FIRST NINE MONTHS FISCAL YEAR 2017
FINANCIAL RESULTS AND SYSTEM HIGHLIGHTS

May 3, 2017
UPMC’S FINANCIAL PICTURE

- Strong balance sheet allows UPMC to thrive as the region’s most preferred provider, best serving needs of patients and businesses
  - Expand top-ranked clinical care to meet increasing demand from more patients while operating efficiently
  - Provide affordable insurance choice and competition for the region, among the lowest costs in the nation
- $871 million net income
- The largest medical insurer in western PA with 3.2 million members
- Substantial reinvestment in the region and beyond
  - $416 million in capital spending and business investments to enhance quality and care
- $262 million pension contribution protects employees’ retirement plans
  - Fully funded based on ERISA funding rules

RESULTS IN BRIEF:
$178M operating income / $871M net income / $6.1B investment reserve portfolio
UPMC’s Financial Picture

Operations

- Operating income of $178 million needed to run operations, fund capital expenditures and create new programs
  - UPMC Health Plan membership ↑7%
  - Outpatient revenue ↑16%
  - Admissions & observations ↑9%
  - Physician revenue ↑9%

Investment Reserve Portfolio

- $6.1 billion cash and investments provides for long-term sustainability
  - Value rises and falls based on market conditions
  - Fiscal year return for UPMC ↑9.1%
UNIQUE POSITION OF EXCELLENCE IN EVERY HEALTH CARE SECTOR

Top Quality Clinical Care Provider
• Ranked #12 nationally on U.S. News & World Report Honor Roll
• 3,600 employed physicians

Fastest Growing Insurance Services
• 2nd largest provider-owned Health Plan nationally
• Largest medical insurer in western PA
• 3.2 million members/$7B+ in revenue
• #1 in quality and satisfaction

Business & Entrepreneurial Innovation
• International presence in more than a dozen countries
• Evolent Health IPO valued >$1 billion
• Microsoft partnership
• IT – “Most Wired,” “Innovator Award”

Cutting Edge Academic Medical Center
• #5 in NIH grants with $513M for research with Pitt
• One of largest programs in U.S. with 1,800 residents and fellows
UPMC + PITT: A UNIQUE ACADEMIC AND CLINICAL RELATIONSHIP

Joint Board Appointments
Thriving exchange of clinical and educational expertise

UPMC Board of Directors
- President and CEO
  - International
  - Insurance Services
  - Enterprises
  - Health Services
  - University of Pittsburgh Physicians
    - Community Practices
    - Administrative Functions

University of Pittsburgh Board of Trustees
- University Chancellor
  - Senior Vice Chancellor for the Health Sciences
  - Dean, School of Medicine
    - Medicine
    - Pharmacy
    - Nursing
    - Dental Medicine
    - Graduate School of Public Health
    - Health and Rehabilitation Sciences

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UPMC + PITT: A STRONG COMMITMENT TO RESEARCH

- Nearly $2 billion in support for research and education at the University of Pittsburgh Schools of the Health Sciences over the past 5 years

- Results: Pitt’s Schools of the Health Sciences now “Top 5” in NIH grants
  - Precision medicine grant is 1 of 4 national recruitment sites for sequencing 1,000,000 genomes
  - First group of NIH grants to Pitt/CMU to translate big biomedical data into insights in health and disease
  - First group of NIH funded clinical and translational science institutes to be established, with over $300M in NIH grants since inception

- Formed Pittsburgh Health Data Alliance with Pitt and CMU
UPMC + PITT: A SYNERGISTIC RELATIONSHIP

Increased patient referrals, improved clinical quality, and overall success for the clinical enterprise.

Investment of health system income in research.

Invested stature and visibility for clinical and research enterprises and for the university as a whole.

Increased research productivity, technology transfer, leverage to grant support.
# PITT’S EMERGENCE AS A RESEARCH POWERHOUSE

## NIH Grants Received

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<thead>
<tr>
<th>Rank</th>
<th>Institution</th>
<th>5-Year Average</th>
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<tr>
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## NIH Funding to Pitt

(Dollars in millions)

![Bar chart showing NIH funding to Pitt from 1989 to 2016]
An international panel led by UPMC and Pitt strips a type of tumor of its ‘cancer’ title, saving patients from unnecessary and painful life-long treatment.

“There’s a reason that U.S. Steel Tower is now also the corporate home of the University of Pittsburgh Medical Center. Because the Steel City is now home to groundbreaking medical research.”

President Barack Obama

Wheat contains gluten. Celiac sufferers’ immune systems react to the protein and damages cells in the small intestine. PHOTO: STEPHANE MAHE/REUTERS

Pitt and UPMC researchers provided the first evidence that a viral infection could trigger certain autoimmune conditions.
RECRUITING AND RETAINING TOP-TIER RESEARCHERS

Terence Dermody, MD
Pediatric Infectious Disease

Warren Shlomchik, MD & Mark Shlomchik, MD, PhD
Immunotherapy and Transplant Immunology

José-Alain Sahel, MD
Vision Restoration and Retinal Disease

Gwendolyn Sowa, MD, PhD
Rehabilitation and Biomechanics

Toren Finkel, MD, PhD
Aging and Age-Related Diseases