



**UNAUDITED QUARTERLY DISCLOSURE STATEMENT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2009**

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 UPMC's bank lines of credit. The information contained herein is as of September 30, 2009. 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.

<b>Issuer</b>	<b>Bonds</b>	<b>Original Borrower</b>	<b>Series</b>
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
		Magee-Womens Hospital	1993
		UPMC Health System	1997B
		UPMC Health System	1998B
		UPMC Health System	1999B
		UPMC	2003B
		UPMC	2005B
		UPMC	2006A
		UPMC	2007A
		UPMC	2007B
		UPMC	2007C
		UPMC	2007D
		UPMC	2008A
		UPMC	2008B
UPMC	2008 Notes		
UPMC	2009A		
Pennsylvania Higher Educational Facilities Authority	UPMC Health System Revenue Bonds	UPMC Health System	1999A
		UPMC Health System	2001A
Allegheny County Industrial Development Authority	Variable Rate Demand Refunding Bonds	UPMC	2004A

The following financial data as of and for the quarters ended September 30, 2009 and 2008 is derived from the unaudited consolidated internal financial statements of UPMC. The unaudited interim consolidated financial statements include all adjustments consisting of normal recurring accruals that UPMC considers necessary for a fair presentation of the financial position and the results of operations for these periods. The financial information as of June 30, 2009 is derived from UPMC's audited consolidated financial statements. Operating results for the period ended September 30, 2009 are not necessarily indicative of the results that may be expected for any future periods.

## **TABLE OF CONTENTS**

Highlights .....	1
Organizational Overview .....	3
Consolidated Financial Highlights.....	4
Revenue Metrics – Provider Services .....	5
Key Financial Indicators.....	6
Operating Metrics - Insurance Services.....	7
Asset and Liability Management .....	8
Consolidating Statement of Operations .....	9
Sources of Revenues.....	9
Utilization Statistics.....	10
Market Share.....	11
Debt Covenant Calculations .....	12
Appendix A: Unaudited Interim Consolidated Financial Statements of UPMC for the Periods Ended September 30, 2009 and 2008	
Consolidated Balance Sheets .....	A-1
Consolidated Statements of Operations and Changes in Net Assets .....	A-2
Consolidated Statements of Cash Flows.....	A-4
Notes to Consolidated Financial Statements (Unaudited) .....	A-5

## **Highlights**

UPMC is an integrated global health enterprise headquartered in Pittsburgh, Pennsylvania and one of the leading nonprofit health systems in the United States. Through September 30, 2009, UPMC's financial results reflect continued reinvestment to fulfill its commitment of providing outstanding patient care while shaping tomorrow's health system.

For the quarter ended September 30, 2009, operating revenues increased by \$101 million (5.2%) to \$2.0 billion, due primarily to increases in Insurance Services membership and Provider Services results. Operating income, which is reinvested in programs that support UPMC's mission, was \$65 million<sup>1</sup> for the period. Operating earnings before interest, depreciation and amortization totaled \$163 million<sup>1</sup>, compared to \$149 million in the prior period. As of September 30, 2009, UPMC had \$3.2 billion of cash and investments.

UPMC continued to attract an increasing number of Insurance Services members and to improve outpatient metrics as:

- Enrollment in UPMC's insurance services grew 8.5% to 1.4 million members, and
- Outpatient revenue per workday rose 3%, while physician service revenue per weekday increased 11%;

UPMC's results for the quarter include volume reductions as:

- Total admissions were down (2.5%) to 46,280 for the quarter ended September 30, 2009, and
- Inpatient activity as measured by medical-surgical admissions was down (2.4%) for the quarter.

UPMC's gain from investing and financing activities for the quarter was \$206 million. This was composed primarily of a portfolio return of 8.6% and mark-to-market adjustments for interest rate swaps used for debt management purposes. UPMC has made no changes to its asset allocation policies and continues to have a long term perspective with regard to its investment activities.

During the quarter ended September 30, 2009, UPMC made capital expenditures of \$93 million. UPMC's capital investment over the last several years has lowered UPMC's Average Age of Plant to an industry-leading 7.1 years. Significant components of these expenditures included:

- \$24 million of investments in joint ventures, primarily UPMC Beacon;
- \$10 million of construction costs related to the development of the UPMC Passavant campus;
- \$10 million of construction related to two Senior Communities projects: Cumberland Woods Village, a new Independent Living Facility located on the UPMC Passavant Campus with 99 units, and an expansion project at Sherwood Oaks, including 30 Personal Care apartments, 24 Independent Living apartments and 9 Patio Homes; and
- Expenditures of \$17 million on various components of UPMC's best-in-class information technology platform.

On October 16, 2009, UPMC announced that it would close UPMC Braddock Hospital effective January 31, 2010. UPMC is committed to continue to serve the healthcare needs of the Braddock area through its network of outpatient and community health programs. UPMC is also committed to working with various community groups and political leaders to find an acceptable use for the existing hospital facility and land.

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<sup>1</sup> Excludes the impact of a non-recurring separation charge of \$3.6 million for the quarter ended September 30, 2009.

In July 2009, UPMC once again was the region's only medical center listed on the annual *U.S. News & World Report* Honor Roll of "America's Best Hospitals" survey. UPMC ranked 13<sup>th</sup> of only 21 hospitals nationwide named to the Honor Roll. UPMC was ranked in the top ten in seven of the 16 specialty areas and appeared in 13 areas overall. No other hospitals in the region were ranked in any of the 16 specialty areas. 2009 marks UPMC's 10th appearance on the Honor Roll, with UPMC advancing to 13<sup>th</sup> place from 14<sup>th</sup> place on the 2008 list.

UPMC Health Plan's member services group has been designated as a Certified JD Powers Call Center. A call center must score in a top percentage of call centers nationwide to receive this designation. Only 33 call centers in the country are certified. This certification is not just for health care providers, but all industries and few health care entities are certified. JD Powers was especially impressed with activities that resulted in improved clinical care access and noted that during the observations of the call center, employees were able to provide real time scheduling for members for clinical care support.

On June 29, 2009, UPMC signed a seven-year contract with The Royal Berkshire NHS Foundation Trust (RBFT) in the United Kingdom to implement a secure, comprehensive electronic health record system to transform the way RBFT delivers patient care. The system, produced by Cerner and known as "Millennium," is intended to improve the quality, effectiveness and efficiency of patient care delivery. The system is configured to fit detailed local specifications, including compatibility with the NHS National Programme for IT.

On August 26, 2009, UPMC acquired majority ownership of Beacon Hospital, an independent hospital located in Dublin, Ireland. The hospital has subsequently been renamed UPMC Beacon. A full-service hospital which opened in 2006, UPMC Beacon has seen rapid growth in inpatient admissions and surgical procedures since UPMC began managing it in March 2008. UPMC's plans for continued growth of UPMC Beacon will provide patients with continued access to UPMC's excellent clinical care and technological expertise.

UPMC received an unqualified audit opinion on both its financial statements and internal controls over financial reporting and posted its audited financial statements for the fiscal year ended June 30, 2009 to its web site within 75 days. The timely issuance of these statements highlights UPMC's commitment to the quality and accuracy of providing financial information to its various stakeholders. The 2009 fiscal year is the fourth consecutive year that UPMC has voluntarily complied with all of the applicable provisions of the Sarbanes Oxley Act.

On September 15, 2009, UPMC contributed \$ 125 million to its defined contribution (cash balance) pension plan. This contribution is in keeping with UPMC's policy to fund the plan to ensure no additional premiums are paid to the Pension Benefit Guaranty Corporation ("PBGC"). This contribution will bring UPMC's pension to full funding for the most recent PBGC measurement date.

## **Organizational Overview**

UPMC, doing business as the University of Pittsburgh Medical Center, is one of the world's leading integrated global 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. UPMC's 20 hospitals and more than 400 clinical locations comprise one of the largest nonprofit health systems in the United States. UPMC has three major operating components: Provider Services, Insurance Services and International and Commercial Services. 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., transplantation services, woman care, behavioral health, pediatrics, cancer care and rehabilitation services), contract services (emergency medicine, pharmacy and laboratory) and 2,700 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: (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 are located in Pittsburgh; (ii) community hospitals that provide core clinical services mainly to the suburban Pittsburgh population; (iii) regional hospitals that provide core clinical services to broader areas of the western Pennsylvania region; and (iv) pre- and post-acute care capabilities that include: UPMC HomeCare, a network of home health services and UPMC Senior Communities, the facilities of which provide a complete network of senior living capabilities in greater Pittsburgh.

### **Insurance Services**

UPMC holds various interests in health care financing initiatives and network care delivery operations that have more than 1.4 million members. 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.

### **International and Commercial Services**

The goal of UPMC's International and Commercial Services division 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, has performed more than 880 transplants since its founding in 1999. Other international ventures currently include two cancer centers and UPMC Beacon, a private hospital in Ireland, the provision of emergency medical system consulting services in Qatar and information technology implementation projects in the United Kingdom.

## Consolidated Financial Highlights

(dollars in millions)

<b>Financial Results for the Quarters Ended September 30</b>		
	<b><u>2009</u></b>	<b><u>2008</u></b>
Operating Revenues	\$2,036	\$1,935
Operating Income <sup>1</sup>	\$65	\$63
Operating Margin	3.2%	3.3%
Investment and Financing Gain (Loss)	\$206	(\$344)
Excess of Revenues over Expenses (Expenses over Revenues)	\$271	(\$283)
Operating EBIDA <sup>1</sup>	\$163	\$149
Capital Expenditures	\$93	\$131
Reinvestment Ratio	.71	1.45
<b>Selected Other Information as of and for the Periods Ended</b>		
	<b><u>September 2009</u></b>	<b><u>June 2009</u></b>
Total Cash and Investments	\$3,169	\$3,014
Unrestricted Cash and Investments	\$2,545	\$2,343
Unrestricted Cash and Investments Under Long Term Debt	(\$332)	(\$334)
Days of Cash on Hand	128	121
Days in Accounts Receivable	31	33
Average Age of Plant	7.1	7.3

▪ **Operating revenues increased by \$101 million or 5.2%.**

▪ **Improved investment gains reflect financial market conditions.**

▪ **UPMC generated \$163 million of operating earnings before interest, depreciation and amortization (“Operating EBIDA”).**

▪ **Total Cash and Investments, Unrestricted Cash and Investments and related ratios improved due primarily to the improvement in financial markets.**

▪ **Average Age of Plant declined to 7.1 years reflecting the addition of depreciation on the newly constructed Children’s Hospital of Pittsburgh in Lawrenceville.**

- Operating revenues for the quarter ended September 30, 2009 increased \$101 million (5.2%) as compared to the quarter ended September 30, 2008 including a \$63 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 results.
- Operating income for the quarter ended September 30, 2009 improved slightly over the same quarter in the prior fiscal year as operating efficiencies were offset by increased depreciation expense (\$11) and pension expense (\$9).
- Investment and financing gain of \$206 million for the quarter reflects a gain on UPMC’s investment portfolio of 8.6% and derivative mark-to-market adjustments.
- UPMC funded \$93 million of capital expenditures to enhance information technology, create new programs and services and maintain infrastructure. Major projects included the UPMC Beacon investment, continuing construction at the UPMC Passavant campus, Senior Communities projects, the enhancement of information technology infrastructure, and investments in various patient care software applications.

<sup>1</sup>Excludes the impact of a non-recurring separation charge of \$3.6 million for the quarter ended September 30, 2009.

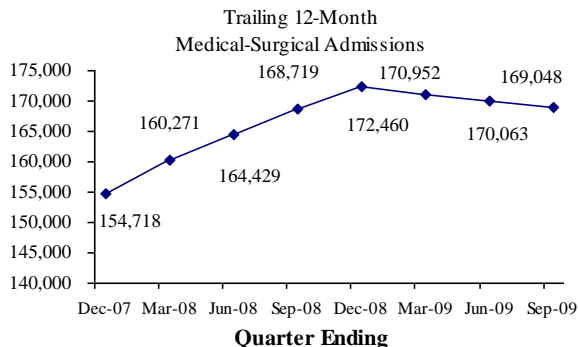
## Revenue Metrics - Provider Services

(Dollars in millions)

### Medical-Surgical Admissions

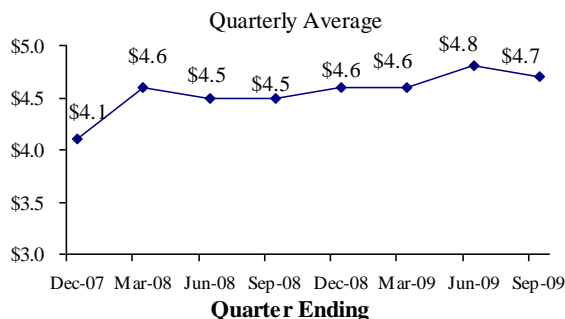
Inpatient activity as measured by medical-surgical admissions at UPMC's hospitals was down 3% for the quarter ended September 30, 2009 from the comparable period in 2008.

For the Quarters Ended September 30: (in thousands)			
	2009	Variance	2008
Academic	27.3	1%	27.1
Community	10.5	(11%)	11.8
Regional	4.0	0%	4.0
<b>Total</b>	<b>41.8</b>	<b>(3%)</b>	<b>42.9</b>



### Outpatient Revenue per Workday

UPMC's outpatient activity for the quarter ended September 30, 2009 as measured by average revenue per workday increased by 3% from the comparable period in 2008. Hospital outpatient activity is measured on an equivalent work day (EWD) basis to adjust for weekend and holiday hours.

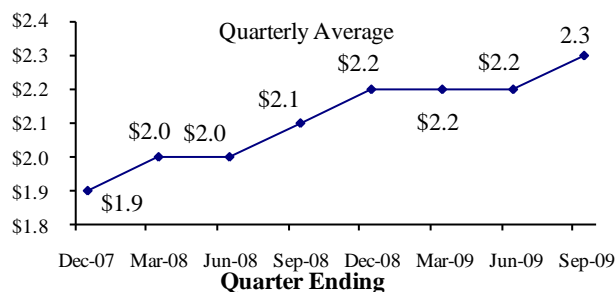


Average for the Quarters Ended September 30:			
	2009	Variance	2008
Academic	\$3.127	7%	\$2.934
Community	\$1.050	(2%)	\$1.072
Regional	\$0.504	(3%)	\$0.521
<b>Total</b>	<b>\$4.681</b>	<b>3%</b>	<b>\$4.527</b>

### Physician Service Revenue per Weekday

UPMC's physician activity for the quarter ended September 30, 2009 as measured by average revenue per workday increased by 11% from the prior period. Physician services activity is measured on a week day basis.

Average for the Quarters Ended September 30:			
	2009	Variance	2008
Anesthesiology	\$0.397	31%	\$0.303
Radiology	\$0.284	11%	\$0.257
Surgery	\$0.255	11%	\$0.231
Other	\$1.410	7%	\$1.314
<b>Total</b>	<b>\$2.346</b>	<b>11%</b>	<b>\$2.105</b>

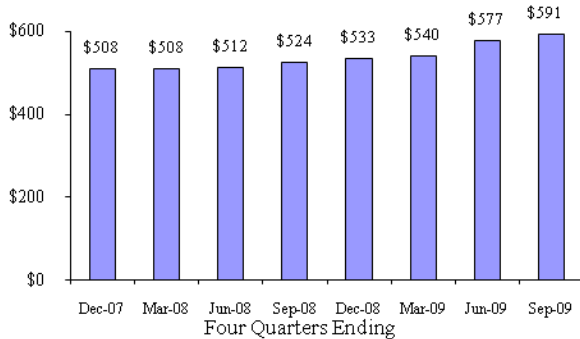


## Key Financial Indicators

(Dollars in Millions)

### Operating Earnings Before Interest, Depreciation and Amortization <sup>1</sup>

Operating EBIDA for the quarter increased \$14 million (9%) over the quarter ended September 30, 2008 and totaled almost \$600 million over the last twelve months.



For the Quarters Ended September 30:		
	2009	2008
Operating Income	\$65	\$63
Depreciation and Amortization	<u>98</u>	<u>86</u>
Operating EBIDA	<u>\$163</u>	<u>\$149</u>

<sup>1</sup> Excludes non-recurring separation charges in the periods incurred.

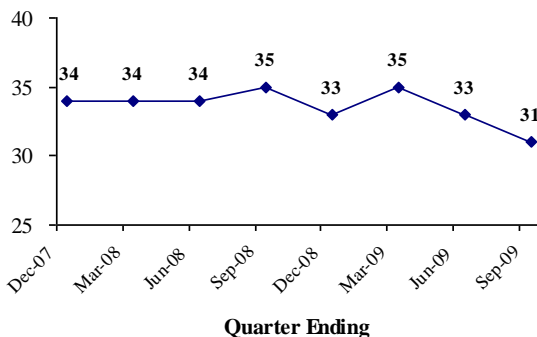
### Unrestricted Cash Over (Under) Long Term Debt

Unrestricted cash over (under) long term debt improved slightly this quarter due to improved operating results and conditions in the financial markets offset by the pension contribution.



### Days in Accounts Receivable

Consolidated Days in Accounts Receivable continue to be lower than industry averages due to UPMC's rigorous procedures in this area.



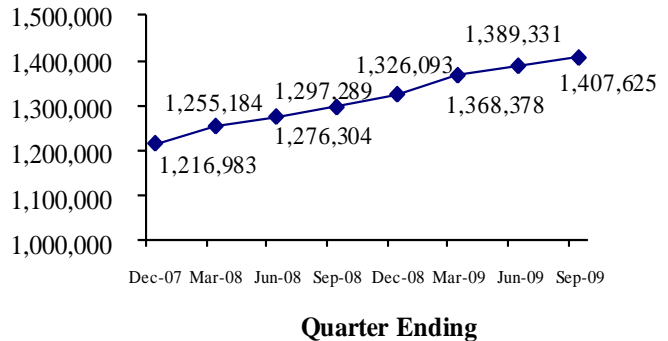
#### By Division as of September 30

	2009 Balance	Days:	
		2009	2008
Provider Services	\$488	31	36
International and Commercial services	\$34	81	56
Insurance Services	<u>\$193</u>	<u>22</u>	<u>22</u>
All Divisions	\$715	31	35

## Operating Metrics – Insurance Services

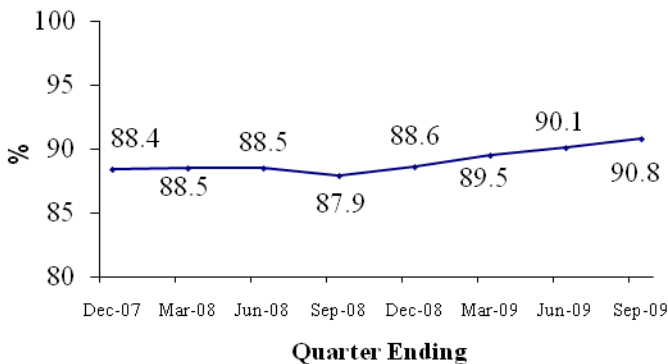
### Membership

Membership in the UPMC Insurance Services Division increased to 1,407,625 as of September 30, 2009. The increase since June 2009 is a result of growth in membership of Work Partners, Medicaid, and Commercial of approximately 15,000, 3,000, and 1,000 members, respectively.



### Healthcare Spending Ratio

#### 12 Month Trailing Average

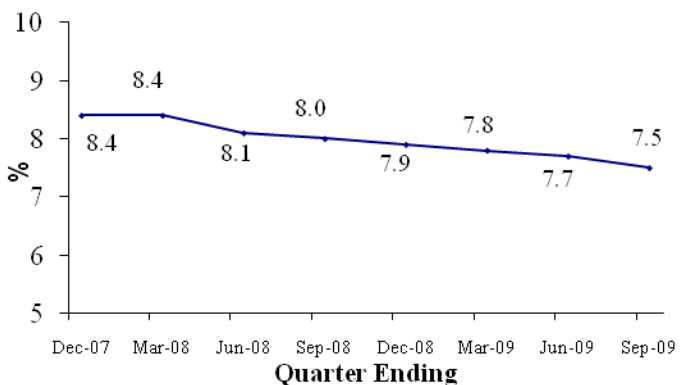


The increase in the healthcare spending ratio is primarily attributable to current economic conditions which are impacting all market segments nationally.

### Administrative Expense Ratio

#### 12 Month Trailing Average

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



## Asset and Liability Management

During the first quarter of fiscal year 2010, UPMC's investment portfolio returned 8.6%. As of September 30, 2009, UPMC employed 128 external managers, including 22 traditional investment managers, 21 hedge fund managers and 85 private equity managers. UPMC's investment portfolio has a long-term perspective and has generated annualized returns of (6.8%), (0.6%) and 4.3% for the trailing one, three, and five-year periods. Approximately 45% of the investments consist of securities that can be liquidated within three days.

UPMC's annualized cost of capital during the period was 3.66%. 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 September 30, 2009, the interest rates on UPMC's long-term debt were approximately 70% fixed and 30% variable after giving effect to derivative contracts. Annualized interest cost for the variable rate debt for the period averaged 0.73%. The annualized interest cost for the fixed rate debt was 4.89%. As of September 30, 2009, UPMC had approximately \$218 million available on its line of credit to fund operating and capital needs.

Beginning in May 2007, UPMC has undertaken a process to standardize its bond covenants. The process consists of the replacement of notes issued under a 1995 Master Trust Indenture ("1995 MTI") with notes issued under a 2007 Master Trust Indenture ("2007 MTI"). Until all of the 1995 MTI notes have been defeased, UPMC will operate under both MTI's. As of September 30, 2009, 70% of UPMC's debt is secured by both MTI's.

The table below compares reported Investment and Financing Gain (Loss) for the quarters ended September 30, 2009 and 2008 by component.

<b>Investment and Financing Gain (Loss) by Type for the Quarters Ended September 30</b> (dollars in millions)		
	<b>2009</b>	<b>2008</b>
Realized Gains (Losses)	\$15	(\$43)
Interest, Dividends and Fees	<u>5</u>	<u>7</u>
Realized Investment Income (Loss)	\$20	(\$36)
Unrealized Gains (Losses)	<u>217</u>	<u>(285)</u>
Investment Revenue (Loss)	\$237	(\$321)
Interest Expense	(31)	(22)
Loss on Extinguishment of Debt	<u>-</u>	<u>(1)</u>
Investment and Financing Gain (Loss)	<u>\$206</u>	<u>(\$344)</u>

## Consolidating Statement of Operations for the Quarter Ended September 30, 2009

(dollars in millions)

	Unit			Eliminations	Consolidated
	Provider Services	International and Commercial Services	Insurance Services		
<b>Revenues:</b>					
Net patient service revenue	\$1,283	\$6	\$ -	(\$175)	\$1,114
Insurance enrollment revenue	-	-	759	-	759
Other revenue	<u>123</u>	<u>18</u>	<u>32</u>	<u>(10)</u>	<u>163</u>
Total operating revenues	\$1,406	\$24	\$791	(\$185)	\$2,036
<b>Expenses:</b>					
Salaries, professional fees and benefits	698	16	32	(4)	742
Supplies, purchased services and general	501	12	730	(181)	1,062
Depreciation and amortization	95	1	2	-	98
Provision for bad debts	<u>72</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72</u>
Total operating expenses	<u>1,366</u>	<u>29</u>	<u>764</u>	<u>(185)</u>	<u>1,974</u>
Operating income (loss) <sup>1</sup>	<u>\$40</u>	<u>(\$5)</u>	<u>\$27</u>	<u>\$-</u>	<u>\$62</u>

### 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 quarter ended September 30, 2009 and 2008.

UPMC Payor Mix				
	Quarters Ended September 30		Years Ended June 30	
	2009	2008	2009	2008
Medicare	42%	43%	42%	43%
Medicaid	15%	13%	14%	12%
Highmark	22%	23%	22%	24%
UPMC Insurance Services	8%	8%	9%	8%
Other	<u>13%</u>	<u>13%</u>	<u>13%</u>	<u>13%</u>
Total	100%	100%	100%	100%

<sup>1</sup> Includes the impact of a non-recurring separation charge of \$3.6 million for the quarter ended September 30, 2009.

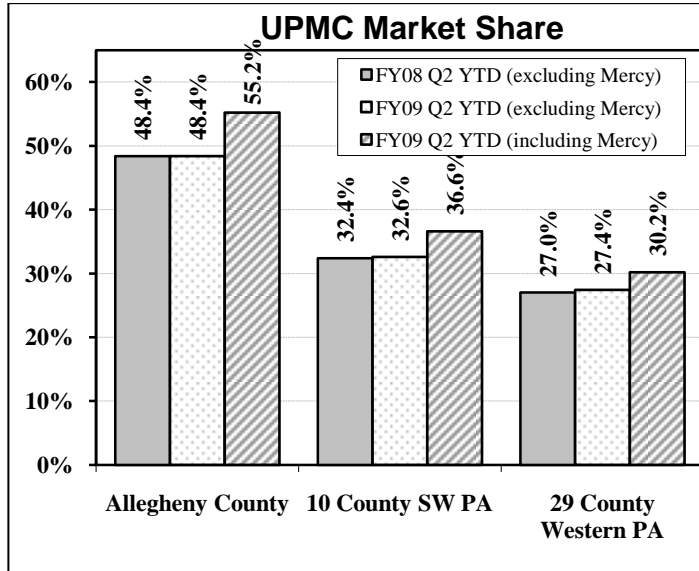
## Utilization Statistics

The following table presents selected consolidated statistical indicators of medical/surgical, psychiatric, sub-acute and rehabilitation patient activity for the quarters ended September 30, 2009 and 2008 and for the years ended June 30, 2009 and 2008. Note that the statistics include UPMC Mercy beginning as of January 1, 2008.

	Quarters Ended September 30		Years Ended June 30	
	2009	2008	2009	2008
<b>Licensed Beds</b>	4,139	4,302	4,287	4,294
<b>Beds in Service</b>				
Medical-Surgical	3,157	3,199	3,187	3,204
Psychiatric	423	423	423	415
Rehabilitation	161	183	179	192
Skilled Nursing	<u>163</u>	<u>163</u>	<u>163</u>	<u>154</u>
<b>Total Beds in Service</b>	3,904	3,968	3,952	3,965
<b>Patient Days</b>				
Medical-Surgical	215,086	215,102	873,036	843,857
Psychiatric	34,774	34,537	137,129	126,564
Rehabilitation	11,796	12,849	47,704	45,420
Skilled Nursing	<u>11,234</u>	<u>10,967</u>	<u>44,824</u>	<u>42,984</u>
<b>Total Patient Days</b>	272,890	273,455	1,102,693	1,058,825
<b>Observation Days</b>	12,623	9,492	41,484	41,289
<b>Average Daily Census</b>	3,103	3,076	3,136	3,151
<b>Admissions</b>				
Medical-Surgical	41,839	42,854	170,063	164,429
Psychiatric	2,528	2,565	9,801	10,360
Rehabilitation	957	1,079	3,984	3,934
Skilled Nursing	<u>956</u>	<u>972</u>	<u>3,837</u>	<u>3,555</u>
<b>Total Admissions</b>	46,280	47,470	187,685	182,278
<b>Overall Occupancy</b>	80%	78%	79%	79%
<b>Average Length of Stay (Admissions Calculation)</b>				
Medical/Surgical	5.1	5.0	5.1	5.1
Psychiatric	13.8	13.5	14.0	12.2
Rehabilitation	12.3	11.9	12.0	11.5
Skilled Nursing	11.8	11.3	11.7	12.1
Overall Average Length of Stay	5.9	5.8	5.9	5.8
<b>Emergency Room Visits</b>	123,019	121,984	481,174	457,047
<b>Transplants (Pittsburgh)</b>				
Liver	44	31	140	170
Kidney	59	50	179	180
All Other	<u>88</u>	<u>91</u>	<u>388</u>	<u>343</u>
<b>Total</b>	191	172	707	693
<b>Transplants (IsMeTT)</b>				
Liver	18	15	64	87
Other	<u>12</u>	<u>11</u>	<u>63</u>	<u>49</u>
<b>Total</b>	30	26	127	136

## Market Share

The following chart shows UPMC’s estimated inpatient medical/surgical market share in its service areas for the first two quarters of fiscal years 2008 and 2009 (July 1 through December 31). For fiscal year 2009, estimated market share is displayed both including and excluding discharges for UPMC Mercy, which was integrated into UPMC on January 1, 2008. This is the most recent market share data currently available.



	<b>FY 2008 YTD</b>	<b>FY 2009 YTD</b>
Allegheny County	84,477	83,952
Southwestern Pennsylvania (10-County Region)	178,142	177,816
Western Pennsylvania (29-County Region)	263,839	263,111

<b>Counties included in Service Areas</b>	
<b><u>Southwestern Pennsylvania</u></b> (10-County Region)	<b><u>Additional Counties included in Western Pennsylvania</u></b> (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)

<b>Debt Service Coverage Ratios</b>		
	<b>Quarter Ended September 30, 2009</b>	<b>Year Ended September 30, 2009</b>
Net Income	\$266,921	\$40,044
<i>Less:</i>		
Revenues Available for Debt Service from Properties Financed with Non-recourse Indebtedness	(1,271)	(4,847)
Net Unrealized Gains from Period <sup>(1)</sup>	(216,655)	(118,489)
Depreciation and Amortization <sup>(1)</sup>	97,624	375,097
Loss on Defeasance of Debt <sup>(1)</sup>	0	680
Noncash Pension Commitment <sup>(1)</sup>	0	5,818
Interest Expense	<u>30,189</u>	<u>95,080</u>
Revenues Available for Debt Service	<u>\$176,808</u>	<u>\$393,383</u>
Maximum Annual Debt Service - MTI	\$54,578	\$218,310
<i>Debt Service Coverage Ratio – MTI</i>	<b>3.24X</b>	<b>1.80X</b>
Historical Debt Service Requirements	\$42,716	\$170,864
<i>Debt Service Coverage Ratio</i>	<b>4.14X</b>	<b>2.30X</b>
Historical Debt Service Requirements – All Debt	\$52,523	\$210,090
<i>Debt Service Coverage Ratio – All Debt</i>	<b>3.37X</b>	<b>1.87X</b>

<b>Liquidity Ratios As of September 30, 2009</b>			
Unrestricted Cash & Investments	\$2,545,123	Master Trust Indenture Debt	\$2,834,890
Total Operating Expenses (includes interest expense)	2,004,631	<i>Unrestricted Cash to Debt</i>	.90
Less: Depreciation and Amortization	(97,624)		
Provision for Bad Debts	<u>(72,229)</u>	Parent Unrestricted Cash	\$1,700,644
Cash Operating Expenses	<b><u>\$1,834,778</u></b>	Maximum Annual Debt Service	218,310
Daily Cash Expenses (Cash Operating Expenses / 92)	19,943		
<i>Days' Cash on Hand</i>	<b>127.6</b>	<i>Parent Cushion Ratio</i>	<b>7.79X</b>

(1) Non-Cash.

I hereby certify to the best of my knowledge that, as of September 30, 2009, 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.

UPMC



C. Talbot Heppenstall, Jr.  
Treasurer

**APPENDIX A**

**Unaudited Interim Consolidated Financial Statements of UPMC  
for the Periods Ended September 30, 2009 and 2008**

**Consolidated Balance Sheets**  
**(Unaudited)**  
(in millions)

	As of September 30, 2009	As of June 30, 2009
<b>Current assets</b>		
Cash and cash equivalents	\$234	\$177
Patient accounts receivable, net of allowance for uncollectible accounts of \$85 at September 30, 2009 and \$72 at June 30, 2009	423	403
Other receivables	292	328
Other current assets	<u>122</u>	<u>89</u>
<b>Total current assets</b>	1,071	997
Board-designated, restricted, trustee, and other investments	2,935	2,837
Beneficial interests in foundations	270	253
Net property, buildings and equipment	3,257	3,021
Other assets	<u>395</u>	<u>354</u>
<b>Total assets</b>	<u>\$7,928</u>	<u>\$7,462</u>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$377	\$338
Accrued salaries and related benefits	339	296
Current portion of insurance reserves	304	244
Current portion of long-term obligations	279	270
Other current liabilities	<u>236</u>	<u>178</u>
<b>Total current liabilities</b>	1,535	1,326
Long-term obligations	2,915	2,832
Pension liability	170	275
Long-term insurance reserves	154	157
Other long-term liabilities	<u>138</u>	<u>116</u>
<b>Total liabilities</b>	4,912	4,706
Unrestricted net assets	2,596	2,349
Restricted net assets	<u>420</u>	<u>407</u>
<b>Total net assets</b>	<u>3,016</u>	<u>2,756</u>
<b>Total liabilities and net assets</b>	<u>\$7,928</u>	<u>\$7,462</u>
<i>See accompanying notes.</i>		

**Consolidated Statements of Operations and Changes in Net Assets**  
**(Unaudited)**  
(in millions)

	<b>Quarters Ended September 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Unrestricted net assets</b>		
Revenues:		
Net patient service revenue	\$1,114	\$1,080
Insurance enrollment revenue	759	717
Other revenue	<u>163</u>	<u>138</u>
Total operating revenues	2,036	1,935
Expenses:		
Salaries, professional fees and employee benefits	742	743
Supplies, purchased services and general	1,062	978
Depreciation and amortization	98	86
Provision for bad debts	<u>72</u>	<u>65</u>
Total operating expenses	<u>1,974</u>	<u>1,872</u>
Operating income	62	63
Income tax expense	<u>(1)</u>	<u>(2)</u>
After-tax operating income (carried forward)	\$61	\$61

**Consolidated Statements of Operations and Changes in Net Assets (continued)**  
**(Unaudited)**  
(in millions)

	Quarters Ended September 30	
	2009	2008
After-tax operating income (brought forward)	\$61	\$61
Investing and financing activity:		
Investment revenue (loss)	237	(321)
Interest expense	(31)	(22)
Loss on extinguishment of debt	<u>—</u>	<u>(1)</u>
Gain (loss) from investing and financing activities	<u>206</u>	<u>(344)</u>
Excess of revenues over expenses (expenses over revenues)	267	(283)
Other changes in unrestricted net assets	<u>(20)</u>	<u>(1)</u>
Increase (decrease) in unrestricted net assets	247	(284)
<b>Restricted net assets</b>		
Contributions	5	2
Net realized and unrealized losses on investments	(7)	(2)
Assets released from restriction for operations and capital purchases	(2)	(4)
Net increase (decrease) in beneficial interests in foundations	<u>17</u>	<u>(4)</u>
Increase (decrease) in restricted net assets	<u>13</u>	<u>(8)</u>
Increase (decrease) in net assets	260	(292)
Net assets, beginning of period	<u>2,756</u>	<u>3,586</u>
Net assets, end of period	<u>\$3,016</u>	<u>\$3,294</u>
<i>See accompanying notes.</i>		

**Consolidated Statements of Cash Flows**  
**(Unaudited)**  
(in millions)

	Quarters Ended September 30	
	2009	2008
<b>Operating activities:</b>		
Increase (decrease) in net assets	\$260	(\$292)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	98	86
Change in beneficial interest in foundations	(17)	4
Restricted contributions and investment income	2	—
Net change in trading securities	(99)	341
Changes in operating assets and liabilities	<u>(185)</u>	<u>10</u>
Net cash provided by operating activities	59	149
<b>Investing activities:</b>		
Purchase of property and equipment (net of disposals), and other investments	(93)	(131)
Net change in investments designated as non-trading	—	7
Net decrease in other assets	<u>72</u>	<u>12</u>
Net cash used in investing activities	(21)	(112)
<b>Financing activities:</b>		
Repayments of long-term obligations	(39)	(37)
Borrowings of long-term obligations	60	15
Restricted contributions and investment loss	<u>(2)</u>	<u>—</u>
Net cash provided by (used in) financing activities	19	(22)
Increase in cash and cash equivalents	57	15
Cash and cash equivalents, beginning of period	<u>177</u>	<u>77</u>
Cash and cash equivalents, end of period	<u>\$234</u>	<u>\$92</u>
<i>See accompanying notes.</i>		

## **Notes to Consolidated Financial Statements (Unaudited)**

*(In Millions)*

### **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 as an organization described in Section 501(c)(3) of the Code. Headquartered in Pittsburgh, Pennsylvania, UPMC is one of the leading academic medical centers in the United States. UPMC is an integrated global health enterprise that has the medical expertise, geographic reach, and financial stability to develop models of excellence that are transforming health care nationally and internationally.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“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.

For further information, refer to the audited consolidated financial statements and notes thereto for the year ended June 30, 2009.

The accompanying unaudited interim consolidated financial statements include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

### **2. Significant Transactions**

In February 2008, UPMC entered into a series of agreements with the Beacon Medical Group, Limited, Dublin Ireland (“BMG”) pursuant to which it purchased a 25% equity ownership position in Beacon Hospital Sandyford Limited, a hospital in Dublin, Ireland (“Beacon Hospital”) and entered into an agreement to manage Beacon Hospital. BMG owned the remaining 75% of Beacon Hospital and 100% of the company that owned the facility (including the land) in which Beacon Hospital operates.

On August 26, 2009, UPMC and BMG executed agreements to restructure the ownership of BMG and Beacon Hospital (the “Restructuring”). Pursuant to the Restructuring, UPMC currently holds a 66.7% ownership position in BMG. Additionally, UPMC acquired a 40% interest in three companies intending to develop private co-located hospitals on the grounds of public hospitals in each of Limerick, Waterford and Beaumont, Ireland. In exchange for the aforementioned interest in BMG and the interest in the co-location projects, UPMC made a cash payment of €15 (\$21)<sup>1</sup> at closing and will make additional cash payments of €10 (\$15) by February 2010. The Restructuring resulted in an increase of the long-term debt on UPMC’s balance sheet of €137 (\$200). UPMC provided guarantees pursuant to its 2007 MTI and its 1995 MTI of €25 (\$36)<sup>2</sup> of this long term debt and up to €18 (\$26) of short term debt to be used for working capital.

### **3. New Accounting Pronouncements**

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. Statement 168 establishes the FASB Accounting Standards Codification (“ASC”, also collectively known as the “Codification”) as the single source of authoritative U.S. GAAP to be applied by nongovernmental entities. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. Statement 168 is effective for financial statements issued for interim and annual

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<sup>1</sup> The August 26, 2009 exchange rate of \$1.4305 per euro was used.

<sup>2</sup> The September 30, 2009 exchange rate of \$1.4592 per euro was used.

periods ending after September 15, 2009. UPMC has adopted Statement 168 for its quarter ended September 30, 2009. Accounting references have been updated, and therefore SFAS references, where applicable, have been replaced with ASC references.

Effective July 1, 2008, UPMC adopted ASC 820-10 *Fair Value Measurements and Disclosures* for all financial instruments accounted for at fair value on a recurring basis. The effective date of ASC 820-10 was subsequently extended for non-financial assets and liabilities by ASC 820-10-65, *Transition and Open Effective Date Information*; therefore, UPMC fully adopted all of the provisions of this topic effective July 1, 2009. ASC 820-10 establishes a new framework for measuring fair value and expands related disclosures. ASC-820-10 requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants.

In May 2009, the FASB issued new guidance, *Not-for-Profit Organizations: Mergers and Acquisitions*. This standard provides not-for-profit organizations with specific guidance on accounting for mergers and acquisitions, including determining whether a combination between two or more not-for-profit entities is a merger or an acquisition, how to account for each and the disclosures that should be made. The guidance is to be applied prospectively to mergers with merger dates on or after December 15, 2009 and to acquisitions with acquisition dates on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. Earlier application is prohibited. UPMC will apply the guidance provided by this standard to acquisitions occurring after July 1, 2010.

#### **4. Fair Value Measurements**

The valuation techniques used to measure fair value under ASC 820-10 *Fair Value Measurements*, 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. ASC 820-10 established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include:

- 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.

As of September 30, 2009, UPMC held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These include cash and cash equivalents and certain board-designated, restricted, trustee and other investments and derivative instruments.

The following table represents UPMC's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis of as September 30, 2009. The interest rate swaps are valued using internal models, which are primarily based on market observable inputs including interest rate curves. When quoted market prices are unobservable for fixed income securities, quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable are used for valuation purposes. These investments are included in Level 2 and include corporate fixed income, government bonds, mortgage and asset-backed securities. Public real estate that has a limited liability company structure is classified as Level 2. The net asset value has been derived using quoted market prices for the underlying securities.

	Fair Value Measurements as of September 30, 2009			
	Level 1	Level 2	Level 3	Total Carrying Amount
<b>Assets</b>				
Cash and cash equivalents	\$ 234	\$ -	\$ -	\$ 234
Fixed income	533	338	-	871
Domestic equity	169	1	-	170
International equity	364	85	-	449
Public real estate	20	20	-	40
Commodities	28	-	-	28
Derivative instruments (interest rate swaps)	<u>-</u>	<u>57</u>	<u>-</u>	<u>57</u>
Total assets	<u>\$1,348</u>	<u>\$501</u>	<u>\$ -</u>	<u>\$1,849</u>
<b>Liabilities</b>				
Derivative instruments (interest rate swaps)	<u>-</u>	<u>(93)</u>	<u>-</u>	<u>(93)</u>
Total liabilities	<u>\$ -</u>	<u>(\$ 93)</u>	<u>\$ -</u>	<u>(\$ 93)</u>

## 5. Financial Instruments

Substantially all of UPMC's investments in debt and equity securities are classified as trading. This classification requires UPMC to recognize unrealized gains and losses on substantially all of its investments in debt and equity securities as gains or losses from investing and financing activities in the consolidated statements of operations and changes in net assets. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices.

Cash and cash equivalents and investments recorded at fair value aggregate \$2,026 and \$1,710 at September 30, 2009 and June 30, 2009, respectively. The fair value of these instruments is based on market prices as estimated by financial institutions. The fair value of long-term debt at September 30, 2009 and June 30, 2009 is \$3,338 and \$2,997, respectively, based on market prices as estimated by financial institutions.

Investments in limited partnerships that invest in nonmarketable securities (private equity) are primarily recorded at cost 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%. These investments are periodically evaluated for impairment. As of September 30, 2009 and June 30, 2009, respectively, UPMC had investments recorded at cost of \$824 and \$793. Investments in individual entities in which UPMC has the ability to exercise significant influence, generally 20% to 50% ownership are reported using the equity method of accounting.

Certain of UPMC's investments in debt and equity securities are designated as non-trading (donor restricted assets). As of September 30, 2009 and June 30, 2009, respectively, UPMC had non-trading investments of \$101 and \$100. At September 30, 2009 and June 30, 2009, respectively, \$0 and \$48 of these investments were in an unrealized loss position. Unrealized losses on these investments were \$0 and \$7, respectively.

UPMC has interest rate-related derivative instruments to manage its exposure on its debt instruments and its asset allocation. By using derivative financial instruments to manage these risks, UPMC exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes UPMC, which creates credit risk for UPMC. When the fair value of a derivative contract is negative, UPMC owes the counterparty and, therefore, it does not incur credit risk. UPMC minimizes the credit risk in derivative instruments by entering into transactions that require the counterparty to post collateral for the benefit of UPMC based on the credit rating of the counterparty and the fair value of the derivative contract. If UPMC

has a derivative in a liability position, UPMC's credit is a risk and ASC 820 fair market values could be adjusted downward. Market risk is the effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

UPMC maintains interest rate swap programs on a variety of its revenue bonds. Management believes that it is prudent to minimize its interest payments. To meet this objective and to take advantage of low interest rates, UPMC entered into various interest rate swap agreements to manage interest rate risk. The notional amount under each interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in various outstanding bond series.

The following is a summary of the outstanding positions of the interest rate swap agreements on the revenue bonds as of September 30, 2009:

<b>Bond Series</b>	<b>Notional Amount</b>	<b>Maturity Date</b>	<b>Rate Paid</b>	<b>Rate Received</b>
1990/2005B	\$153	12/1/2025	3.60%	68% one-month LIBOR
2006A	81	1/15/2036	SIFMA Index	4.16%
2006A	81	1/15/2011	0.00%	1.12%
2007A-1	54	2/1/2021	SIFMA Index	67% three-month LIBOR plus .2077%
2007A-1	46	2/1/2037	SIFMA Index	67% three-month LIBOR plus .3217%
2007A-2	75	2/1/2011	SIFMA Index	4.85%
2007B-1	100	10/15/2010	0.00%	1.051%
2007B-1	100	4/15/2039	SIFMA Index	4.264%
2007B-2	65	10/15/2012	0.00%	0.956%
2007B-2	65	4/15/2039	SIFMA Index	4.264%
2007C	115	8/1/2037	SIFMA Index	3.913%
2007C	115	2/1/2011	0.00%	1.712%
2007D	<u>98</u>	4/9/2010	Two times SIFMA minus	5.7605%
	<u>\$1,148</u>		67% of one-month LIBOR	

In addition to the interest rate swaps shown above, UPMC has an equity index swap which expires in 2011. UPMC receives a return based on the S&P 500, and pays the three-month LIBOR rate plus six basis points. The notional amount was \$50 at September 30, 2009.

The fair value of UPMC's derivative instruments at September 30 and June 30, 2009 is as follows:

<b>Balance Sheet Classification</b>	<b>September 30, 2009</b>	<b>June 30, 2009</b>
Other assets	\$57	\$34
Long-term obligations	(93)	(126)
	(\$36)	(\$92)

The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. None of UPMC's swaps outstanding as of September 30 and June 30, 2009 are designated as hedging instruments and as such, changes in fair value are recognized in investing and financing activity as investment revenue(loss) in the consolidated statements of operations and changes in net assets.

The effects of changes in the fair value of the derivative instruments on the consolidated statements of operations and changes in net assets for the quarter ended September 30, 2009 and 2008 are as follows:

<b>Type of Derivative</b>	<b>Classification of Gain (Loss) on Derivatives Recognized in Excess of Revenues over Expenses (Expenses over Revenues)</b>	<b>Amount of Gain (Loss) on Derivatives Recognized in Excess of Revenues over Expenses (Expenses over Revenues)</b>	
		<b>2009</b>	<b>2008</b>
Interest rate contracts	Investment revenue (loss)	\$52	\$(51)
Equity index contract	Investment revenue (loss)	9	(4)

UPMC's derivative instruments contain provisions that require UPMC's debt to maintain an investment grade credit rating from certain major credit rating agencies. If UPMC's debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position at September 30, 2009 and June 30, 2009 is \$93 and \$126, respectively, for which UPMC has posted collateral of \$53 and \$67, respectively, in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered to the fullest extent on September 30, 2009, UPMC would be required to post an additional \$131 of collateral to its counterparties. Pursuant to master netting arrangements, UPMC offsets the fair value of amounts recognized for derivative instruments, including the right to reclaim or obligation to return cash collateral from/to counterparties.

## **6. Pension Plans**

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

The components of net periodic pension cost for defined benefit pension plans were as follows:

	Quarters Ended September 30	
	2009	2008
Service cost	\$13	\$12
Interest cost	13	13
Expected return on plan assets	(12)	(14)
Recognized net actuarial loss	7	1
Amortization of prior service credit	<u>(1)</u>	<u>(1)</u>
Net periodic pension cost	<u>\$20</u>	<u>\$11</u>

The actuarial assumptions used to determine net periodic pension cost for the quarter ended September 30 for the defined benefit pension plans are as follows:

	Quarters Ended September 30	
	2009	2008
Discount rate	6.70%	6.95%
Expected rate of compensation increase	3.75%	3.75%
Expected long-term rate of return on plan assets	8.00%	8.00%

## 7. Contingencies

UPMC is involved in litigation and responding to requests for information from governmental agencies occurring in the normal course of business. Certain of these matters are in the preliminary stages and legal counsel is unable to estimate the potential effect, if any, upon operations or financial condition of UPMC. Management believes that these matters will be resolved without material adverse effect on UPMC's financial position or results of operations. However, the ultimate outcome and effect on UPMC's financial statements is unknown.

In August 2007, UPMC received a request for information from the Civil Division of the Department of Justice relating to an investigation into the health insurance and hospital services market in and around Pittsburgh, including any potentially anticompetitive agreements. This request covers several prior years. At this time, no specific violations, claims or assessments have been made. Management is cooperating with the information requests and believes that the matter will be resolved without any material adverse effect on UPMC's financial position or results of operations. However, the ultimate outcome and effect on UPMC's financial statements is unknown.

In March and April 2009, several related class action lawsuits were filed against UPMC and certain of its affiliates in the Federal District Court for the Western District of Pennsylvania and the Court of Common Pleas for Allegheny County, Pennsylvania. The Federal District Court cases allege violations of The Fair Labor Standards Act (FLSA) on the basis that certain employees were not paid for all hours that they worked and were not properly paid overtime and, further, that these actions also violated the Employee Retirement Income Security Act (ERISA) and the Racketeer Influenced and Corrupt Organizations Act (RICO). The state court actions allege violations of the Pennsylvania Minimum Wage Act, The Wage Payment and Collection Act and common law on the same factual basis noted above. The lawsuits seek recovery of alleged unpaid wages and benefits and other monetary damages and costs. UPMC does not believe that the allegations have any merit and that the matter will be resolved without any material adverse effect on UPMC's financial position or results of operations. However, the ultimate outcome and effect on UPMC's financial statements is unknown.

In April, 2009, a lawsuit was filed by West Penn Allegheny Health System (WPAHS) against UPMC and Highmark, Inc. in the Federal District Court for the Western District of Pennsylvania (District Court). The lawsuit alleged that UPMC and Highmark have engaged in violations of Sections 1 and 2 of the Sherman Antitrust Act, and that UPMC has engaged in further violations of Section 2 of the Sherman Antitrust Act,

unfair competition against WPAHS, and tortious interference with existing and prospective business relations of WPAHS. WPAHS sought injunctive relief and unspecified compensatory, treble and punitive damages. In October 2009, WPAHS' lawsuit was dismissed by a District Court judge. WPAHS has not yet indicated whether it intends to appeal the District Court's dismissal.

## **8. Subsequent Events**

In October 2009, UPMC's Board of Directors approved Management's plan to close its UPMC Braddock ("Braddock") facility effective January 31, 2010. Clinical operations at Braddock will begin shifting to other UPMC facilities beginning in November 2009. Management anticipates that a majority of Braddock's current employees will be offered employment at other locations within UPMC. Currently, no definitive plans exist with regard to an alternative use for the existing hospital facility and land. UPMC is currently evaluating the effect of this transaction on its financial position and results of operations and is reviewing the recoverability of the approximately \$17 carrying value of the long-lived assets comprising the Braddock facility.

Management evaluated subsequent events through November 13, 2009, the date the unaudited interim consolidated financial statements of UPMC were issued.