FIRST THREE MONTHS FISCAL YEAR 2013
FINANCIAL RESULTS

NOVEMBER 7, 2012
UPMC’s financial strength is reflective of patient, physician and business preferences for its services
• Ranked #10 in *U.S. News & World Report* Honor Roll of America’s Best Hospitals and #1 in Pennsylvania

Continued strong operating income and balance sheet allows UPMC to meet the needs of western Pennsylvania
• Efficiently run operations
• Provide high-quality clinical excellence
• Fund capital expenditures
• Create new programs to improve patient care

Substantial reinvestment in western Pennsylvania
• $135 million in capital spending

$135 million pension contribution protects employees’ retirement plans
• 100% funded based on ERISA funding rules

**RESULTS IN BRIEF:**
$72 million operating income / $3.9 billion investment reserve portfolio
Operations

- Operating income of $72 million used to run operations, fund capital expenditures and create new programs
  - Key drivers include UPMC Health Plan membership (18%), outpatient revenue (7%), physician revenue (6%), and inpatient volume (4%)

Investment Reserve Portfolio

- $3.9 billion investment reserve portfolio provides for long-term sustainability
  - Not used to fund day-to-day operations
  - Value rises and falls based on market conditions; fiscal year-to-date return 3.7%
UPMC’s operating revenue has increased by 31% since 2009.

7% compound annual growth rate allows UPMC to pursue various growth and community initiatives.
Operating income is down $83 million

Approximately half of the decline accounted for by one-time nonrecurring items

First Three Months of Fiscal Years Ended June 30

* - Excludes non-recurring asset impairments and separation expenses in the period incurred
CHANGE IN OPERATING INCOME
(Fiscal Years Ended June 30 – Dollars In Millions)

Q1 FY12  Meaningful Use  Nuance Transaction  Insurance Revenue Adjustment

Q1 FY12 Adjusted  Patient Volume  Observation Volume  Physician Investment  Commercial Insurance Rate Compression  Net Inflation

Q1 FY13

$155
$(28)
$(6)
$(5)

$116

$14
$(5)
$(25)
$(15)

$(13)

$72

Nonrecurring Adjustments ($39)
Consistently achieving income levels necessary to run operations, fund capital expenditures and create new programs for the residents of western Pennsylvania

On target to exceed $700 million in operating EBIDA for third consecutive fiscal year

First Three Months of Fiscal Years Ended June 30

* - Excludes non-recurring asset impairments and separation expenses in the period incurred
### UPMC OPERATING METRICS
**(First Three Months of Fiscal Years Ended June 30)**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Admissions &amp; Observations</strong></td>
<td>63,533</td>
<td>65,931</td>
</tr>
<tr>
<td><strong>Outpatient Revenue/Workday</strong></td>
<td>$6.989M</td>
<td>$7.513M</td>
</tr>
<tr>
<td><strong>Physician Service Revenue/Weekday</strong></td>
<td>$4.130M</td>
<td>$4.384M</td>
</tr>
<tr>
<td><strong>UPMC Health Plan Membership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>1,659,593</td>
<td>1,956,016</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong># of Employed Physicians</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2,954</td>
<td>3,321</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Western Pennsylvania in-patient market contracting by 2.5% annually
- 15,000 fewer admissions in FY11
- Another 13,000 fewer admissions in FY12

Shift underway as a result of reimbursement practices
- 23.4% increase in observation cases
- Fewer in-patient medical-surgical admissions

UPMC’s market share increasing despite changing market
- Allegheny County = 60.0% vs. 58.1% year-ago
- 10-County SW PA = 39.7% vs. 38.3% year-ago
- 29-County Western PA = 35.5% vs. 32.2% year-ago
$3.9 billion diversified portfolio provides for long-term sustainability

Funds not used for day-to-day operations

Value changes as market fluctuates
### UPMC HAMOT: THEN AND NOW

<table>
<thead>
<tr>
<th>Key Statistics</th>
<th>Pre-Affiliation FY10</th>
<th>Post-Affiliation FY12</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admissions &amp; Observations</td>
<td>21,600</td>
<td>23,800</td>
<td>↑ 10%</td>
</tr>
<tr>
<td>Emergency Room Visits</td>
<td>64,000</td>
<td>75,000</td>
<td>↑ 17%</td>
</tr>
<tr>
<td>Births</td>
<td>800</td>
<td>2,400</td>
<td>↑ 200%</td>
</tr>
<tr>
<td>Revenue</td>
<td>$394M</td>
<td>$474M</td>
<td>↑ $80M</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$3M</td>
<td>$10M</td>
<td>↑ $7M</td>
</tr>
<tr>
<td>Employees</td>
<td>2,800</td>
<td>3,100</td>
<td>↑ 300</td>
</tr>
</tbody>
</table>

- UPMC acquired Hamot on February 1, 2011
- Increased employment by 300 new jobs
- 72 new physicians added since affiliation
- $7 million two-year financial improvement
- $61 million total capital reinvestment

Local residents leaving Erie County for care: ↓ 7%
Patients coming from outside Erie County to UPMC Hamot for care: ↑ 8%
## ANATOMY OF A DEAL
*(UPMC-Hamot Affiliation vs. Highmark-St. Vincent Affiliation)*

<table>
<thead>
<tr>
<th>Key Operating Statistics</th>
<th>UPMC – Hamot</th>
<th>Highmark – St. Vincent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>3,100</td>
<td>2,900</td>
</tr>
<tr>
<td>Admissions &amp; Observations</td>
<td>23,800</td>
<td>19,800</td>
</tr>
<tr>
<td>Births</td>
<td>2,400</td>
<td>1,150</td>
</tr>
<tr>
<td>Revenue</td>
<td>$474M</td>
<td>$329M</td>
</tr>
<tr>
<td>Debt Rating</td>
<td>Aa3</td>
<td>Baa3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Negative Outlook</td>
</tr>
</tbody>
</table>

| Financial Commitment              | $300M        | $65M                   |
|                                   | Over 3 Years |           |

| Board Control                     | Hamot appoints 2/3rd majority of Board; Hamot Chair joins UPMC Board | St. Vincent’s appoints 25% of Board; Highmark appoints 75% |

| Debt and Pension                  | FULL responsibility for all liabilities | NO responsibility for debt ($121.5M) and pension ($86.5M) liabilities |

| Hospital Management Expertise     | Nationally-recognized “Top Ten” Hospital | None |

| IDFS Focus                        | Provider-centric                           | Insurer-centric |

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SUMMARY

- UPMC continues to grow services/reinvest in the region
- $72 million operating income
- $175 million operating EBIDA
- $3.9 billion investment reserve portfolio
- Nearly 2 million UPMC Health Plan subscribers
- $135 million in capital spending
- $135 million contribution to ensure fully funded employees’ pension plans