DRIVING DRAMATIC CHANGE

THE YEAR IN REVIEW • FISCAL YEAR 2014
OUR MISSION

UPMC’s mission is to serve our community by providing outstanding patient care and to shape tomorrow’s health system through clinical and technological innovation, research, and education.

OUR VISION

UPMC will lead the transformation of health care. The UPMC model will be nationally recognized for redefining health care by:

• Putting our patients at the center of everything we do and creating a model that ensures that every patient gets the right care, in the right way, at the right time, every time.

• Harnessing our integrated capabilities to deliver both superb state-of-the-art care to our patients and high value to our stakeholders.

• Employing our partnership with the University of Pittsburgh to advance the understanding of disease, its prevention, treatment, and cure.

• Fueling the development of new businesses globally that are consistent with our mission as an ongoing catalyst and driver of economic development for the benefit of the residents of the region.

• Serving the underserved and disadvantaged, and advancing excellence and innovation throughout health care.
LEADERSHIP MESSAGE
A Pivotal and Successful Phase of Transformation

It is our pleasure to present this overview of UPMC’s achievements for Fiscal Year 2014, including a look back over the three-year period from Fiscal Years 2012 through 2014.

Fiscal Year 2014 was an enormously successful year, with growth across all business lines and financial performance on par with Fortune 500 corporations — an achievement quite rare in the not-for-profit health care industry. UPMC’s exceptional patient care continued to receive national recognition for its quality and clinical excellence, while the organization’s IRS-defined community contributions approached $900 million.

Of monumental importance was the radical reconstruction of the health care marketplace in western Pennsylvania. With the significant denouement of a 15-year dispute between UPMC and Highmark, employers and the western Pennsylvania community will now benefit from a new, highly competitive marketplace that offers more health care and insurance choices than ever before.

These market changes, combined with the ongoing impact of the Affordable Care Act, create an operating environment that, while competitive, is volatile. The following pages detail the accomplishments and transformations that demonstrate UPMC’s continued leadership and achievement as a national model for excellence.

UPMC is well on its way to transforming itself from volume to value, having made significant progress over the past year in streamlining costs, developing innovative clinical models, and advancing integrated payer/provider initiatives. In addition, the organization is leveraging its entrepreneurial expertise to build new streams of revenue to fuel further development.

UPMC remains well-positioned to support our vital mission of serving the community by providing outstanding patient care to the residents of our region.

G. Nicholas Beckwith III  
Chairperson  
UPMC Board of Directors

Jeffrey A. Romoff  
President and CEO  
UPMC
UPMC STRATEGIC FRAMEWORK

UPMC’s plan for the future is built around a strategic framework that is flexible and agile, allowing for continued growth and success in the rapidly changing health care marketplace. By adhering to the strategic framework and adjusting rapidly to accommodate new challenges, UPMC will continue on its path to outstanding accomplishment.

UPMC STRATEGIC FRAMEWORK
Positioning UPMC for leadership and success in the continual evolution of health care.
The Strategic Framework Has Become the Action Plan

UPMC goals for Fiscal Year 2014 were guided by the following pillars:

**NEW MODELS OF CARE**
- Transition from volume to value and adapt to shifting payment models

**GOOD SCIENCE**
- Develop innovative scientific approaches that will change the health care paradigm

**SMART TECHNOLOGY**
- Leverage technology and analytics to foster intelligent and efficient new models

**SOUND FINANCE**
- Continually evaluate and refine operating model to maintain efficiency and agility

**SYMBIOTIC RELATIONSHIPS**
- Pursue strategic and collaborative affiliations to maintain market leadership
A PERIOD OF IMPRESSIVE ACHIEVEMENT, GROWTH, AND CARE FOR THE COMMUNITY

UPMC continued to build on its record of outstanding performance and unmatched community commitment in a particularly challenging business environment. The organization delivered world-class care while implementing changes to meet the requirements of national health care reform, adapting to declining government reimbursements, adjusting to the transition of patient care from inpatient to outpatient settings, and responding to heightened competition in the markets it serves.

Recognized Excellence in Caring for Residents of Western Pennsylvania

UPMC’s clinical excellence and superior service — its core assets — continued to be recognized and rewarded in Fiscal Year 2014. The organization’s 3,500 employed physicians, 12,000 nurses, and the many other UPMC staff who serviced more than 4 million patient visits, contributed to earning numerous accolades for world-renowned quality and innovation. UPMC also leveraged its close relationship with its academic partner, the University of Pittsburgh, to advance research leading to new scientific and medical discoveries.

In Fiscal Year 2014, UPMC was included on the U.S. News & World Report Best Hospitals Honor Roll for the 15th time. Similarly, UPMC’s Insurance Services products continued to demonstrate exceptional quality and the highest levels of customer satisfaction in the region, including No. 1 rankings in Pennsylvania from NCQA and Consumer Reports for Medicaid and Commercial HMOs. UPMC was also recognized as an “Elite 100” by InformationWeek — ranking 20th on the publication’s list of most innovative companies across all industries. In addition, the American Hospital Association’s Hospitals & Health Networks journal named UPMC as one of the most wired health systems in the country, and recognized the UPMC Technology Development Center with the Innovator Award.

UPMC’s Growth and Success Are Driven by a Reputation for Exceptional Care and Quality

Fiscal Year 2014 was a period of significant success across the entire organization, which allowed UPMC to continue reinvesting in world-class care.

UPMC continued to grow patient volumes throughout its extensive network of more than 20 hospitals, 400 clinical locations, and 5,500 affiliated physicians, even as the overall market for inpatient services in western Pennsylvania experienced contraction. Patient admissions and observations at UPMC facilities climbed to 287,000 cases, a 22 percent increase over the three-year period, attributable to a combination of organic growth and growth through hospital development and mergers. As a result, UPMC’s inpatient market share grew to 41.4 percent in the western Pennsylvania 29-county region.

UPMC expanded its geographic footprint during the reporting period, and intensified its market leadership in the western Pennsylvania region through synergistic integration and affiliation activities. On July 1, 2013, UPMC integrated what is now known as UPMC Altoona, a $500 million operation that is the premier health care provider in Blair County and throughout the surrounding region. During the fiscal year, UPMC also completed the third year of integration at Erie’s UPMC Hamot, and expanded the hospital’s reach into the southern tier.
of western New York. At the same time, UPMC East, UPMC’s newest hospital, demonstrated strong results in its second year of operations.

UPMC Insurance Services, now in its 18th year of operations, continued to offer desirable and competitive products, with enrollment exceeding 2.3 million lives, a surge of 45 percent since Fiscal Year 2011, and 9 percent year-over-year growth in Fiscal Year 2014. UPMC Health Plan’s commercial market share reached 22 percent in western Pennsylvania, an increase of more than 20 percent over the three-year period, despite heightened competition from national insurance carriers establishing footholds in the region. Notably, UPMC achieved significant growth across all government insurance products in western Pennsylvania, reaching 27 percent market share for Medicare Advantage, 51 percent for Medicaid, and 46 percent for Children’s Health Insurance (CHIP). UPMC now ranks 10th in the country in Medicaid insurance services revenue, 11th in Medicare, and is the largest provider-affiliated entity nationwide serving Medicaid. Additionally, Community Care Behavioral Health is the largest behavioral health company operating in Pennsylvania, with 43 percent of the statewide HealthChoices Medicaid market share.

UPMC’s International and Commercial Services Division (ICSD) achieved the most financially successful year since its inception, contributing significantly to UPMC’s bottom line through innovative health-related business ventures that effectively commercialize UPMC’s specialized expertise. In Fiscal Year 2014, UPMC was able to reap significant benefits from products developed and incubated at the UPMC Technology Development Center, including the internal use and commercialization of specialized medical coding and document improvement tools created with the support of cutting-edge natural language processing technology. The division benefited from the liquidation of two portfolio companies — Intrexon and BodyMedia.

Internationally, UPMC expanded its relationship, which commenced in 2013, with Nazarbayev University of Kazakhstan to spearhead development efforts for a cancer center designed to dramatically improve cancer survival rates in Kazakhstan. In Italy, UPMC expanded its operations to include outpatient diagnostic services for liver and digestive disorders in the Tuscany Region.

UPMC’s stellar financial results allowed for significant investment in the community, while placing the organization in a strong financial position. In Fiscal Year 2014, the organization’s operating revenue reached $11.4 billion, an increase of 30 percent over the past three years. In addition, EBIDA consistently topped $600 million. In Fiscal Year 2014, UPMC achieved a 14.8 percent return on its investment portfolio, with $393 million in investment income. These impressive results supported reinvestment averaging more than $500 million a year in new facilities and equipment, information technology, and cutting-edge care for residents of western Pennsylvania. UPMC’s strong financial position was affirmed by Moody’s Investors Service in its “Aa3” long-term rating.

UPMC’s Unparalleled Contributions Enhance the Community

Throughout this period, UPMC continued to give back to the region, contributing a record-setting $887 million in the most recent year to support community programs and initiatives benefiting residents of communities throughout western Pennsylvania. With charity care exceeding $100 million per year, UPMC provided 77 percent of medical care for residents of Pittsburgh’s lowest-income neighborhoods. UPMC additionally contributed $238 million for community health improvement programs and contributions, and allocated $381 million for research and education to support scientific innovation and discovery, working in concert with the University of Pittsburgh.
A TURNING POINT IN WESTERN PENNSYLVANIA’S COMPETITIVE MARKETPLACE

At the conclusion of Fiscal Year 2014, UPMC entered into a consent decree with the Governor and Attorney General of the Commonwealth of Pennsylvania, which achieved goals set out in a resolution by the UPMC Board of Directors regarding the expiration of UPMC’s commercial insurance contracts with Highmark.

The consent decree lays out a transition agreement that is monumental in its impact. Most importantly, it sets the stage for a more open, competitive marketplace in western Pennsylvania. UPMC, Highmark, and national insurers will now compete on the basis of quality, cost, and the availability of medical services — making UPMC’s quality and value more important to consumers than ever before.

Transformation of the Insurance Marketplace, Culmination of a Multiyear Process

This positive outcome reflects the successful implementation of UPMC’s Inclusive Insurance Strategy. Four years ago, UPMC set out to cultivate a competitive regional insurance marketplace. As a direct result of this effort, several major national insurance carriers entered the western Pennsylvania market and established strong footholds.

The consent decree, announced on June 27, 2014, sought to provide closure and clarity by confirming UPMC’s position and enabling the rollout of a truly competitive regional insurance marketplace. This transformation significantly enhances regional health care by expanding choice and decreasing insurance premiums for employers, communities, and individuals. The Inclusive Insurance Strategy creates a more diversified commercial revenue stream for UPMC, as the organization now sees growing volumes and increasing net revenues from multiple national payers, as well as the UPMC Health Plan.

The Community Now Has Choices

UPMC Health Plan

Aetna

Cigna

Coventry HealthAmerica

UnitedHealthcare
UPMC IS WELL-POSITIONED FOR THE FUTURE

Over the past three years, UPMC has cultivated many seeds of change to position the organization for continued success in a new market environment. By harnessing the power of UPMC’s integrated entrepreneurial model, the organization is transitioning from volume to value, finding creative ways to maintain and improve quality, and effectively lowering costs. A participant in virtually every segment of the health care business, UPMC is a model for the national transformation of the industry.

Focusing on the Patient, Member, and Community

An overarching goal for Fiscal Year 2014 focused on anticipating and responding to inevitable changes created by the Affordable Care Act. In particular, UPMC took significant steps to effectively compete in the consumer-driven market environment now defined by the evolution of health insurance exchanges, increasingly common high deductibles, and narrow networks.

By harnessing the power of our organizational pillars — Good Science, Smart Technology, New Models of Care, and Sound Finance — UPMC is transitioning from volume to value, and changing the way it provides the exceptional care that built its unequaled reputation. Through it all, UPMC continues to put the patient first, as affirmed by increasing patient satisfaction scores and enhanced quality metrics.
Transforming Through Clinical Innovation, New Models of Care, and Good Science

While evolving the organization, UPMC continued to leverage both its Integrated Delivery and Financing System (IDFS) structure and its collaborative relationship with the University of Pittsburgh Schools of the Health Sciences to advance payer-provider initiatives leading to clinical improvements and care efficiencies. The use of Good Science, facilitated by data analytics to transform care delivery, has shown promising and insightful initial results.

UPMC deployed clinical innovation initiatives broadly throughout its provider and payer networks, with the goal of reducing unnecessary care by minimizing emergency department visits, eliminating excessive testing, and avoiding futile end-of-life care. In addition to carrying out major infrastructure-building in the form of nearly 100 Clinical Pathways and industry-leading analytics capabilities that embrace Personalized Medicine, highlights include:

- **Patient-Centered Medical Homes** supported by **Primary Care Shared Savings models** deployed broadly throughout the network of participating physicians, resulting in positive quality outcomes and reduced emergency department visits for participating patients.

- **Bundled Targets/Shared Savings arrangements** were launched for several medical specialty areas, building on findings this year of successful methods and incentives that demonstrate cost efficiencies, as well as improved quality and patient satisfaction.

- **Palliative and Supportive Care** expanded across UPMC locations as consults increased to 22,000, exceeding national benchmarks.

- **Rural Health Homes** were developed for persons with serious mental illness.

- **An Accountable Care Organization** was created for UPMC Health Plan members with UPMC and regional hospital providers.

- **The UPMC Center for High-Value Health Care** evolved over the past three years to function as a laboratory for the development of payer-provider partnerships, while facilitating new care delivery and payment methods. The center received two prestigious federal Patient-Centered Outcomes Research Institute awards to evaluate health and cost outcomes.
## Continuous Transformation: Evolution of New Care Models

<table>
<thead>
<tr>
<th>COORDINATED CARE</th>
<th>COMPLETED</th>
<th>IN PROGRESS</th>
<th>BEGINNING IN 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team care</td>
<td>Nurse Coordinators</td>
<td>• Add Advanced Practice Providers</td>
<td>• Add Pharmacist, Behavioral Health</td>
</tr>
<tr>
<td></td>
<td>Primary Care</td>
<td>• Extensivist Home</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Palliative Care</td>
<td>• Specialty Home</td>
<td></td>
</tr>
<tr>
<td>Medical Homes</td>
<td>• Add Advanced Practice Providers</td>
<td>• Extensivist Home</td>
<td>• Specialty Home</td>
</tr>
<tr>
<td></td>
<td>• Add Pharmacist, Behavioral Health</td>
<td>• Extensivist Home</td>
<td>• Specialty Home</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CONTINUOUS CARE</th>
<th>COMPLETED</th>
<th>IN PROGRESS</th>
<th>BEGINNING IN 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access</td>
<td>3-Day Access for New Patients</td>
<td>• All Patients with Acute Problems</td>
<td>• Care starts with First Contact (phone, electronic)</td>
</tr>
<tr>
<td></td>
<td>Discharged Patients</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Monitoring</td>
<td>Home Care</td>
<td>• Computer/Tablet</td>
<td>• Remote Monitoring Expansion</td>
</tr>
<tr>
<td></td>
<td>tMed</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Biosensors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCOUNTABLE QUALITY</td>
<td>Order Sets</td>
<td>• Workflow, Decision Support</td>
<td>• Machine Learning</td>
</tr>
<tr>
<td>Pathways</td>
<td>Design Pathway</td>
<td>• UPMC Convergence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spreadsheet</td>
<td>• Enterprise Data Warehouse</td>
<td>• Outcome Reporting</td>
</tr>
<tr>
<td></td>
<td>EHR Warehouse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFFORDABLE CARE</td>
<td>Fee for Service</td>
<td>• Bundling Episodes of Care (Procedures)</td>
<td>• Capitation of Population</td>
</tr>
<tr>
<td>Compensation Models</td>
<td>Care Coordination</td>
<td>• Bundling Continuum of Care (Diseases)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shared Savings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Empowering Transformation Through Smart Technology

UPMC received widespread national attention in Fiscal Year 2014 for its information technology (IT) expertise, which continued to energize the development of innovative technological solutions for the organization, as well as deployment of commercial products developed through UPMC’s Technology Development Center. Over the past five years, UPMC has invested more than $1.5 billion in IT, covering a wide range of analytics and technology applications that support clinical excellence and administrative efficiency at UPMC. Many of these applications have strong potential for commercial success. Highlights over the past year include:

- **The MyUPMC patient portal** — which provided nearly 300,000 patients with user-friendly access to services, such as scheduling, physician messaging, and prescription refills — and **UPMC AnywhereCare**, a virtual care application to enhance convenience and access, while bridging geographic barriers.

- **Coding and document improvement-related applications developed by the UPMC Technology Development Center** were effectively deployed throughout the organization. These unique natural language technology-based applications are already improving documentation and productivity. In particular, the Hierarchical Condition Category (HCC) Scout, deployed by UPMC Health Plan to augment the process used to capture medical conditions for Medicare Advantage members, and the Computer-Assisted Coding (CAC) and Clinical Documentation Improvement (CDI) applications, deployed across the organization, enable increased automation, accuracy, and revenue capture.

- **UPMC’s Electronic Health Record system**, one of the most advanced in the country, is now earning incentive payments for its compliance with “meaningful use” regulations. The UPMC system provides the basis for the regionwide, collaborative ClinicalConnect Health Information Exchange, which now includes more than 2.1 million participating patients from 10 provider organizations across western Pennsylvania.

- **UPMC’s Enterprise Analytics infrastructure** continues to take hold, creating a unique opportunity to meld payer, provider, and genomic data in a manner that holds potential for clinical effectiveness research and “bench to bedside” interactions — which may ultimately lead to cures during the lifetimes of today’s clinicians.
STREAMLINING OPERATIONS BASED ON SOUND FINANCE

UPMC’s growth and achievement continue to be predicated on principles of sound financial management and agility. In Fiscal Year 2014, UPMC continued to transform operations to achieve the efficiencies and expense reductions necessary for UPMC to remain competitive, while maintaining absolutely state-of-the-art care delivery. Examples include redesign of inpatient care processes, and movement from inpatient to outpatient sites of service.

Enhancing Access to UPMC Ambulatory Services

UPMC evolved its ambulatory strategy through the relocation of the Children’s Bethel Park activities to a newly constructed, four-story outpatient facility located in the growing community of South Fayette. In October 2013, UPMC broke ground for the Mario Lemieux Sports Complex in Cranberry Township, which will incorporate state-of-the-art treatment, orthopedic, and therapy programs, and a training center for the Pittsburgh Penguins hockey team. UPMC CancerCenters continued to expand its geographic footprint to Altoona and Butler in Pennsylvania, Hagerstown in Maryland, as well as to international locations.

Controlling Expenses While Maintaining Quality

The organization’s cost structure was adapted to make it more efficient and competitive, and investments were made in technology and analytics — including a proprietary Enterprise Cost Management system — that will play an essential role in pinpointing ways to control expenses while maintaining quality. Acceptance testing was initiated at UPMC Presbyterian Shadyside, and subsequently implemented at seven additional UPMC hospitals. In addition, standardized service line analytics were expanded to include profit and loss reporting, and analytics for Women’s Health and Neurosurgery were added. Opportunity assessments were conducted to determine high-priority improvement targets. Revenue cycle functions, including patient concierge services, coding operations, and patient business services were integrated. UPMC Information Services also identified significant operational efficiencies through reductions in duplication, data storage, and other fees.

The new, 180,000-square-foot UPMC Lemieux Sports Complex in Cranberry Township is scheduled to open in 2015.
DEVELOPING NEW REVENUE STREAMS THROUGH ENTREPRENEURIAL APPROACHES

Within the Fiscal Year, UPMC made significant progress in evolving from a hospital-centric entity into a highly diversified organization that builds new revenue streams through commercialization of its clinical, operational, and technological expertise. By forging partnerships with national IT leaders, UPMC is rebasing revenues and increasing its recognition as a health care advisory and IT organization.

UPMC's Unique IDFS Structure Is a Marketable Product

Four years ago, UPMC Health Plan collaborated with the Advisory Board Company to form Evolent Health, a commercial venture that leverages UPMC Health Plan’s intellectual capital, care management software, and proprietary predictive analytic technologies around population health management. Evolent provides transformative products and services to health systems around the country that are seeking to become more risk-assuming in the context of Accountable Care. In January of 2014, Forbes Magazine ranked Evolent Health fourth in its “Twenty-Five Most Promising Companies” list.

During Fiscal Year 2014, the company experienced high demand from its extensive pipeline of health care organizations around the country. Evolent Health continued to build a robust book of business, and is projected to exceed $100 million in revenue in calendar year 2014. Additionally, the company raised $100 million in capital through a financing effort led by TPG Capital. The outlook for the company remains strong, as Evolent enables provider systems to thrive in the Accountable Care environment — an area in which UPMC is viewed as both a national leader and role model.

Unleashing the Potential of UPMC Technology and Innovation

UPMC further accelerated its goal to leverage and commercialize its IT expertise and clinical experience in Fiscal Year 2014. Using the UPMC Technology Development Center as the point of focus, UPMC is collaborating with industry-leading partners to develop new products and bring them to market.
- **Convergence**, clinical engagement software developed by UPMC’s Technology Development Center, earned UPMC the 2014 Innovator Award from the American Hospital Association’s journal, *Hospitals and Health Networks*. It was also recognized in the recent *InformationWeek* article, “20 Great Ideas to Steal in 2014.” Convergence simplifies the physician experience, and potentially improves clinical outcomes, by using cutting-edge technology to streamline the way physicians interact with a clinical desktop at the point of care. In February 2014, UPMC’s IT developers and clinicians in the UPMC Presbyterian Department of Cardiology conducted a focused pilot of the Convergence application, achieving positive outcomes. In Fiscal Year 2015, development work on Convergence will be finalized, and the application will be readied for commercial distribution.

- **Significant progress was made by Omnyx, UPMC’s digital pathology partnership with GE.** Milestones include commercial launch in Europe, the United States, and Canada, and the implementation of digitization and computer-aided diagnosis components at UPMC Presbyterian Shadyside and UPMC CancerCenters. Deployment to UPMC’s new Clinical Laboratory — to support enterprise transplant tissue typing and the histology laboratories — also progressed, as well as advancements in digital pathology frozen-section testing for secondary diagnosis of specific breast cancer markers.

- In Fiscal Year 2014, UPMC continued operations of wholly owned companies created to commercialize its own proprietary solutions, such as Prodigo, Askesis, D3, Dialysis, and eBenefits. Notably, **through a control investment in Health Fidelity, UPMC laid the foundation for commercialization of natural language processing-enabled products** currently under development, such as HCC Scout. Additionally, UPMC continued collaborative joint development of new information technology solutions with companies such as GE Healthcare and Optum.
A SUSTAINED TRAJECTORY OF GROWTH AND SUCCESS

With revenues comparable to a corporation ranking 242 on the Fortune 500 list — on par with H.J. Heinz Company, ADP, and Visa Inc. in Fiscal Year 2014 — UPMC is uniquely positioned for continued leadership in the health care industry.

FISCAL YEARS 2000-2014

- 12 percent Average Annual Growth Rate in Revenues
- 6 percent Average Annual Growth Rate in Employees
- *U.S. News & World Report* — Honor Roll
  Recognized 15 times

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable Fortune 500 Rank</td>
<td>-</td>
<td>-</td>
<td>460</td>
<td>393</td>
<td>380</td>
<td>383</td>
<td>360</td>
<td>363</td>
<td>350</td>
<td>330</td>
<td>283</td>
<td>275</td>
<td>269</td>
<td>264</td>
</tr>
</tbody>
</table>
HIGHLIGHTS:
FINANCIAL AND OPERATIONAL

UPMC extended its track record of strong financial and operational management in a highly challenging and competitive period for health care organizations. UPMC’s success enables continued development of the organization, and ongoing investment in the future of western Pennsylvania.

**UPMC’s Strong Financial Position Allows Reinvestment in the Community**

**Achieved Strong Financial Results:**

- UPMC’s operating revenues were at an all-time high of $11.4 billion, up by 30 percent since Fiscal Year 2011.

- Operating income was $190 million, representing a 1.7 percent positive operating margin.

- UPMC’s Fiscal Year 2014 net income increased by 37 percent over Fiscal Year 2013 to $567 million.

A further indicator of UPMC’s strong, long-term financial performance in Fiscal Year 2014, UPMC’s operating EBIDA was $644 million, topping $500 million for the 10th consecutive year.

**UPMC Operating Revenue Trend (In billions)**

(Fiscal Years Ended June 30)
UPMC Is Well-Positioned for the Future

Maintained “Aa3” Rating from Moody’s Investors Service:

- UPMC achieved a 14.8 percent return on its investment portfolio, with $393 million in investment income.

- Investment reserve portfolio reached $4.3 billion.

Diversified Revenues — Developed New Sources of Revenue by Commercializing Expertise and Pursuing Strategic Alliances:

- ICSD had its strongest results to date, contributing significantly to UPMC’s total operating income.

- Evolent is an example of a UPMC commercial venture that is achieving early success. No. 4 on the *Forbes Magazine* 2014 list of most promising companies, Evolent is exceeding revenue and EBIDA projections and is on target to generate $100+ million of revenue in calendar year 2014.

Improved Monetary Reserves:

Unrestricted cash over debt reached $1 billion.

---

**UPMC Unrestricted Cash Over Debt**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$245</td>
</tr>
<tr>
<td>2012</td>
<td>$291</td>
</tr>
<tr>
<td>2013</td>
<td>$382</td>
</tr>
<tr>
<td>2014</td>
<td>$1,001</td>
</tr>
</tbody>
</table>

(Fiscal Years Ended June 30)
HIGHLIGHTS:
COMMUNITY BENEFITS

UPMC made significant and sustained investments in the health and well-being of western Pennsylvania communities. In one year, UPMC spends more on community benefits than it cost to build Heinz Field, PNC Park, and CONSOL Energy Center, combined.

UPMC Provided More Community Benefits Than Any Other Hospital or Health System in Western Pennsylvania

Over the past three years UPMC provided:

- More than $2 billion to community programs and services, including nearly $300 million in charity care.

- Over 60 percent of the hospital charity care in western Pennsylvania — more than all other western Pennsylvania hospitals combined.

- Nearly $500 million in biomedical research at the University of Pittsburgh, and nearly $400 million in educational programs to foster the next generation of physicians, nurses, pharmacists, lab technicians, and other health care professionals.

- Thousands of free programs on wellness and chronic disease support.

- Outreach to populations in need: free or discounted immunizations, vaccinations, medications, and transportation.

- Support to more than 1,000 charitable organizations throughout the region, including a $100 million pledge to the Pittsburgh Promise.

Exceptional Performance: Community Benefits (In millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Support for research and education</th>
<th>Community health programs and donations</th>
<th>Charity care and unreimbursed costs from programs for the poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>$565</td>
<td>$288</td>
<td>$381</td>
</tr>
<tr>
<td>FY12</td>
<td>$266</td>
<td>$96</td>
<td>$238</td>
</tr>
<tr>
<td>FY13</td>
<td>$206</td>
<td>$93</td>
<td>$268</td>
</tr>
</tbody>
</table>

UPMC cares for 40% of western Pennsylvania patients ... yet UPMC provides 62% of hospital charity care in the region.
Reinvested in World-Class Health Care Delivery and Infrastructure:

- $1.6 billion in capital investments over three years, including new facilities and information technology, to facilitate delivery of world-class care for patients.

Supported the Local Economy:

- UPMC supported almost 118,000 total jobs (directly and indirectly), which represents one in five hospital jobs in the state.

- UPMC accounted for nearly a quarter of the statewide economic impact of Pennsylvania hospitals — a 5.4 percent increase over the previous year.

- In partnership with the University of Pittsburgh, UPMC brought jobs and more than $430 million in National Institutes of Health (NIH) research funding to the region.

UPMC continues to be the largest nongovernmental employer in Pennsylvania.

<table>
<thead>
<tr>
<th>UPMC’s Fiscal Year 2013 Economic Impact</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Impact</td>
<td>$22.9 billion</td>
</tr>
<tr>
<td>Jobs</td>
<td>118,000</td>
</tr>
<tr>
<td>FTE</td>
<td>54,000</td>
</tr>
<tr>
<td>Salaries</td>
<td>$3.5 billion</td>
</tr>
</tbody>
</table>

Source: Hospital Association of Pennsylvania (HAP) Economic Impact Analysis, May 2014
MARKET GROWTH

UPMC achieved significant growth and increased market share in both Provider Services and Insurance Services — a remarkable accomplishment given the market conditions.

UPMC Provider Services: Market Growth in Western Pennsylvania

- UPMC hospital admissions and observations grew by 22 percent since Fiscal Year 2011 — reaching nearly 300,000 — despite an annual 3 percent contraction of inpatient services in the region.

- UPMC’s share of the total Allegheny County market was maintained at 61 percent. UPMC’s western Pennsylvania market share grew to more than 41 percent.

- Market share increased across key service lines: cardiology, medical and surgical oncology, urology, neurology, and neonatology.

- Integration of UPMC Altoona, UPMC Hamot, and UPMC East enhanced UPMC’s positive trajectory.
### UPMC Expanded Collaborative Relationships With Regional and Peripheral Hospitals and Physicians

- UPMC developed an array of mutually beneficial partnership models, including support and clinical integration, joint ventures, physician engagement, and mergers. Initiatives included:
  - Purchase of Jamestown Area Medical Associates, strengthening UPMC Hamot’s service offerings in Chautauqua County, New York.
  - Establishment or expansion of physician joint ventures with Grove City and Uniontown Hospitals.
  - Enhancement of UPMC services in Butler, and at Monongahela Valley Hospital and Ohio Valley Hospital.
  - Provision of OB/GYN resources by Magee-Womens Hospital of UPMC to residents of Grove City, Clarion, Ellwood City, and Titusville.
  - Positive and constructive relationships with regional community hospitals through physician coverage agreements, including emergency care, expansion of UPMC CancerCenter joint ventures, UPMC Health Plan products, and shared savings programs.

- UPMC serves as the regional referral center for community hospitals in western Pennsylvania. Enhancement of MedCall patient transfer services resulted in a steady transfer volume from non-UPMC facilities.

### Patients at UPMC Hospitals

#### Three-Year Trend: 22% Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Admissions</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Membership in UPMC insurance products increased by 45 percent over the past three years to 2.3 million.

- In Fiscal Year 2014, UPMC Health Plan continued to offer distinctive products and services in the Pennsylvania market, and grew membership by more than 9 percent, despite intense competition from Highmark and national insurers.

- UPMC Health Plan commercial market share in western Pennsylvania increased by more than 20 percent since 2011 to a share of 22 percent.

- UPMC Health Plan’s western Pennsylvania market share increased in all government products: Medicare Advantage — 27 percent; Medicaid — 51 percent; and CHIP — 46 percent.

- UPMC’s Community Care Behavioral Health is the largest Medicaid behavioral company operating in Pennsylvania, with 43 percent market share in western Pennsylvania.
UPMC Is the Second-Largest Provider-Led Integrated Delivery and Financing System in the Country

- UPMC Insurance Services revenue exceeded $5 billion in Fiscal Year 2014.
- UPMC Health Plan diversified and expanded its scope of business ventures by becoming clinically licensed in all 50 states, starting three new companies in Fiscal Year 2014, and winning business nationwide.

UPMC’s insurance products rank among the largest in the nation.

### Medicaid Insurance Revenue (In billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (In billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>$1.4</td>
</tr>
<tr>
<td>FY12</td>
<td>$1.7</td>
</tr>
<tr>
<td>FY13</td>
<td>$2.0</td>
</tr>
</tbody>
</table>

UPMC had more top-line Medicaid revenue than any other provider-affiliated entity nationwide in the most recent NAIC reporting cycle.

### Medicare Insurance Revenue (In billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (In billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>$1.1</td>
</tr>
<tr>
<td>FY12</td>
<td>$1.3</td>
</tr>
<tr>
<td>FY13</td>
<td>$1.4</td>
</tr>
</tbody>
</table>

UPMC climbed two places in Medicare revenue rankings in the most recent NAIC reporting cycle.

Source: National Association of Insurance Commissioners (NAIC)
HIGHLIGHTS:

PATIENT, MEMBER, AND EMPLOYEE EXPERIENCE

UPMC provides cutting-edge care, exceptional products, and superior services — through a culture grounded in innovation, excellence, dignity, and respect.

UPMC Values

This year, UPMC introduced five core values that define the organization and articulate the culture that built UPMC into one of the top health care systems in the country.

- These values are embodied by the more than 60,000 dedicated professionals who work every day to deliver on UPMC’s mission of excellence, innovation, and Life Changing Medicine.
- UPMC continued to advance and implement succession planning initiatives, achieving low turnover of top performers and reporting favorable results through the MyVoice Engagement Survey.

QUALITY & SAFETY
We create a safe environment where quality is our guiding principle.

DIGNITY & RESPECT
We treat all individuals with dignity and respect.

CARING & LISTENING
We listen to and care for our patients, our health plan members, our fellow employees, our physicians, and our community.

RESPONSIBILITY & INTEGRITY
We perform our work with the highest levels of responsibility and integrity.

EXCELLENCE & INNOVATION
We think creatively and build excellence into everything we do.
Fostering a Customer-Focused Culture

- Introduced a major focus on Patient Experience in Fiscal Year 2014. Drawing on resources from throughout the organization, UPMC is focusing on key drivers of the patient experience and implementing targeted improvements based on best practices.

- Demonstrated ongoing improvement in key measures of patient satisfaction throughout all care settings.

- Launched an interactive QualityTransparency tool on UPMC.com, promoting transparency in a manner that is useful and user-friendly for patients and families.

UPMC Health Plan member and provider satisfaction ranked No. 1 in the Pittsburgh market by The Meyers Group, with provider satisfaction and loyalty exceeding 91 percent.
HIGHLIGHTS:

AWARDS AND ACCOLADES

UPMC is recognized as a leader and a model delivery system on a national stage. The following awards and accolades recognize UPMC’s numerous achievements in Fiscal Year 2014.

Clinical Excellence

- UPMC was listed on the *U.S. News & World Report* Honor Roll of “Best Hospitals” for the 15th time. UPMC ranks No. 1 in Pittsburgh, and is ranked among the top 10 hospitals in the country in six specialties: ear, nose and throat; gastroenterology; gynecology; psychiatry; pulmonology; and rheumatology.

- Children’s Hospital of Pittsburgh of UPMC ranked No. 9 in the nation on the *U.S. News & World Report* Honor Roll of America’s “Best Children’s Hospitals.”

- Magee-Womens Hospital of UPMC was nationally ranked in gynecology and orthopedics by *U.S. News & World Report*.

- UPMC’s commercial, Medicare, and Medicaid health insurance plans ranked among the top 10 percent in the nation by National Committee for Quality Assurance (NCQA) and *Consumer Reports*. Commercial and Medicaid Ranked No. 1 in Pennsylvania.
Clinical Innovation and Research

- Top 10 among research institutions with University of Pittsburgh receiving $430 million in funding from National Institutes of Health (NIH) for biomedical research, bringing the latest developments from bench to bedside.

Customer Service

- UPMC Health Plan recertified as a J.D. Power Certified Call Center. Only 31 call centers in the nation received this designation.

- Numerous awards for Best Customer Experience and Call Center Service from worldwide organizations, including International Customer Management Institute (ICMI) and Service Quality Measurement (SQM) Group.

Innovative Programs for Wellness

- UPMC named “Best Employer for Healthy Lifestyles” for six consecutive years by National Business Group on Health, recognized for the MyHealth program.

- UPMC was recognized by the Pittsburgh Business Times and the Healthiest Employers organization as one of the Healthiest Employers of western Pennsylvania.
HIGHLIGHTS:

CLINICAL INNOVATION

UPMC continues to be a leader in medical innovation and research. Through close collaboration with the University of Pittsburgh, UPMC is pinpointing causes of disease, developing innovative treatments, and delivering new treatments to the bedside.

Clinical Care Milestones

- Magee-Womens Hospital of UPMC performed the first 3D-guided breast biopsy in the United States.
- UPMC Heart and Vascular Institute performed Pennsylvania’s first minimally invasive heart pump implant.
- Physicians at UPMC implanted Pennsylvania’s first wireless pacemaker.
- A Magee-Womens surgeon performed the region’s first robotic, single-site hysterectomy.
- One of the first facilities in the region to schedule virtual doctor visits, UPMC is improving access and reducing rising costs.
- UPMC was one of only a few facilities in the nation to offer advanced personalized gene technology to combat cancer.
- UPMC and the University of Pittsburgh are investing $30 million over the next five years into the new Heart, Lung, Blood, and Vascular Medicine Institute (VMI).
- UPMC CancerCenter and the University of Pittsburgh Cancer Institute received $11 million from the National Cancer Institute to support ovarian cancer research.
- A UPMC physician reached the rare milestone of performing his 3,000th prostate surgery.
- UPMC opened a new $39 million clinical lab to provide faster diagnostic testing for patients.

UPMC Presbyterian Shadyside was recognized for Highest-Quality Cardiac Care by the Society of Thoracic Surgeons.
UPMC Innovation Recognized

UPMC had 172 international placements, and more than 28,458 media placements, including:

**The Atlantic**
Doctors at UPMC Presbyterian Hospital in Pittsburgh are beginning the first-ever human trials of "suspended animation" among gunshot victims with potentially fatal injuries.
May, 2014

**The Washington Post**
"Over two decades, UPMC went from a tiny start-up to the dominant health plan in western Pennsylvania."
July, 2013

**TIME**
"UPMC has made huge investments in Pittsburgh, but also exports its know-how to other countries."
July, 2013

**Pittsburgh Tribune-Review**
"UPMC Among 7 Facilities in Nation Using Advanced Gene Technology in Cancer Fight"
November, 2013

**The Wall Street Journal**
Analytics Help UPMC Slash Readmission Rates
June, 2014

**The New York Times**
UPMC is at the forefront of...predictive analytics.
HIGHLIGHTS:
TECHNOLOGY LEADERSHIP

UPMC continues to shape the future of health care by developing innovative technologies that improve care, enhance efficiency, and change the face of health care delivery.

“Hospital giant UPMC ranked first nationwide among most innovative users of business technology according to a list developed by the magazine InformationWeek.”

UPMC Ranked First in Technology

*Pittsburgh Business Times,* December, 2013

“Addressing the ‘holy grail of cost and quality,’” UPMC has built software that shows physicians how they can achieve the most desirable outcomes from procedures using more efficient, lower-cost clinical processes and equipment ...”

UPMC Selling Analytics to Curb Health Care Costs,

*Wall Street Journal,* April, 2014

“Convergence, a touch app for Windows 8 tablets created by UPMC, gives fingertip access to patient summary data pulled from one or more underlying electronic health record systems.”

UPMC Tablet App Speeds EHR Access

*InformationWeek,* February, 2014

“We’re making it happen here in Pittsburgh. We really are transforming the face of health care.”

Pittsburgh TechShop at Bakery Square in Spotlight for President Obama’s Visit

*WTAE,* June, 2014
“UPMC, the No. 1 company in the InformationWeek 500 ranking, expects tech to improve patient health, cut operating costs, and also be a revenue source.”

How UPMC Plans to Win in Healthcare IT
InformationWeek, September 2013

“Telemedicine is ... the next big thing in health care and UPMC is establishing a beachhead in the new model of care.”

Use of Telemedicine Surges at UPMC
Pittsburgh Business Times, May 2014

“Using digital clinical records and text mining to search for words or phrases, medical professionals at UPMC can assess the likelihood of certain patients needing emergency care.”

The Numbers Stack Up for Better, Cheaper Treatment
Financial Times, December, 2013

“UPMC’s latest overseas project won’t require anyone to get on an airplane ... Using video equipment to examine patients thousands of miles away, UPMC doctors will provide second opinions and consultations to counterparts in India and Afghanistan.”

UPMC Expands Global Research by Video
Pittsburgh Tribune Review, February, 2014

“At a UPMC lab in Bakery Square, you won’t find technicians analyzing blood samples, human tissue, or medical x-rays. They are busy working on ways the company can use technology for patient care.”

In a Quest to Marry Medicine, Technology, UPMC Investing Millions Into Mobile Wellness Tools
Pittsburgh Tribune Review, September, 2013

UPMC named “Most Wired” health system for the 16th consecutive year, the only health system in the U.S. to achieve that honor from Hospitals & Health Networks.
UPMC IS UNIQUELY POSITIONED FOR THE FUTURE

Position of Excellence in Every Health Care Sector

CLINICAL CARE PROVIDER

- Grown from a single psychiatric hospital in 1973 to a 21-hospital system today
- Ranked No. 1 in Pennsylvania and No. 12 nationally in U.S. News & World Report Honor Roll

Best care recognized again.

ACADEMIC MEDICAL CENTER

- With University of Pittsburgh, increased NIH funding from $25M (36th) in 1980 to $430M (6th) today
- One of the largest programs in the U.S. — trains nearly 1,800 residents and fellows
- More than 3,500 employed physicians

National Institutes of Health

BUSINESS & ENTREPRENEURIAL

- International presence in more than a dozen countries
- Successful commercial ventures mean jobs and reinvestment in the region
- Partnering with national leaders; Evolent No. 4 on Forbes 2014 list

INTEGRATED DELIVERY AND FINANCE SYSTEM (IDFS)

- UPMC Health Plan established in 1997; membership surged by 45 percent over past 3 years to more than 2.3 million
- 2nd-largest provider-owned IDFS; more than $5B in revenue
- Top-rated for quality and satisfaction

UPMC YEAR IN REVIEW Fiscal Year 2014
BOARD OF DIRECTORS
UPMC is governed by a volunteer, unpaid Board of Directors who represent a broad cross-section of the communities and constituencies we serve.

OFFICERS:
G. Nicholas Beckwith III
Chairperson
Stephen R. Tritch
First Vice Chairperson
Mark J. Laskow
Second Vice Chairperson
Robert M. Hernandez
Chairperson, Finance Committee
Jeffrey A. Romoff
President and CEO
Robert A. DeMichiei
Chief Financial Officer
C. Talbot Heppenstall, Jr.
Treasurer
W. Thomas McGough, Jr.
Chief Legal Officer
Michele P. Jegasothy
Secretary

DIRECTORS:
Esther Barazzone, PhD
G. Nicholas Beckwith III
Eva Tansky Blum
Patrick D. Gallagher
Richard S. Hamilton
Howard W. Hanna III
Robert M. Hernandez
Sister Candace Intocasco, CDP, PhD
Margaret P. Joy
Mark J. Laskow
Arthur S. Levine, MD
Robert G. Lovett
W. Duff McCrady
Desmond J. McDonald
Martin G. McGuinn
Robert W. Montler
Marlee S. Myers
Mark A. Nordenberg
Louis B. Plung
Gregory Spencer
William E. Strickland, Jr.
Stephen R. Tritch
Sunil Wadhwani

UPMC EXECUTIVE MANAGEMENT
The following individuals are responsible for policy implementation and management of programs, services, facilities, and support operations at UPMC.

Jeffrey A. Romoff
President and CEO, UPMC

Charles E. Bogosta
Executive Vice President, UPMC
President, International and Commercial Services Division
President, UPMC CancerCenter

Leslie C. Davis
Senior Vice President, UPMC
President, Hospital and Community Services Division

Robert A. DeMichiei
Executive Vice President, UPMC
and Chief Financial Officer

David M. Farner
Executive Vice President, UPMC
and Chief Strategic and Transformation Officer

C. Talbot Heppenstall, Jr.
Executive Vice President, UPMC
and Treasurer and Chief Investment Officer

Diane P. Holder
Executive Vice President, UPMC
President, UPMC Insurance Services Division
President and CEO, UPMC Health Plan

W. Thomas McGough, Jr.
Executive Vice President, UPMC
and Chief Legal Officer

Gregory K. Peaslee
Executive Vice President, UPMC
and Chief Human Resource and Administrative Services Officer

Steven D. Shapiro, M.D.
Executive Vice President, UPMC
and Chief Medical and Scientific Officer
President, Physician Services Division

Marshall W. Webster, M.D.
Senior Vice President, UPMC
A world-renowned health care provider and insurer, Pittsburgh-based UPMC is inventing new models of accountable, cost-effective, patient-centered care. It provides more than $887 million a year in benefits to its communities, including more care to the region’s most vulnerable citizens than any other health care institution. The largest nongovernmental employer in Pennsylvania, UPMC integrates more than 62,000 employees, more than 20 hospitals, 400 doctors’ offices and outpatient sites, a more than 2.3-million-member health insurance division, and international and commercial operations. Affiliated with the University of Pittsburgh Schools of the Health Sciences, UPMC ranks No. 12 in the prestigious U.S. News & World Report annual Honor Roll of America’s Best Hospitals — and No. 1 in Pennsylvania. For more information, go to UPMC.com.

UPMC is an equal opportunity employer. UPMC policy prohibits discrimination or harassment on the basis of race, color, religion, ancestry, national origin, age, sex, genetics, sexual orientation, marital status, familial status, disability, veteran status, or any other legally protected group status. Further, UPMC will continue to support and promote equal employment opportunity, human dignity, and racial, ethnic, and cultural diversity. This policy applies to admissions, employment, and access to and treatment in UPMC programs and activities. This commitment is made by UPMC in accordance with federal, state, and/or local laws and regulations.