

UPMC Unaudited Financial and Operating Report

FOR THE PERIOD ENDED MARCH 31, 2026



UPMC
LIFE CHANGING MEDICINE

UPMC Unaudited Financial and Operating Report

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TABLE OF CONTENTS

- Introduction to Management’s Discussion and Analysis 2**
- Management’s Discussion and Analysis**
 - Consolidated Financial Highlights 3
 - Business Highlights 4
 - Condensed Consolidating Statements of Operations 7
- Divisional Information 8**
- Revenue and Operating Metrics 10**
- Key Financial Indicators 13**
- Market Share 14**
- Asset and Liability Management 15**
- Utilization Statistics 17**
- Outstanding Debt. 18**
- Debt Covenant Calculations. 19**
- Unaudited Interim Condensed Consolidated Financial Statements. 20**
 - Review Report of Independent Auditors 21
 - Condensed Consolidated Balance Sheets 22
 - Condensed Consolidated Statements of Operations and Changes in Net Assets. 23
 - Condensed Consolidated Statements of Cash Flows 24
 - Notes to Condensed Consolidated Financial Statements 25

The following financial data as of March 31, 2026 and for the three month periods ended March 31, 2026 and 2025 is derived from the interim condensed consolidated financial statements of UPMC. The interim condensed consolidated financial statements include all adjustments consisting of a normal recurring nature that UPMC considers necessary for a fair presentation of its financial position and the results of operations for these periods. The financial information as of December 31, 2025 is derived from UPMC’s audited consolidated financial statements. Operating and financial results reported herein are not necessarily indicative of the results that may be expected for any future periods.

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



INTRODUCTION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

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 (the "Commonwealth"), 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, quality, excellence and respect. These values govern the manner in which UPMC serves its communities and are embedded in the execution and delivery of Life Changing Medicine. By continually evolving and refining UPMC's world-class financial processes, UPMC focuses on achieving optimal financial results that support the continued development of its organization, as well as ongoing investment in the future of the communities it serves. UPMC is committed to achieving these objectives with unyielding commitments to transparency in reporting and disclosure, enterprise-wide integration and ongoing process improvement.

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

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

Where appropriate, the presentation of prior periods reflects the inclusion of restructuring costs to conform to the current period presentation and improve comparability. These reclassifications did not impact the results of previously reported periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

CONSOLIDATED FINANCIAL HIGHLIGHTS

Financial Results for the Three Months Ended March 31 (in millions)	2026	2025
Operating revenues	\$ 8,447	\$ 8,230
Operating income	\$ 261	\$ 237
Operating margin %	3.1%	2.9%
Operating margin % after income tax and interest expense	2.4%	2.2%
Loss from investing and financing activities	\$ (115)	\$ (64)
Excess of revenues over expenses attributable to controlling interest	\$ 83	\$ 113
Operating EBIDA	\$ 441	\$ 413
Capital expenditures	\$ 294	\$ 261
Reinvestment ratio	1.63	1.49

Selected Other Information as of	March 31, 2026	December 31, 2025
Total cash and investments	\$ 8,886	\$ 9,237
Unrestricted cash and investments	\$ 7,453	\$ 7,783
Unrestricted cash and investments over long-term debt	\$ 651	\$ 1,047
Days of cash on hand	83	87
Days in net accounts receivable	48	44
Average age of plant (in years)	11.6	11.6

Operating income increased by \$24 million for the three months ended March 31, 2026 when compared to the prior year. The increase in operating results was primarily driven by improved underwriting margins as a result of lower utilization and increased rates among governmental product lines within the Insurance Services Division, partially offset by lower inpatient volumes within the Health Services Division. UPMC continues to manage its investment portfolio using a long-term perspective. As of March 31, 2026, UPMC had approximately \$8.9 billion of cash and investments, of which approximately \$2.9 billion was held by UPMC's regulated health and captive insurance companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

BUSINESS HIGHLIGHTS

Investments in our Communities

In January 2026, UPMC announced a \$10 million contribution to the City of Pittsburgh (the "City") to support the replacement of the City's aging fleet of Emergency Medical Services ("EMS") vehicles and equipment. This contribution will be used to purchase nine new ambulances and one rescue truck this year, with additional equipment to be purchased in 2027. UPMC's support strengthens EMS and creates cascading benefits citywide. By alleviating the financial pressure on the EMS budget, the City can now redirect funds to purchase new vehicles for the Department of Public Works. UPMC continues its history of innovation and support of emergency services and care.

In February 2026, leaders from UPMC Hamot and the Erie VA Medical Center signed a veterans' care pledge recognizing the start of the VA-UPMC Community Nurse Liaison Program at UPMC Hamot. Launched in 2022, the VA-UPMC Community Nurse Liaison Program involves embedding VA registered nurses into UPMC facilities to streamline the care of veterans from admission to discharge. Following discharge, nurse liaisons work alongside case managers in coordinating continued care, including physical therapy, prescriptions and follow-up appointments. By expanding this initiative to UPMC Hamot, veterans in the Erie area are afforded local access to care coordination.

Investments to Improve Care Access

CommonSpirit Health and Trinity Health System leadership initiated a search to identify a regional health system that could enhance the services and clinical offerings of Trinity Health System. In May 2026, CommonSpirit Health and UPMC signed a definitive agreement that would result in the integration of Trinity Health System, located in Steubenville, Ohio, into the UPMC system. Trinity Health System and UPMC share a vision and commitment to extend and advance services available to patients in the surrounding communities. For more than 20 years, physicians and other clinical staff at Trinity Health System and UPMC have collaborated in key areas to deliver high-quality, patient-centered care, including a partnership in cancer treatment which extends UPMC Hillman Cancer Center's medical oncology services to the local community, and advanced orthopedic services, leveraging UPMC's renowned expertise to deliver specialized bone and joint care locally. The parties aim to close the transaction by the end of 2026 pending approval following applicable regulatory review processes.

In January 2026, UPMC Hillman Cancer Center Croatia entered a partnership with the Croatian Health Insurance Fund to expand access to modern, high-quality oncology care at the UPMC Hillman Cancer Center, located within the General Hospital Zabok and the Croatian Veterans' Hospital. This collaboration allows for increased oncology access for patients in Krapina-Zagorje County, across Croatia and the wider region, underscoring the importance of linking the Croatian insurance and United States health care systems.

Throughout the first quarter of 2026, UPMC continued to expand local access to advanced care for the residents of Washington County, Pennsylvania and the surrounding communities. In January 2026, UPMC improved women's health care in the region with the expansion of UPMC Magee-Womens services at UPMC Washington. Families now have local access to advanced services such as gynecologic oncology, minimally invasive surgery and maternal-fetal medicine — care that previously required travel to Pittsburgh. In February 2026, UPMC Washington expanded local access to advanced lung and kidney transplant evaluation services, making it possible for people to complete their evaluation and follow-up care close to home. The addition of these services, alongside enhanced offerings by UPMC Children's, UPMC Heart and Vascular Institute and the UPMC Hillman Cancer Center since the affiliation was consummated, strengthens UPMC Washington as a hub for advanced care.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

In January 2026, UPMC's tele-palliative care program expanded to UPMC Chautauqua, enabling patients' families in western New York to engage with experts in Pittsburgh to set goals for their care and quality of life. Accessing specialty palliative care has long been a challenge for rural communities, and UPMC is specifically addressing that challenge by providing tele-palliative care services with highly skilled specialists direct to the patient's hospital room. The team can also assist with discharge planning and facilitating connections to community resources and be a practical and logistical support to families during a challenging time. The tele-palliative care program is also available at eight other UPMC hospitals: Somerset, Jameson, Horizon Greenville, Horizon Shenango, Northwest, Hamot, Passavant Cranberry and McKeesport.

In January 2026, the UPMC Hillman Cancer Center at UPMC Passavant enhanced its treatment capabilities by adding a state-of-the-art linear accelerator, a technology allowing for precise targeting of difficult-to-reach tumors while protecting surrounding healthy tissue. By bringing this advanced technology to the community, UPMC Passavant is keeping patients closer to home, reducing travel burden and responding to a clear community need. Previously, patients in the UPMC Passavant service area with brain and spine conditions had to travel to Shadyside or Oakland for these highly specialized treatments.

In March 2026, UPMC acquired Pennsylvania Gastroenterology ("PAGI"), a leading provider of gastrointestinal and digestive health services in central Pennsylvania. Now known as UPMC Gastroenterology Associates of Central Pa., this acquisition brings together exceptional clinical teams, ensuring patients across the region have timely, coordinated access to expert diagnosis, treatment, and follow-up for a full range of digestive health needs. Patients have experienced continuity of care with their trusted PAGI physicians and have benefitted from having expanded options, streamlined access to UPMC's extensive regional network of enhanced resources and leading-edge technologies.

In February 2026, UPMC expanded access to high-quality spine care by opening a new multi-disciplinary clinic, co-located with the UPMC GoHealth Urgent Care in Greensburg, Pennsylvania. The clinic is staffed with a team of three orthopedic surgeons, a neurosurgeon and a pain medicine physician. By bringing orthopedic spine surgery, neurosurgery and pain management together in one location, patients can receive coordinated evaluation and treatment without unnecessary delays or travel.

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 ("ACA") 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.

Following the 2026 Medicare Annual Enrollment Period, UPMC *for Life* retained its position as the market share leader in western Pennsylvania for individual Medicare Advantage membership. The portfolio continues to deliver high quality, value driven coverage supported by strong care coordination for members with both routine and complex needs, combining clinical excellence, affordability, and personalized support. Also during the first quarter of 2026, UPMC *for Life* expanded high touch in home care, enrolling more than 2,000 members and delivering over 12,000 care visits.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

Regulatory dynamics, particularly for the Special Needs Plan ("D-SNP"), remain a key focus for UPMC *for Life*. As the Centers for Medicare and Medicaid Services ("CMS") continues to move toward mandatory "full alignment" for D-SNP members between their Medicaid and Medicare coverage for 2027, which ensures dual eligible individuals receive both Medicare and Medicaid benefits through the same organization, UPMC *for Life* is engaged in continuous advocacy with federal policymakers around Pennsylvania's regulatory structure for Medicaid Managed Care Organizations ("MCO") and D-SNP plans.

UPMC *for Life* recently secured allowances from CMS to maintain D-SNP enrollment for the approximately 20,000 members in Pennsylvania's Intellectual Disability waiver program(s) and is actively advocating for similar enrollment protections across the broader D-SNP population in Pennsylvania.

Following the 2026 open enrollment, UPMC *Healthplan* remains the market share leader in western Pennsylvania for Individual ACA membership. Despite expected membership headwinds from the impact of the One Big Beautiful Bill Act, UPMC has experienced more favorable enrollment in 2026 year-to-date as a result of its strong product offerings.

During the first quarter of 2026, UPMC *Workpartners* expanded its access through the addition of a large university, adding both an Onsite Clinic and Behavioral Health Service, and two additional Absence Third Party Administrator ("TPA") clients. In addition, the implementation teams across UPMC *Workpartners* have successfully implemented ten large TPA clients and over 55 new employer data warehouses aimed at creating a healthier, more resilient workforce by linking employees to the resources they need to improve their overall health.

During the first quarter of 2026, UPMC *for You* helped members navigate the complexities of the Medicaid renewal process by assisting in the completion of more than 3,100 applications and renewals through resources such as the Resource Navigation Hub. Renewal outreach campaigns conducted more than 84,000 phone calls and addressed more than 1,700 health-related social need referrals. In addition, Community Health Workers contacted more than 3,000 members and conducted more than 840 in-person sessions with program enrollees to provide in-home health care.

UPMC *Community HealthChoices* ("CHC") implemented an updated approach to determining the needs of members transitioning from nursing facilities to their homes, ensuring they can live independently and safely. It also expanded its behavioral health efforts into northeast Pennsylvania, a program designed to improve care coordination for CHC participants with serious mental illness. In addition, more than 12,000 participants were transitioned to new Personal Emergency Response Service providers, an effort designed to connect at risk individuals with care in times of emergency.

The UPMC Center for Social Impact through its initiative, Cultivating Health for Success, housed its 300th homeless member, a milestone for its evidence-based approach to housing and the positive impact it has on healthcare. An additional investment was made with a regional housing manufacturer, to support affordable housing development techniques and availability in the areas we serve.

In 2026, UPMC Freedom House 2.0 celebrated its fifth anniversary, a milestone that underscores the program's growing impact and success. This initiative is a six-week workforce development and healthcare career training program designed to prepare individuals from underserved communities for entry-level healthcare roles, with a focus on diversifying the healthcare workforce. Since its reboot, the program has graduated more than 230 participants, with the majority moving directly into high-need careers at UPMC and across the healthcare workforce. Many of the remaining graduates continue their journey through further education, strengthening the long-term pipeline of diverse healthcare professionals. As momentum continues to build, UPMC is actively exploring opportunities to expand Freedom House 2.0 across Pennsylvania and have already extended the program's reach to Harrisburg and Erie.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three Months Ended March 31, 2026				
Revenues:	Health Services	Insurance Services	Eliminations	Consolidated
Net patient service revenue	\$ 4,319	\$ -	\$ (960)	\$ 3,359
Insurance enrollment revenue	-	4,625	-	4,625
Other revenue	389	95	(21)	463
Total operating revenues	\$ 4,708	\$ 4,720	\$ (981)	\$ 8,447
Expenses:				
Salaries, professional fees and benefits	\$ 2,543	\$ 158	\$ (20)	\$ 2,681
Insurance claims expense	-	3,953	(948)	3,005
Supplies, purchased services and general	2,054	279	(13)	2,320
Depreciation and amortization	179	1	-	180
Total operating expenses	4,776	4,391	(981)	8,186
Operating (loss) income	\$ (68)	\$ 329	\$ -	\$ 261
Operating margin %	(1.4%)	7.0%	-	3.1%
Operating margin % (including income tax and interest expense)	(2.5%)	6.8%	-	2.4%
Operating EBIDA	\$ 111	\$ 330	\$ -	\$ 441
Operating EBIDA %	2.4%	7.0%	-	5.2%
Three Months Ended March 31, 2025				
Revenues:				
Net patient service revenue	\$ 4,157	\$ -	\$ (959)	\$ 3,198
Insurance enrollment revenue	-	4,341	-	4,341
Other revenue	462	249	(20)	691
Total operating revenues	\$ 4,619	\$ 4,590	\$ (979)	\$ 8,230
Expenses:				
Salaries, professional fees and benefits	\$ 2,413	\$ 157	\$ (20)	\$ 2,550
Insurance claims expense	-	4,064	(948)	3,116
Supplies, purchased services and general*	1,889	273	(11)	2,151
Depreciation and amortization	175	1	-	176
Total operating expenses	4,477	4,495	(979)	7,993
Operating income	\$ 142	\$ 95	\$ -	\$ 237
Operating margin %	3.1%	2.1%	-	2.9%
Operating margin % (including income tax and interest expense)	1.8%	2.0%	-	2.2%
Operating EBIDA	\$ 317	\$ 96	\$ -	\$ 413
Operating EBIDA %	6.9%	2.1%	-	5.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

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, facilities which provide senior living capabilities.

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 public-private partnership in the region of Sicily that provides 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 results for the Health Services Division decreased by \$210 million during the three months ended March 31, 2026, when compared to the prior year. This decrease is primarily driven by lower inpatient volumes and lower inpatient and outpatient reimbursement rates.

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 March 31, 2026. 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 ("CCBH") is a state-licensed HMO that manages the behavioral health services for Medical Assistance through mandatory managed care programs in Pennsylvania. 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 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 \$234 million during the three months ended March 31, 2026, when compared to the prior year. This increase is primarily driven by lower medical and pharmacy claims costs across Commercial, Medicare, Medicaid and CHC products as a result of lower utilization, together with rate increases to Medicaid, CHC and CCBH.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

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 advances this mission 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 the bedside.

UPMC Enterprises manages a portfolio that includes research and product development initiatives, as well as operating companies with commercially available products and services focused on improving 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, reflecting 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 may fluctuate between periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

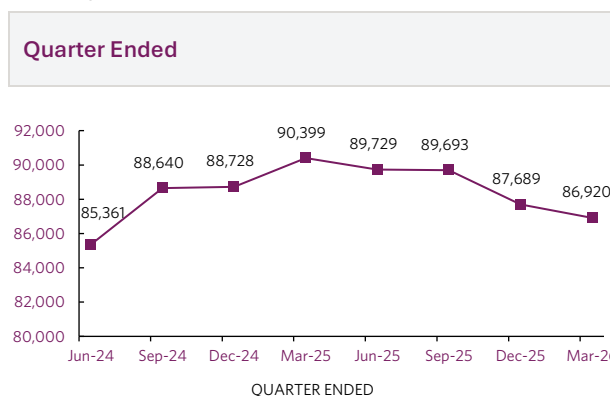
PERIOD ENDED MARCH 31, 2026

REVENUE METRICS – HEALTH SERVICES

Medical-Surgical Admissions and Observation Visits

Inpatient activity, as measured by medical-surgical admissions and observation visits at UPMC's hospitals for the three months ended March 31, 2026, decreased 4% compared to the same period in 2025.

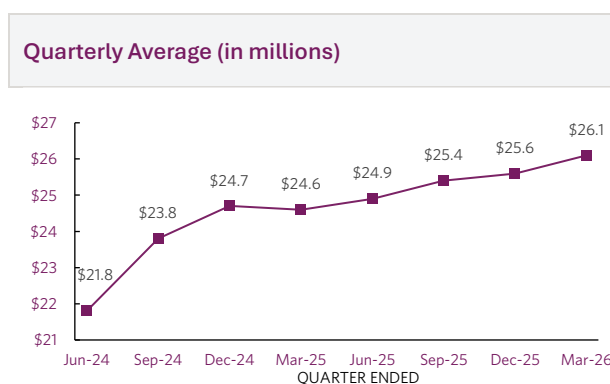
For the Three Months Ended March 31			
<i>(in thousands)</i>	2026	2025	Change
Academic	27.8	28.3	(2%)
Community	11.5	12.4	(7%)
Regional	47.6	49.7	(4%)
Total	86.9	90.4	(4%)



Outpatient Revenue per Workday

UPMC's outpatient activity for the three months ended March 31, 2026, as measured by average revenue per workday, increased 6% compared to the same period in 2025. Surgical demand, particularly in the outpatient setting, has increased as former inpatient services continue to move to outpatient. This, coupled with the increase in ambulatory patient volumes, has caused the increase to outpatient revenue per workday. Hospital outpatient activity is measured on an equivalent workday ("EWD") basis to adjust for weekend and holiday hours.

For the Three Months Ended March 31			
<i>(in thousands)</i>	2026	2025	Change
Academic	\$ 9,602	\$ 9,322	3%
Community	2,616	2,377	10%
Regional	13,895	12,930	7%
Total	\$ 26,113	\$ 24,629	6%



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

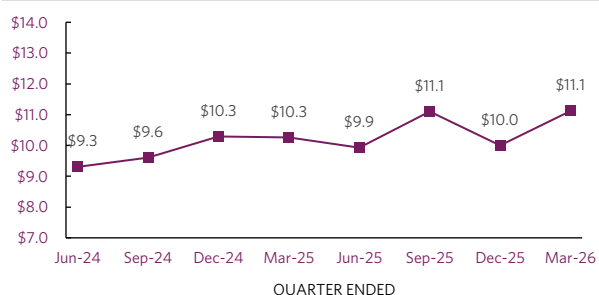
METRICS – HEALTH SERVICES (CONTINUED)

Physician Service Revenue per Weekday

UPMC's physician activity for the three months ended March 31, 2026, as measured by average revenue per weekday, increased 8% from the comparable period in 2025. Physician services activity is measured on a weekday basis.

For the Three Months Ended March 31			
<i>(in.thousands)</i>	2026	2025	Change
Academic	\$ 4,325	\$ 4,443	(3%)
Community	2,907	2,168	34%
Regional	3,867	3,645	6%
Total	\$ 11,099	\$ 10,256	8%

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.

	Three Months Ended March 31	
	2026	2025
Medicare	51%	50%
Medicaid	15%	15%
Commercial Insurers	16%	16%
UPMC Insurance Services Commercial	10%	11%
Self-pay/Other	8%	8%
Total	100%	100%

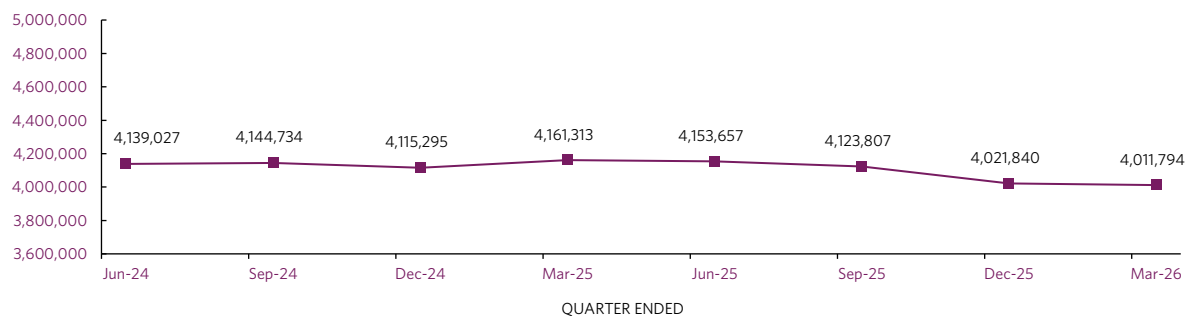
MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

OPERATING METRICS - INSURANCE SERVICES

Membership

Membership in the UPMC Insurance Services division has remained stable through the three months ended March 31, 2026.

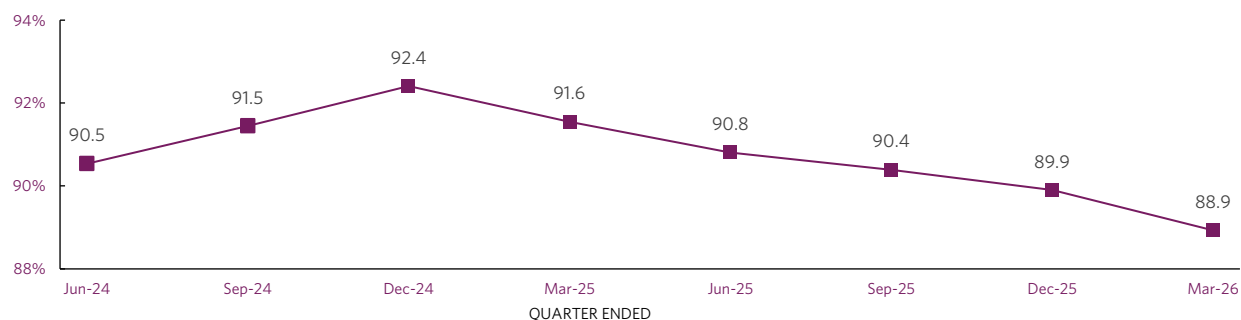


As of	March 31, 2026	March 31, 2025
Commercial Health	543,017	560,634
Medicare	226,572	227,169
Medical Assistance	616,336	637,101
Sub-Total Physical Health Products	1,385,925	1,424,904
Community HealthChoices	139,176	135,297
Behavioral Health	1,151,888	1,214,912
Sub-Total Health Products	2,676,989	2,775,113
Workpartners	838,324	884,014
Ancillary Products	496,481	490,510
Third-Party Administration	-	11,676
Total Membership	4,011,794	4,161,313

Medical Expense Ratio

UPMC Insurance Services' medical expense ratio ("MER") for the trailing twelve months has decreased to 88.9% as of March 31, 2026. Through Q1 of 2026, higher revenue within the Medicaid, CHC, and CCBH products, supported by improved Pennsylvania Department of Health Services ("DHS") rates and lower utilization, have contributed to the decline in MER. The chart below is revised quarterly to reflect updated estimates and actual medical claims for each period presented.

Trailing Twelve Months



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

KEY FINANCIAL INDICATORS

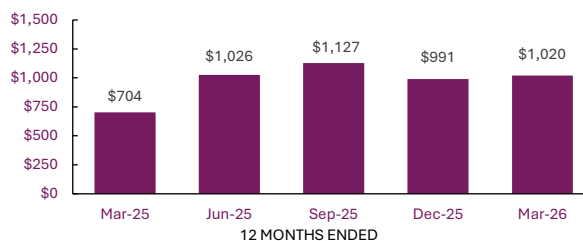
(Dollars in millions)

Operating Earnings before Interest, Depreciation and Amortization

Operating EBIDA for the three months ended March 31, 2026 increased 7% compared to the three months ended March 31, 2025.

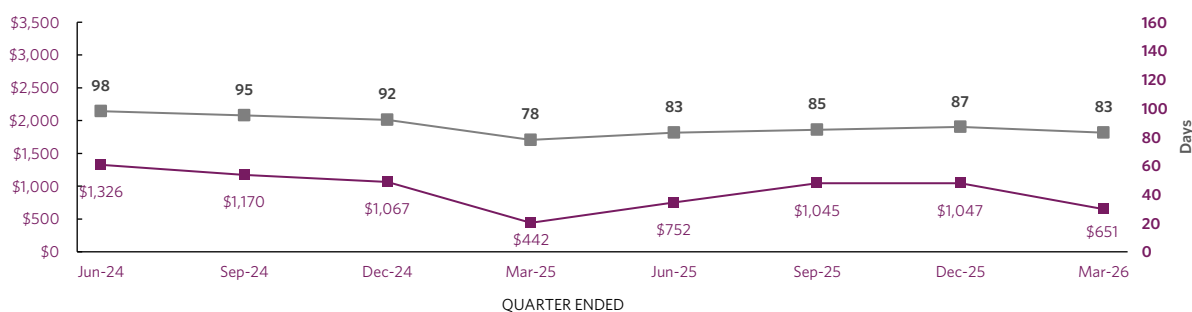
For the Three Months Ended March 31			
(in millions)	2026	2025	Change
Operating Income	\$ 261	\$ 237	10%
Depreciation and Amortization	180	176	2%
Operating EBIDA	\$ 441	\$ 413	7%

Trailing Twelve Months Operating EBIDA



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

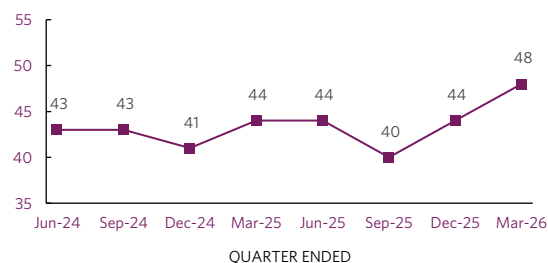
As of March 31, 2026, unrestricted cash and investments over long term debt decreased \$396 million compared to December 31, 2025. The decrease is primarily due unrealized losses on investments as of March 31, 2026, as well as increases in net receivables.



Days in Net Accounts Receivable

Days in net Accounts Receivable at March 31, 2026 and 2025 were 48 and 44, respectively.

By Receivable	Mar 31, 2026 Balance	Days	
		Mar 31, 2026	Dec 31, 2025
Patient	\$ 2,279	61	56
Insurance and other	2,249	40	36
Consolidated	\$ 4,528	48	44



MANAGEMENT'S DISCUSSION AND ANALYSIS

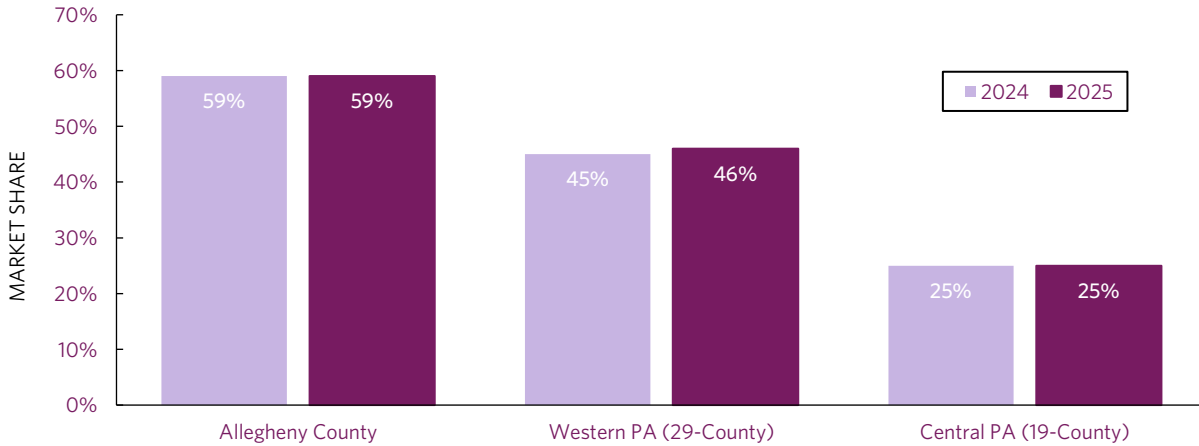
PERIOD ENDED MARCH 31, 2026

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 SEPTEMBER 30⁽²⁾



⁽¹⁾ UPMC's three service areas are (A) Allegheny County, (B) a 29-county region which also includes Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Cameron, Centre, Clarion, Clearfield, Crawford, Elk, Erie, Fayette, Forest, Greene, Huntingdon, Indiana, Jefferson, Lawrence, McKean, Mercer, Potter, Somerset, Venango, Warren, Washington and Westmoreland counties, and (C) a 19-county region including Adams, Clinton, Columbia, Cumberland, Dauphin, Franklin, Fulton, Juniata, Lancaster, Lebanon, Lycoming, Mifflin, Montour, Northumberland, Perry, Snyder, Tioga, Union, and York counties.

⁽²⁾ Excludes psychiatry and substance abuse discharges.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

ASSET AND LIABILITY MANAGEMENT

As of March 31, 2026, 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 10.8%, 9.1% and 5.2% for the trailing one-, three- and five-year periods, respectively, ending March 31, 2026. As of March 31, 2026, 70% of the System's investment portfolio could be liquidated within three days.

UPMC's cost of capital during the three-month period ended March 31, 2026, was 3.6%. This cost of capital includes the accrual of interest payments, the amortization of financing costs and original issue discount or premium, the ongoing costs of variable rate debt and the cash flow impact of derivative contracts. As of March 31, 2026, 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 3.1%. The interest cost for the fixed rate debt was 3.6%. UPMC's primary credit facility, which expires in May 2028, has a borrowing limit of \$1 billion. As of March 31, 2026, 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 \$348 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 1st to April 30th. The credit facilities expire in May 2026 and May 2027, respectively. As of March 31, 2026, these credit facilities were undrawn.

During Q1 of 2026, UPMC entered into a \$100 million tax-exempt bank loan which the proceeds were used for the acquisition of equipment and assets relating to an electronic health records system ("EHR"). The loan is secured by a first-priority lien on the equipment.

Subsequent to March 31, 2026, UPMC issued the tax-exempt Series 2026A, Series 2026B, and Series 2026C Bonds with par values of \$787 million, \$278 million, and \$35 million, respectively. These bonds refunded certain indebtedness and will fund capital projects. Additionally, UPMC publicly remarketed the tax-exempt Series 2016B and Series 2023D Bonds, both of which had previously been held by banks. Details of the offerings can be found in the official statements/remarketing circulars for each issue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED MARCH 31, 2026

The table below compares reported Investing and Financing Activity for the three months ended March 31, 2026 and 2025 by type.

Investing and Financing Activity by Type

Three Months Ended March 31	2026	2025
<i>(in thousands)</i>		
Realized gain	\$ 245,660	\$ 3,089
Interest and dividends, net of fees	45,204	35,620
Realized investment gain	\$ 290,864	\$ 38,709
Unrealized gain on derivative contracts	121	95
Unrealized investment loss	(340,256)	(7,198)
Investment (loss) gain	\$ (49,271)	\$ 31,606
Interest expense	(52,649)	(54,455)
UPMC Enterprises activity	(13,123)	(40,824)
Loss from investing and financing activities	\$ (115,043)	\$ (63,673)

Sources and Uses of Cash

UPMC's primary source of operating cash is the collection of revenues and related accounts receivable. As of March 31, 2026, UPMC had approximately \$1.27 billion of cash and cash equivalents.

Operating EBIDA was \$441 million for the three months ended March 31, 2026, compared to \$413 million for the three months ended March 31, 2025. Key uses of cash for the three months ended March 31, 2026 include capital expenditures, net of disposals, of approximately \$294 million (excluding any capital acquired through lease arrangements). Major capital projects included construction and improvements at UPMC Presbyterian, as well as ongoing expansion and improvement across the entirety of UPMC. Major information services projects include UPMC's implementation of a single EHR aimed at improving health data interoperability and streamlining patient care, enhancements that are advancing UPMC's leading clinician centric computing environment, technology infrastructure that supports UPMC's diversified digital environment, investments in enterprise data analytics and other technologies that are transforming the consumer experience across the spectrum of health care.

UTILIZATION STATISTICS

PERIOD ENDED MARCH 31, 2026

The following table presents selected consolidated statistical indicators of medical-surgical, psychiatric, rehabilitation and skilled nursing patient activity for the three months ended March 31, 2026 and 2025.

	Three Months Ended March 31	
	2026	2025
Licensed Beds	7,802	8,001
BEDS IN SERVICE		
Medical-Surgical	5,175	5,187
Psychiatric	417	417
Rehabilitation	229	242
Skilled Nursing	499	626
Total Beds in Service	6,320	6,472
PATIENT DAYS		
Medical-Surgical	358,506	370,884
Psychiatric	29,100	29,879
Rehabilitation	18,262	16,845
Skilled Nursing	45,812	53,652
Total Patient Days	451,680	471,260
Average Daily Census	5,019	5,236
Observation Days	33,613	28,540
Obs Average Daily Census	373	317
ADMISSIONS AND OBSERVATION CASES		
Medical-Surgical	64,807	69,703
Observation Cases	22,113	20,696
Subtotal	86,920	90,399
Psychiatric	2,601	2,488
Rehabilitation	1,242	1,159
Skilled Nursing	540	532
Total Admissions and Observation Cases	91,303	94,578
Overall Occupancy	85%	84%
AVERAGE LENGTH OF STAY		
Medical-Surgical	5.5	5.3
Psychiatric	11.2	12.0
Rehabilitation	14.7	14.5
Skilled Nursing	84.8	100.8
Overall Average Length of Stay	6.5	6.4
Emergency Room Visits	268,105	278,316
TRANSPLANTS (DOMESTIC AND INTERNATIONAL)		
Liver	60	68
Kidney	86	96
All Other	84	77
Total	230	241
OTHER POST-ACUTE METRICS		
Home Health Visits	133,827	135,970
Hospice Care Days	63,371	63,205
Outpatient Rehab Visits	180,575	178,773

OUTSTANDING DEBT

PERIOD ENDED MARCH 31, 2026

(DOLLARS IN THOUSANDS)

Issuer	Original Borrower	Series	Amount Outstanding
Allegheny County Hospital Development Authority	UPMC Health System	1997B	\$ 18,986
	UPMC	2007A	18,478
	UPMC	2017D	368,431
	UPMC	2019A	634,029
	UPMC	2021B	34,697
Monroeville Finance Authority	UPMC	2012	20,327
	UPMC	2014B	38,657
	UPMC	2022B	166,118
	UPMC	2023C	36,515
Pennsylvania Economic Development Financing Authority	UPMC	2015B	100,063
	UPMC	2016	174,452
	UPMC	2017A	352,691
	UPMC	2017B	81,352
	UPMC	2017C	124,079
	UPMC	2020A	255,619
	UPMC	2021A	229,895
	UPMC	2022A	218,611
	UPMC	2023A	455,840
	UPMC	2023B	88,568
	UPMC	2023D	249,118
	UPMC	2025A	398,398
	UPMC	2025B	345,664
	UPMC	2026 Bank Loan	99,764
Tioga County Industrial Development Authority	Laurel Health System	2010	3,935
	Laurel Health System	2011	2,219
Dauphin County General Authority	Pinnacle Health System	2016A	82,384
	Pinnacle Health System	2016B	72,755
General Authority of Southcentral Pennsylvania	Hanover Hospital	2015	16,537
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	184,601
None	UPMC	2020 Term Loan	299,964
	UPMC	2021C	399,994
	UPMC	2023	796,309
	Somerset Management Services	2013	1,073
	Various	Financing Leases & Loans	269,258
Total UPMC Outstanding Debt			

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

Source: UPMC Records

DEBT COVENANT CALCULATIONS

PERIOD ENDED MARCH 31, 2026

(DOLLARS IN THOUSANDS)

DEBT SERVICE COVERAGE RATIO

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

	Trailing Twelve-Month Period Ended March 31, 2026
Excess of revenues over expenses	\$ 605,342
ADJUSTED BY:	
Net Unrealized Gains during Period ⁽¹⁾	(182,770)
Depreciation and Amortization ⁽¹⁾	710,125
Gain on Extinguishment of Debt ⁽¹⁾	(11,886)
Premium Deficiency Reserve ⁽¹⁾	42,300
Release of Premium Deficiency Reserve ⁽²⁾	(42,300)
Lease Impairment Realization – Facilities ⁽²⁾	(11,052)
Realized Investment Impairments ⁽²⁾	(6,988)
Interest Expense ⁽³⁾	216,621
Revenues Available for Debt Service	\$ 1,319,392
Historical Debt Service Requirements - 2007 Master Trust Indenture (“MTI”)	\$ 504,110
Debt Service Coverage Ratio – applicable to the 2007 MTI and various bank agreements	2.62X
<i>For informational purposes:</i>	
Historical Debt Service Requirements - All Debt and Finance Leases	\$ 553,735
Debt Service Coverage Ratio - All Debt and Finance Leases	2.38X

LIQUIDITY RATIO AS OF MARCH 31, 2026

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	\$ 7,453,373
Master Trust Indenture Debt	6,080,721
Unrestricted Cash to MTI Debt	1.23

⁽¹⁾ Non-Cash.

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

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

I hereby certify to the best of my knowledge that, as of March 31, 2026, 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

Unaudited Interim Condensed Consolidated Financial Statements

FOR THE PERIOD ENDED MARCH 31, 2026



Shape the future
with confidence

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Review Report of Independent Auditors

To the Board of Directors of UPMC

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated financial statements of UPMC (the Company), which comprise the condensed consolidated balance sheet as of March 31, 2026, and the related condensed consolidated statements of operations and changes in net assets and cash flows for the three-month periods ended March 31, 2026 and 2025, and the related notes (collectively referred to as the “interim financial information”).

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

Basis for Review Results

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

Responsibilities of Management for the Interim Financial Information

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

Report on Condensed Balance Sheet as of December 31, 2025

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 27, 2026. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2025, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

May 27, 2026

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(DOLLARS IN THOUSANDS)

	As of	
	March 31, 2026	December 31, 2025
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,269,552	\$ 1,223,530
Patient accounts receivable	2,278,796	1,999,651
Insurance and other receivables	2,248,917	2,039,415
Other current assets	996,305	802,605
Total current assets	6,793,570	6,065,201
Board-designated, restricted, trustee and other investments	7,616,926	8,013,203
Beneficial interests in foundations and trusts	884,566	890,993
Net property, buildings and equipment	7,615,109	7,510,931
Operating lease right-of-use assets	747,455	764,637
Other assets	875,703	851,827
Total assets	\$ 24,533,329	\$ 24,096,792
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,022,886	\$ 1,137,097
Accrued salaries and related benefits	1,105,230	1,179,302
Current portion of insurance reserves	1,461,026	1,348,329
Current portion of long-term obligations	794,281	782,633
Other current liabilities	1,403,602	956,439
Total current liabilities	5,787,025	5,403,800
Long-term obligations	5,888,805	5,866,601
Long-term insurance reserves	527,957	520,618
Operating lease noncurrent liabilities	691,703	710,449
Other noncurrent liabilities	470,952	476,553
Total liabilities	13,366,442	12,978,021
Net assets without donor restrictions	9,704,970	9,646,474
Net assets with donor restrictions	1,461,917	1,472,297
Total net assets	11,166,887	11,118,771
Total liabilities and net assets	\$ 24,533,329	\$ 24,096,792

See accompanying notes

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

(DOLLARS IN THOUSANDS)

Three Months Ended March 31

	2026	2025
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net patient service revenue	\$ 3,359,360	\$ 3,197,878
Insurance enrollment revenue	4,625,253	4,341,421
Other revenue	462,506	690,294
Total operating revenues	8,447,119	8,229,593
Salaries, professional fees and employee benefits	2,681,236	2,550,116
Insurance claims expense	3,005,034	3,115,894
Supplies, purchased services and general	2,319,473	2,151,029
Depreciation and amortization	180,602	175,107
Total operating expenses	8,186,345	7,992,146
Operating income	260,774	237,447
Academic and research support provided	(67,750)	(65,000)
Income tax and other non-operating activities	5,445	1,389
After-tax income	\$ 198,469	\$ 173,836
Investing and financing activities:		
Investment (loss) gain	(49,271)	31,606
Interest expense	(52,649)	(54,455)
UPMC Enterprises activity:		
Portfolio company revenue and net gains from sales	17,988	30,920
Portfolio company and research and development expense	(31,111)	(71,744)
(Loss) from investing and financing activities	(115,043)	(63,673)
Excess of revenues over expenses	83,426	110,163
Net activity attributable to noncontrolling interest	(434)	2,900
Excess of revenues over expenses attributable to controlling interest	82,992	113,063
Net change in pension liability and other	(24,496)	(4,413)
Change in net assets without donor restrictions	58,496	108,650
NET ASSETS WITH DONOR RESTRICTIONS		
Change in beneficial interests in foundations and trusts	(6,427)	(7,981)
Other changes in net assets with donor restrictions	(3,953)	(2,963)
Change in net assets with donor restrictions	(10,380)	(10,944)
Change in total net assets	48,116	97,706
Net assets, beginning of period	11,118,771	10,163,905
Net assets, end of period	\$ 11,166,887	\$ 10,261,611

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31	
	2026	2025
OPERATING ACTIVITIES		
Increase in total net assets	\$ 48,116	\$ 97,706
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	180,602	175,107
Change in beneficial interest in foundations and trusts	6,427	7,981
Restricted contributions and investment gains	(8,160)	(7,826)
Unrealized losses on investments	340,256	7,198
Realized gains on investments	(245,660)	(3,089)
Net gain on dispositions	-	(69,233)
Net changes in non-alternative investments	203,723	235,132
Changes in operating assets and liabilities:		
Accounts receivable	(488,647)	(639,005)
Other current assets	64,566	(84,011)
Accounts payable and accrued liabilities	(188,283)	(119,814)
Insurance reserves	120,036	82,642
Other current liabilities	140,897	72,030
Other noncurrent assets and liabilities	(24,347)	1,128
Other operating changes	(9,106)	(14,383)
Net cash provided by (used in) operating activities	140,420	(258,437)
INVESTING ACTIVITIES		
Purchase of property, buildings and equipment, net of disposals	(293,795)	(256,811)
UPMC Enterprises payments from (investments in) non-consolidated entities	11,146	(24,517)
Net change in investments designated as nontrading	(1,678)	772
Cash proceeds from dispositions	-	114,709
Net change in alternative investments	88,612	68,146
Other investing changes	4,976	52,763
Net cash used in investing activities	(190,739)	(44,938)
FINANCING ACTIVITIES		
Repayments of long-term obligations	(60,158)	(58,317)
Borrowings of long-term obligations	100,339	-
Repayments on short-term line of credit	(646,000)	-
Borrowings on short-term line of credit	694,000	-
Other financing changes	8,160	7,826
Net cash provided by (used in) financing activities	96,341	(50,491)
Net change in cash and cash equivalents	46,022	(353,866)
Cash and cash equivalents, beginning of period	1,223,530	974,097
Cash and cash equivalents, end of period	\$ 1,269,552	\$ 620,231
SUPPLEMENTAL INFORMATION		
Finance lease obligations incurred to acquire assets	\$ 38	\$ 5,612
See accompanying notes		

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION

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

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. The accompanying unaudited interim condensed consolidated financial statements include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation. For further information, refer to the audited consolidated financial statements and notes thereto as of and for the twelve-month period ended December 31, 2025.

2. NEW ACCOUNTING PRONOUNCEMENTS

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

3. REVENUE

Net Patient Service Revenue

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

The majority of UPMC’s services are rendered to patients with third-party coverage. Payment under these programs for all payers is based on a combination of prospectively determined rates, discounted charges and historical costs. Amounts received under Medicare and Medical Assistance programs are subject to review and final determination by program intermediaries or their agents and the contracts UPMC has with commercial payers also provide for retroactive audit and review of claims. Agreements with third-party payers typically provide for payments at amounts less than established charges. Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. UPMC also provides services to uninsured patients. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts).

UPMC also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record these revenues at the estimated amounts UPMC expects to collect. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods if final settlements differ from estimates. Adjustments arising from a change to previously estimated transaction prices were not significant in the three months ended March 31, 2026 or 2025.

Consistent with UPMC’s mission, care is provided to patients regardless of their ability to pay. UPMC has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, deductibles and copayments). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts UPMC expects to collect based on its collection history with those patients. 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 one of UPMC’s primary sources of cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the age of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon UPMC’s assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators.

The composition of Health Services Division net patient service revenue for the three months ended March 31, 2026 and 2025 is as follows:

Periods Ended March 31	Three Months Ended	
	2026	2025
Commercial	35%	36%
Medicare	43%	43%
Medical Assistance	14%	15%
Self-pay/other	8%	6%
	100%	100%

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. 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") pay for health care services on a prepaid basis under various contracts. Insurance enrollment revenues are recognized as income in the period in which enrollees are entitled to receive health care services, which represents the performance obligation. Health care premium payments received from UPMC's members in advance of the service period are recorded as unearned revenues.

Insurance enrollment revenues include premiums that are collected from companies, individuals, and government entities. Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the programs. As a result, there is at least a reasonable possibility that recorded estimates may change.

Other Revenue

UPMC's other revenue consists of various contracts related to its Health Services and Insurance Services divisions. These contracts vary in duration and in performance obligations. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collectability is probable.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

4. FAIR VALUE MEASUREMENTS

As of March 31, 2026 and December 31, 2025, UPMC held certain assets that are required to be measured at fair value on a recurring basis. These include certain board-designated, restricted, trustee, and other investments and derivative instruments. Certain alternative investments are measured using the equity method of accounting and are, therefore, excluded from the fair value hierarchy tables presented herein. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are generally unsupported by market activity. The three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, includes:

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

The following tables represent UPMC's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2026 and December 31, 2025. When quoted market prices are unobservable for fixed income securities, quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable, are used for valuation purposes. These investments are included in Level 2 and include corporate fixed income, government bonds, and mortgage and asset-backed securities.

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

FAIR VALUE MEASUREMENTS AS OF MARCH 31, 2026

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Equity securities:					
Domestic equity	\$ 909,171	\$ -	\$ -	\$ -	\$ 909,171
International equity	570,395	-	-	-	570,395
U.S. REITS	84,823	-	-	-	84,823
Fixed income:					
Government securities	-	683,162	-	-	683,162
Corporate debt	-	708,208	-	-	708,208
Asset and mortgage-backed securities	-	669,728	-	-	669,728
Bond funds	304,225	-	-	-	304,225
Active equity	178,862	6,009	-	-	184,871
Absolute equity	-	40,452	-	-	40,452
Securities on loan	757,465	-	-	-	757,465
Securities lending collateral	281,865	-	-	-	281,865
Alternative and other investments at NAV	-	-	-	1,275,448	1,275,448
Total assets measured at fair value on a recurring basis	\$ 3,086,806	\$ 2,107,559	\$ -	\$ 1,275,448	\$ 6,469,813
LIABILITIES					
Payable under securities lending agreement	\$ (281,865)	\$ -	\$ -	\$ -	\$ (281,865)
Total liabilities measured at fair value on a recurring basis	\$ (281,865)	\$ -	\$ -	\$ -	\$ (281,865)

FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2025

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
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 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
LIABILITIES					
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)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

5. FINANCIAL INSTRUMENTS

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

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices or model-driven valuations. Cash and cash equivalents and investments recorded at fair value aggregate to \$7,457,443 and \$7,801,572 at March 31, 2026 and December 31, 2025, respectively. As of March 31, 2026 and December 31, 2025, respectively, UPMC had \$2,892,031 and \$2,702,315 of total cash and investments that are held by UPMC's regulated entities.

Investments in limited partnerships that invest in nonmarketable securities are primarily recorded at fair value using the NAV practical expedient if the ownership percentage is less than 5% and are reported using the equity method of accounting if the ownership percentage is greater than 5%. UPMC had \$1,429,035 and \$1,435,161 of alternative investments accounted for under the equity method, which approximate fair value, at March 31, 2026 and December 31, 2025, respectively.

UPMC participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the condensed consolidated balance sheet (reported in other current assets and other current liabilities, respectively). Total collateral is required to have a market value between 102% and 105% of the market value of securities loaned. As of March 31, 2026 and December 31, 2025, respectively, securities loaned, of which UPMC maintains ownership, total \$757,465 and \$47,927, and total collateral (cash and noncash) received related to the securities loaned was \$798,879 and \$50,137.

UPMC maintains interest rate swap programs on certain of its debt in order to manage its interest rate risk. As of March 31, 2026, and December 31, 2025, UPMC is party to a basis swap where UPMC receives 67% of the Secured Overnight Financing Rate ("SOFR") plus .3217% and pays Securities Industry and Financial Markets Association ("SIFMA") on a notional amount of \$18,535 and \$22,680, respectively.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

6. PENSION PLANS

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

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

	Three Months Ended March 31	
	2026	2025
Service cost	\$ 45,072	\$ 45,841
Interest cost	46,168	44,820
Expected return on plan assets	(53,454)	(48,004)
Recognized net actuarial (gain) loss	(2)	555
Amortization of prior service credit	(1,314)	(1,314)
Net periodic pension cost	\$ 36,470	\$ 41,898

7. HEALTH INSURANCE COSTS

Costs covered by our insurance contracts include estimates of payments to be made on claims reported but not yet processed as of the balance sheet date and estimates of health care services incurred but not reported to the Health Plans. Such estimates include the cost of services that will continue to be incurred after the balance sheet date when the Health Plans are obligated to remit payment for such services in accordance with contract provisions or regulatory requirements. UPMC determines the amount of the reserve for incurred but not paid claims by following a detailed actuarial process that uses both historical claim payment patterns as well as emerging medical cost trends to project UPMC’s best estimate of the reserve for physical health care costs. This process involves formatting of historical paid claims data into claim triangles, which compare claim incurred dates to the dates of claim payments. This information is analyzed to create completion factors that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Completion factors are applied to claims paid through the period-end date to estimate the ultimate claim expense incurred for the period. Actuarial estimates of incurred but not paid claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims.

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

While there are many factors that are used as part of the estimation of UPMC’s reserve for physical health care costs, the two key assumptions having the most significant impact on UPMC’s incurred but not paid claims liability as of March 31, 2026 and 2025, were the completion and trend factors.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

	2026	2025
Reserve for physical health care costs (beginning balance, December 31)	\$ 953,864	\$ 824,634
Add: Provisions for medical costs occurring in:		
Current year	3,561,379	3,634,857
Prior year	(42,268)	13,492
Net incurred medical costs	3,519,111	3,648,349
Deduct: Payments for claims occurring in:		
Current year	2,701,897	2,852,297
Prior year	729,950	732,123
Net paid medical costs	3,431,847	3,584,420
Reserve for physical health care costs (ending balance, March 31)	\$ 1,041,128	\$ 888,563

The foregoing rollforward, inclusive of all physical health care costs for the Insurance Services Division, shows favorable development of \$42,268 and unfavorable development of \$13,492 for the three months ended March 31, 2026 and 2025, 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.

8. LEASES

UPMC has operating and finance leases for corporate offices, physician offices and various equipment types, among others. These lease arrangements have remaining lease terms of one year to 25 years, some of which include options to extend the leases for several periods, and some of which include options to terminate the leases within one year. Balance sheet information related to leases are as follows:

	Mar 31, 2026	Dec 31, 2025
OPERATING LEASES		
Operating lease right-of-use assets	\$ 747,455	\$ 764,637
Other current liabilities	148,225	147,023
Operating lease noncurrent liabilities	691,703	710,449
Total operating lease liabilities	\$ 839,928	\$ 857,472
FINANCE LEASES		
Property, plant and equipment, net	\$ 70,646	\$ 76,905
Current portion of long-term obligations	23,456	24,327
Long-term obligations	55,844	62,776
Total finance lease liabilities	\$ 79,300	\$ 87,103

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

Undiscounted maturities of lease liabilities are as follows:

For the Three Months Ended March 31	Operating Leases	Finance Leases
2026 (rest of year)	\$ 131,918	\$ 17,731
2027	150,464	21,296
2028	133,683	16,127
2029	116,654	8,475
2030	80,185	3,672
Thereafter	381,336	12,058

9. CONTINGENCIES

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

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 March 31, 2026 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.

10. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to March 31, 2026 through May 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 except as noted below.

Subsequent to March 31, 2026, UPMC issued the tax-exempt Series 2026A, Series 2026B, and Series 2026C Bonds with par values of \$787,000, \$278,000 and \$35,000, respectively. These bonds refunded certain indebtedness and will fund capital projects. Additionally, UPMC publicly remarketed the tax-exempt Series 2016B and Series 2023D Bonds, both of which had previously been held by banks.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

In May 2026, UPMC and CommonSpirit Health signed a definitive agreement to transfer ownership of Trinity Health System, including Trinity West, Trinity East, Trinity St. Clairsville Neighborhood Hospital, Trinity Twin City Medical Center, and associated clinics, to UPMC. The transaction is expected to be completed later in 2026, pending regulatory review and customary closing conditions.