**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 choices and competition for the region, among the lowest costs in the nation

- $1.3 billion net income
- The largest medical insurer in western PA with 3.4 million members
- Substantial reinvestment in the region and beyond
  - $736 million in capital spending and business investments to enhance quality and care
- $118 million pension contribution protects employees’ retirement plans
  - Fully funded based on ERISA funding rules

**RESULTS IN BRIEF:**
$245M operating income / $1.3B net income / $7.5B investment reserve portfolio
UPMC’S FINANCIAL PICTURE

**Operations**
- Operating income of **$245 million** needed to run operations, fund capital expenditures and create new programs
  - UPMC Insurance Plan membership **↑8%**
  - Outpatient revenue **↑28%**
  - Admissions & observations **↑14%**
  - Physician revenue **↑11%**

**Investment Reserve Portfolio**
- **$7.5 billion** cash and investments provides for long-term sustainability
  - Value rises and falls based on market conditions
  - Calendar year return for UPMC **↑13.6%**
UPMC OPERATING RESULTS
Calendar Years Ended December 31 (Dollars in Millions)
UPMC INSURANCE SERVICES GROWTH

2001 – 2018 ... 11.9% Annual Growth in Membership; 15.3% Annual Growth in Revenue

Revenue (in billions)
Membership

Acquired Best HealthCare
UPMC Health Community Care
UPMC Behavioral Health
UPMC Health Plan
UPMC Health Network
UPMC For You
Benefits Management Services
E-Benefits
UPMC Center For High-Value Health
UPMC Work Alliance
UPMC Health Options
Evolent Health
UPMC Health Coverage
HCMS
Community Health Choices

Revenue - bars (in billions)

Membership – line

3.5M
$8.8B

0 500,000 1,000,000 1,500,000 2,000,000 2,500,000 3,000,000 3,500,000

WESTERN PENNSYLVANIA’S HEALTH INSURANCE MARKET

- UPMC largest medical insurer in western PA
- Shift from one of nation’s most highly concentrated insurance markets to highly competitive, pro-consumer
  - Among the lowest cost “Top 30” cities nationwide
  - Most large companies offering employees choice of insurers
  - Seniors choosing Medicare Advantage have more options than ever, including $0 premium/$0 deductible plans
  - UPMC’s individual plans among the lowest prices nationwide
- June 30, 2019 expiration of the Consent Decrees
- UPMC Immune Transplant & Therapy Center (ITTC)
- Investing $2B to create 3 new specialty hospitals …
  - UPMC Hillman Cancer Hospital
  - UPMC Heart and Transplant Hospital
  - UPMC Vision and Rehabilitation Hospital

Total population = 3.9M in 29-county western PA region
Sources: CMS / PA DHS & DPW / Health Leaders / US Census & Penn State Data Center / UPMC Enrollment
**UPMC MEDICARE ADVANTAGE ENROLLMENT GROWTH**

### Change in Medicare Advantage Market Share

**February 2014**

- UPMC: 17.3%
- Highmark: 46.5%
- Aetna: 27.6%
- United: 0.7%

**February 2018**

- UPMC: 35.4%
- Highmark: 32.8%
- Aetna: 7.7%
- United: 7.9%

### Medicare Advantage Membership

<table>
<thead>
<tr>
<th></th>
<th>Feb. 2014</th>
<th>Feb. 2018</th>
<th>Gain/(Loss)</th>
<th>% Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>UPMC</td>
<td>123,353</td>
<td>174,136</td>
<td>50,783</td>
<td>+41.1%</td>
</tr>
<tr>
<td>Highmark</td>
<td>207,541</td>
<td>161,222</td>
<td>(46,319)</td>
<td>-22.3%</td>
</tr>
<tr>
<td>Aetna</td>
<td>77,296</td>
<td>97,275</td>
<td>19,979</td>
<td>+25.9%</td>
</tr>
<tr>
<td>United</td>
<td>3,273</td>
<td>21,612</td>
<td>18,339</td>
<td>+560.3%</td>
</tr>
<tr>
<td>Other Insurers</td>
<td>35,200</td>
<td>38,009</td>
<td>2,809</td>
<td>+7.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>446,663</strong></td>
<td><strong>492,254</strong></td>
<td><strong>45,591</strong></td>
<td><strong>+10.2%</strong></td>
</tr>
</tbody>
</table>

ADDITIONAL UPMC INSURANCE SERVICES MARKETS

**PA Community Health Choices**

**February 2018**

UPMC Community Health Choices has in excess of 42,200 members in the 14-county PA Southwest Zone.

- 53.0%
- 28.8%
- 19.2%

N=78,556

**Source:** DHS February 2018 ARMS Report

PA SW Zone: Allegheny, Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Fayette, Greene, Indiana, Lawrence, Somerset, Washington and Westmoreland

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**PA HealthChoices Behavioral Health**

**January 2018**

UPMC Community Care Behavioral Health is the largest behavioral health MCO in PA with over a million members statewide.

- 50.0%
- 22.0%
- 15.0%
- 13.0%

N=2,019,022

**Source:** DHS January 2018 ARMS Report

All PA Counties except Philadelphia
# UPMC INSURANCE SERVICES BENCHMARKS: Among The Highest Nationally

## 2017-2018 NCQA Rating

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Rating</th>
<th>Accreditation Status</th>
<th>Most Current NCQA Ratings</th>
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<tbody>
<tr>
<td>Commercial PPO</td>
<td>4.5</td>
<td>Excellent</td>
<td>4</td>
</tr>
<tr>
<td>Commercial HMO</td>
<td>4.5</td>
<td>Excellent</td>
<td>4</td>
</tr>
<tr>
<td>Medicare HMO and PPO and Medicaid</td>
<td>4</td>
<td>Commendable</td>
<td>4</td>
</tr>
<tr>
<td>Medicare Advantage HMO and PPO</td>
<td>4</td>
<td>Commendable</td>
<td>4</td>
</tr>
<tr>
<td>Medicare Special Needs Plan</td>
<td>4</td>
<td>Commendable</td>
<td>4</td>
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## 2018 CMS Star Scoring

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<tr>
<td>Medicaid</td>
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**2017 Rating**

- **Commercial PPO**: Achieved 4.5 out of 5 Rating
- **Top-rated PPO in Pennsylvania**

**Commercial HMO**

- Achieved 4.5 out of 5 Rating
- One of the top-rated HMOs in Pennsylvania

**Medicare HMO and PPO and Medicaid**

- Achieved 4 out of 5 Rating

**Medicare Advantage HMO and PPO**

- Achieved a 4 Star out of a possible 5 star score

**Medicare Special Needs Plan**

- Achieved a 4 Star out of a possible 5 star score
Member Services Awards 2017

- #1 In Member Satisfaction - PA Region Overall
  - 2 Consecutive Years
- 2017 Customer Experience Best Practice Award – CSR Advancement
- 2017 Most Improved First Call Resolution
- Contact Center of the Year (Over 100 seats)
- Best Large Contact Center
- Customer Service Team of the Year – Recovery Situation – Business Services, Financial Services & Insurance
- Back-Office Customer Service Team of the Year – Other Service Industries (Enrollment Services Team)

Marketing Awards 2017

- Landy Award by SearchEngineLand.com for B2B Search Engine Marketing; judges from Google and Bing; national award that bested other finalists including Macy’s and Comcast
UNIQUE POSITION OF EXCELLENCE IN EVERY HEALTH CARE SECTOR

Top Quality Clinical Care Provider
- U.S. News & World Report - Honor Roll of Best Hospitals in the U.S.
  - #14 Best Hospital
  - #9 Best Children’s Hospital
- More than 4,000 employed physicians

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

Fastest Growing Insurance Services
- 2nd largest provider-owned Health Plan nationally
- Largest medical insurer in western PA
  - 3.4 million members
- #1 in commercial member satisfaction in Pennsylvania – J.D. Power
- NCQA “Excellent” rating

Large International Footprint
- Exporting clinical excellence
  - 20-year anniversary of ISMETT transplant hospital in Italy
  - Unmatched network of cancer centers overseas

Entrepreneurial & Business Enterprises
- TRANSLATIONAL SCIENCE
  - Immune Transplant & Therapy Center attracting world-class talent
- DIGITAL INNOVATION
  - Microsoft partnership — A.I. and cloud computing to empower physicians and patients
  - IT – “Most Wired”
- Evolent Health IPO valued >$1 billion

Highly Evolved Integrated Delivery & Finance System (IDFS)

Entrepreneurial & Business Enterprises
- TRANSLATIONAL SCIENCE
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Microsoft

NCQA

Private

Evolent Health

Pittsburgh Health Data Alliance

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FINANCIAL RESULTS BRIEFING SCHEDULE

- Q1 CY2018: May 3, 2018
- Q2 CY2018: August 8, 2018
- Q3 CY2018: November 8, 2018
- Q4 CY2018: February 27, 2019
- 2 p.m., U.S. Steel Tower, Conf. Room 5763