 80 centers within the UPMC Hillman Cancer Center network worldwide.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

In March 2025, the UPMC Hillman Cancer Center at UPMC Horizon-Shenango Valley completed a \$9.6 million project to open a second linear accelerator ("LINAC") to enhance access to the most sophisticated radiation oncology treatment for residents of Mercer and Lawrence counties. LINAC is a state-of-the-art radiotherapy system designed to treat a variety of cancer tumors wherever they are in the body, including lung, breast and prostate cancers. It provides enhanced precision so that surrounding tissues are less affected, and it provides oncologists improved imaging so they can observe the treatment while it's happening.

Serving UPMC's Insurance Members

UPMC Health Plan continues to be recognized as a leader in service and quality. UPMC Health Plan received seven Stevie® Awards for 2025, including the Customer Service Award of the Year in the Healthcare, Pharmaceuticals and Related Industries Category.

UPMC *for Life* continues its commitment to serving the community and its members through coordinated, high-quality care and innovative outreach initiatives. UPMC *for Life* Annual Wellness Visit Plus ("AWV+") campaign, in partnership with UPMC Premier Partners, supports over 141,000 members in receiving a wellness visit each year. UPMC *for Life* was recognized by JD Power as number one nationally in this year's Healthcare Digital Experience Study for Medicare Advantage.

UPMC *for You* (UPMC's Medicaid physical health Managed Care Organization)("MCO"), Community Care (UPMC's Behavioral Health MCO), UPMC *for Kids* (UPMC's Children's Health Insurance Program)("CHIP") and UPMC Community Health Choices ("CHC") continued to retain market leadership across the commonwealth during the quarter with membership increasing following the cessation of post-pandemic Medicaid disenrollments. UPMC *for Kids* has been selected as an awardee for the CHIP procurement, which enables continual coverage statewide.

Freedom House Foundations, UPMC's unique program that connects individuals with skills training and connections to health careers, has officially expanded to Harrisburg, where the program graduated its inaugural class with leadership from UPMC Central Pa. and officials from the Commonwealth present for the graduation ceremony. Community Care Behavioral Health ("CCBH"), a UPMC-affiliated nonprofit behavioral health managed care organization, was selected as the finalist for the Blair County Behavioral HealthChoices re-procurement. CCBH will have the opportunity to continue its partnership with Blair HealthChoices through 2026. CCBH was also awarded a grant by the Moses Taylor Foundation to expand its Our HAIR (Health Access Initiative for Recovery) program in northeast Pennsylvania.

UPMC Enterprises Driving Innovations

UPMC Enterprises continued growing its investment portfolio with the addition of three companies in January 2025; a biotechnology company developing immune-resetting therapeutics, an AI-powered health monitoring platform that collects and analyzes whole-person health signals, and a high-quality daycare for children with medical complexities staffed with skilled medical professionals. The division continues to support its existing portfolio as they reach critical growth milestones. In February 2025, UPMC Enterprises introduced a real-world health care data platform to validate AI solutions. The platform addresses a critical need to ensure innovative AI technology will be effective once deployed in a health care setting, which is vital for accelerating research and clinical trial design.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three Months Ended March 31, 2025

Revenues:	Health Services	Insurance Services	Eliminations	Consolidated
Net patient service revenue	\$ 4,157	\$ -	\$ (959)	\$ 3,198
Insurance enrollment revenue	-	4,341	-	4,341
Other revenue	462	249	(20)	691
Total operating revenues	\$ 4,619	\$ 4,590	\$ (979)	\$ 8,230
Expenses:				
Salaries, professional fees and benefits	\$ 2,413	\$ 157	\$ (20)	\$ 2,550
Insurance claims expense	-	4,064	(948)	3,116
Supplies, purchased services and general	1,879	268	(11)	2,136
Depreciation and amortization	175	1	-	176
Total operating expenses	4,467	4,490	(979)	7,978
Operating income prior to restructuring costs	\$ 152	\$ 100	\$ -	\$ 252
Restructuring costs	10	5	-	15
Operating income	\$ 142	\$ 95	\$ -	\$ 237
Operating margin %	3.1%	2.1%	-	2.9%
Operating margin % (including income tax and interest expense)	1.8%	2.0%	-	2.2%
Operating EBIDA	\$ 317	\$ 96	\$ -	\$ 413
Operating EBIDA %	6.9%	2.1%	-	5.0%

Three Months Ended March 31, 2024

Revenues:				
Net patient service revenue	\$ 3,760	\$ -	\$ (859)	\$ 2,901
Insurance enrollment revenue	-	3,740	-	3,740
Other revenue	362	158	(23)	497
Total operating revenues	\$ 4,122	\$ 3,898	\$ (882)	\$ 7,138
Expenses:				
Salaries, professional fees and benefits	\$ 2,340	\$ 166	\$ (21)	\$ 2,485
Insurance claims expense	-	3,493	(848)	2,645
Supplies, purchased services and general	1,679	230	(13)	1,896
Depreciation and amortization	174	1	-	175
Total operating expenses	4,193	3,890	(882)	7,201
Operating income prior to restructuring costs	(71)	8	-	(63)
Restructuring costs	30	10	-	40
Operating loss	\$ (101)	\$ (2)	-	\$ (103)
Operating margin %	(2.5)%	(0.1)%	-	(1.4)%
Operating margin % (including income tax and interest expense)	(4.0)%	(0.1)%	-	(2.3)%
Operating EBIDA	\$ 73	\$ (1)	-	\$ 72
Operating EBIDA %	1.8%	0.0%	-	1.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

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 activities, with locations across the globe, which extend UPMC's core mission and aim to bring new revenue streams into UPMC's domestic operations. In Italy, UPMC locations include ISMETT, a government-approved hospital for end-stage organ disease treatment and research, Salvator Mundi International Hospital in Rome and UPMC Hillman Cancer Centers in Rome, Sicily and Campania. In Ireland, UPMC has a network of four hospitals and two UPMC Hillman Cancer Centers across southeast Ireland, stretching from Cork to Dublin. In Croatia, UPMC has a UPMC Hillman Cancer Center in Zagreb. Other UPMC international ventures include a management service agreement in China.

Operating income for the Health Services Division, prior to restructuring costs, increased by \$223 million during the three months ended March 31, 2025, when compared to the prior year. This increase is primarily due to improved patient volumes and gains on dispositions of approximately \$69 million.

Insurance Services

UPMC holds various interests in health care financing initiatives and network care delivery operations that have more than 4.1 million members as of March 31, 2025. 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 *Workpartners* provides fully insured workers' compensation, 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.

Operating results for the Insurance Services Division, prior to restructuring costs, increased by \$92 million during the three months ended March 31, 2025, when compared to the prior year. This increase is primarily attributable to Medicare, Medicaid, CHC, and CCBH premium rate increases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

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 both support UPMC's core mission and help stimulate the economy within the communities it serves.

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. 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. Due to the nature of UPMC Enterprises' investment activity, financial results can fluctuate between periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

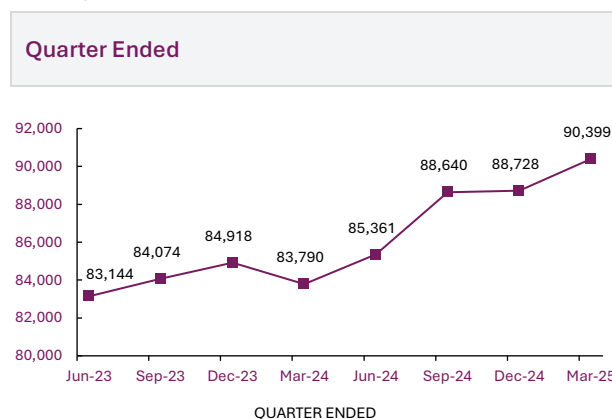
PERIOD ENDED MARCH 31, 2025

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 three months ended March 31, 2025, increased 8% compared to the same period in 2024.

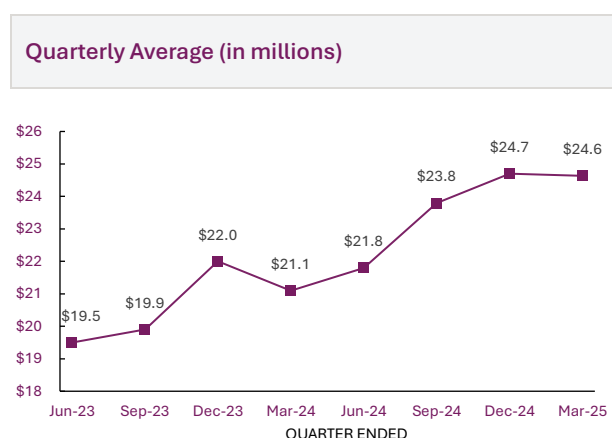
For the Three Months Ended March 31			
(in thousands)	2025	2024	Change
Academic	28.3	27.7	2%
Community	12.4	11.8	5%
Regional	49.7	44.3	12%
Total	90.4	83.8	8%



Outpatient Revenue per Workday

UPMC's outpatient activity for the three months ended March 31, 2025, as measured by average revenue per workday, increased 16% compared to the same period in 2024. Surgical demand, particularly in the outpatient setting, has increased as former inpatient services continue to move to outpatient. This, coupled with the increase in ambulatory patient volumes, has caused the increase to outpatient revenue per workday. Hospital outpatient activity is measured on an equivalent workday ("EWD") basis to adjust for weekend and holiday hours.

For the Three Months Ended March 31			
(in thousands)	2025	2024	Change
Academic	\$ 9,322	\$ 7,790	20%
Community	2,377	2,186	9%
Regional	12,930	11,167	16%
Total	\$ 24,629	\$ 21,143	16%



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

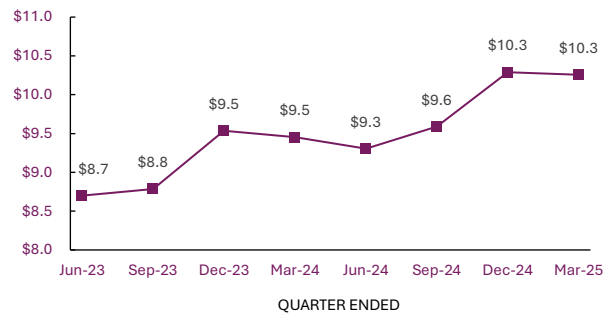
METRICS – HEALTH SERVICES (CONTINUED)

Physician Service Revenue per Weekday

UPMC's physician activity for the three months ended March 31, 2025, as measured by average revenue per weekday, increased 8% from the comparable period in 2024. Physician services activity is measured on a weekday basis.

For the Three Months Ended March 31			
(in.thousands)	2025	2024	Change
Academic	\$ 4,443	\$ 4,075	9%
Community	2,168	2,057	5%
Regional	3,645	3,322	10%
Total	\$ 10,256	\$ 9,454	8%

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 hospitals' gross patient service revenue by payer.

	Three Months Ended March 31	
	2025	2024
Medicare	50%	49%
Medical Assistance	15%	17%
Commercial Insurers	16%	16%
UPMC Insurance Services Commercial	11%	11%
Self-pay/Other	8%	7%
Total	100%	100%

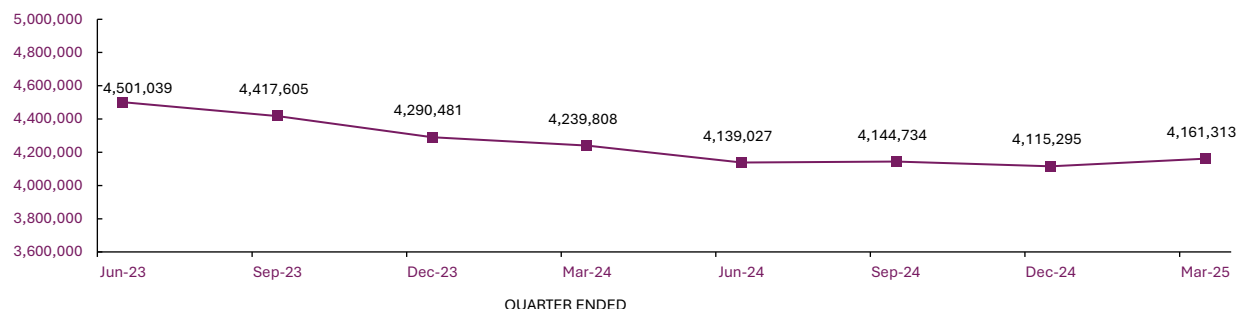
MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

OPERATING METRICS - INSURANCE SERVICES

Membership

Membership in the UPMC Insurance Services division decreased to 4,161,313 as of March 31, 2025, a 2% decrease versus March 31, 2024. The decrease is primarily due to expected redeterminations within the Medical Assistance and Behavioral Health products as a result of the Continuous Coverage Unwinding, which resumed the annual Medicaid eligibility review after the end of the continuous coverage requirement during the COVID-19 pandemic.

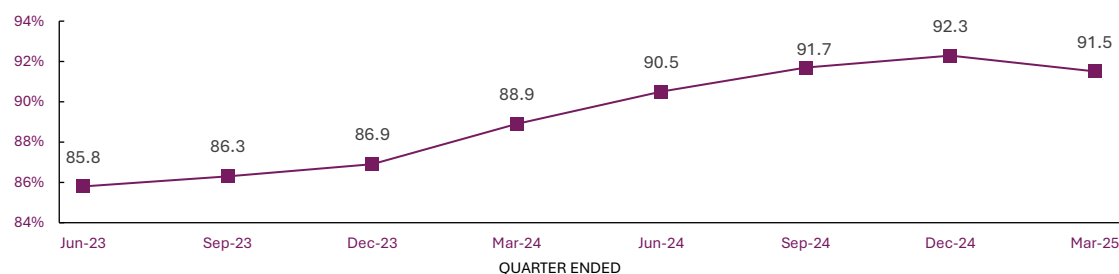


As of	March 31, 2025	March 31, 2024
Commercial Health	560,634	568,539
Medicare	227,169	217,057
Medical Assistance	637,101	659,891
Sub-Total Physical Health Products	1,424,904	1,445,487
Community HealthChoices	135,297	135,862
Behavioral Health	1,214,912	1,277,171
Sub-Total Health Products	2,775,113	2,858,520
Workpartners	884,014	878,603
Ancillary Products	490,510	488,374
Third-Party Administration	11,676	14,311
Total Membership	4,161,313	4,239,808

Medical Expense Ratio

UPMC Insurance Services' medical expense ratio ("MER") for the trailing twelve months has decreased to 91.5% as of March 31, 2025. Through Q1 of 2025, higher revenue within the Medicaid, CHC, and CCBH products, supported by improved Pennsylvania Department of Health Services ("DHS") rates has contributed to the decline in MER. The chart below is revised quarterly to reflect updated estimates and actual medical claims for each period presented.

Trailing Twelve Months



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

KEY FINANCIAL INDICATORS

(Dollars in millions)

Operating Earnings before Interest, Depreciation and Amortization

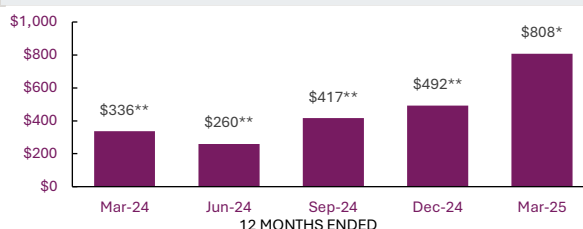
Operating EBIDA, prior to restructuring costs, for the three months ended March 31, 2025 increased 282% compared to the three months ended March 31, 2024.

For the Three Months Ended March 31			
(in millions)	2025*	2024**	Change
Operating Income	\$ 252	\$ (63)	500%
Depreciation and Amortization	176	175	1%
Operating EBIDA	\$ 428	\$ 112	282%

*Excludes restructuring costs of \$15 million for the period ended March 31, 2025.

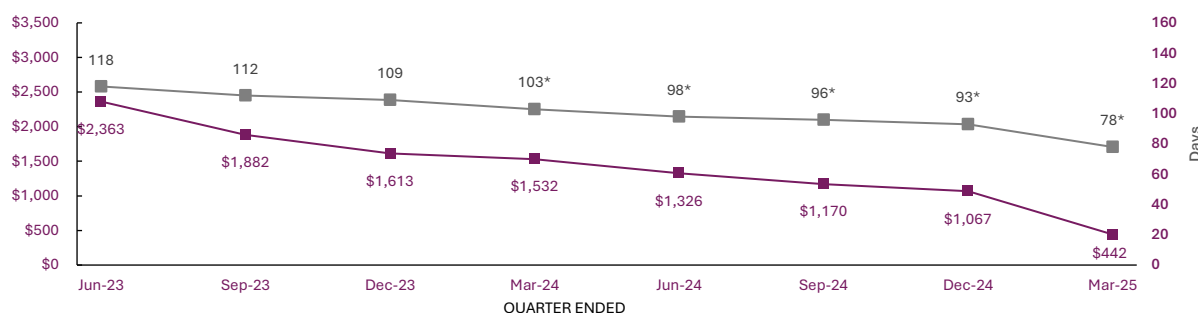
**Excludes restructuring costs of \$40 million, \$88 million, \$109 million and \$128 million for the periods ended March 31, 2024, June 30, 2024, September 30, 2024 and December 31, 2024, respectively.

Trailing Twelve Months Operating EBIDA



Unrestricted Cash and Investments over Long Term Debt and Days Cash on Hand

As of March 31, 2025, unrestricted cash and investments over long term debt decreased \$625 million compared to December 31, 2024. The decrease is primarily due to a decrease in investment revenues, as well as significant increases in net receivables.

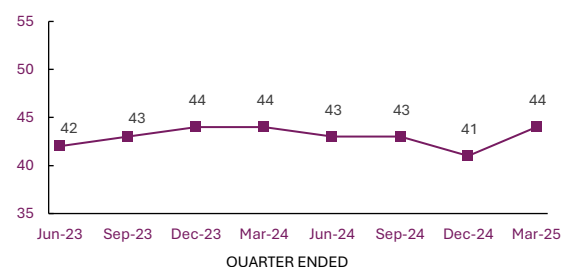


*Excludes restructuring costs of \$40 million, \$88 million, \$109 million, \$128 million and \$15 million for the periods ended March 31, 2024, June 30, 2024, September 30, 2024, December 31, 2024 and March 31, 2025, respectively.

Days in Net Accounts Receivable

Days in net Accounts Receivable at March 31, 2025 and December 31, 2024 were 44 and 41, respectively. The increase to patient receivables is primarily due to a slowing in the timing of payments from insurance providers, while the increase to insurance receivables is primarily driven by rate increases for government products and the timing of those payments.

By Receivable	March 2025 Balance	Days	
		Mar 31, 2025	Dec 31, 2024
Net patient	\$ 1,804	49	47
Insurance enrollment and other	2,312	41	37
Consolidated	\$ 4,116	44	41



MANAGEMENT’S DISCUSSION AND ANALYSIS

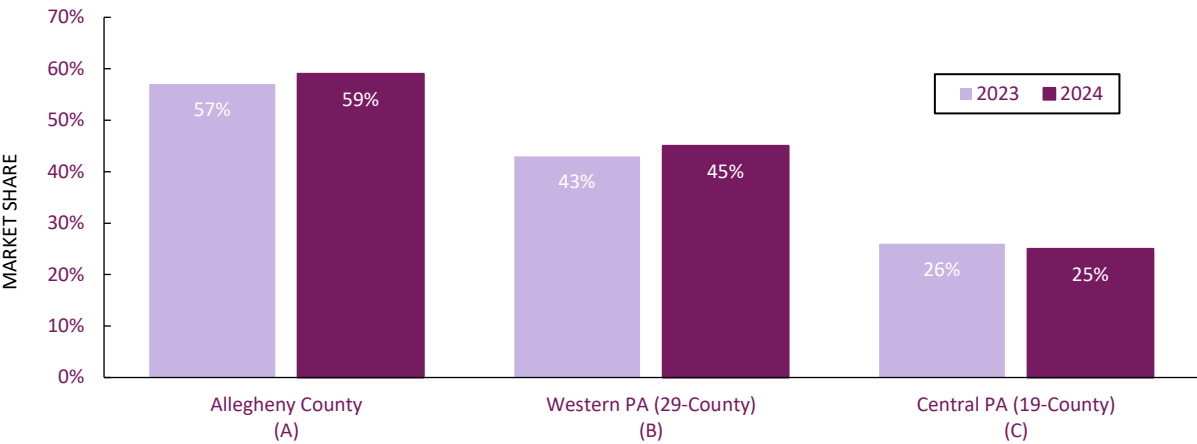
PERIOD ENDED MARCH 31, 2025

MARKET SHARE

The chart below shows the comparison of UPMC’s estimated inpatient market share for the first three quarters of calendar years 2023 and 2024 by service area⁽¹⁾. This is the most recent market share data currently available.

UPMC INPATIENT MEDICAL-SURGICAL MARKET SHARE

AS OF SEPTEMBER 30⁽²⁾



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

⁽²⁾ Excludes psychiatry and substance abuse discharges.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

ASSET AND LIABILITY MANAGEMENT

As of March 31, 2025, the System's investment portfolio, excluding Enterprises and various restricted assets, is managed using 172 external investment managers including 29 traditional managers, 15 hedge fund managers and 48 private capital managers. The System is also invested with an additional 80 legacy private capital and hedge fund managers. The System's investment portfolio is managed with a long-term perspective and has generated annualized returns of 6.0%, 3.6% and 8.9% for the trailing one-, three- and five-year periods, respectively, ending March 31, 2025. As of March 31, 2025, 70% of the System's investment portfolio could be liquidated within three days.

UPMC's cost of capital during the three-month period ended March 31, 2025 was 3.7%. 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 March 31, 2025, the interest rates on UPMC's long-term debt were approximately 87% fixed and 13% variable after giving effect to derivative contracts. Interest cost for the variable rate debt for the period averaged 3.9%. The interest cost for the fixed rate debt was 3.6%. UPMC's primary credit facility, which expires in May 2028, has a borrowing limit of \$1 billion. As of March 31, 2025, UPMC had approximately \$106 million in letters of credit outstanding under the credit facility leaving \$894 million available to fund operating and capital needs, none of which was drawn.

In support of the Insurance Services Division, UPMC has credit facilities of \$350 million and \$250 million, the latter of which temporarily decreases each year to \$25 million from September 1st to April 30th. The credit facilities expire in May 2026 and May 2027, respectively. As of March 31, 2025, these credit facilities were undrawn.

Subsequent to March 31, 2025, UPMC issued the tax-exempt Series 2025A and 2025B bonds in the amounts of \$372 million and \$341 million, respectively. These bonds refunded certain indebtedness and will fund capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2025

The table below compares reported Investing and Financing Activity for the three months ended March 31, 2025 and 2024 by type.

Investing and Financing Activity by Type

Three Months Ended March 31	2025	2024
<i>(in thousands)</i>		
Realized gain	\$ 3,089	\$ 298,395
Interest and dividends, net of fees	35,620	46,143
Realized investment gain	\$ 38,709	\$ 344,538
Unrealized gain on derivative contracts	95	196
Unrealized investment loss	(7,198)	(136,908)
Investment gain	\$ 31,606	\$ 207,826
Interest expense	(54,455)	(57,461)
UPMC Enterprises activity	(40,824)	(12,863)
(Loss) gain from investing and financing activities	\$ (63,673)	\$ 137,502

Sources and Uses of Cash

UPMC's primary source of operating cash is the collection of revenues and related accounts receivable. As of March 31, 2025, UPMC had approximately \$620 million of cash and cash equivalents.

Operating EBIDA, prior to restructuring costs, was \$428 million for the three months ended March 31, 2025, compared to \$112 million for the three months ended March 31, 2024. Key uses of cash for the three months ended March 31, 2025 include capital expenditures, net of disposals, of approximately \$257 million (excluding any capital acquired through lease arrangements). Major capital projects included construction and improvements at UPMC Presbyterian, UPMC Central Pa. and UPMC North Central Pa., as well as ongoing expansion and improvement across the entirety of UPMC. Major information services projects include UPMC's implementation of a single electronic health record ("EHR") aimed at improving health data interoperability and streamlining patient care, 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 MARCH 31, 2025

The following table presents selected consolidated statistical indicators of medical-surgical, psychiatric, rehabilitation and skilled nursing patient activity for the three months ended March 31, 2025 and 2024.

	Three Months Ended March 31	
	2025	2024
Licensed Beds*	8,001	8,683
BEDS IN SERVICE		
Medical-Surgical	5,187	5,052
Psychiatric	417	430
Rehabilitation	242	242
Skilled Nursing*	626	1,543
Total Beds in Service	6,472	7,267
PATIENT DAYS		
Medical-Surgical	370,884	339,648
Psychiatric	29,879	26,808
Rehabilitation	16,845	16,874
Skilled Nursing*	53,652	112,426
Total Patient Days	471,260	495,756
Average Daily Census	5,236	5,448
Observation Days	28,540	39,943
Obs Average Daily Census	317	439
ADMISSIONS AND OBSERVATION CASES		
Medical-Surgical	69,703	61,033
Observation Cases	20,696	22,757
Subtotal	90,399	83,790
Psychiatric	2,488	2,321
Rehabilitation	1,159	1,123
Skilled Nursing*	532	972
Total Admissions and Observation Cases	94,578	88,206
Overall Occupancy	84%	81%
AVERAGE LENGTH OF STAY		
Medical-Surgical	5.3	5.6
Psychiatric	12.0	11.6
Rehabilitation	14.5	15.0
Skilled Nursing*	100.8	115.7
Overall Average Length of Stay	6.4	7.6
Emergency Room Visits	278,316	255,949
TRANSPLANTS (DOMESTIC AND INTERNATIONAL)		
Liver	68	81
Kidney	96	111
All Other	77	67
Total	241	259
OTHER POST-ACUTE METRICS		
Home Health Visits	135,970	128,372
Hospice Care Days	63,205	61,284
Outpatient Rehab Visits	178,773	179,188

*The statistical information for the three months ended 2025 includes the disposition of several skilled nursing facilities.

OUTSTANDING DEBT

PERIOD ENDED MARCH 31, 2025
(DOLLARS IN THOUSANDS)

Issuer	Original Borrower	Series	Amount Outstanding
Allegheny County Hospital Development Authority	UPMC Health System	1997B	\$ 27,675
	UPMC	2007A	22,610
	UPMC	2017D	378,687
	UPMC	2019A	669,820
	UPMC	2021B	40,144
Monroeville Finance Authority	UPMC	2012	39,953
	UPMC	2014B	40,055
	UPMC	2022B	167,684
	UPMC	2023C	38,538
Pennsylvania Economic Development Financing Authority	UPMC	2014A	226,694
	UPMC	2015B	103,668
	UPMC	2016	186,890
	UPMC	2017A	365,532
	UPMC	2017B	83,822
	UPMC	2017C	127,519
	UPMC	2020A	261,199
	UPMC	2021A	237,815
	UPMC	2022A	221,100
	UPMC	2023A	463,299
	UPMC	2023B	91,823
	UPMC	2023D	249,079
Tioga County Industrial Development Authority	Laurel Health System	2010	4,458
	Laurel Health System	2011	2,780
Dauphin County General Authority	Pinnacle Health System	2016A	86,175
	Pinnacle Health System	2016B	75,515
General Authority of Southcentral Pennsylvania	Hanover Hospital	2015	19,456
Potter County Hospital Authority	UPMC	2018A	7,671
Washington County Hospital Authority	The Washington Hospital	2020A	38,480
	The Washington Hospital	2020B	4,110
Maryland Health and Higher Educational Facilities Authority	UPMC	2020B	189,005
None	UPMC	2020D	350,000
	UPMC	2020 Term Loan	299,955
	UPMC	2021C	399,846
	UPMC	2023	795,918
	Somerset Management Services	2013	1,167
	Various	Financing Leases & Loans	272,154
		Swap Liabilities	65
Total UPMC Outstanding Debt			\$ 6,590,361

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

Source: UPMC Records

DEBT COVENANT CALCULATIONS

PERIOD ENDED MARCH 31, 2025
(DOLLARS IN THOUSANDS)

DEBT SERVICE COVERAGE RATIO

UPMC is subject to a Debt Service Coverage Ratio covenant, tested annually at fiscal year-end, of 1.25x in various bank agreements and 1.10x in the 2007 MTI.

	Trailing Twelve-Month Period Ended March 31, 2025
Excess of revenues over expenses	\$ 122,741
ADJUSTED BY:	
Net Unrealized Losses during Period ⁽¹⁾	15,248
Depreciation and Amortization ⁽¹⁾	702,348
Gain on Extinguishment of Debt ⁽¹⁾	(216)
Inherent Contribution ⁽¹⁾	(220,538)
Premium Deficiency Reserve ⁽¹⁾	115,000
Release of Premium Deficiency Reserve ⁽¹⁾	(115,000)
Lease Impairment Realization – Facilities ⁽²⁾	(11,052)
Interest Expense ⁽³⁾	223,197
Revenues Available for Debt Service	\$ 831,728
Historical Debt Service Requirements - 2007 Master Trust Indenture (“MTI”)	\$ 486,484
Debt Service Coverage Ratio – applicable to the 2007 MTI and various bank agreements	1.71X
<i>For informational purposes:</i>	
Historical Debt Service Requirements - All Debt and Finance Leases	\$ 534,556
Debt Service Coverage Ratio - All Debt and Finance Leases	1.56X

LIQUIDITY RATIO AS OF MARCH 31, 2025

UPMC is subject to a Liquidity Ratio covenant, tested annually at fiscal year-end, of 0.6x in various bank agreements and 0.5x in the 2007 MTI.

Unrestricted Cash and Investments	\$ 6,837,590
Master Trust Indenture Debt	6,094,647
Unrestricted Cash to MTI Debt	1.12

⁽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 March 31, 2025, 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.



UPMC
J.C. Stilley
Senior Vice President & Treasurer,
Chief Investment Officer, UPMC

Unaudited Interim Condensed Consolidated Financial Statements

FOR THE PERIOD ENDED MARCH 31, 2025



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Review Report of Independent Auditors

To the Board of Directors of UPMC

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated financial statements of UPMC (the Company), which comprise the condensed consolidated balance sheet as of March 31, 2025, and the related condensed consolidated statements of operations and changes in net assets, and cash flows for the three-month periods ended March 31, 2025 and 2024, and the related notes (collectively referred to as the “interim financial information”).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Balance Sheet as of December 31, 2024

We have previously audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended (not presented herein); and we expressed an unqualified audit opinion on those audited consolidated financial statements in our report dated March 4, 2025. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

May 29, 2025

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(DOLLARS IN THOUSANDS)

	As of	
	March 31, 2025	December 31, 2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 620,231	\$ 974,097
Net patient accounts receivable	1,803,618	1,661,310
Insurance enrollment and other receivables	2,312,026	1,815,329
Other current assets	939,732	855,721
Total current assets	5,675,607	5,306,457
Board-designated, restricted, trustee and other investments	7,604,363	7,918,918
Beneficial interests in foundations and trusts	793,989	801,970
Net property, buildings and equipment	7,077,702	6,997,814
Operating lease right-of-use assets	817,700	826,428
Other assets	873,999	915,148
Total assets	\$ 22,843,360	\$ 22,766,735
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 931,709	\$ 954,456
Accrued salaries and related benefits	1,026,591	1,121,930
Current portion of insurance reserves	1,421,629	1,371,581
Current portion of long-term obligations	543,525	538,249
Other current liabilities	762,587	690,557
Total current liabilities	4,686,041	4,676,773
Long-term obligations	6,046,836	6,110,907
Long-term insurance reserves	503,174	470,580
Operating lease noncurrent liabilities	771,118	787,352
Other noncurrent liabilities	574,580	557,218
Total liabilities	12,581,749	12,602,830
Net assets without donor restrictions	8,937,749	8,829,099
Net assets with donor restrictions	1,323,862	1,334,806
Total net assets	10,261,611	10,163,905
Total liabilities and net assets	\$ 22,843,360	\$ 22,766,735

See accompanying notes

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

Three Months Ended March 31

	2025	2024
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net patient service revenue	\$ 3,197,878	\$ 2,900,655
Insurance enrollment revenue	4,341,421	3,740,126
Other revenue	690,294	497,295
Total operating revenues	8,229,593	7,138,076
Salaries, professional fees and employee benefits	2,550,116	2,484,160
Insurance claims expense	3,115,894	2,645,346
Supplies, purchased services and general	2,136,029	1,896,671
Depreciation and amortization	175,107	175,319
Total operating expenses	7,977,146	7,201,496
Operating income (loss) prior to restructuring costs	252,447	(63,420)
Restructuring costs	(15,000)	(39,600)
Operating income (loss)	237,447	(103,020)
Academic and research support provided	(65,000)	(63,250)
Income tax and other non-operating activities	1,389	3,918
After-tax income (loss)	\$ 173,836	\$ (162,352)
Investing and financing activities:		
Investment gain	31,606	207,826
Interest expense	(54,455)	(57,461)
UPMC Enterprises activity:		
Portfolio company revenue and net gains from sales	30,920	46,095
Portfolio company and research and development expense	(71,744)	(58,958)
(Loss) gains from investing and financing activities	(63,673)	137,502
Excess of revenues over expenses (expenses over revenues)	110,163	(24,850)
Net activity attributable to noncontrolling interest	2,900	484
Excess of revenues over expenses (expenses over revenues) attributable to controlling interest	113,063	(24,366)
Net change in pension liability and other	(4,413)	(5,287)
Change in net assets without donor restrictions	108,650	(29,653)
NET ASSETS WITH DONOR RESTRICTIONS		
Change in beneficial interests in foundations and trusts	(7,981)	22,771
Other changes in net assets with donor restrictions	(2,963)	10,020
Change in net assets with donor restrictions	(10,944)	32,791
Change in total net assets	97,706	3,138
Net assets, beginning of period	10,163,905	9,984,637
Net assets, end of period	\$ 10,261,611	\$ 9,987,775

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31	
	2025	2024
OPERATING ACTIVITIES		
Increase in total net assets	\$ 97,706	\$ 3,138
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	175,107	175,319
Change in beneficial interest in foundations and trusts	7,981	(22,771)
Restricted contributions and investment gains	(7,826)	(14,411)
Unrealized losses on investments	7,198	136,908
Realized gains on investments	(3,089)	(298,395)
Net gain on dispositions	(69,233)	-
Net changes in non-alternative investments	235,132	288,157
Changes in operating assets and liabilities:		
Accounts receivable	(639,005)	(68,459)
Other current assets	(84,011)	(32,449)
Accounts payable and accrued liabilities	(119,814)	18,675
Insurance reserves	82,642	53,606
Other current liabilities	72,030	34,441
Other noncurrent assets and liabilities	1,128	(8,982)
Other operating changes	(14,383)	70,022
Net cash (used in) provided by operating activities	(258,437)	334,799
INVESTING ACTIVITIES		
Purchase of property, buildings and equipment, net of disposals	(256,811)	(194,814)
UPMC Enterprises investments in non-consolidated entities	(24,517)	(10,702)
Net change in investments designated as nontrading	772	601
Cash proceeds from dispositions	114,709	-
Net change in alternative investments	68,146	88,380
Other investing changes	52,763	(35,799)
Net cash used in investing activities	(44,938)	(152,334)
FINANCING ACTIVITIES		
Repayments of long-term obligations	(58,317)	(56,333)
Borrowings of long-term obligations	-	1,665
Other financing changes	7,826	14,411
Net cash used in financing activities	(50,491)	(40,257)
Net change in cash and cash equivalents	(353,866)	142,208
Cash and cash equivalents, beginning of period	974,097	1,104,198
Cash and cash equivalents, end of period	\$ 620,231	\$ 1,246,406
SUPPLEMENTAL INFORMATION		
Finance lease obligations incurred to acquire assets	\$ 5,612	\$ 14,834
<i>See accompanying notes</i>		

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION

UPMC is a Pennsylvania nonprofit corporation and is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the “Code”) as an organization described in Section 501(c)(3) of the Code. Headquartered in Pittsburgh, Pennsylvania, UPMC is one of the world’s leading integrated delivery and financing systems. UPMC comprises nonprofit and for-profit entities offering medical and health care-related services, including health insurance products. Closely affiliated with the University of Pittsburgh (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 unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. The accompanying unaudited interim condensed consolidated financial statements include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation. For further information, refer to the audited consolidated financial statements and notes thereto as of and for the twelve-month period ended December 31, 2024.

2. NEW ACCOUNTING PRONOUNCEMENTS

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

3. REVENUE

Net Patient Service Revenue

UPMC's net patient service revenue is recorded based upon the estimated amounts UPMC expects to be entitled to receive from patients, third-party payers (including health insurers and government programs) and others and includes an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, UPMC bills the patients and third-party payers several days after the services are performed and/or the patient is discharged from the facility. Estimates of the explicit price concessions under managed care, commercial and governmental insurance plans are based upon the payment terms specified in the related contractual agreements or as mandated under government payer programs. UPMC continually reviews the explicit price concession estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care and commercial contractual terms resulting from contract negotiations and renewals. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by UPMC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. UPMC believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to inpatient services. UPMC measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and UPMC does not believe it is required to provide additional goods or services to the patient.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

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 three and three months ended March 31, 2025 or 2024.

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, deductibles and copayments). 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 one of UPMC's primary sources 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 Health Services Division net patient service revenue for the three months ended March 31, 2025 and 2024 is as follows:

	Three Months Ended	
Periods Ended March 31	2025	2024
Commercial	36%	38%
Medicare	43%	40%
Medical Assistance	15%	16%
Self-pay/other	6%	6%
	100%	100%

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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, unless otherwise disclosed. 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") pays for 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, unless otherwise disclosed. 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

4. FAIR VALUE MEASUREMENTS

As of March 31, 2025 and December 31, 2024, UPMC held certain assets that are required to be measured at fair value on a recurring basis. These include certain board-designated, restricted, trustee, and other investments and derivative instruments. Certain alternative investments are measured using the equity method of accounting and are, therefore, excluded from the fair value hierarchy tables presented herein. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are generally unsupported by market activity. The three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, includes:

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

The following tables represent UPMC's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2025 and December 31, 2024. The interest rate swaps are valued using internal models, which are primarily based on market observable inputs, including interest rate curves. When quoted market prices are unobservable for fixed income securities, quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable, are used for valuation purposes. These investments are included in Level 2 and include corporate fixed income, government bonds, and mortgage and asset-backed securities.

Other investments measured at fair value represent funds included on the condensed consolidated balance sheets that are reported using net asset value ("NAV"). These amounts are not required to be categorized in the fair value hierarchy. The fair value of these investments is based on the net asset value information provided by the general partner. Fair value is based on the proportionate share of the NAV based on the most recent partners' capital statements received from the general partners, which is generally one quarter prior to the balance sheet date. Certain of UPMC's alternative investments are utilizing NAV to calculate fair value and are included in other investments in the following tables.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

FAIR VALUE MEASUREMENTS AS OF MARCH 31, 2025

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Fixed income	\$ -	\$ 2,274,045	\$ -	\$ -	\$ 2,274,045
Bond mutual funds	295,968	-	-	-	295,968
Domestic equity	1,387,484	9,326	-	-	1,396,810
International equity	576,185	-	-	-	576,185
Public real estate	86,511	-	-	-	86,511
Long/short equity	57,985	134,585	-	-	192,570
Absolute equity	(145)	67,013	-	-	66,868
Securities on loan	76,331	-	-	-	76,331
Securities lending collateral	44,011	-	-	-	44,011
Alternative and other investments at NAV	-	-	-	1,288,812	1,288,812
Total assets measured at fair value on a recurring basis	\$ 2,524,330	\$ 2,484,969	\$ -	\$ 1,288,812	\$ 6,298,111
LIABILITIES					
Payable under securities lending agreement	\$ (44,011)	\$ -	\$ -	\$ -	\$ (44,011)
Total liabilities measured at fair value on a recurring basis	\$ (44,011)	\$ -	\$ -	\$ -	\$ (44,011)

FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2024

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Fixed income	\$ -	\$ 2,352,381	\$ -	\$ -	\$ 2,352,381
Bond mutual funds	326,426	-	-	-	326,426
Domestic equity	1,296,224	9,304	-	-	1,305,528
International equity	555,260	-	-	-	555,260
Public real estate	84,489	-	-	-	84,489
Active equity	(36,721)	162,642	-	-	125,921
Absolute equity	130	66,587	-	-	66,717
Securities on loan	71,365	-	-	-	71,365
Securities lending collateral	28,344	-	-	-	28,344
Alternative and other investments at NAV	-	-	-	1,660,548	1,660,548
Total assets measured at fair value on a recurring basis	\$ 2,325,517	\$ 2,590,914	\$ -	\$ 1,660,548	\$ 6,576,979
LIABILITIES					
Payable under securities lending agreement	\$ (28,344)	\$ -	\$ -	\$ -	\$ (28,344)
Total liabilities measured at fair value on a recurring basis	\$ (28,344)	\$ -	\$ -	\$ -	\$ (28,344)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

5. FINANCIAL INSTRUMENTS

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

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices or model-driven valuations. Cash and cash equivalents and investments recorded at fair value aggregate to \$6,874,331 and \$7,522,732 at March 31, 2025 and December 31, 2024, respectively. As of March 31, 2025 and December 31, 2024, respectively, UPMC had \$2,370,272 and \$2,758,333 of total cash and investments that are held by UPMC's regulated entities.

Investments in limited partnerships that invest in nonmarketable securities are primarily recorded at fair value using the NAV practical expedient if the ownership percentage is less than 5% and are reported using the equity method of accounting if the ownership percentage is greater than 5%. UPMC had \$1,350,263 and \$1,370,283 of alternative investments accounted for under the equity method, which approximate fair value, at March 31, 2025 and December 31, 2024, respectively.

UPMC participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the condensed consolidated balance sheet (reported in other current assets and other current liabilities, respectively). Total collateral is required to have a market value between 102% and 105% of the market value of securities loaned. As of March 31, 2025 and December 31, 2024, respectively, securities loaned, of which UPMC maintains ownership, total \$76,331 and \$71,365, and total collateral (cash and noncash) received related to the securities loaned was \$79,896 and \$75,442.

UPMC maintains interest rate swap programs on certain of its debt in order to manage its interest rate risk. As of March 31, 2025, and December 31, 2024, UPMC is party to a floating-to-fixed interest rate swap where UPMC receives 68% of a one-month index rate and pays a fixed rate of 3.60% on a notional of \$13,330. As of March 31, 2025, and December 31, 2024, UPMC is also party to a basis swap where UPMC receives 67% of a three-month index rate plus .3217% and pays Securities Industry and Financial Markets Association ("SIFMA") on a notional of \$22,680 and \$26,675, respectively.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

6. PENSION PLANS

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

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

	Three Months Ended March 31	
	2025	2024
Service cost	\$ 45,841	\$ 42,042
Interest cost	44,820	37,979
Expected return on plan assets	(48,004)	(48,231)
Recognized net actuarial loss	555	3,190
Amortization of prior service credit	(1,314)	(1,314)
Net periodic pension cost	\$ 41,898	\$ 33,666

7. HEALTH INSURANCE COSTS

Costs covered by our insurance contracts 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 the 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 March 31, 2025 and 2024, were the completion and trend factors.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

	2025	2024
Reserve for physical health care costs (beginning balance, December 31)	\$ 824,634	\$ 755,718
Add: Provisions for medical costs occurring in:		
Current year	3,634,857	3,129,059
Prior year	13,492	11,202
Net incurred medical costs	3,648,349	3,140,261
Deduct: Payments for claims occurring in:		
Current year	2,852,297	2,390,880
Prior year	732,123	670,601
Net paid medical costs	3,584,420	3,061,481
Reserve for physical health care costs (ending balance, March 31)	\$ 888,563	\$ 834,498

The foregoing rollforward, inclusive of all physical health care costs for the Insurance Services Division, shows unfavorable development of \$13,492 and \$11,202 for the three months ended March 31, 2025 and 2024, 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 claims 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 statements of operations and changes in net assets and consolidated balance sheets could be impacted in future periods. Adjustments of prior year estimates may result in additional claims expense or a reduction of claims expense in the period an adjustment is made.

8. 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:

	Mar 31, 2025	Dec 31, 2024
OPERATING LEASES		
Operating lease right-of-use assets	\$ 817,700	\$ 826,428
Other current liabilities	153,381	147,874
Operating lease noncurrent liabilities	771,118	787,352
Total operating lease liabilities	\$ 924,499	\$ 935,226
FINANCE LEASES		
Property, plant and equipment, net	\$ 67,410	\$ 67,778
Current portion of long-term obligations	19,193	19,881
Long-term obligations	52,284	51,841
Total finance lease liabilities	\$ 71,477	\$ 71,722

Undiscounted maturities of lease liabilities were as follows:

For the Three Months Ended March 31	Operating Leases	Finance Leases
2025 (rest of year)	\$ 135,641	\$ 14,995
2026	159,157	18,827
2027	137,875	13,487
2028	122,981	8,468
2029	108,521	3,557
Thereafter	423,777	12,961

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

9. CONTINGENCIES

UPMC is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators. These matters include medical malpractice, employment, intellectual property, antitrust, privacy and contract claims, claims related to health care benefits coverage and other business practices. UPMC records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving UPMC are inherently difficult to predict, particularly where the matters involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, UPMC is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility, or it is probable a loss may be incurred.

UPMC has been involved or is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, state attorneys general, the Office of the Inspector General, the Office of Personnel Management, the Office of Civil Rights, the Government Accountability Office, the Federal Trade Commission, U.S. Congressional committees, the U.S. Department of Justice (DOJ), the IRS, the U.S. Drug Enforcement Administration, the U.S. Department of Labor, the FDIC, Consumer Financial Protection Bureau and other governmental authorities. UPMC records liabilities for estimates of probable cost resulting from these matters where appropriate. Estimates of cost resulting from governmental investigations, audits and reviews are inherently difficult to predict and as a result UPMC cannot reasonably estimate the outcome which may result from these matters given their procedural status.

10. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to March 31, 2025 through May 29, 2025, 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 except as noted below.

Subsequent to March 31, 2025, UPMC issued the tax-exempt Series 2025A and 2025B bonds in the amounts of \$372,000 and \$341,000, respectively. These bonds refunded certain indebtedness and will fund capital projects.