FISCAL YEAR 2013
FINANCIAL RESULTS

AUGUST 22, 2013
UPMC’S FINANCIAL PICTURE

- Strong balance sheet allows UPMC to continue meeting the region’s health care needs
  - Provide top-ranked clinical care
  - Operate with efficiency
  - Fund capital expenditures that support quality
  - Create new programs to improve patient care

- UPMC Health Plan membership up 16%; now exceeds 2.1 million

- Substantial reinvestment in western Pennsylvania
  - $503 million in capital spending and business investments

RESULTS IN BRIEF:
$187M* operating income / $414M* net income / $4.0B investment reserve portfolio

* Excludes a $55 million non-cash expense related to the Pittsburgh Promise agreement
UPMC’S TWO BUSINESSES

**Operations**

- Operating income of **$187 million**\(^*\) needed to run operations, fund capital expenditures and create new programs
  - UPMC Health Plan membership \(\uparrow 16\%\)
  - Physician revenue \(\uparrow 6\%\)
  - Outpatient revenue \(\uparrow 4\%\)
  - Inpatient volume \(\uparrow 4\%\)

**Investment Reserve Portfolio**

- **$4.0 billion** investment reserve portfolio provides for long-term sustainability
  - Value rises and falls based on market conditions
  - Fiscal year return for UPMC \(\uparrow 9.6\%\)

---

\(^*\) Excludes a $55 million non-cash expense related to the Pittsburgh Promise agreement
UPMC OPERATING REVENUE
(Dollars In Millions)

- UPMC’s operating revenue has increased by 36% since 2009
- 8% compound annual growth rate allows UPMC to pursue various growth and community initiatives
Excludes a $55 million non-cash expense related to the Pittsburgh Promise agreement:

- In original agreement, UPMC matched $1 for every $1.50 raised up to $10 million annually for 10 years.
- Amended agreement removes annual fundraising targets, allowing the Pittsburgh Promise unlimited time to earn UPMC matching funds.

- Excludes non-recurring asset impairments and separation expenses in the period incurred
- Excludes a $55 million non-cash expense related to the Pittsburgh Promise agreement
- Ninth consecutive fiscal year in excess of $500 million in operating EBIDA

- Consistently achieving income levels necessary to run operations, fund capital expenditures and create new programs for the residents of western Pennsylvania

Fiscal Years Ended June 30

- Excludes non-recurring asset impairments and separation expenses in the period incurred
- Excludes a $55 million non-cash expense related to the Pittsburgh Promise agreement
GROWTH OF UPMC HEALTH PLAN

- Membership growing at double-digit rates
  - Almost all moving from Highmark

- 1,411 new employer groups added in past year
  - Represents 16% increase in new business added
  - Retained 95% of existing businesses
• $4.0 billion diversified portfolio provides for long-term sustainability
• Value changes as market fluctuates
• FY13 income of $219M compared to ($127M) loss for FY12
UPMC ranked #10 on the Honor Roll for second consecutive year

#1 in Pennsylvania

UPMC ranked in 15 of 16 specialties

- Eight specialties ranked in the top 10 nationwide
- Only four – Mass. General, Johns Hopkins, Mayo Clinic and Cleveland Clinic – have more specialties ranked in the top 10

## 2013 U.S. NEWS & WORLD REPORT HONOR ROLL

<table>
<thead>
<tr>
<th>Rank</th>
<th>Hospital Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Johns Hopkins Hospital, Baltimore</td>
</tr>
<tr>
<td>2.</td>
<td>Massachusetts General Hospital, Boston</td>
</tr>
<tr>
<td>3.</td>
<td>Mayo Clinic, Rochester, Minn.</td>
</tr>
<tr>
<td>4.</td>
<td>Cleveland Clinic</td>
</tr>
<tr>
<td>5.</td>
<td>UCLA Medical Center, Los Angeles</td>
</tr>
<tr>
<td>6.</td>
<td>Northwestern Memorial Hospital, Chicago</td>
</tr>
<tr>
<td>7.</td>
<td>New York-Presbyterian University Hospital of Columbia and Cornell, N.Y.</td>
</tr>
<tr>
<td>8.</td>
<td>UCSF Medical Center, San Francisco</td>
</tr>
<tr>
<td>9.</td>
<td>Brigham and Women’s Hospital, Boston</td>
</tr>
<tr>
<td>10.</td>
<td><strong>UPMC-University of Pittsburgh Medical Center</strong></td>
</tr>
<tr>
<td>11.</td>
<td>Hospital of the University of Pennsylvania, Philadelphia</td>
</tr>
<tr>
<td>12.</td>
<td>Duke University Medical Center, Durham, N.C.</td>
</tr>
<tr>
<td>13.</td>
<td>Cedars-Sinai Medical Center, Los Angeles</td>
</tr>
<tr>
<td>14.</td>
<td>NYU Langone Medical Center, New York</td>
</tr>
<tr>
<td>15.</td>
<td>Barnes-Jewish Hospital/Washington University, St. Louis</td>
</tr>
<tr>
<td>16.</td>
<td>IU Health Academic Health Center, Indianapolis</td>
</tr>
<tr>
<td>17.</td>
<td>Thomas Jefferson University Hospital, Philadelphia</td>
</tr>
<tr>
<td>18.</td>
<td>University Hospitals Case Medical Center, Cleveland</td>
</tr>
</tbody>
</table>

![2013 U.S. News & World Report Honor Roll Badge](image)
### INVESTING IN INFRASTRUCTURE AND NEW BUSINESSES

(Dollars In Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>All Other</th>
<th>East</th>
<th>Children's</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$430</td>
<td></td>
<td>$21</td>
</tr>
<tr>
<td>2009</td>
<td>$429</td>
<td>$19</td>
<td>$8</td>
</tr>
<tr>
<td>2010</td>
<td>$431</td>
<td>$19</td>
<td>$119</td>
</tr>
<tr>
<td>2011</td>
<td>$373</td>
<td>$77</td>
<td>$450</td>
</tr>
<tr>
<td>2012</td>
<td>$513</td>
<td>$105</td>
<td>$450</td>
</tr>
<tr>
<td>2013</td>
<td>$484</td>
<td></td>
<td>$19</td>
</tr>
<tr>
<td>2014</td>
<td>$560</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Annual average reinvestment of $539 million supports UPMC’s three strategic pillars:
  - Good science
  - Smart technology
  - Accountable patient care
- All capital expenditures satisfy the following:
  - Advance the delivery of health care to our patients and the community
  - Improve UPMC facilities/update technologies used to deliver patient care
  - Realize a positive ROI
1. Financially strong, “Aa3” credit-rated, provider-driven IDFS
2. Nationally ranked clinical excellence and quality continue to attract patients; growing share despite continuing contraction of market
3. Growing UPMC Health Plan; all products ranked in the top 10% of health plans nationally for customer service
4. State-of-the-art facilities house world-class programs
5. Leaders in the deployment of electronic health records; 90% at HIMSS Stage 6 or higher in implementation
6. Highly integrated back-office functions uncommon in healthcare
7. Nearly 3,400 employed physicians
8. Extending world-class clinical care to Altoona
9. Developing new sources of revenue by commercializing clinical/Health Plan expertise and pursuing international/corporate strategic alliances
10. Reinvesting to advance good science, smart technology and accountable patient care
FY2013 FINANCIAL RESULTS BRIEFING SCHEDULE

- Q1 FY2014: Wednesday, November 6, 2013
- Q2 FY2014: Wednesday, February 5, 2014
- Q3 FY2014: Wednesday, May 7, 2014
- Q4 FY2014: Wednesday, August 21, 2014
- 2:00PM, U.S. Steel Tower, Conf. Room 5763