

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

FOR THE PERIOD ENDED DECEMBER 31, 2025



**UPMC**  
LIFE CHANGING MEDICINE

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FOR THE PERIOD ENDED DECEMBER 31, 2025

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The following financial data is as of and for the years ended December 31, 2025 and 2024. 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, 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 DECEMBER 31, 2025

UPMC, doing business as the University of Pittsburgh Medical Center, is one of the world's leading Integrated Delivery and Financing Systems. 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. Closely affiliated with the University of Pittsburgh (the "University") and with shared academic and research objectives, UPMC works 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. 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, excellence, respect and teamwork. 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 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 audited consolidated financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2025

## BUSINESS HIGHLIGHTS

### Driving Quality in Health Care

UPMC Bridges is an organization-wide transformative effort to enhance patient care delivery, streamline operations, and upgrade the UPMC Experience. Transitioning to a single, unified electronic health record ("EHR") platform powered by Epic will lead to more efficient care delivery for our providers and care teams and enable UPMC to continue expanding access to care. The first wave of this initiative was successfully launched in September 2025, encompassing hospital and physician entities across UPMC's Central and North Central regions, due to the commitment and collaboration of clinical and administrative teams all across UPMC. The second wave of UPMC's Bridges initiative, which covers nearly every other of UPMC's locations, is set to go live later in 2026.

In July 2025, five UPMC hospitals in central Pennsylvania—UPMC Carlisle, Hanover, Harrisburg, Memorial, and West Shore—received the American College of Cardiology's Platinum Performance Achievement Award for outstanding heart attack care. UPMC Memorial also received accreditation from the American College of Surgeons' National Accreditation Program for Breast Centers, signifying its commitment to quality cancer care.

In August 2025, UPMC Magee-Womens facilities in Williamsport and Wellsboro were honored with Gold Designation by the Pennsylvania Perinatal Quality Collaborative for improvements in maternal sepsis management. UPMC Hamot, UPMC Bedford, UPMC Altoona, UPMC Somerset and UPMC Western Maryland received national recognition from the American Heart Association and American Stroke Association for their commitment to high-quality stroke care excellence. These achievements reflect UPMC's systemwide dedication to quality improvement and evidence-based care.

In October 2025, UPMC Children's Hospital of Pittsburgh was nationally ranked in all 11 pediatric specialties in the 2025-26 U.S. News & World Report "Best Children's Hospitals" rankings. Diabetes and endocrinology was #2; pulmonology was #5; and gastroenterology and gastroenterology surgery was #9. UPMC Children's also ranked in the other eight pediatric specialties: cancer; cardiology and heart surgery; neonatology; nephrology; neurology and neurosurgery; orthopaedics; pediatric & adolescent behavioral health; and urology. Six UPMC hospitals, UPMC Altoona, UPMC Carlisle, UPMC Harrisburg, UPMC Horizon, UPMC Lititz and UPMC Magee-Womens Hospital in Pittsburgh, were listed in the U.S. News & World Report "Best Hospitals for Maternity Care."

In December 2025, UPMC Children's Hospital of Pittsburgh was named among the nation's Top Children's Hospitals by Leapfrog Group. This recognition stands among the highest distinctions given to hospitals and surgical centers in the United States, reflecting a dedication to safety and quality. UPMC Children's is one of only 15 pediatric hospitals nationwide to achieve this elite status.

For the seventh consecutive year, UPMC was named one of the World's Most Ethical Companies® by Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices. UPMC was one of 136 honorees and the only organization in the integrated healthcare system category recognized for its commitment to business integrity through robust ethics, compliance and governance programs.

### Strategic Growth and Access

UPMC advanced its strategic objective of expanding access to specialty care throughout 2025 by establishing additional clinical sites, strengthening key partnerships, and making targeted investments in facilities and related infrastructure. In October 2025, UPMC and CommonSpirit Health entered into a non binding letter of intent regarding the potential integration of Trinity Health System, located in Steubenville, Ohio, into the UPMC system. The proposed integration remains subject to the negotiation of definitive agreements and the receipt of all required regulatory approvals. For more than twenty years, Trinity Health System and UPMC have participated in collaborative clinical initiatives designed to

# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2025

enhance the quality, scope, and coordination of patient care within the region. These longstanding collaborations include the provision of medical oncology services through UPMC Hillman Cancer Center, as well as the delivery of advanced orthopedic services supported by UPMC's nationally recognized clinical expertise. Both organizations are actively engaged in the development of a definitive agreement. Completion of the proposed transaction is contingent upon customary regulatory review processes, which the parties currently anticipate concluding in 2026.

In August 2025, UPMC completed renovations and specialty service expansions at the UPMC Passavant-Cranberry campus, building on prior improvements at UPMC Passavant-McCandless and supporting UPMC Passavant's role as a regional specialty care hub.

UPMC further expanded orthopaedic services in August 2025 by formalizing a strategic partnership with the Orthopedic Institute of Pennsylvania, extending care across central Pennsylvania. In March 2026, the partnership will expand to York County with the opening of a new outpatient clinic.

Access to pediatric and emergency services was enhanced late in the year through several initiatives. UPMC Greene formed an emergency department affiliation with UPMC Children's Hospital of Pittsburgh, providing 24/7 pediatric emergency medicine consultation and coordinated specialty follow-up care. In November 2025, UPMC Children's, in collaboration with UPMC Western Psychiatric Hospital, opened a pediatric behavioral health walk-in clinic at UPMC Children's South in Bridgeville. The clinic provides a safe and welcoming environment for children and teens up to age 18 to receive expert care for a variety of behavioral health concerns. Children and teens, accompanied by a parent or guardian, can walk in for same-day care without an appointment and receive a one-time intervention plus referrals to resources.

In November 2025, UPMC received approval to construct a new STAT MedEvac critical care transport base at UPMC Muncy, expanding the system's air-medical transport network. It is the nation's largest hospital operated and dispatched air-medical transport system that will now have 19 helicopter base sites in Pennsylvania and neighboring states.

During the same period, oncology capacity increased with the opening of The Mario Lemieux Immunotherapy Center and The Pietrandrea Clinic at the flagship UPMC Hillman Cancer Center in Shadyside following a \$5 million philanthropic contribution from Bob and Chris Pietrandrea.

In December 2025, in an effort to provide locally accessible care, UPMC Hanover opened a renovated inpatient pediatric unit designed to support higher acuity pediatric care. The space features a layout that better supports staff needs and includes a negative pressure room and new cardiac monitoring equipment.

## Supporting Our Nurses

UPMC continued to invest in workforce development and compensation. In December 2025, the UPMC Schools of Nursing graduated more than 380 students across seven campuses, with more than 300 graduates accepting positions at UPMC. Approximately 600 nurses graduated during the 2025 academic year. Students also benefit from UPMC's tuition loan forgiveness program and the sign-on bonuses available to many new hires. In early 2025, UPMC announced plans to open the UPMC Mercy School of Nursing at UPMC Altoona and continues to add graduation cohorts and build partnerships with local universities as part of its broader strategy to strengthen the future nursing workforce.

## Expanding Access to Health Care in Europe

UPMC continued to strengthen its international presence and reputation for world-class clinical care. In Croatia, UPMC Hillman Cancer Center introduced a stereotactic body radiation therapy and radiosurgery system, expanding national access to advanced, precise cancer treatments that improve outcomes and reduce treatment times. In Sicily, UPMC ISMETT achieved a milestone by performing Italy's first heart transplant using a donor after circulatory death—an advancement that expands the nation's donor pool and reinforces UPMC's leadership in transplant medicine. In Dublin,

# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2025

Ireland, UPMC hosted the 2025 Orthopaedic Conference, highlighting its expertise in sports medicine and injury prevention while strengthening global collaborations between UPMC clinicians and international medical leaders.

## Serving Our Members

UPMC continues to monitor and evaluate the potential impacts of federal legislation for both providers and health insurers resulting from the One Big Beautiful Bill Act. The proposed changes, if enacted, would reduce funding for health care services and lower the population that has coverage for paying for health care services. These impacts could begin as soon as 2026 with the expiration of enhanced Affordable Care Act premium subsidies and worsen in 2027 and 2028 with the implementations of provisions impacting: 1) how states and the federal government work in concert to fund programs like Medicaid, 2) the implementation of work requirements, and 3) the reduction of supplemental funding to support disadvantaged populations. UPMC has, and will continue to, advocate alongside others in the healthcare industry on behalf of its patients and communities to ensure the best possible outcomes.

UPMC *for Life* earned the designation as the “Best Insurance Company for Medicare Advantage” in Pennsylvania by *U.S. News & World Report* for the fourth consecutive year and achieving a 4.5-star rating for the 2026 plan year.

UPMC's Insurance Division's quality performance was reflected in the Press Ganey Pinnacle of Excellence Awards for UPMC *for Life* and UPMC *Community HealthChoices* based on CAHPS results, as well as a 5-star NCQA rating for UPMC Health Plan's commercial HMO products, one of six plans nationally to receive this designation.

UPMC *for You* supported more than 11,000 Medicaid applications and renewals during 2025 and addressed more than 6,000 health-related social need referrals. UPMC *Community HealthChoices* exceeded state pay-for-performance goals and continued to increase the proportion of participants served in home- and community-based settings. UPMC *for Kids* was reselected to administer The Children's Health Insurance Program (“CHIP”) statewide for a five-year term.

UPMC's Insurance Division expanded efforts to address social drivers of health during 2025, including the launch of the Fresh Funds food-as-medicine initiative and continued growth of Community Health Worker programs. The program enrolled 147 members, including 37 completing a 6-month program. This program is among eight Community Health Worker programs which served 1,104 members and 2,375 household members through building better preventive care connections for hard-to-reach Medicaid households.

## Government Programs

Amid significant changes in Medicaid managed care, UPMC *for You* remains committed to supporting members through the redetermination process and addressing health-related social needs (“HRSN”). From January through December 2025, the team proactively reached more than 357,000 households to assist with renewals and continued collaborations with community partners to meet members' needs. Fabric Health, operating in laundromats across Allegheny County, engaged with over 4,400 members between January and August, while PA 211 of the United Way fielded more than 4,000 calls for HRSN referrals during the same period.

UPMC *for You* and UPMC *for Kids* continue to strengthen coordination and program performance through county-level alignment, ensuring members maintain coverage in the most appropriate program based on their healthcare needs and eligibility. Within UPMC *Community HealthChoices*, a preliminary analysis of participant assessments suggests a potential increase in STAR ratings for two Medicare Advantage contracts, with further improvement anticipated as additional data becomes available. Building on prior success, UPMC *Community HealthChoices* and UPMC *Community Care Behavioral Health* are also expanding their Behavioral Health Collaboration Pilot into northeastern Pennsylvania, including Lackawanna, Luzerne, Susquehanna, and Wyoming Counties.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2025

## CONSOLIDATED FINANCIAL HIGHLIGHTS

Financial Results for the Years Ended December 31	2025	2024
Operating revenues	\$ 33,563	\$ 29,866
Operating income (loss) prior to restructuring costs*	\$ 316	\$ (211)
Operating margin % prior to restructuring costs*	0.9%	(0.7)%
Operating income (loss)	\$ 286	\$ (339)
Operating margin %	0.9%	(1.1)%
Operating margin % after income tax and interest expense	0.2%	(1.9)%
Gain from investing and financing activities	\$ 611	\$ 328
Excess of revenues over expenses (expenses over revenues) attributable to controlling interest	\$ 635	\$ (15)
Operating EBIDA	\$ 991	\$ 364
Capital expenditures	\$ 1,177	\$ 995
Reinvestment ratio	1.67	1.42

Selected Other Information as of	December 31, 2025	December 31, 2024
Total cash and investments	\$ 9,237	\$ 8,893
Unrestricted cash and investments	\$ 7,783	\$ 7,526
Unrestricted cash and investments over long-term debt	\$ 1,047	\$ 1,067
Days of cash on hand*	87	93
Days in net accounts receivable	44	41
Average age of plant (in years)	11.6	11.4

\*Excludes \$30 million and \$128 million of restructuring costs for the years ended December 31, 2025 and 2024, respectively.

Operating income increased by \$625 million for the year ended December 31, 2025 when compared to the prior year. This increase in operating results was primarily driven by improved underwriting margin in the Insurance Services Division, together with enterprise-wide initiatives to reduce operational expenses through efficiency measures, both contributing to a strong improvement from prior year. UPMC continues to have a long-term perspective with regard to its investment activities. As of December 31, 2025, UPMC had more than \$9.2 billion of cash and investments, of which approximately \$2.7 billion was held by UPMC's regulated health and captive insurance companies.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2025

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Year Ended December 31, 2025

Revenues:	Health Services	Insurance Services	Eliminations	Consolidated
Net patient service revenue	\$ 17,030	\$ -	\$ (4,017)	\$ 13,013
Insurance enrollment revenue	-	17,603	-	17,603
Other revenue	1,788	1,250	(91)	2,947
<b>Total operating revenues</b>	<b>\$ 18,818</b>	<b>\$ 18,853</b>	<b>\$ (4,108)</b>	<b>\$ 33,563</b>
<b>Expenses:</b>				
Salaries, professional fees and benefits	\$ 9,805	\$ 645	\$ (83)	\$ 10,367
Insurance claims expense	-	17,040	(3,970)	13,070
Supplies, purchased services and general	8,075	1,085	(55)	9,105
Depreciation and amortization	700	5	-	705
<b>Total operating expenses</b>	<b>18,580</b>	<b>18,775</b>	<b>(4,108)</b>	<b>33,247</b>
Operating income prior to restructuring costs	\$ 238	\$ 78	\$ -	\$ 316
Restructuring costs	20	10	-	30
<b>Operating income</b>	<b>\$ 218</b>	<b>\$ 68</b>	<b>\$ -</b>	<b>\$ 286</b>
Operating margin %	1.2%	0.4%	-	0.9%
Operating margin % (including income tax and interest expense)	(0.1%)	0.3%	-	0.2%
<b>Operating EBIDA</b>	<b>\$ 918</b>	<b>\$ 73</b>	<b>\$ -</b>	<b>\$ 991</b>
<b>Operating EBIDA %</b>	<b>4.9%</b>	<b>0.4%</b>	<b>-</b>	<b>3.0%</b>

Year Ended December 31, 2024

<b>Revenues:</b>				
Net patient service revenue	\$ 15,825	\$ -	\$ (3,645)	\$ 12,180
Insurance enrollment revenue	-	15,112	-	15,112
Other revenue	1,743	921	(90)	2,574
<b>Total operating revenues</b>	<b>\$ 17,568</b>	<b>\$ 16,033</b>	<b>\$ (3,735)</b>	<b>\$ 29,866</b>
<b>Expenses:</b>				
Salaries, professional fees and benefits	\$ 9,394	\$ 659	\$ (85)	\$ 9,968
Insurance claims expense	-	14,825	(3,598)	11,227
Supplies, purchased services and general	7,220	1,011	(52)	8,179
Depreciation and amortization	697	6	-	703
<b>Total operating expenses</b>	<b>17,311</b>	<b>16,501</b>	<b>(3,735)</b>	<b>30,077</b>
Operating income (loss) prior to restructuring costs	\$ 257	\$ (468)	\$ -	\$ (211)
Restructuring costs	90	38	-	128
<b>Operating income (loss)</b>	<b>\$ 167</b>	<b>\$ (506)</b>	<b>\$ -</b>	<b>\$ (339)</b>
Operating margin %	1.0%	(3.2)%	-	(1.1)%
Operating margin % (including income tax and interest expense)	(0.4)%	(3.2)%	-	(1.9)%
<b>Operating EBIDA</b>	<b>\$ 864</b>	<b>\$ (500)</b>	<b>\$ -</b>	<b>\$ 364</b>
<b>Operating EBIDA %</b>	<b>4.9%</b>	<b>(3.1)%</b>	<b>-</b>	<b>1.2%</b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 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.

Operating income for the Health Services Division increased by \$51 million during the year ended December 31, 2025, when compared to the prior year. This increase is primarily due to ongoing efficiency measures.

## Insurance Services

UPMC holds various interests in health care financing initiatives and network care delivery operations that have more than four million members as of December 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 increased by \$574 million during the year ended December 31, 2025, when compared to the prior year. This increase is primarily attributable to improved underwriting margins for Medicaid, CHC, and CCBH.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 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. With an emphasis on translational sciences and digital solutions, UPMC Enterprises provides its portfolio companies and partners with capital, connections and resources to develop solutions to health care's most complex problems. Working in close collaboration with innovators from UPMC and the University of Pittsburgh Schools of Health Sciences, as well as others worldwide, UPMC Enterprises strives to accelerate science from the bench to bedside.

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 DECEMBER 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 year ended December 31, 2025, increased 3% compared to the same period in 2024.

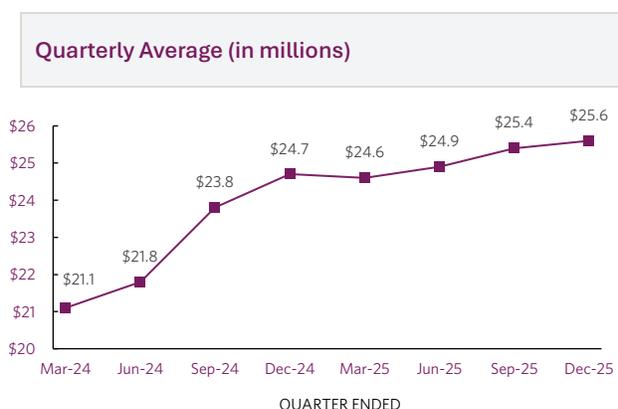
For the Years Ended December 31			
<i>(in thousands)</i>	2025	2024	Change
Academic	113.3	112.1	1%
Community	48.8	47.7	2%
Regional	195.4	186.7	5%
<b>Total</b>	<b>357.5</b>	<b>346.5</b>	<b>3%</b>



### Outpatient Revenue per Workday

UPMC's outpatient activity for the year ended December 31, 2025, as measured by average revenue per workday, increased 10% 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 an increase in outpatient revenue per workday. Hospital outpatient activity is measured on an equivalent workday ("EWD") basis to adjust for weekend and holiday hours.

For the Years Ended December 31			
<i>(in thousands)</i>	2025	2024	Change
Academic	\$ 9,575	\$ 8,564	12%
Community	2,432	2,252	8%
Regional	13,051	12,034	8%
<b>Total</b>	<b>\$ 25,058</b>	<b>\$ 22,850</b>	<b>10%</b>



# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2025

## METRICS – HEALTH SERVICES (CONTINUED)

### Physician Service Revenue per Weekday

UPMC's physician activity for the year ended December 31, 2025, as measured by average revenue per weekday, increased 7% from the comparable period in 2024. Physician services activity is measured on a weekday basis.

For the Years Ended December 31			
(in thousands)	2025	2024	Change
Academic	\$ 4,259	\$ 4,153	3%
Community	2,553	2,058	24%
Regional	3,508	3,440	2%
<b>Total</b>	<b>\$ 10,320</b>	<b>\$ 9,651</b>	<b>7%</b>

Quarterly Average (in millions)



### Sources of Patient Service Revenue

The gross patient service revenues of UPMC, before price concessions and intercompany eliminations, 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.

	Years Ended December 31	
	2025	2024
Medicare	49%	49%
Medical Assistance	15%	16%
Commercial Insurers	17%	16%
UPMC Insurance Services Commercial	11%	11%
Self-pay/Other	8%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

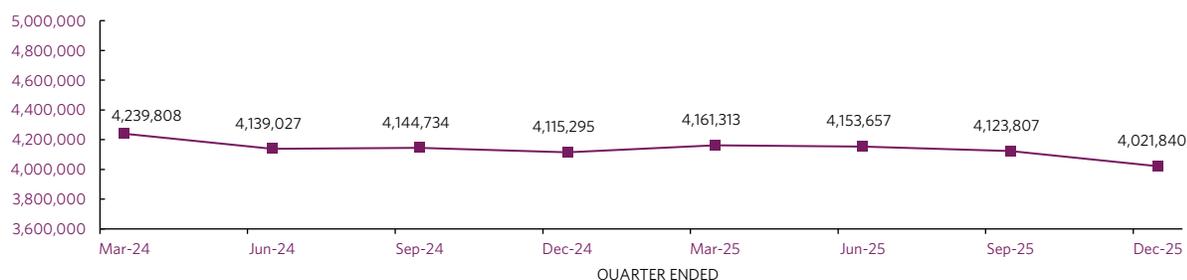
# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2025

## OPERATING METRICS - INSURANCE SERVICES

### Membership

Membership in the UPMC Insurance Services division has remained stable throughout 2025.



As of	December 31, 2025	December 31, 2024
Commercial Health	550,725	559,662
Medicare	228,868	221,021
Medical Assistance	615,641	632,730
Sub-Total Physical Health Products	1,395,234	1,413,413
Community HealthChoices	138,275	134,058
Behavioral Health	1,154,785	1,206,971
Sub-Total Health Products	2,688,294	2,754,442
Workpartners	839,758	860,955
Ancillary Products	483,674	486,239
Third-Party Administration	10,114	13,659
<b>Total Membership</b>	<b>4,021,840</b>	<b>4,115,295</b>

### Medical Expense Ratio

UPMC Insurance Services' medical expense ratio ("MER") for the trailing twelve months has decreased to 90.2% as of December 31, 2025. Through Q4 of 2025, higher revenue within the Medicaid, CHC, and Community Care products, supported by improved Pennsylvania Department of Health Services 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 DECEMBER 31, 2025

## KEY FINANCIAL INDICATORS

(Dollars in millions)

### Operating Earnings before Interest, Depreciation and Amortization

Operating EBIDA, prior to restructuring costs, for the year ended December 31, 2025 increased 108% compared to the year December 31, 2024.

For the Years Ended December 31			
(in millions)	2025*	2024*	Change
Operating Income	\$ 316	\$ (211)	250%
Depreciation and Amortization	705	703	0%
<b>Operating EBIDA</b>	<b>\$ 1,021</b>	<b>\$ 492</b>	<b>108%</b>

### Trailing Twelve Months Operating EBIDA

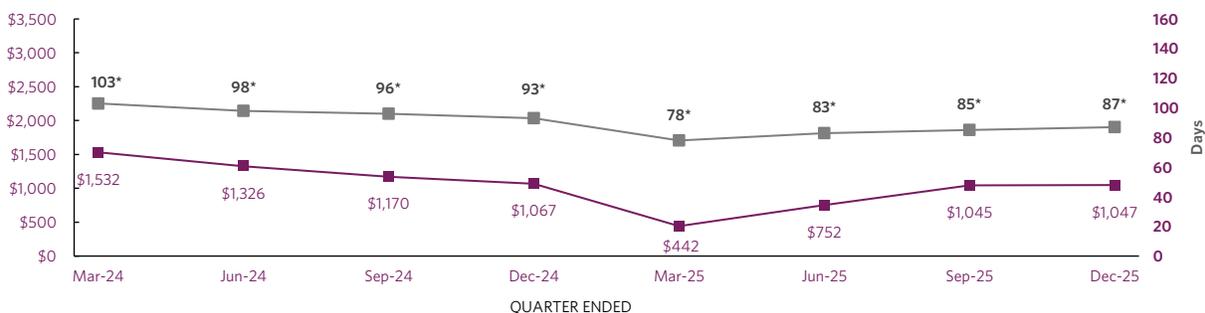


\*Excludes restructuring costs of \$30 million and \$128 million for the periods ended December 31, 2025 and 2024, respectively.

The trailing twelve months operating EBIDA excludes the following restructuring costs: (1) \$30 million (2) \$49 million (3) \$70 million (4) \$103 million and (5) \$128 million.

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

As of December 31, 2025, unrestricted cash and investments over long term debt decreased \$20 million compared to December 31, 2024.

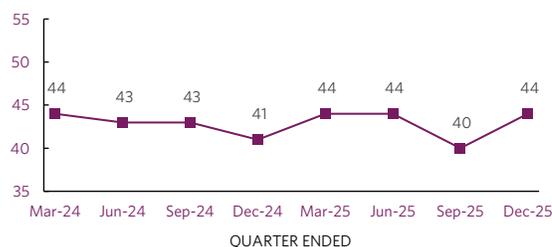


\*Excludes restructuring costs of \$40 million, \$88 million, \$109 million, \$128 million, \$15 million, \$30 million, \$30 million and \$30 million for the periods ended March 31, 2024, June 30, 2024, September 30, 2024, December 31, 2024, March 31, 2025, June 30, 2025, September 30, 2025 and December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

### Days in Net Accounts Receivable

Days in net Accounts Receivable at December 31, 2025 and 2024 were 44 and 41, respectively.

By Receivable	December	Days	
	2025 Balance	Dec 31, 2025	Dec 31, 2024
Patient	\$ 2,000	56	47
Insurance and other	2,039	36	37
<b>Consolidated</b>	<b>\$ 4,039</b>	<b>44</b>	<b>41</b>



# MANAGEMENT’S DISCUSSION AND ANALYSIS

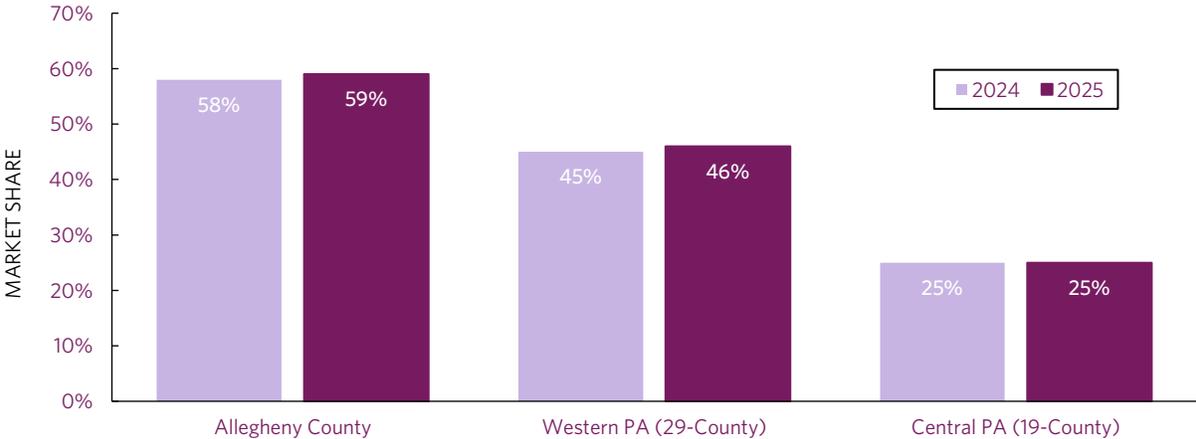
PERIOD ENDED DECEMBER 31, 2025

## MARKET SHARE

The chart below shows the change in UPMC’s estimated inpatient market share for the first quarter of calendar years 2024 and 2025 by service area(1). This is the most recent market share data currently available.

### UPMC INPATIENT MEDICAL-SURGICAL MARKET SHARE

AS OF JUNE 30<sup>(2)</sup>



(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 DECEMBER 31, 2025

## ASSET AND LIABILITY MANAGEMENT

As of December 31, 2025, the System's investment portfolio, excluding Enterprises and various restricted assets, utilized 157 ongoing external investment managers including 22 traditional managers, 13 hedge fund managers and 48 private capital managers. The System is also invested with an additional 74 legacy private capital and hedge fund managers. The System's investment portfolio has a long-term perspective and has generated annualized returns of 12.1%, 10.4% and 6.0% for the trailing one-, three- and five-year periods, respectively, ending December 31, 2025. As of December 31, 2025, 71% of the System's investment portfolio could be liquidated within three days.

UPMC's cost of capital during the twelve-month period ended December 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 December 31, 2025, the interest rates on UPMC's long-term debt were approximately 87% fixed and 13% variable. Interest cost for the variable rate debt for the period averaged 3.9%. The interest cost for the fixed rate debt was 3.7%. UPMC's primary credit facility, which expires in May 2028, has a borrowing limit of \$1,000 million. As of December 31, 2025, UPMC had approximately \$54 million in letters of credit outstanding under the credit facility leaving \$946 million available to fund operating and capital needs, of which \$300 million 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 1<sup>st</sup> to April 30<sup>th</sup>. The credit facilities expire in May 2026 and May 2027, respectively. As of December 31, 2025, these credit facilities were undrawn.

During Q2 of 2025, UPMC issued the tax-exempt Series 2025A and 2025B bonds with par value of \$372 million and \$341 million, respectively. These bonds refunded certain indebtedness and funded capital projects. Details of the offerings can be found in the official statements for each issue.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED DECEMBER 31, 2025

The table below compares reported Investing and Financing Activity for the years ended December 31, 2025 and 2024 by type.

## Investing and Financing Activity by Type

Years Ended December 31	2025	2024
<i>(in thousands)</i>		
Realized gain	\$ 161,462	\$ 625,912
Interest and dividends, net of fees	171,963	198,868
Realized investment gain	\$ 333,425	\$ 824,780
Unrealized gain on derivative contracts	92	87
Unrealized investment gain (loss)	515,710	(144,944)
Investment gain	\$ 849,227	\$ 679,923
Interest expense	(221,294)	(228,410)
Gain on extinguishment of debt	11,886	216
UPMC Enterprises activity	(28,442)	(124,055)
<b>Gain from investing and financing activities</b>	<b>\$ 611,377</b>	<b>\$ 327,674</b>

## 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, 2025, UPMC had approximately \$1,224 million of cash and cash equivalents.

Operating EBIDA was \$991 million for the year ended December 31, 2025, compared to \$364 million for year ended December 31, 2024. Key uses of cash for the year ended December 31, 2025 include capital expenditures, net of disposals, of approximately \$1,113 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 DECEMBER 31, 2025

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

	Years Ended December 31	
	2025	2024
Licensed Beds	7,989	8,490
<b>BEDS IN SERVICE</b>		
Medical-Surgical	5,167	5,180
Psychiatric	417	437
Rehabilitation	233	242
Skilled Nursing*	651	1,089
Total Beds in Service	6,468	6,948
<b>PATIENT DAYS</b>		
Medical-Surgical	1,412,414	1,350,179
Psychiatric	117,852	111,730
Rehabilitation	68,902	66,211
Skilled Nursing*	194,934	289,307
Total Patient Days	1,794,102	1,817,427
Average Daily Census	4,915	4,966
Observation Days	128,507	157,790
Obs Average Daily Census	352	431
<b>ADMISSIONS AND OBSERVATION CASES</b>		
Medical-Surgical	269,705	252,253
Observation Cases	87,805	94,266
Subtotal	357,510	346,519
Psychiatric	10,374	10,191
Rehabilitation	4,721	4,522
Skilled Nursing*	2,045	2,727
Total Admissions and Observation Cases	374,650	363,959
Overall Occupancy	81%	78%
<b>AVERAGE LENGTH OF STAY</b>		
Medical-Surgical	5.2	5.4
Psychiatric	11.4	11.0
Rehabilitation	14.6	14.6
Skilled Nursing*	95.3	106.1
Overall Average Length of Stay	6.3	6.7
Emergency Room Visits	1,113,849	1,077,946
<b>TRANSPLANTS (DOMESTIC AND INTERNATIONAL)</b>		
Liver	266	282
Kidney	359	364
All Other	317	302
Total	942	948
<b>OTHER POST-ACUTE METRICS</b>		
Home Health Visits	531,947	524,913
Hospice Care Days	263,691	256,704
Outpatient Rehab Visits	743,231	740,012

\*The statistical information for the year ended December 31, 2025 includes the impact of the disposition of several skilled nursing facilities.

## OUTSTANDING DEBT

PERIOD ENDED DECEMBER 31, 2025

(DOLLARS IN THOUSANDS)

Issuer	Original Borrower	Series	Amount Outstanding
Allegheny County Hospital Development Authority	UPMC Health System	1997B	\$ 18,984
	UPMC	2007A	22,620
	UPMC	2017D	368,399
	UPMC	2019A	635,851
	UPMC	2021B	34,930
Monroeville Finance Authority	UPMC	2012	39,565
	UPMC	2014B	39,996
	UPMC	2022B	166,509
	UPMC	2023C	36,613
Pennsylvania Economic Development Financing Authority	UPMC	2015B	103,597
	UPMC	2016	185,527
	UPMC	2017A	353,010
	UPMC	2017B	81,331
	UPMC	2017C	124,063
	UPMC	2020A	255,884
	UPMC	2021A	230,459
	UPMC	2022A	220,455
	UPMC	2023A	456,707
	UPMC	2023B	88,686
	UPMC	2023D	249,108
	UPMC	2025A	398,646
	UPMC	2025B	360,065
Tioga County Industrial Development Authority	Laurel Health System	2010	4,069
	Laurel Health System	2011	2,362
Dauphin County General Authority	Pinnacle Health System	2016A	82,591
	Pinnacle Health System	2016B	72,755
General Authority of Southcentral Pennsylvania	Hanover Hospital	2015	16,562
Potter County Hospital Authority	UPMC	2018A	5,115
Washington County Hospital Authority	The Washington Hospital	2020A	35,550
	The Washington Hospital	2020B	3,040
Maryland Health and Higher Educational Facilities Authority	UPMC	2020B	184,782
None	UPMC	2020 Term Loan	299,962
	UPMC	2021C	399,957
	UPMC	2023	796,212
	Somerset Management Services	2013	1,102
	Various	Financing Leases & Loans	274,105
		Swap Liabilities	65
<b>Total UPMC Outstanding Debt</b>			<b>\$ 6,649,234</b>

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

Source: UPMC Records

## DEBT COVENANT CALCULATIONS

PERIOD ENDED DECEMBER 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 December 31, 2025
Excess of revenues over expenses	\$ 635,413
<b>ADJUSTED BY:</b>	
Net Unrealized Gains during Period <sup>(1)</sup>	(515,802)
Depreciation and Amortization <sup>(1)</sup>	704,630
Gain on Extinguishment of Debt <sup>(1)</sup>	(11,886)
Premium Deficiency Reserve <sup>(1)</sup>	42,300
Release of Premium Deficiency Reserve <sup>(2)</sup>	(42,300)
Lease Impairment Realization – Facilities <sup>(2)</sup>	(11,052)
Realized Investment Impairments <sup>(2)</sup>	(6,988)
Interest Expense <sup>(3)</sup>	218,937
Revenues Available for Debt Service	\$ 1,013,252
Historical Debt Service Requirements - 2007 Master Trust Indenture (“MTI”)	\$ 499,128
<b>Debt Service Coverage Ratio – applicable to the 2007 MTI and various bank agreements</b>	<b>2.03X</b>
<i>For informational purposes:</i>	
Historical Debt Service Requirements - All Debt and Finance Leases	\$ 549,594
Debt Service Coverage Ratio - All Debt and Finance Leases	1.84X

### LIQUIDITY RATIO AS OF DECEMBER 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	\$ 7,783,010
Master Trust Indenture Debt	6,135,252
<b>Unrestricted Cash to MTI Debt</b>	<b>1.27</b>

<sup>(1)</sup> Non-Cash.

<sup>(2)</sup> Reflects ultimate realization of previously impaired cost-based investments.

<sup>(3)</sup> Includes only interest on long-term debt.

I hereby certify to the best of my knowledge that, as of December 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. Stille  
Senior Vice President & Treasurer,  
Chief Investment Officer, UPMC

# Audited Consolidated Financial Statements

FOR THE PERIOD ENDED DECEMBER 31, 2025



Ernst & Young LLP  
2100 One PPG Place  
Pittsburgh, PA 15222

Tel: +1 412 644 7800  
Fax: +1 412 644 0477  
ey.com

## Report of Independent Auditors

To the Board of Directors of UPMC

### Opinion

We have audited the consolidated financial statements of UPMC, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and 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 “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UPMC at December 31, 2025 and 2024, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UPMC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements 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 financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UPMC’s ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UPMC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UPMC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred claims disclosed in Notes 10 and 11 to the financial statements be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Management is responsible for the other information. The other information comprises the UPMC Year End Financial and Operating Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

February 27, 2026

## CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

	As of	
	December 31, 2025	December 31, 2024
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,223,530	\$ 974,097
Patient accounts receivable	1,999,651	1,661,310
Insurance and other receivables	2,039,415	1,815,329
Other current assets	802,605	855,721
Total current assets	6,065,201	5,306,457
Board-designated, restricted, trustee and other investments	8,013,203	7,918,918
Beneficial interests in foundations and trusts	890,993	801,970
Property, buildings and equipment:		
Land and land improvements	584,953	575,439
Buildings and fixed equipment	9,732,390	9,700,631
Movable equipment	3,865,722	3,690,485
Finance leases	138,049	129,775
Construction in progress	1,358,512	884,593
	15,679,626	14,980,923
Less allowance for depreciation	(8,168,695)	(7,983,109)
	7,510,931	6,997,814
Operating lease right-of-use assets	764,637	826,428
Other assets	851,827	915,148
Total assets	\$ 24,096,792	\$ 22,766,735
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,137,097	\$ 954,456
Accrued salaries and related benefits	1,179,302	1,121,930
Current portion of insurance reserves	1,348,329	1,371,581
Current portion of long-term obligations	782,633	538,249
Other current liabilities	956,439	690,557
Total current liabilities	5,403,800	4,676,773
Long-term obligations	5,866,601	6,110,907
Long-term insurance reserves	520,618	470,580
Operating lease noncurrent liabilities	710,449	787,352
Other noncurrent liabilities	476,553	557,218
Total liabilities	12,978,021	12,602,830
Net assets without donor restrictions	9,646,474	8,829,099
Net assets with donor restrictions	1,472,297	1,334,806
Total net assets	11,118,771	10,163,905
Total liabilities and net assets	\$ 24,096,792	\$ 22,766,735

See accompanying notes

# CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(DOLLARS IN THOUSANDS)

	Years Ended December 31	
	2025	2024
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Net patient service revenue	\$ 13,013,387	\$ 12,180,180
Insurance enrollment revenue	17,602,503	15,112,377
Other revenue	2,947,401	2,573,709
<b>Total operating revenues</b>	<b>33,563,291</b>	<b>29,866,266</b>
Salaries, professional fees and employee benefits	10,367,206	9,968,163
Insurance claims expense	13,069,524	11,227,562
Supplies, purchased services and general	9,105,566	8,178,857
Depreciation and amortization	704,630	702,560
<b>Total operating expenses</b>	<b>33,246,926</b>	<b>30,077,142</b>
Operating income (loss) prior to restructuring costs	316,365	(210,876)
Restructuring costs	30,000	128,001
<b>Operating income (loss)</b>	<b>286,365</b>	<b>(338,877)</b>
Academic and research support provided	(260,000)	(253,000)
Inherent contribution	-	220,538
Income tax and other non-operating activities	5,663	24,871
<b>After-tax income (loss)</b>	<b>\$ 32,028</b>	<b>\$ (346,468)</b>
Investing and financing activities:		
Investment gain	849,227	679,923
Interest expense	(221,294)	(228,410)
Gain on extinguishment of debt	11,886	216
UPMC Enterprises activity:		
Portfolio company revenue and net gains from sales	245,578	142,923
Portfolio company and research and development expense	(274,020)	(266,978)
<b>Gain from investing and financing activities</b>	<b>611,377</b>	<b>327,674</b>
Excess of revenues over expenses (expenses over revenues)	643,405	(18,794)
Net activity attributable to noncontrolling interest	(7,992)	4,106
Excess of revenues over expenses (expenses over revenues) attributable to controlling interest	635,413	(14,688)
Net change in pension liability and other	181,962	113,376
<b>Change in net assets without donor restrictions</b>	<b>817,375</b>	<b>98,688</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Change in beneficial interests in foundations and trusts	89,023	35,411
Other changes in net assets with donor restrictions	48,468	45,169
<b>Change in net assets with donor restrictions</b>	<b>137,491</b>	<b>80,580</b>
<b>Change in total net assets</b>	<b>954,866</b>	<b>179,268</b>
Net assets, beginning of period	10,163,905	9,984,637
<b>Net assets, end of period</b>	<b>\$ 11,118,771</b>	<b>\$ 10,163,905</b>

See accompanying notes

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	Years Ended December 31	
	2025	2024
<b>OPERATING ACTIVITIES</b>		
Increase in total net assets	\$ 954,866	\$ 179,268
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	704,630	702,560
Change in beneficial interest in foundations and trusts	(89,023)	(35,411)
Restricted contributions and investment gains	(50,929)	(47,880)
Restricted net assets acquired	-	(40,044)
Unrealized (gains) losses on investments	(515,802)	144,944
Realized gains on investments	(161,462)	(625,912)
Net gain on dispositions	(180,624)	-
Purchases of non-alternative investments	(4,802,045)	(13,853,618)
Sales of non-alternative investments	5,177,576	14,834,630
Inherent contribution from affiliations	-	(220,538)
Changes in operating assets and liabilities:		
Accounts receivable	(554,233)	(6,396)
Other current assets	49,708	(123,647)
Accounts payable and accrued liabilities	246,223	50,844
Insurance reserves	26,786	93,975
Other current liabilities	(32,586)	(196,284)
Other noncurrent assets and liabilities	(153,724)	78,645
Other operating changes	(144,637)	58,125
Net cash provided by operating activities	474,724	993,261
<b>INVESTING ACTIVITIES</b>		
Purchase of property, buildings and equipment, net of disposals	(1,113,136)	(958,505)
UPMC Enterprises investments in non-consolidated entities	(59,582)	(70,845)
Net change in investments designated as nontrading	(70,037)	(24,434)
Cash proceeds from dispositions	144,420	-
Cash acquired through affiliations and asset sales	-	46,493
Purchases of alternative investments	(154,850)	(154,418)
Sales of alternative investments	516,693	345,170
Other investing changes	143,732	(163,471)
Net cash used in investing activities	(592,760)	(980,010)
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term obligations	(745,011)	(210,291)
Borrowings of long-term obligations	761,551	19,059
Borrowings on short-term line of credit	300,000	-
Restricted contributions and investment gains	50,929	47,880
Net cash provided by (used in) financing activities	367,469	(143,352)
Net change in cash and cash equivalents	249,433	(130,101)
Cash and cash equivalents, beginning of period	974,097	1,104,198
Cash and cash equivalents, end of period	\$ 1,223,530	\$ 974,097
<b>SUPPLEMENTAL INFORMATION</b>		
Finance lease obligations incurred to acquire assets	\$ 39,921	\$ 28,896

See accompanying notes

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 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 of America (“GAAP”) and include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

### 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 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 CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

The majority of UPMC's services are rendered to patients with third-party insurance 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. 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, 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, 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. Price concessions 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, 2025 and 2024 is as follows:

Years Ended December 31	2025	2024
Commercial	35%	37%
Medicare	43%	40%
Medical Assistance	15%	16%
Self-pay/other	7%	7%
	100%	100%

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. 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. 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 Medicare and Medical Assistance 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.

## Receivables

Concentrations of patient accounts receivable at December 31, 2025 and 2024 include:

Years Ended December 31	2025	2024
Commercial	47%	45%
Medicare	30%	32%
Medical Assistance	8%	9%
Self-pay/other	15%	14%
	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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 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 gain 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 gain 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, 2025 generally reflect the partnership activity experienced during the year ended September 30, 2025. 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 gain 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, trustee and other investments. Management believes this reporting increases the transparency of UPMC's financial condition.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## Financial Instruments

Cash and cash equivalents and investments recorded at fair value aggregate to \$7,801,572 and \$7,522,732 at December 31, 2025 and 2024, 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, 2025 and 2024, is \$65 and \$157, 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, 2025 and 2024, securities loaned to various parties, of which UPMC maintains ownership, were \$47,927 and \$71,365, respectively, and total collateral (cash and noncash) received related to the securities loaned was \$50,137 and \$75,442, respectively.

## Premium Deficiency Reserve

UPMC evaluates certain of its insurances contracts to assess the sufficiency of premiums collected in relation to the expected future costs of policy benefits and expenses. If the review indicates that the present value of expected future claims, unamortized acquisition costs and maintenance costs exceeds the expected premium from in-force contracts, a premium deficiency reserve ("PDR") must be established. For purposes of determining a PDR, contracts are grouped in a manner consistent with the method of acquiring, servicing, and measuring profitability of such contracts and expected investment income is included. As of December 31, 2025 and 2024, UPMC determined that expected premiums were in excess of expected future costs and therefore no PDR was recorded.

## 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 \$890,993 and \$801,970 and the net assets with donor restrictions of consolidated foundations of \$112,665 and \$99,968 as of December 31, 2025 and 2024, respectively, are not pledged as collateral for UPMC's debt.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 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.

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 assets acquired under 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, 2025 and 2024 was \$704,241 and \$702,038, 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. Assets acquired under operating lease arrangements 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, 2025, 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.

## 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 includes \$306,930 and \$317,425 at December 31, 2025 and 2024, 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, 2025 and 2024, goodwill of \$401,471 and \$417,552 respectively, is recorded in UPMC's consolidated balance sheets as other assets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

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, 2025 and 2024, 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, 2025 and 2024 are designated as hedging instruments and, as such, changes in fair value are recognized in investing and financing activities as investment gain in the consolidated statements of operations and changes in net assets.

UPMC exposes itself to credit risk and market risk by using derivatives. 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 \$483,836 and \$448,982 of net assets held in perpetuity and \$988,461 and \$885,824 of temporary restricted net assets at December 31, 2025 and 2024, 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 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 US GAAP 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.

## 2. SIGNIFICANT TRANSACTIONS

Beginning in 2024 and throughout 2025, UPMC has undertaken a comprehensive initiative aimed at enhancing operational efficiency and optimizing cost structures. As part of this initiative, UPMC incurred severance expense, operational restructuring and other related costs totaling \$30,000 and \$128,001 for the years ended December 31, 2025 and 2024, respectively. Of the expenses incurred, approximately \$43,001 and \$115,000 were paid during the year ended December 31, 2025 and 2024, respectively.

In response to the COVID-19 pandemic, the United States Department of Homeland Security, through the Federal Emergency Management Agency (“FEMA”), enacted several programs that provide resources and relief funds to hospitals and other health care providers. FEMA funding has served as reimbursement for health care related expenses incurred as a result of the COVID-19 pandemic. For the years ended December 31, 2025 and 2024, UPMC has recognized approximately \$11,000 and \$270,000, respectively, within other revenue.

On June 1, 2024, UPMC and the Washington Health System (“WHS”) executed an Integration and Affiliation Agreement (the “Agreement”) as part of UPMC’s continued commitment to providing high-quality health care to residents in the Washington and Greene counties of Pennsylvania. UPMC applied the guidance set forth in ASC 805 *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. As of the affiliation date, the guidance prescribes that the acquirer recognizes the excess fair value of the net assets acquired over the fair value of the consideration transferred as a separate credit in its statement of operations as of the affiliation date. Accordingly, UPMC recognized an inherent contribution related to the net assets acquired in the transaction of \$0 and \$220,538 in its consolidated statement of operations and changes in net assets for the years ended December 31, 2025 and 2024, respectively. The inherent contribution recorded for the period is based on the fair market values of the net assets acquired.

Through 2025, UPMC disposed of several entities. These disposals resulted in cash received of \$144,420 and gains on sale, recognized in other revenue in its consolidated statement of operations and changes in net assets, of \$180,624 for the year ended December 31, 2025. These transactions were not individually material.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 3. NEW ACCOUNTING PRONOUNCEMENTS

In 2025, the Financial Accounting Standards Board (“FASB”) released ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which modernizes the accounting framework for internal-use software by eliminating the prior project-stage model and introducing a principles-based capitalization threshold, requiring both management authorization and a determination that completion of the project is probable. This guidance was early adopted as of December 31, 2025. The adoption did not have a material impact on UPMC’s consolidated financial statements.

## 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 \$183,033 and \$171,084 for the years ended December 31, 2025 and 2024, 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.

## 5. CASH AND INVESTMENTS

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

	As of December 31	
	2025	2024
Internally designated:		
Health insurance programs	\$ 1,096,539	\$ 1,379,360
Professional and general liability insurance program	758,619	706,371
Employee benefit and workers’ compensation self-insurance programs	142,076	145,848
	<u>1,997,234</u>	<u>2,231,579</u>
Externally designated:		
Trusteed assets for capital and debt service payments	931	1,179
Donor-restricted assets	539,100	495,386
	<u>540,031</u>	<u>496,565</u>
Other long-term investments	5,475,938	5,190,774
Board-designated, restricted, trustee and other investments	8,013,203	7,918,918
	<u>1,223,530</u>	<u>974,097</u>
Cash and cash equivalents	\$ 9,236,733	\$ 8,893,015

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

Investments are maintained and administered using a bank as trustee. As of December 31, 2025, UPMC's investment portfolio, excluding Enterprises and various restricted assets, utilized 157 ongoing external investment managers including 22 traditional managers, 13 hedge fund managers and 48 private capital managers. UPMC is also invested with an additional 74 legacy private capital and hedge fund managers. The largest allocation to any alternative investment fund is \$120,400 as of December 31, 2025. 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 \$348,881 and \$391,620 as of December 31, 2025 and 2024, 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 may vary, investment periods are generally within six years.

Investment return from cash and investments is comprised of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Interest income	\$ 159,567	\$ 183,049
Dividend income	45,577	48,376
Traditional investment manager and trustee fees	(33,181)	(32,557)
Net realized gains on sales of securities	161,462	625,912
	333,425	824,780
Other unrealized gain (loss)	515,710	(144,944)
Unrealized gain on derivative contracts	92	87
	515,802	(144,857)
Investment gain	\$ 849,227	\$ 679,923

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, 2025 is shown below:

Liquidity Availability	Cash and Cash Equivalents	Nonalternative Investments	Alternative Investments	Total
Within three days	\$ 1,223,530	\$ 5,363,110	\$ 4,995	\$ 6,591,635
Within 30 days	-	-	-	-
Within 60 days	-	-	-	-
Within 90 days	-	-	667,225	667,225
More than 90 days	-	-	1,977,873	1,977,873
Total	\$ 1,223,530	\$ 5,363,110	\$ 2,650,093	\$ 9,236,733

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 6. CREDIT ARRANGEMENTS

UPMC has a revolving line and letter of credit facility (the “Revolving Facility”) with a capacity of \$1,000,000. The Revolving Facility expires in May 2028. 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, UPMC Children’s Hospital of Pittsburgh, UPMC Hamot, UPMC Altoona, UPMC Mercy, UPMC East, UPMC Horizon, UPMC Northwest, UPMC McKeesport, UPMC Bedford and UPMC St. Margaret as members of the obligated group under the 2007 UPMC MTI. At the option of UPMC, advances under the Revolving Facility bear interest on the basis of the prime rate, federal funds effective rate, or the secured overnight financing rate (“SOFR”).

As of December 31, 2025 and 2024, UPMC had issued \$54,056 and \$128,080, 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, 2025 and 2024, there was \$945,944 and \$871,920, respectively, available to borrow under the Revolving Facility. As of December 31, 2025, \$300,000 of the available capacity was drawn and included in other current liabilities on the consolidated balance sheet. In January 2026, the draw was repaid in full. As of December 31, 2024, there were no amounts drawn.

In support of the Insurance Services Division, UPMC has credit facilities of \$350,000 and \$250,000, the latter of which temporarily decreases each year to \$25,000 from September 1st to April 30th. The credit facilities expire in May 2026 and May 2027, respectively. As of December 31, 2025 and 2024, these credit facilities were undrawn.

## 7. LONG-TERM OBLIGATIONS AND DERIVATIVE INSTRUMENTS

Long-term obligations consist of the following:

	December 31	
	2025	2024
Fixed rate revenue bonds	\$ 5,285,717	\$ 5,271,193
Variable rate revenue bonds	849,600	873,325
Finance leases and other	275,678	276,794
Par value of long-term obligations	6,410,995	6,421,312
Net premium and other	238,239	227,844
	6,649,234	6,649,156
Less current portion	(782,633)	(538,249)
Total long-term obligations	\$ 5,866,601	\$ 6,110,907

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

The fixed rate revenue bonds bear interest at fixed coupon rates ranging from 1.40% to 6.00% as of December 31, 2025 and 2024. The average interest costs for the variable rate revenue bonds were 3.89% and 4.46% during the years ended December 31, 2025 and 2024, respectively. Bonds have varying principal payments and final maturities from 2026 through 2060. Certain revenue bonds, \$18,984 and \$27,673 for 2025 and 2024, 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 \$6,135,252 and \$6,144,361 as of December 31, 2025 and 2024, respectively, are issued under the 2007 UPMC MTI. The bonds are secured by a pledge of and security interest in gross revenues. Certain amounts borrowed under the 2007 UPMC 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, 2025 and 2024.

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:

2026	\$	782,633
2027		277,814
2028		191,437
2029		200,805
2030		612,249

Interest paid, net of amounts capitalized on all obligations was, \$273,857 and \$270,070 during the years ended December 31, 2025 and 2024, respectively.

During the year ended December 31, 2025, UPMC issued the tax-exempt Series 2025A and 2025B bonds with par value of \$372,000 and \$341,000, respectively. These bonds refunded certain indebtedness and funded capital projects.

UPMC maintains interest rate swap programs on certain of its debt in order to manage its interest rate risk. During 2025 and 2024, UPMC was party to a floating-to-fixed interest rate swap where UPMC received 68% of a one-month index rate and paid a fixed rate of 3.60% on a notional of \$13,330. This agreement matured in December 2025. As of December 31, 2025, and 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. For both agreements, UPMC uses the Secured Overnight Financing Rate ("SOFR") as the receipt index. This basis swap is scheduled to mature in 2037. The aforementioned agreements are carried as a liability with a combined market value of \$65 as of December 31, 2025, and \$157 as of December 31, 2024.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 8. FAIR VALUE MEASUREMENTS

As of December 31, 2025 and 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 December 31, 2025 and 2024. 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. As of December 31, 2025 and 2024, respectively, UPMC had \$1,435,161 and \$1,370,283 of alternative investments accounted for under the equity method, which approximates fair value, but are excluded from the following tables.

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 as of the 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, 2025

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
<b>ASSETS</b>					
Equity securities:					
Domestic equity	\$ 1,702,032	\$ -	\$ -	\$ -	\$ 1,702,032
International equity	589,612	-	-	-	589,612
U.S. REITS	86,322	-	-	-	86,322
Fixed income:					
Government securities	-	676,250	-	-	676,250
Corporate debt	-	691,450	-	-	691,450
Asset and mortgage-backed securities	-	679,178	-	-	679,178
Bond mutual funds	355,966	-	-	-	355,966
Active equity	223,886	6,450	-	-	230,336
Absolute equity	-	41,123	-	-	41,123
Securities on loan	47,927	-	-	-	47,927
Securities lending collateral	23,599	-	-	-	23,599
Alternative and other investments at NAV	-	-	-	1,477,846	1,477,846
Total assets measured at fair value on a recurring basis	\$ 3,029,344	\$ 2,094,451	\$ -	\$ 1,477,846	\$ 6,601,641
<b>LIABILITIES</b>					
Payable under securities lending agreement	\$ (23,599)	\$ -	\$ -	\$ -	\$ (23,599)
Derivative instruments	-	(65)	-	-	(65)
Total liabilities measured at fair value on a recurring basis	\$ (23,599)	\$ (65)	\$ -	\$ -	\$ (23,664)

## FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2024

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
<b>ASSETS</b>					
Equity securities:					
Domestic equity	\$ 1,296,224	\$ 9,304	\$ -	\$ -	\$ 1,305,528
International equity	555,260	-	-	-	555,260
U.S. REITS	84,489	-	-	-	84,489
Fixed income:					
Government securities	-	817,668	-	-	817,668
Corporate debt	-	740,831	-	-	740,831
Asset and mortgage-backed securities	-	793,882	-	-	793,882
Bond mutual funds	326,426	-	-	-	326,426
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
<b>LIABILITIES</b>					
Payable under securities lending agreement	\$ (28,344)	\$ -	\$ -	\$ -	\$ (28,344)
Derivative Instruments	-	(157)	-	-	(157)
Total liabilities measured at fair value on a recurring basis	\$ (28,344)	\$ (157)	\$ -	\$ -	\$ (28,501)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 9. PENSION PLANS

UPMC and its subsidiaries maintain defined benefit pension plans (the “Plans”), defined contribution plans and nonqualified pension plans that cover substantially all of UPMC’s employees. 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. The total expense within the performance indicator relating to the aforementioned pension plans was \$351,024 and \$311,919, respectively, for the years ended December 31, 2025 and 2024.

Benefits under the Plans 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. For the years ended December 31, 2025 and 2024, contributions made to the Plans were \$125,101 and \$35,601 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 Plans. The table also reflects the funded status of the Plans as well as recognized and unrecognized amounts in the consolidated balance sheets. As of December 31, 2025 and 2024, the pension liability is included in other noncurrent liabilities on the consolidated balance sheets.

	Years Ended December 31	
	2025	2024
Accumulated benefit obligation	\$ 3,085,390	\$ 2,939,425
<b>CHANGE IN PROJECTED BENEFIT OBLIGATION</b>		
Projected benefit obligation at beginning of year	\$ 3,068,269	\$ 2,974,623
Service cost	183,364	168,168
Interest cost	179,279	151,918
Actuarial loss	56,386	12,004
Benefits paid	(248,754)	(238,444)
Projected benefit obligation at end of year	3,238,544	3,068,269
<b>CHANGE IN PLAN ASSETS</b>		
Fair value of plan assets at beginning of year	2,865,549	2,795,757
Actual return on plan assets	380,667	272,635
Employer contributions	125,101	35,601
Benefits paid	(248,754)	(238,444)
Fair value of plan assets at end of year	3,122,563	2,865,549
Pension liability at end of year	\$ 115,981	\$ 202,720

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

Included in net assets without donor restrictions at December 31, 2025 and 2024 are the following amounts that have not yet been recognized in net periodic pension cost:

	As of December 31	
	2025	2024
Unrecognized prior service credit	\$ 13,036	\$ 18,292
Unrecognized net actuarial loss	(191,478)	(325,965)
	\$ (178,442)	\$ (307,673)

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions during 2025 and 2024 include the following:

	Years Ended December 31	
	2025	2024
Current year net actuarial gain	\$ 132,265	\$ 67,708
Amortization of actuarial loss	2,222	12,758
Amortization of prior service credit	(5,256)	(5,256)
	\$ 129,231	\$ 75,210

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 expenses in the consolidated statements of operations and changes in net assets. The components of net periodic pension cost for the Plans were as follows:

	Years Ended December 31	
	2025	2024
Service cost	\$ 183,364	\$ 168,168
Interest cost	179,279	151,918
Expected return on plan assets	(192,016)	(192,923)
Amortization of actuarial loss	2,222	12,758
Amortization of prior service credit	(5,256)	(5,256)
Net periodic pension cost	\$ 167,593	\$ 134,665

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

	As of December 31	
	2025	2024
Discount rates:		
Used for benefit obligations	5.61%	5.73%
Used for net periodic pension cost	5.73%	5.02%
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:		
Used for benefit obligations	4.61%	4.73%
Used for net periodic pension cost	4.73%	4.02%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 5.73% to 5.61% increased the projected benefit obligation by \$36,402 for the year ended December 31, 2025. The change in the interest crediting rate from 4.73% to 4.61% decreased the projected benefit obligation by \$26,124 for the year ended December 31, 2025.

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

2026	\$	257,555
2027		265,078
2028		272,219
2029		273,280
2030		275,431
2031-2035		1,378,724

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, 2025, UPMC employed 147 external investment managers to handle the investment of the assets in the pension portfolio. Of these, 7 managers manage equity investments, 9 manage fixed income investments and 131 managers oversee alternative investment strategies. The largest allocation to any alternative investment manager is \$58,700 as of December 31, 2025. Unfunded commitments due to investments within the Plans, funded with Plan assets, are \$214,306 and \$236,424 as of December 31, 2025 and 2024, 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

The following is a summary of the pension plan asset allocations at December 31, 2025 and 2024:

	2025	2024	2025 Target
Nonalternative investments:			
Fixed income	12.2%	13.3%	13.0%
Domestic equity	27.2%	25.1%	30.0%
International equity	10.2%	9.9%	12.0%
<b>Total nonalternative investments</b>	<b>49.6%</b>	<b>48.3%</b>	<b>55.0%</b>
Real assets:			
Real estate	5.3%	4.9%	4.0%
Income opportunities	1.3%	1.2%	2.0%
Natural resources	3.5%	4.5%	4.0%
<b>Total real assets</b>	<b>10.1%</b>	<b>10.6%</b>	<b>10.0%</b>
Alternative investments:			
Long/short equity	13.1%	13.1%	13.0%
Absolute return	6.5%	6.7%	7.0%
Private equity	20.7%	21.3%	15.0%
<b>Total alternative investments</b>	<b>40.3%</b>	<b>41.1%</b>	<b>35.0%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

All of the Plans' 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 Plans' 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

The fair values of the Plans' assets at December 31, 2025, 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
<b>ASSETS</b>					
<b>Equity securities:</b>					
Domestic equity	\$ 887,954	\$ -	\$ -	\$ -	\$ 887,954
International equity	207,540	-	-	-	207,540
U.S. REITS	37,447	-	-	-	37,447
<b>Fixed income:</b>					
Government securities	(92)	48,775	-	-	48,683
Corporate debt instruments	-	66,489	-	-	66,489
Asset and mortgage-backed securities	-	84,504	-	-	84,504
Bond mutual funds	77,959	-	-	-	77,959
Active equity	106,102	11,102	-	-	117,204
Absolute return	(84)	13,489	-	-	13,405
Other investments	-	-	-	1,574,245	1,574,245
Net receivables	7,133	-	-	-	7,133
<b>Plans' assets at fair value</b>	<b>\$ 1,323,959</b>	<b>\$ 224,359</b>	<b>\$ -</b>	<b>\$ 1,574,245</b>	<b>\$ 3,122,563</b>

The fair values of the Plans' assets at December 31, 2024, 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
<b>ASSETS</b>					
<b>Equity securities:</b>					
Domestic equity	\$ 681,850	\$ 1,359	\$ -	\$ -	\$ 683,209
International equity	201,436	-	-	-	201,436
U.S. REITS	36,647	-	-	-	36,647
<b>Fixed income:</b>					
Government securities	-	59,436	-	-	59,436
Corporate debt instruments	-	56,778	-	-	56,778
Asset and mortgage-backed securities	-	82,483	-	-	82,483
Bond mutual funds	78,243	-	-	-	78,243
Active equity	9,793	76,561	-	-	86,354
Absolute return	42	13,086	-	-	13,128
Other investments	-	-	-	1,567,835	1,567,835
<b>Plans' assets at fair value</b>	<b>\$ 1,008,011</b>	<b>\$ 289,703</b>	<b>\$ -</b>	<b>\$ 1,567,835</b>	<b>\$ 2,865,549</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 10. HEALTH INSURANCE REVENUE AND COSTS

Costs covered by UPMC's 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 claims 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, 2025 and 2024, were the completion and trend factors.

	2025	2024
Reserve for physical health care costs (beginning balance)	\$ 824,634	\$ 755,718
Add: Provisions for medical costs occurring in:		
Current year	15,355,219	13,474,141
Prior year	25,146	(11,981)
Net incurred medical costs	15,380,365	13,462,160
Deduct: Payments for claims occurring in:		
Current year	14,401,355	12,649,507
Prior year	849,780	743,737
Net paid medical costs	15,251,135	13,393,244
Reserve for physical health care costs (ending balance)	\$ 953,864	\$ 824,634

The foregoing rollforward, inclusive of all physical health care costs for the Insurance Services Division, shows unfavorable development of \$25,146 and favorable developments of \$11,981 for the years ended December 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 within insurance claims expense and current and long-term insurance reserves, respectively. Adjustments of prior year estimates may result in additional claims expense or a reduction of claims expense in the period an adjustment is made.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

Incurred claims development for the years ended December 31, 2025, 2024 and 2023 are as follows:

	(Unaudited) December 31, 2023	(Unaudited) December 31, 2024	December 31, 2025
December 31, 2023	\$ 12,097,561	\$ 12,085,580	\$ 12,085,580
December 31, 2024		13,474,141	13,499,287
December 31, 2025			15,355,219
			\$ 40,940,086

Paid claims development for the years ended December 31, 2025, 2024 and 2023 are as follows:

	(Unaudited) December 31, 2023	(Unaudited) December 31, 2024	December 31, 2025
December 31, 2023	\$ 11,341,843	\$ 12,085,580	\$ 12,085,580
December 31, 2024		12,649,507	13,499,287
December 31, 2025			14,401,355
			\$ 39,986,222

At December 31, 2025, 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, 2025, 2024 and 2023 are as follows:

	Total IBNR and Expected Development on Reported Claims	(Unaudited) Cumulative Number of Reported Claims*
December 31, 2023	\$ -	29,034
December 31, 2024	-	31,279
December 31, 2025	953,864	32,363
Total	\$ 953,864	92,676

\* 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.

Certain entities within the Insurance Services division are subject to risk-based capital requirements as specified by the National Association of Insurance Commissioners (“NAIC”). Under those requirements, the amount of capital and surplus maintained by these entities is determined based on the various risk factors related to it. Net assets without donor restrictions required to meet statutory requirements of the Health Plans were \$2,122,122 and \$1,896,004 at December 31, 2025 and 2024, respectively.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 issued prior to January 1, 2022, 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 \$675,015 and \$599,072, discounted at 3.75% and 4.00% (which approximates the risk-free rates), were recorded as of December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, respectively, \$174,830 and \$147,954 of the loss reserves are included in current portion of insurance reserves and \$500,185 and \$451,118 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, 2025 and 2024.

		2025		2024
Reserve for professional and general liability costs (beginning balance)	\$	599,072	\$	549,323
Add: Provisions for claims expenses occurring in:				
Current year		159,337		149,895
Prior year		27,210		33,830
Change in discount rate		4,352		4,570
Net incurred claims expenses		190,899		188,295
Deduct: Payments for claims expenses occurring in:				
Current year		907		319
Prior year		126,264		135,629
Net paid claims expenses		127,171		135,948
Changes in other reserves		12,215		(2,598)
Reserve for professional and general liability costs (ending balance)	\$	675,015	\$	599,072

The foregoing rollforward shows unfavorable development of \$27,210 and \$33,830 for the years ended December 31, 2025 and 2024, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

The following tables provide undiscounted information for claims development for incurred losses and paid claims loss by incident year for the year ended December 31, 2025. The information about incurred and paid claims development for the years ended December 2016 to 2024 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Unaudited									
2016	\$ 90,844	\$ 94,155	\$ 91,655	\$ 84,615	\$ 73,214	\$ 72,195	\$ 71,692	\$ 72,184	\$ 76,992	\$ 77,383
2017	-	100,732	99,428	104,403	103,570	100,146	99,861	89,391	90,596	91,161
2018	-	-	100,781	97,451	96,836	93,128	89,834	90,876	93,044	92,258
2019	-	-	-	103,995	106,787	109,126	109,640	99,129	104,570	104,987
2020	-	-	-	-	108,482	109,915	112,983	105,765	105,644	103,443
2021	-	-	-	-	-	125,437	125,368	126,944	130,226	128,373
2022	-	-	-	-	-	-	138,402	134,611	135,647	144,804
2023	-	-	-	-	-	-	-	143,486	146,558	155,193
2024	-	-	-	-	-	-	-	-	149,895	156,472
2025	-	-	-	-	-	-	-	-	-	159,337
									<b>Total</b>	<b>\$ 1,213,411</b>

### DIRECT CLAIM LOSS PAID

Accident Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Unaudited									
2016	\$ 446	\$ 6,375	\$ 14,220	\$ 27,736	\$ 39,232	\$ 46,946	\$ 50,379	\$ 60,763	\$ 71,185	\$ 74,534
2017	-	1,610	10,168	27,867	50,244	55,202	60,770	74,538	77,839	81,879
2018	-	-	251	3,555	22,235	37,270	44,465	62,372	69,389	74,095
2019	-	-	-	216	13,936	25,751	40,448	54,122	70,505	75,544
2020	-	-	-	-	759	12,369	25,494	31,713	55,506	71,346
2021	-	-	-	-	-	363	18,416	28,271	48,619	67,185
2022	-	-	-	-	-	-	510	6,662	28,038	50,864
2023	-	-	-	-	-	-	-	10,309	15,508	37,175
2024	-	-	-	-	-	-	-	-	319	10,493
2025	-	-	-	-	-	-	-	-	-	907
									<b>Total</b>	<b>\$ 544,022</b>

Net reserves \$ 669,389

Other reserves 83,656

Discount adjustment (78,030)

**Total reserves \$ 675,015**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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
1.0%	7.6%	12.6%	18.0%	15.6%	11.6%	7.5%	5.9%	5.6%	14.6%

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, 2025	Total Incurred but Not Reported as of December 31, 2025	Cumulative Number of Claims Reported as of December 31, 2025
2016	\$ 77,383	\$ -	281
2017	91,161	5,647	275
2018	92,258	13,920	280
2019	104,987	12,298	302
2020	103,443	23,959	212
2021	128,373	31,351	212
2022	144,804	52,236	294
2023	155,193	64,481	290
2024	156,472	128,295	161
2025	159,337	155,343	102

The methodology for reserving and determining the reserve for loss and loss adjustment expenses, IBNR reserves, considers, among other things, the line of business 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 of Pittsburgh (“the University”) in which UPMC purchases and sells certain services. 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, 2025 and 2024, UPMC incurred expenses of \$260,000 and \$253,000, respectively, for academic and research support. Payments to the University that are core to UPMC’s missions related to providing clinical care totaled \$207,244 and \$192,341 for the years ended December 31, 2025 and 2024, 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 and statement of operations and changes in net assets information related to leases are as follows:

	Year Ended December 31	
	2025	2024
Finance lease cost:		
Depreciation	\$ 24,583	\$ 22,942
Interest on lease liabilities	2,948	2,066
Total finance lease cost	27,531	25,008
Operating lease cost	172,689	172,143
Short-term/variable lease cost	27,100	25,498
Total	\$ 227,320	\$ 222,649

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

	As of December 31	
	2025	2024
<b>OPERATING LEASES</b>		
Operating lease right-of-use assets	\$ 764,637	\$ 826,428
Other current liabilities	147,023	147,874
Operating lease noncurrent liabilities	710,449	787,352
Total operating lease liabilities	\$ 857,472	\$ 935,226

<b>FINANCE LEASES</b>		
Property, plant and equipment, net	\$ 76,905	\$ 67,778
Current portion of long-term obligations	24,327	19,881
Long-term obligations	62,776	51,841
Total finance lease liabilities	\$ 87,103	\$ 71,722

### WEIGHTED AVERAGE REMAINING LEASE TERM

Operating leases	10.1 years	10.9 years
Finance leases	7.6 years	7.1 years

### WEIGHTED AVERAGE DISCOUNT RATE

Operating leases	3.2%	3.0%
Finance leases	3.3%	3.1%

Undiscounted maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
2026	\$ 171,408	\$ 25,382
2027	147,246	21,347
2028	131,102	16,137
2039	114,779	8,486
2030	78,660	3,683
Thereafter	376,126	12,068
Total undiscounted maturities of lease liabilities	\$ 1,019,321	\$ 87,103
Less: discount on lease liabilities	(161,849)	-
Total lease liabilities	\$ 857,472	\$ 87,103

## 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. Based on this analysis, a full valuation allowance was applied for the December 31, 2025 and 2024 calendar years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

As of December 31, 2025, the for-profit entities of UPMC had gross federal net operating loss (“NOL”) carryforwards of \$1,352,334 (expiring in years 2026 through 2045) and gross state (primarily related to Pennsylvania) NOL carryforwards of \$2,246,353 (expiring in years 2026 through 2045) that are available to offset future taxable income. During 2022, Pennsylvania enacted a corporate income tax rate reduction that will take effect incrementally from 2023 through 2031 and which resulted in revaluation of UPMC state NOLS to reflect the lower rate.

Utilization of the Pennsylvania NOL carryforwards in any one year is limited to 40% of taxable income per company and NOLs may be carried forward 20 years. Federal NOLs generated prior to January 1, 2018 can be carried forward up to 20 years and there is no taxable income limitation on the utilization of such NOLs. Non-insurance company federal NOLs generated subsequent to December 31, 2017 carryforward indefinitely and utilization of such NOLs is limited to 80% of taxable income. Non-life insurance company federal NOLs generated subsequent to December 31, 2017 can be carried forward up to 20 years and there is no taxable income limitation on the utilization of such NOLs. During the calendar years ended December 31, 2025 and 2024, UPMC realized tax benefits of \$418 and \$1,096, respectively, from the use of NOL carryforwards to offset federal and state net taxable income.

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	2025	2024
Taxes computed at the federal rate	\$ 135,620	\$ (1,338)
State income taxes, net of federal tax benefit	1,786	4,408
Valuation allowance	29,707	36,666
Permanent differences	6,893	(3,373)
Other items, net	(163,610)	(28,045)
Income tax expense	\$ 10,396	\$ 8,318

The following table presents deferred tax assets as of December 31, 2025 and 2024:

	2025	2024
Deferred tax assets:		
Net operating losses	\$ 373,860	\$ 318,102
Accrued benefits	23,970	24,875
Other	52,178	52,758
	450,008	395,735
Less valuation allowance	(450,008)	(395,735)
	\$ -	\$ -

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, 2025 and 2024, 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, 2025, UPMC’s returns for the calendar years ended December 31, 2022, through December 31, 2024, are open for examination by the various taxing authorities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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, 2025 and 2024, expenses related to providing these services were as follows:

#### FOR THE YEAR ENDED DECEMBER 31, 2025

	Hospital & health care services	Insurance services	Academic & research activities	UPMC Enterprises activity	Admin support	Total
Salaries, professional fees and employee benefits	\$ 8,743,255	\$ 644,836	\$ -	\$ -	\$ 979,115	\$ 10,367,206
Insurance claims expense	-	13,069,524	-	-	-	13,069,524
Supplies, purchased services and general	7,339,617	963,645	-	-	802,304	9,105,566
Depreciation and amortization	499,380	5,276	-	-	199,974	704,630
Academic and research support provided	-	-	260,000	-	-	260,000
Restructuring costs	19,900	10,100	-	-	-	30,000
Income tax expense	-	-	-	-	10,396	10,396
Interest expense	221,294	-	-	-	-	221,294
Portfolio company and development expense	-	-	60,320	213,700	-	274,020
	\$16,823,446	\$ 14,693,381	\$ 320,320	\$ 213,700	\$ 1,991,789	\$ 34,042,636

#### FOR THE YEAR ENDED DECEMBER 31, 2024

	Hospital & health care services	Insurance services	Academic & research activities	UPMC Enterprises activity	Admin support	Total
Salaries, professional fees and employee benefits	\$ 8,290,941	\$ 659,006	\$ -	\$ -	\$ 1,018,216	\$ 9,968,163
Insurance claims expense	-	11,227,562	-	-	-	11,227,562
Supplies, purchased services and general	6,626,319	918,330	-	-	634,208	8,178,857
Depreciation and amortization	505,952	5,606	-	-	191,002	702,560
Academic and research support provided	-	-	253,000	-	-	253,000
Restructuring costs	73,582	37,873	-	-	16,546	128,001
Income tax expense	-	-	-	-	8,318	8,318
Interest expense	228,410	-	-	-	-	228,410
Portfolio company and development expense	-	-	83,265	183,713	-	266,978
	\$ 15,725,204	\$12,848,377	\$ 336,265	\$ 183,713	\$ 1,868,290	\$ 30,961,849

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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. 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.

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

	2025	2024
Technology research and development costs	\$ (30,458)	\$ (53,311)
Investments in translational sciences	(29,862)	(29,954)
Revenue from portfolio companies with controlling interest	117,536	106,971
Expenses of portfolio companies with controlling interest	(194,475)	(174,884)
Net loss from non-consolidated interest in portfolio companies	(19,225)	(8,829)
Net gains from technology-related investments	128,042	35,952
UPMC Enterprises activity	\$ (28,442)	\$ (124,055)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

## 17. 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.

Concurrently, 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.

In the opinion of management, based in part on the advice of legal counsel, adequate provision has been made as of December 31, 2025 for such matters. Although there is considerable variability inherent in such estimates, management further believes that the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position.

## 18. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to December 31, 2025 through February 27, 2026, 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.