



UPMC | University of Pittsburgh Medical Center

UNAUDITED QUARTERLY DISCLOSURE STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2007

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 in the table below and disclosure obligations in connection with other debt. The information contained herein is as of September 30, 2007. Digital Assurance Certification, L.L.C., as Dissemination Agent, has not participated in the preparation of this Quarterly Report, has not examined its contents, and makes no representations concerning the accuracy and completeness of the information contained herein.

Issuer	Bonds	Original Borrower	Series
Allegheny County Hospital Development Authority	Health Center Revenue, Health Center Revenue Refunding and UPMC Health System Revenue Bonds	Presbyterian Hospital	1988B
		UPMC Health System	1990
		UPMC Health System	1992B
		Magee Womens Hospital	1993
		UPMC Health System	1997B
		Canterbury Place	1998
		UPMC Health System	1998A
		UPMC Health System	1998B
		UPMC Health System	1999B
		UPMC Health System	2002A
		UPMC	2003A
		UPMC	2003B
		UPMC	2004B
		UPMC	2005A
UPMC	2005B		
UPMC	2006A		
UPMC	2007A		
UPMC	2007B		
Pennsylvania Higher Educational Facilities Authority	UPMC Health System Revenue Bonds	UPMC Health System	1999A
		UPMC Health System	2001A
		UPMC	2003C
Allegheny County Industrial Development Authority	Variable Rate Demand Refunding Bonds	UPMC	2002B
		UPMC Health System	2002C
		UPMC	2004A

The following financial data as of and for the three month periods ended September 30, 2007 and September 30, 2006 is derived from the unaudited consolidated internal financial statements of UPMC. The unaudited consolidated internal financial statements include all adjustments, consisting of normal recurring accruals, which UPMC considers necessary for a fair presentation of the financial position and the results of operations for these periods. The financial information as of and for the twelve month period ended June 30, 2007 is derived from UPMC's audited consolidated financial statements. Operating results for the three month period ended September 30, 2007 are not necessarily indicative of the results that may be expected for any future periods.

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Highlights

Through September 30, 2007, total revenues reached \$1.73 billion, up 14% from the same period in the prior year. Operating revenues increased \$176 million (12%) to \$1.68 billion due primarily to increases in Insurance Services membership, revenue from hospital admissions and outpatient services volume. Operating expenses increased by \$179 million to \$1.61 billion due mainly to increased Insurance Services membership and inflation. Operating income of \$62 million is \$3 million below prior year primarily due to lower Insurance Services commercial product results, which reflect the continued pressure on premiums in the marketplace. net income of \$93 million was \$28 million higher than in the prior-year period due to a change in the accounting classification of certain investments.

On October 16, 2007, the Sisters of Mercy and UPMC announced that the FTC had completed its regulatory review of the proposed transfer of ownership of Mercy Hospital of Pittsburgh (“MHP”) to UPMC. On May 25, 2007, Pennsylvania Attorney General Tom Corbett announced agreements with UPMC and Mercy that would allow the proposed transaction to proceed. The final required approval from the Vatican is expected prior to the anticipated January 1, 2008 closing date. The proposed transaction is intended to continue the 160-year-old mission of both MHP and the Sisters of Mercy. MHP would be operated as UPMC Mercy while continuing its Catholic tradition by operating under the Catholic directives as overseen by the Diocese of Pittsburgh. Prior to closing the transaction, MHP will transfer \$70 million to Pittsburgh Mercy Foundation. UPMC will then assume responsibility for substantially all liabilities and assets of MHP and donate approximately \$30 million to the Pittsburgh Mercy Foundation in equal amounts over a six-year period to support its ongoing mission. The proposed transaction would:

- Ensure the region’s healthcare consumers continue to have a choice of a Catholic hospital;
- Enhance the ability of the Sisters of Mercy to continue fulfilling their charitable mission to the region;
- Provide a catalyst to the redevelopment of the Downtown-Oakland corridor by providing both capital investment and enhanced services at MHP; and
- Allow UPMC to avoid significant future capital expenditures at other campuses by redeveloping the MHP assets;

UPMC continues to be nationally recognized for its safety and quality efforts. UPMC Presbyterian was named during the quarter to the 2007 Leapfrog Top Hospitals list, one of 33 hospitals receiving top scores for patient safety initiatives. UPMC Presbyterian Shadyside was also honored with a 2007/2008 Consumer Choice Award from the National Research Corp., based on consumer survey results assessing the hospital's quality and image.

UPMC once again achieved national acclaim for its clinical programs, earning 13th position on the prestigious *U.S. News & World Report* "America's Best Hospitals" ranking. The 2007 results place UPMC one notch higher than in the prior year and mark its eighth appearance on the list's "Honor Roll." The Honor Roll includes only 18 hospitals nationwide.

Based on its industry-leading efforts to improve service while reducing costs, UPMC has been named to the 2007 *InformationWeek* 500 list. UPMC has made the list every year since 2002. The *InformationWeek* 500 recognition for 2007 centered on UPMC’s sweeping "virtualization" effort with key technology partner IBM. UPMC’s effort to deploy integrated information systems for ensuring that patients at UPMC get the right care at the right time was previously featured in *InformationWeek*.

UPMC broke ground in September on a \$100 million, seven-story addition at UPMC Passavant to give communities in this service area increased access to the health system's world-class care. The expansion, to be completed over the next two and a half years, will allow the North Hills hospital to increase capacity for advanced tertiary cancer care, advanced cardiovascular and neurosurgical treatments and emergency medical care.

During the three months ended September 30, 2007, UPMC made capital expenditures of \$106 million. Significant components included:

- Ongoing construction costs of \$49 million for the new Children's Hospital and research complex on the site of the former St. Francis Hospital in Lawrenceville, which is scheduled to open in 2009.
- Expenditures of \$20 million on various components of UPMC's best-in-class information technology platform.

UPMC also continued efforts to leverage its medical, technological and managerial expertise by growing its commercial and international ventures.

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Organizational Overview

UPMC, doing business as the University of Pittsburgh Medical Center, is one of the nation's leading integrated health enterprises. UPMC is based in Pittsburgh, Pennsylvania, and primarily serves residents of western Pennsylvania. It also draws patients for highly specialized services from across the nation and around the world. With 20 hospitals as of January 1, 2008 after the addition of UPMC Mercy, and more than 400 clinical locations, UPMC is one of the largest non-profit health care systems in the United States. UPMC is also exporting its expertise to other parts of the world and the health care industry through its office of Strategic Business Initiatives. UPMC has three major operating components: Provider Services, Insurance Services and Strategic Business Initiatives. To support these operating components, UPMC has an array of integrated enterprise capabilities, including information services, human resources, regulatory/compliance, finance, treasury, risk management, facilities, quality and community relations. The costs of these services are allocated to the operating components.

Provider Services

UPMC's Provider Services include a comprehensive array of clinical capabilities consisting of hospitals, specialty service lines (e.g. woman care, behavioral health, pediatrics and cancer care), contract services (emergency medicine, pharmacy, and laboratory) and more than 2,300 employed physicians with associated practices. Also included within Provider Services are supporting foundations and UPMC's captive insurance programs. Hospital activity is monitored in four distinct groups: Academic hospitals provide a comprehensive array of clinical services that include specialty service lines (e.g. transplantation services, woman care, behavioral health, pediatrics and cancer care). These facilities are located in Pittsburgh and serve as the primary academic and teaching centers for UPMC. Community hospitals provide core clinical services mainly to the suburban Pittsburgh population. Regional hospitals provide core clinical services to broader areas of the western Pennsylvania region. Pre- and post-acute care capabilities include: UPMC HomeCare, a network of home health services, UPMC Rehabilitation Services, a comprehensive rehabilitation network, and UPMC Senior Communities, whose facilities provide a complete network of senior living capabilities in greater Pittsburgh.

Insurance Services

UPMC holds various interests in health care financing initiatives and network care delivery operations. UPMC Health Plan is a health maintenance organization (HMO) offering coverage for commercial and Medicare members. UPMC for You is also an HMO, which is engaged exclusively in providing coverage to Medical Assistance beneficiaries. UPMC Health Network offers preferred provider organization (PPO) plan designs to serve both commercial and Medicare beneficiaries. UPMC for Life is a Medicare product line offered by various companies within the Insurance Services division. UPMC Work Partners provides integrated workers' compensation and disability services to employers. Community Care Behavioral Health Organization (Community Care) is a state-licensed, risk-bearing PPO that manages the behavioral health services for Medical Assistance through mandatory managed care programs in 35 Pennsylvania counties, including Allegheny County, as of September 30, 2007. Community Care started to serve an additional three Pennsylvania counties commencing July 1, 2007.

Strategic Business Initiatives

The goal of UPMC's Strategic Business Initiatives unit is to leverage UPMC's capabilities to generate new revenue streams. This is accomplished by exporting medical expertise and management know-how internationally, pursuing commercialization opportunities and developing strategic partnerships with industry leaders. These ventures both support UPMC's core mission and help to revitalize the economy of western Pennsylvania. The first of the major international ventures, ISMETT, a transplant and specialty surgery hospital in Palermo, Italy, is celebrating its 10th anniversary and has passed the 500-transplant milestone. Other international ventures currently include cancer centers in Ireland and a contract in Qatar to redevelop its emergency medicine infrastructure.

Consolidated Financial Highlights

Dollars in millions

Financial Results for Three Month Periods Ended September 30		
	2007	2006
Total Revenues	\$1,729	\$1,522
Operating Revenues	\$1,675	\$1,499
Operating Expenses	\$1,613	\$1,434
Operating Income	\$62	\$65
Operating Margin %	3.7%	4.3%
Investment Income	\$32	\$1
Net Income	\$93	\$65
Capital Expenditures	\$106	\$102
Selected Liquidity Ratios as of:		
	September 30, 2007	June 30, 2007
Total Cash and Investments	\$3,316	\$3,297
Unrestricted Cash and Investments Over Long Term Debt	\$624	\$703
Days Cash on Hand	174	181
Days in A/R	36	33

▪ **Total revenues increased by \$ 207 million to \$ 1.73 billion**

▪ **\$75 million of cash flow from operating activities**

- Operating revenues increased \$176 million (12 %) from the three-month period ended September 30, 2006 due mainly to a \$117 million increase in Insurance Services operating revenue driven primarily by higher membership. The remainder of the increase in operating revenues was generated from Provider Services volumes and inflationary increases in payor contracts.
- Operating income decreased slightly from the prior three month period primarily due to higher volumes in Provider Services being offset by lower Insurance Services commercial product results which reflect the continued pressure on premiums in the market place.
- Investment income of \$32 million reflects a return on UPMC's investment portfolio of 2.3% for the first quarter of fiscal year 2008. The change from the prior year is due to a change in accounting.
- UPMC funded \$106 million of capital investments to enhance information technology, create new programs/services and maintain infrastructure. Major projects included the ongoing construction of a new Children's Hospital and research complex, the re-engineering of information technology infrastructure, and investments in various patient care software applications.
- UPMC contributed \$42 million to its defined benefit (cash balance) pension plan during the quarter in order to maintain the funding ratio required to avoid additional payments under the Pension Protection Act of 2006. As of September 30, 2007, UPMC had a \$19 million pension asset. This amount compares to a (\$16) million pension liability as of June 30, 2007 and a (\$53) million liability as of June 30, 2006.

Key Financial Indicators

(Dollars in Millions)

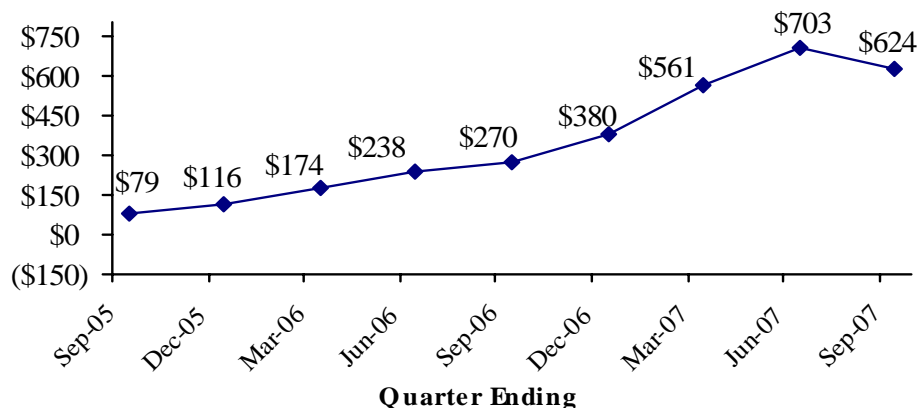
Cash Flow from Operating Activities

For the Three Months Ended September 30:		
	2007	2006
Operating Income	\$62	\$65
Investment Income	32	1
Depreciation and Amortization	78	72
Pension Contribution	(42)	(13)
Other sources (uses)	<u>(55)</u>	<u>(38)</u>
Total Cash Flow from Operating Activities	<u>\$75</u>	<u>\$87</u>

Cash flow from operating activities of \$75 million decreased compared to 2006 due mainly to an increase in pension plan funding in 2007.

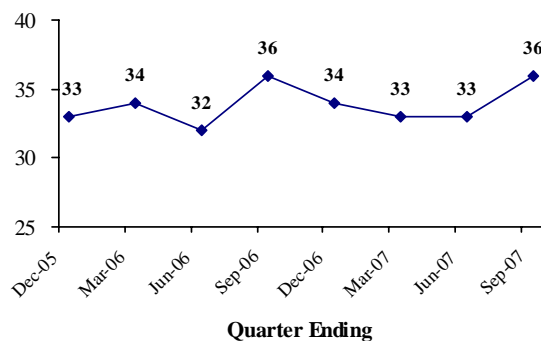
Unrestricted Cash Over Long Term Debt

Unrestricted cash over long term debt has increased by \$545 million over the last two fiscal years.



Days in Accounts Receivable

Consolidated Days in Accounts Receivable continue to be lower than industry averages.



By Division as of September 30

	2007 Balance	Days:	
		2007	2006
Provider Services	\$493	36	36
Strategic Bus. Initiatives	\$17	86	70
Insurance Services	\$135	21	21
All Divisions	\$645	36	36

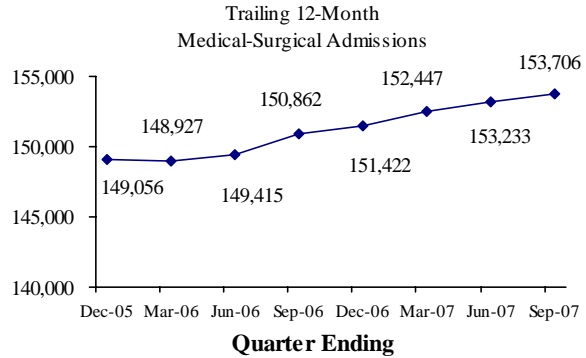
Revenue Metrics - Provider Services

(dollars in millions)

Medical-Surgical Admissions

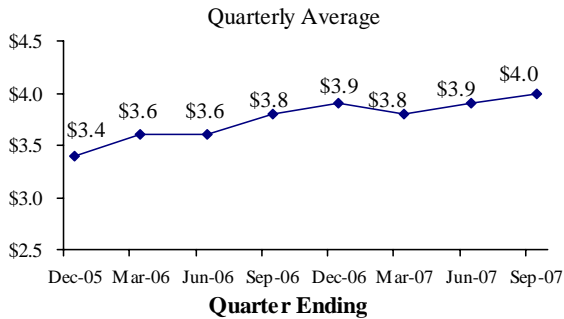
Inpatient activity at UPMC hospitals as measured by medical-surgical admissions was up 1.0% over 2006.

For the Three Months Ended September 30: (in thousands)			
	2007	Variance	2006
Academic	22.9	2.7%	22.3
Community	11.6	(.9%)	11.7
Regional	4.0	(2.4%)	4.1
Total	38.5	1.0%	38.1



Outpatient Revenue per Workday

UPMC's outpatient activity for 2007 as measured by average revenue per workday increased by 5% from 2006. Hospital outpatient activity is measured on an equivalent work day (EWD) basis to adjust for weekend and holiday hours.

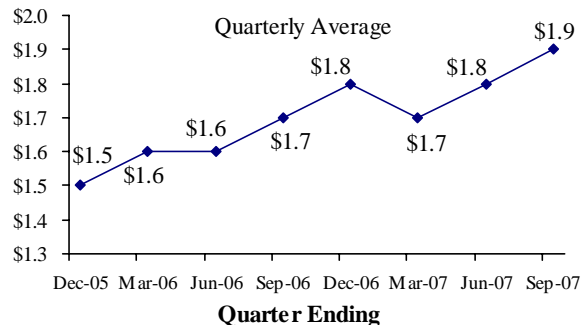


Average for the Three Months Ended September 30:			
	2007	Variance	2006
Academic	\$2.485	7%	\$2.325
Community	\$0.997	2%	\$0.976
Regional	\$0.483	2%	\$0.475
Total	\$3.965	5%	\$3.776

Physician Service Revenue per Weekday

UPMC's physician activity for the three months ended Sep 30, 2007 as measured by average revenue per workday increased by 11% from the prior fiscal year. Physician services activity is measured on a week day basis.

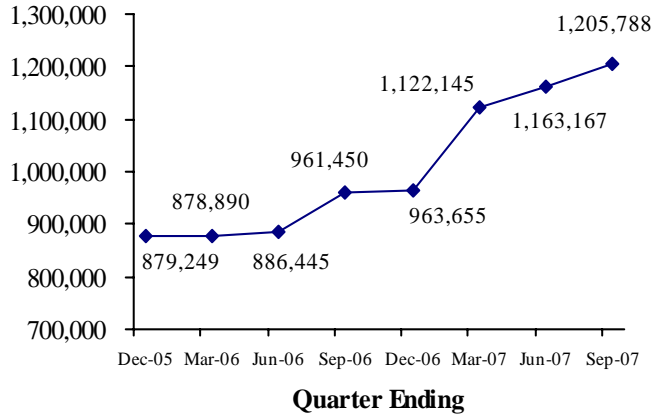
Average for the Three Months Ended September 30:			
	2007	Variance	2006
Anesthesiology	\$0.285	3%	\$0.278
Radiology	\$0.255	9%	\$0.233
Surgery	\$0.217	5%	\$0.206
Other	\$1.108	14%	\$0.968
Total	\$1.865	11%	\$1.685



Operating Metrics – Insurance Services

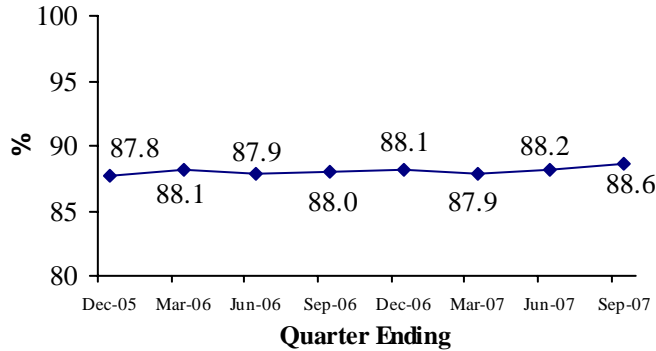
Membership

Membership in the UPMC health insurance companies increased to 1,205,788 as of September 30, 2007. The increase in membership since December 2006 is a result of strong Medicare growth, implementation of additional Medicaid behavioral health contracts representing 170,000 new members, and the implementation of a disability product.



Healthcare Spending Ratio

12 Month Trailing Average

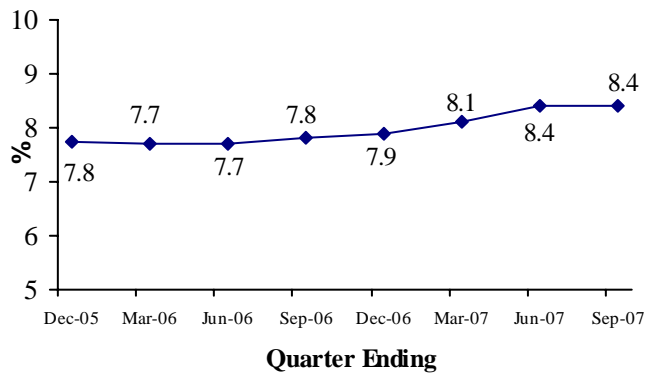


Stability in UPMC Insurance Services healthcare spending ratios reflects the impact of UPMC’s integrated disease and care management services.

Administrative Expense Ratio

12 Month Trailing Average

UPMC Insurance Services maintains one of the lowest administrative expense ratios in the insurance industry.



CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN MILLIONS)

	Three Months Ended September 30		Twelve Months Ended June 30
	2007 (unaudited)	2006 (unaudited)	2007 (audited)
Operating Activity			
Revenues:			
Net patient service revenue	\$ 956	\$ 904	\$3,676
Insurance enrollment revenue	593	482	2,074
Other revenue	<u>126</u>	<u>113</u>	<u>527</u>
Total operating revenues	1,675	1,499	6,277
Expenses:			
Salaries, professional fees and employee benefits	631	595	2,459
Supplies, purchased services and general	845	724	3,116
Depreciation and amortization	78	72	299
Provision for bad debts	<u>59</u>	<u>43</u>	<u>183</u>
Total operating expenses	<u>1,613</u>	<u>1,434</u>	<u>6,057</u>
Operating income	\$ 62	\$ 65	\$ 220

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CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
AND CHANGES IN NET ASSETS
(DOLLARS IN MILLIONS)

	Three Months Ended September 30		Twelve Months Ended June 30
	2007 (unaudited)	2006 (unaudited)	2007 (audited)
Consolidated Statements of Operations (continued)			
Operating income (brought forward)	\$62	\$65	\$220
Investing Activity			
Investment revenue	54	23	493
Interest expense	<u>(22)</u>	<u>(22)</u>	<u>(90)</u>
Investment income	32	1	403
Income tax expense	(1)	(1)	(5)
Loss on extinguishment of debt	<u>0</u>	<u>0</u>	<u>(6)</u>
Net income	<u>\$93</u>	<u>\$65</u>	<u>\$612</u>
Consolidated Statements of Changes in Net Assets			
Unrestricted Net Assets			
Net income	\$93	\$65	\$612
Net change in unrealized investment appreciation	0	33	(48)
Decrease in minimum pension liability	0	0	64
Assets released from restriction for capital purchases	0	7	23
Adjustment to initially apply recognition provisions of Statement 158	0	0	(9)
Gain on discontinued operations	<u>0</u>	<u>0</u>	<u>4</u>
Increase in unrestricted net assets	<u>\$93</u>	<u>\$105</u>	<u>\$646</u>
Restricted Net Assets			
Contributions	\$2	\$0	\$29
Net realized gains and change in unrealized investment appreciation	0	2	14
Assets released from restriction	0	(2)	(31)
Net change in beneficial interests in foundations	<u>(15)</u>	<u>6</u>	<u>69</u>
Decrease/Increase in restricted net assets	<u>(13)</u>	<u>6</u>	<u>81</u>
Increase in net assets	80	111	727
Net assets, beginning of period	<u>3,623</u>	<u>2,896</u>	<u>2,896</u>
Net assets, end of period	<u>\$3,703</u>	<u>\$3,007</u>	<u>\$3,623</u>

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN MILLIONS)

	As of September 30		As of June 30
	2007 (unaudited)	2006 (unaudited)	2007 (audited)
Current Assets			
Cash and cash equivalents	\$128	\$21	\$155
Patient accounts receivable, net of allowance for uncollectible accounts	424	409	378
Other receivables	221	172	203
Securities lending receivable	422	475	374
Other current assets	<u>96</u>	<u>82</u>	<u>83</u>
Total current assets	1,291	1,159	1,193
Board-designated, restricted, trustee and other investments	3,188	2,625	3,142
Beneficial interests in foundations	395	347	410
Property, buildings and equipment	4,956	4,512	4,783
Less allowance for depreciation	<u>(2,471)</u>	<u>(2,244)</u>	<u>(2,393)</u>
Net property, buildings and equipment	2,485	2,268	2,390
Other assets	<u>230</u>	<u>215</u>	<u>219</u>
Total assets	<u>\$7,589</u>	<u>\$6,614</u>	<u>\$7,354</u>
Current liabilities			
Accounts payable and accrued expenses	\$245	\$260	\$273
Accrued salaries and related benefits	279	251	264
Current portion of insurance reserves	224	184	212
Current portion of long-term obligations	89	78	85
Securities lending collateral payable	422	475	374
Other current liabilities	<u>265</u>	<u>154</u>	<u>176</u>
Total current liabilities	1,524	1,402	1,384
Long-term obligations	2,148	1,932	2,107
Long-term insurance reserves	120	110	117
Other long-term liabilities	<u>94</u>	<u>163</u>	<u>123</u>
Total liabilities	3,886	3,644	3,731
Unrestricted net assets	3,126	2,492	3,033
Restricted net assets	<u>577</u>	<u>515</u>	<u>590</u>
Total net assets	<u>3,703</u>	<u>3,007</u>	<u>3,623</u>
Total liabilities and net assets	<u>\$7,589</u>	<u>\$6,614</u>	<u>\$7,354</u>

CONSOLIDATED STATEMENTS OF CASH FLOW

(DOLLARS IN MILLIONS)

	Three Months Ended September 30		Twelve Months Ended June 30
	2007 (unaudited)	2006 (unaudited)	2007 (audited)
Cash and investments at beginning of period	\$3,297	\$2,652	\$2,652
Operating activities:			
Net income	93	65	612
Depreciation and amortization	78	72	299
Changes in operating assets and liabilities, net	<u>(96)</u>	<u>(50)</u>	<u>34</u>
Net cash provided by operating activities	75	87	945
Investing activities:			
Purchase of property, equipment and other	(106)	(102)	(458)
Net cash provided by investing activities	(106)	(102)	(458)
Financing activities:			
Borrowings of long-term obligations	168	1	398
Line of credit borrowings	55	0	0
Repayments of long-term obligations	<u>(173)</u>	<u>(25)</u>	<u>(240)</u>
Net cash provided by financing activities	<u>50</u>	<u>(24)</u>	<u>158</u>
Net change in cash and investments from operating, investing and financing activities	19	(39)	645
Net change in unrealized investment appreciation	<u>0</u>	<u>33</u>	<u>(0)</u>
Cash and investments at the end of period	<u>\$3,316</u>	<u>\$2,646</u>	<u>\$3,297</u>
Balance at end of period			
Cash and cash equivalents	\$128	\$21	\$155
Board-designated, trustee and other investments	<u>3,188</u>	<u>2,625</u>	<u>3,142</u>
Total cash and investments	<u>\$3,316</u>	<u>\$2,646</u>	<u>\$3,297</u>

Asset and Liability Management

During the first quarter of fiscal year 2008, UPMC's investment portfolio returned 2.3%. This return was driven primarily by the returns on UPMC's alternative and traditional equity investments, which returned 5.1% and 2.7% respectively. As of September 30, 2007, UPMC employed 111 external managers including 34 traditional investment managers, 20 hedge fund managers and 57 private equity managers.

UPMC's annualized cost of capital during the period was 4.69%. This cost of capital includes the accrual of interest payments, the amortization of financing costs and original issue discount or premium, ongoing costs of variable rate debt, and the impact of derivative contracts. As of September 30, 2007, the interest rates on UPMC's long-term debt were approximately 53% variable and 47% fixed after giving effect to derivative contracts. Interest cost for the variable rate debt for the first quarter averaged 4.01%. The interest cost on the fixed rate debt was 4.96%.

UPMC issued \$165 million of long term debt in July 2007 to retire existing debt and expects to issue up to \$125 million in long-term debt prior to June 30, 2008 for new capital projects and \$115 million to refinance existing debt, including \$100 million to refinance Mercy's outstanding bonds.

Effective December 1, 2006, UPMC has classified investments in certain debt and equity securities as trading securities under Statement of Financial Accounting Standards No. 124. Previously, UPMC classified these investments as non-trading. This change in classification requires UPMC to recognize unrealized gains and losses on substantially all of its investment securities as investment revenue in the consolidated statements of operations. Previously, changes in the fair value of most of these investment securities were recorded as changes in net assets.

Total net unrealized gains included in investment revenue for the three-month period ended September 30, 2007 were \$11.9 million. The pro-forma financial statement below shows investment revenue, investment income and net income for the first quarters of fiscal years 2008 and 2007 as they would have been reported had UPMC classified the above referenced investments as trading securities during these periods.

PRO-FORMA			
SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS			
(DOLLARS IN MILLIONS)			
	Three Months Ended September 30		
	2007	2006	2006 (as reported)
Operating income	\$62	\$65	\$65
Investing activity			
Investment revenue	54	56	23
Interest expense	<u>(22)</u>	<u>(22)</u>	<u>(22)</u>
Investment income	32	34	1
Income tax expense	<u>(1)</u>	<u>(1)</u>	(1)
Net income	<u>\$93</u>	<u>\$98</u>	<u>\$65</u>

**Consolidating Statement of Operations for the
Three Months Ended September 30, 2007**

(DOLLARS IN MILLIONS)

	Unit			Eliminations	Consolidated
	Provider Services	SBI	Insurance Services		
Revenues:					
Net patient service revenue	\$1,096	\$0	\$0	\$(140)	\$956
Insurance enrollment revenue	0	0	593	0	593
Other revenue	<u>109</u>	<u>19</u>	<u>11</u>	<u>(13)</u>	<u>126</u>
Total operating revenues	1,205	19	604	(153)	1,675
Expenses:					
Salaries, professional fees and benefits	602	10	27	(8)	631
Supplies, purchased services and general	423	10	557	(145)	845
Depreciation and amortization	77	0	1	0	78
Provision for bad debts	<u>59</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>59</u>
Total operating expenses	<u>1,161</u>	<u>20</u>	<u>585</u>	<u>(153)</u>	<u>1,613</u>
Operating income	<u>\$ 44</u>	<u>\$ (1)</u>	<u>\$ 19</u>	<u>\$ 0</u>	<u>\$ 62</u>

Source: UPMC Records

Sources of Revenues

The patient service revenues of UPMC are derived from third-party payors, which reimburse or pay UPMC for the services it provides to patients covered by such payors. Third-party payors include the federal Medicare Program, the federal and state Medical Assistance Program ("Medicaid"), Highmark Blue Cross Blue Shield ("Highmark") and other third-party insurers, such as health maintenance organizations and preferred provider organizations. The following table is a summary of the percentage of the subsidiary hospitals gross patient service revenue by payor for the three month periods ended September 30, 2007 and 2006 and the twelve month periods ended June 30, 2007 and 2006.

**Table 5:
UPMC Payor Mix**

	Three Months Ended September 30		Twelve Months Ended June 30	
	2007	2006	2007	2006
Medicare	42%	43%	42%	43%
Medicaid	12%	12%	12%	12%
Highmark	24%	23%	24%	23%
UPMC Health Plan	8%	8%	9%	9%
Other	<u>14%</u>	<u>14%</u>	<u>13%</u>	<u>13%</u>
	100%	100%	100%	100%

Utilization Statistics

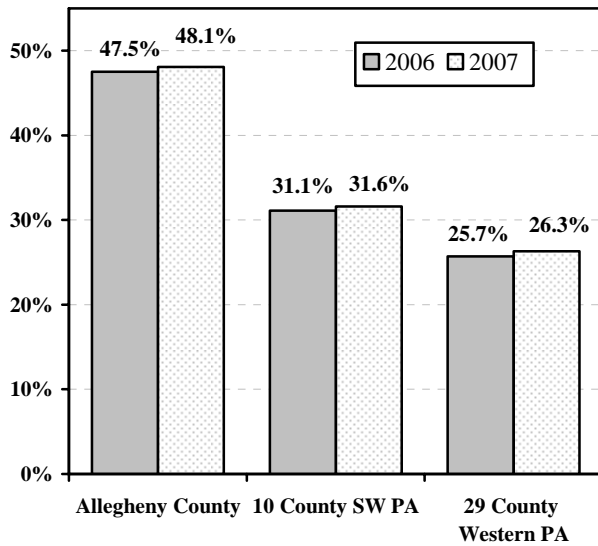
The following table presents selected consolidated statistical indicators of medical/surgical, psychiatric, sub-acute and rehabilitation patient activity for the three months ended September 30, 2007 and 2006 and for the twelve months ended June 30, 2007 and 2006.

Table 6				
Consolidated Utilization Statistics				
	Three Months Ended September 30		Twelve Months Ended June 30	
	2007	2006	2007	2006
Licensed Beds	3,752	3,761	3,741	3,740
Beds in Service				
Medical-Surgical	2,841	2,737	2,816	2,663
Psychiatric	378	351	367	354
Rehabilitation	161	161	159	173
Skilled Nursing	<u>151</u>	<u>151</u>	<u>151</u>	<u>151</u>
Total Beds in Service	3,531	3,400	3,493	3,341
Patient Days				
Medical-Surgical	200,322	195,022	791,488	751,897
Psychiatric	29,569	30,048	117,136	115,400
Rehabilitation	10,217	10,864	43,092	43,964
Skilled Nursing	<u>10,633</u>	<u>9,995</u>	<u>42,129</u>	<u>36,353</u>
Total Patient Days	250,741	245,929	993,845	947,614
Observation Days	9,544	7,849	34,280	29,722
Average Daily Census	2,829	2,758	2,817	2,678
Admissions				
Medical-Surgical	38,564	38,089	153,233	149,415
Psychiatric	2,434	2,414	9,856	10,804
Rehabilitation	850	942	3,608	3,878
Skilled Nursing	<u>876</u>	<u>836</u>	<u>3,456</u>	<u>3,266</u>
Total Admissions	42,724	42,281	170,153	167,363
Overall Occupancy	80%	81%	81%	80%
Average Length of Stay (Admissions Calculation)				
Medical/Surgical	5.2	5.1	5.2	5.0
Psychiatric	12.1	12.4	11.9	10.7
Rehabilitation	12.0	11.5	11.9	11.3
Skilled Nursing	12.1	12.0	12.2	11.1
Overall Average Length of Stay	5.9	5.8	5.8	5.7
Emergency Room Visits	109,770	106,954	420,833	407,106
Transplants (Pittsburgh)				
Liver	60	63	219	223
Kidney	48	82	244	321
All Other	<u>85</u>	<u>89</u>	<u>370</u>	<u>374</u>
Total	193	234	833	918
Transplants (IsMeTT)				
Liver	23	20	87	92
Other	<u>11</u>	<u>5</u>	<u>47</u>	<u>46</u>
Total	34	25	134	138

SOURCE: UPMC Records

Market Share

The following chart shows UPMC's estimated inpatient medical/surgical market share in its service areas for the first three quarters of fiscal years 2006 and 2007 (July through March). The corresponding table shows the number of discharges from all hospitals for the same time periods. This is the most recent market share data currently available.



All Medical-Surgical Discharges Within the Service Areas for Fiscal Years 2006 and 2007 (Nine Months YTD)		
	YTD 2006	YTD 2007
Allegheny County	132,506	131,443
Southwestern Pennsylvania (10-County Region)	279,610	278,956
Western Pennsylvania (29-County Region)	414,113	411,973

Source: Pennsylvania Health Care Cost Containment Council

Counties included in Service Areas	
<u>Southwestern Pennsylvania</u> (10-County Region)	<u>Additional Counties included in</u> <u>Western Pennsylvania</u> (29-County Region)
Allegheny	Bedford
Armstrong	Blair
Beaver	Cambria
Butler	Centre
Fayette	Clearfield
Greene	Elk
Indiana	Forest
Lawrence	Jefferson
Washington	Mercer
Westmoreland	Somerset
	Warren
	Blair
	Cameron
	Clarion
	Crawford
	Erie
	Huntingdon
	McKean
	Potter
	Venango

DEBT COVENANT CALCULATIONS

(Dollars in Thousands)

Debt Service Coverage Ratios		
	Twelve Months Ended September 30, 2007	Fiscal Year-to-Date Through September 30, 2007
Net Income	\$641,116	\$93,048
Less:		
Revenues Available for Debt Service from Properties Financed with Non-recourse Indebtedness	(6,571)	(1,584)
Unrealized (Gains)/Losses from Period ⁽¹⁾	(341,826)	(11,931)
Depreciation and Amortization ⁽¹⁾	306,040	78,145
Loss on Defeasance of Debt ⁽¹⁾	6,776	68
Interest Expense	<u>87,459</u>	<u>21,966</u>
Revenues Available for Debt Service	<u>\$692,994</u>	<u>\$179,712</u>
Maximum Annual Debt Service - MTI	167,747	41,937
Debt Service Coverage Ratio – MTI	4.13X	4.29X
Debt Service Requirements	156,300	39,075
Debt Service Coverage Ratio	4.43X	4.60X
Maximum Annual Debt Service – All Debt	197,260	49,315
Debt Service Coverage Ratio – All Debt	3.51X	3.64X

Liquidity Ratios As of September 30, 2007			
Unrestricted Cash & Investments	\$2,843,679	Master Trust Indenture Debt	\$2,069,557
Total Operating Expenses	1,636,734	Unrestricted Cash to Debt	1.37
Less: Depreciation and Amortization	(78,145)		
Provision for Bad Debts	(58,821)		
Cash Operating Expenses	<u>\$1,499,768</u>		
Daily Cash Expenses (Cash Operating Expenses / 92)	16,302	Unrestricted Cash & Investments held at parent	\$2,098,087
Days' Cash on Hand	174.4	Maximum Annual Debt Service	167,747
		Parent Cushion Ratio	12.51X

(1) Non-Cash.

I hereby certify to the best of my knowledge that, as of September 30, 2007, UPMC is in compliance with the applicable covenants contained in the financing documents for the bonds listed on the cover hereof.

UPMC


C. Talbot Heppenstall, Jr.
Treasurer