UPMC Unaudited Financial and Operating Report

FOR THE PERIOD ENDED SEPTEMBER 30, 2026



UPMC
LIFE CHANGING MEDICINE

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The following financial data as of September 30, 2026 and for the three and nine month periods ended September 30, 2026 and 2025 is derived from the unaudited interim condensed consolidated financial statements of UPMC. The unaudited interim condensed consolidated financial statements include all adjustments consisting of a normal recurring nature that UPMC considers necessary for the fair presentation of its financial position and the results of operations for these periods. The financial information as of December 31, 2025 is derived from UPMC's audited consolidated financial statements. Operating and financial results reported herein are not necessarily indicative of the results that may be expected for any future periods.

The information contained herein is being filed by UPMC for the purpose of complying with its obligations under Continuing Disclosure Agreements entered into in connection with the issuance of the series of bonds listed herein and disclosure and compliance obligations in connection with various banking arrangements. Digital Assurance Certification, L.L.C., as the Dissemination Agent, has not participated in the preparation of this Unaudited Financial and Operating Report, has not examined its contents and makes no representations concerning the accuracy and completeness of the information contained herein.

UPMC LIFE CHANGING MEDICINE

INTRODUCTION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2026

UPMC, doing business as the University of Pittsburgh Medical Center, is one of the world's leading Integrated Delivery and Financing Systems. UPMC is based in Pittsburgh, Pennsylvania and primarily serves residents across the Commonwealth of Pennsylvania (the "Commonwealth"), as well as western New York and northwestern Maryland. UPMC also attracts patients for highly specialized services from across the nation and around the world. Closely affiliated with the University of Pittsburgh (the "University"), with shared academic and research objectives, UPMC works with the University's Schools of Health Sciences to deliver outstanding patient care, train tomorrow's health care specialists and biomedical scientists, and conduct groundbreaking research on the causes and course of disease. UPMC's more than 40 hospitals and 800 clinical locations comprise one of the largest nonprofit health systems in the United States. UPMC serves patients and members across the continuum of health care with its hospitals; physician and homecare services; physical and behavioral health insurance product offerings; international operations and its Enterprises division.

UPMC is committed to providing high quality, cost-effective health care to its communities and insurance members, while continuing to grow its business and execute on its mission of service. As part of this mission, UPMC continues to make significant investments in equipment, technology, and operational strategies designed to improve clinical quality and to provide the best possible patient and member experience. Investments in operations and continued capital improvements are increasingly important as the competitive environment of the market and national changes to the industry continue to shift the landscape of health care. UPMC continues to build new facilities, make strategic acquisitions and enter into joint venture arrangements or affiliations with health care businesses — each case in communities where it believes its mission can be effectively utilized to improve the overall health of those communities.

As stewards of UPMC's community assets, UPMC is guided by the core values of integrity, quality, excellence, and respect. These values govern the manner in which UPMC serves its communities and are embedded in the execution and delivery of Life Changing Medicine. By continually evolving and refining UPMC's best-in-class financial processes, UPMC focuses on achieving optimal financial results that support the continued development of its organization, as well as ongoing investment in the future of the communities it serves. UPMC is committed to achieving these objectives with unyielding commitments to transparency in reporting and disclosure, enterprise-wide integration, and ongoing process improvement.

The purpose of this section, Management's Discussion and Analysis ("MD&A"), is to provide a narrative explanation of UPMC's unaudited interim condensed consolidated financial statements that enhance the overall financial disclosures, provide context for the analysis of the financial information, and provide information about the quality of, and potential variability of, UPMC's financial condition, results of operations and cash flows.

Unless otherwise indicated, all financial information included herein relates to UPMC's continuing operations, with dollar amounts expressed in millions (except for statistical information and as otherwise noted). MD&A should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements.

Where appropriate, the presentation of prior period financial highlights and indicators reflect the inclusion of restructuring costs as an operating expense and premium deficiency reserve as insurance claims expense to conform to the current period presentation and improve comparability. These reclassifications did not impact the results of previously reported periods.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Financial Results for the Nine Months Ended September 30 (in millions)		2026		2025
Operating revenues	$	**25,443**	$	25,064
Operating income	$	**148**	$	394
Operating margin %		**0.6%**		1.6%
Operating margin % after income tax and interest expense		**(0.1%)**		0.9%
Gain from investing and financing activities	$	**273**	$	460
Excess of revenues over expenses attributable to controlling interest	$	**229**	$	656
Operating EBIDA	$	**689**	$	919
Capital expenditures	$	**860**	$	840
Reinvestment ratio		**1.59**		1.60

Selected Other Information as of		September 30, 2026		December 31, 2025
Total cash and investments	$	**9,794**	$	9,237
Unrestricted cash and investments	$	**8,268**	$	7,783
Unrestricted cash and investments over long-term debt	$	**788**	$	1,047
Days of cash on hand		**91**		87
Days in net accounts receivable		**46**		44
Average age of plant (in years)		**12.0**		11.6

Operating income decreased by $246 million for the nine months ended September 30, 2026 when compared to the prior year. The decrease was primarily driven by lower inpatient volumes within Health Services, partially offset by improved underwriting margins within Insurance Services. The improved margins were a result of reduced utilization and governmental product line rate increases.

UPMC continues to manage its investment portfolio using a long-term perspective. As of September 30, 2026, UPMC had approximately $9.8 billion of cash and investments, of which approximately $3.4 billion was held by UPMC's regulated health and captive insurance companies.

BUSINESS HIGHLIGHTS

Investments to Expand Access to Care

In July 2026, UPMC expanded access to advanced lung cancer diagnostic capabilities by introducing Ion robotic-assisted bronchoscopy technology at six hospitals: UPMC East, UPMC Passavant, UPMC Presbyterian, UPMC Shadyside, UPMC Washington and UPMC Altoona. The minimally invasive technology enables physicians to navigate deep into the lungs with greater precision, allowing biopsy of small, difficult-to-reach lung nodules.

UPMC Washington continued to invest in expanded access to specialized care during the third quarter of 2026. UPMC Hillman Cancer Center at UPMC Washington added a second linear accelerator, increasing capacity for advanced cancer treatment, including highly precise stereotactic body radiation therapy and radiosurgery that targets tumors while minimizing exposure to surrounding healthy tissue. The expansion allows patients to receive specialized treatments locally that previously required travel to Pittsburgh. A new Saturday Injury Clinic provides walk-in orthopedic care for student athletes ages 10 to 26 in and around Washington County who are injured during games, practices and other athletic activities. UPMC Washington also opened the Heart Transplant and Ventricular Assist Device Evaluation Clinic at the UPMC Washington Outpatient Center - Neighbor Health, enabling patients with advanced heart failure to complete evaluations, pre-surgical assessments and post-operative follow-up appointments closer to home.

UPMC Jameson expanded its diagnostic imaging and orthopedic capabilities during the third quarter of 2026 through investments in advanced technology. The addition of a cardiac CT scanner and a new wide-bore MRI enables the hospital to offer cardiac CT services for the first time and expands diagnostic capabilities for specialists. Building on the region's orthopedics program, UPMC Jameson also completed its first robotic-assisted MAKO total joint replacement procedure, supporting growing demand for joint replacement surgery.

Across north central Pennsylvania, UPMC invested in technology, facilities and expanded services during the third quarter of 2026 to bring advanced care closer to home. UPMC Wellsboro upgraded its mammography technology to support more precise imaging and expanded access to advanced breast imaging, while UPMC Williamsport expanded and renovated its cardiac rehabilitation gym for patients recovering from heart attacks, surgery and other cardiac conditions. The expanded gym supports personalized, medically supervised exercise plans and patient education. UPMC also introduced advanced image-guided surgical navigation technology in the region, enabling neurosurgeons to plan and perform complex brain and spine procedures with greater precision. Complementing these investments, UPMC Sports Medicine expanded surgical services to UPMC Muncy, increasing access to specialized orthopedic and sports medicine care across the region.

The UPMC Schools of Nursing expanded their educational offerings during the third quarter of 2026, creating new pathways for students pursuing a career in nursing and strengthening the region's pipeline of future health care professionals. The UPMC Jameson School of Nursing at UPMC Hamot introduced two new programs, including an advanced placement option for military medics and paramedics that recognizes prior clinical experience. Upon passing a competency examination, these students can forgo the introductory coursework typically required in the first semester of nursing programs. An additional pathway being introduced at this location is a 24-month program designed for those students seeking flexibility in the academic schedule that will position them to earn the same degree in nursing as the 16-month accelerated program. The new UPMC Mercy School of Nursing at UPMC Altoona welcomed its first classes into a 16-month diploma program which will see students complete more than 900 hours of clinical rotations at UPMC Altoona and coursework in partnership with Saint Francis University. Graduates who pass the R.N. licensing examination will be positioned to pursue a bachelor's degree in nursing from Saint Francis University while maintaining full-time employment. The UPMC Shadyside School of Nursing at UPMC Harrisburg announced a new 32-month, part-time registered nurse diploma program, with evening classes beginning in January 2027. This program complements the school's continuing 16-month full-time accelerated program, that has graduated more than 230 students since the school opened in 2022.

In August 2026, construction began on a new UPMC specialty care destination at Clearview Mall in Butler County, Pennsylvania. Expected to open in early 2027, the complex will provide specialty physician services, expanded diagnostic imaging, and surgical offerings through strategic partnerships.

Effective October 1, 2026, CommonSpirit Health and UPMC completed a transaction to transfer ownership of certain assets and liabilities from CommonSpirit Trinity Health System ("Trinity") to UPMC. The newly named UPMC Trinity includes campuses in Steubenville, Ohio; UPMC Twin City hospital in Dennison, Ohio; UPMC St. Clairsville hospital in St. Clairsville, Ohio; and various clinics and care sites. Trinity and UPMC have collaborated for more than 20 years in areas including cancer treatment and advanced orthopedic services.

Driving Quality in Health Care

In August 2026, UPMC Presbyterian Shadyside was rated the No. 1 hospital in the Pittsburgh metro area and No. 2 in Pennsylvania in the 2026-2027 *U.S. News & World Report* Best Hospitals rankings and earned national rankings in 10 specialties. UPMC Passavant rose to No. 2 in the Pittsburgh metro area and No. 16 in Pennsylvania. UPMC Harrisburg, which includes UPMC West Shore and UPMC Community Osteopathic, achieved its first No. 1 ranking in the Harrisburg metro area and remained No. 17 statewide. Several other UPMC hospitals achieved national rankings in specialty care, including UPMC Hamot at No. 10 for transcatheter aortic valve replacement, UPMC Mercy at No. 12 for rehabilitation, and UPMC Magee-Womens at No. 14 for obstetrics and gynecology.

In September 2026, UPMC Children's Hospital of Pittsburgh was named to the *U.S. News & World Report* Best Children's Hospitals Honor Roll for 2026-2027, placing it among the nation's top 10 pediatric hospitals. UPMC Children's tied for No. 1 in Pennsylvania and the Mid-Atlantic Region and earned national rankings in all 11 evaluated pediatric specialties. Its highest-performing specialties included diabetes and endocrinology at No. 3, pulmonology and lung surgery at No. 4, and nephrology at No. 10.

In September 2026, UPMC Hamot earned its third Magnet® designation for nursing excellence from the American Nurses Credentialing Center's Magnet Recognition Program. The designation reflects the hospital's continued commitment to high-quality, compassionate care supported by skilled nurses, strong teamwork and continuous improvement.

Serving Our Members

UPMC continues to monitor and assess the potential impacts of federal legislation resulting from the One Big Beautiful Bill Act on both healthcare providers and health insurers. These changes are expected to reduce funding available for healthcare services and decrease the number of individuals with health insurance coverage, resulting in greater uncompensated care and financial pressure across the healthcare system. The impacts of the expiration of enhanced Affordable Care Act ("ACA") premium subsidies could begin as early as 2027 and worsen in 2028 as additional provisions take effect, including changes to federal and state Medicaid funding mechanisms, implementation of Medicaid work requirements, reductions in supplemental funding that support vulnerable and underserved populations and the potential loss of UPMC's 340B Drug Pricing Program ("340B") eligibility. In addition, continued legislative, regulatory, and legal scrutiny of the federal 340B program may create uncertainty regarding the program's future scope, reimbursement methodology, and financial benefits. Changes to the 340B program could adversely affect funding that supports care for low-income, rural and other underserved populations and may increase financial pressures on health systems that rely on these resources to expand access to care and community health services. UPMC remains committed to advocating, alongside healthcare industry partners, on behalf of the patients and communities it serves to help achieve the best possible outcomes.

In August 2026, UPMC *for Life* earned the highest member satisfaction ranking among Medicare Advantage plans in Pennsylvania by J.D. Power. The J.D. Power U.S. Medicare Advantage Satisfaction Study measures member satisfaction across key aspects of the health plan experience, from trust and access to care to customer service and digital tools. This marks the fourth consecutive year that UPMC *for Life* has achieved the No. 1 ranking, underscoring the plan's ongoing commitment to delivering an outstanding experience for its members.

Community Care Behavioral Health ("CCBH") advanced its quality, compliance and member engagement initiatives during the third quarter of 2026. CCBH completed its 2025 Office of Mental Health and Substance Abuse Services Program Evaluation and Performance Summary review with compliant findings across all standards and no corrective actions required. In addition to meeting all standards in a Bureau of Program Integrity assessment, CCBH launched a readiness strategy to help eligible Medicaid members maintain coverage and access to behavioral health services, in response to upcoming eligibility and community engagement requirements. The organization also continued Suicide Prevention and Resilient Communities and Zero Suicide initiatives through provider training and learning collaboratives. CCBH remains one of seven organizations selected for INSPIRE Phase II in recognition of its Member Feedback Loop process and continues to rank first or second across multiple quality measures among Pennsylvania behavioral health managed care organizations.

UPMC *Health Plan's* Neighborhood Center in Erie (the "Center") celebrated its first anniversary during the third quarter of 2026. Since opening, the Center has helped residents obtain fresh food and household items by allowing 30 families a week to shop in a new space. The Center also continues to address community needs such as mental health care, education and literacy, workforce development and access to social services.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Nine Months Ended September 30, 2026 Revenues:	Health Services	Insurance Services	Eliminations	Consolidated
Net patient service revenue	$ 13,017	$ -	$ (3,209)	$ 9,808
Insurance enrollment revenue	-	14,223	-	14,223
Other revenue	1,239	239	(66)	1,412
Total operating revenues	$ 14,256	$ 14,462	$ (3,275)	$ 25,443
Expenses:				
Salaries, professional fees and benefits	$ 7,750	$ 494	$ (61)	$ 8,183
Insurance claims expense	-	12,594	(3,175)	9,419
Supplies, purchased services and general	6,334	857	(39)	7,152
Depreciation and amortization	538	3	-	541
Total operating expenses	14,622	13,948	(3,275)	25,295
Operating (loss) income	$ (366)	$ 514	$ -	$ 148
Operating margin %	(2.6%)	3.5%	-	0.6%
Operating margin % (including income tax and interest expense)	(3.8%)	3.4%	-	(0.1%)
Operating EBIDA	$ 172	$ 517	$ -	$ 689
Operating EBIDA %	1.2%	3.6%	-	2.7%

Nine Months Ended September 30, 2025 Revenues:				
Net patient service revenue	$ 12,748	$ -	$ (3,030)	$ 9,718
Insurance enrollment revenue	-	13,161	-	13,161
Other revenue	1,467	785	(67)	2,185
Total operating revenues	$ 14,215	$ 13,946	$ (3,097)	$ 25,064
Expenses:				
Salaries, professional fees and benefits	$ 7,403	$ 482	$ (61)	$ 7,824
Insurance claims expense	-	12,581	(2,995)	9,586
Supplies, purchased services and general	5,950	826	(41)	6,735
Depreciation and amortization	521	4	-	525
Total operating expenses	13,874	13,893	(3,097)	24,670
Operating income	$ 341	$ 53	$ -	$ 394
Operating margin %	2.4%	0.4%	-	1.6%
Operating margin % (including income tax and interest expense)	1.1%	0.3%	-	0.9%
Operating EBIDA	$ 862	$ 57	$ -	$ 919
Operating EBIDA %	6.1%	0.4%	-	3.7%

DIVISIONAL INFORMATION

Health Services

UPMC Health Services Division ("Health Services") includes a comprehensive array of clinical capabilities consisting of hospitals, specialty service lines (e.g., transplantation services, woman's care, behavioral health, pediatrics, cancer care and rehabilitation services), contract services (emergency medicine, pharmacy and laboratory) and approximately 5,200 employed physicians with associated practices. Also included within Health Services are supporting foundations and UPMC's captive insurance programs. Hospital activity is monitored in four distinct groups: (i) academic hospitals located in Pittsburgh that provide a comprehensive array of clinical services that include the specialty service lines listed above and serve as the primary academic and teaching centers for UPMC; (ii) community hospitals that provide core clinical services mainly to the suburban Pittsburgh marketplace; (iii) regional hospitals that provide core clinical services to certain other areas of western (including Erie), and central (including Williamsport and Harrisburg) Pennsylvania, as well as western New York and northwestern Maryland; and (iv) pre- and post-acute care capabilities that include: UPMC HomeCare, a network of home health services, and UPMC Senior Communities, facilities which provide senior living capabilities.

Health Services also includes international activities, with locations including Ireland, Italy and Croatia, which extend UPMC's core mission. In Italy, UPMC locations include ISMETT, a public-private partnership in the region of Sicily that provides end-stage organ disease treatment and research, Salvator Mundi International Hospital in Rome and UPMC Hillman Cancer Centers in Rome, Sicily and Campania. In Ireland, UPMC has a network of four hospitals and two UPMC Hillman Cancer Centers across southeast Ireland, stretching from Cork to Dublin. In Croatia, UPMC has a UPMC Hillman Cancer Center in Zagreb.

Operating results for Health Services decreased by $707 million during the nine months ended September 30, 2026, when compared to the prior year, primarily driven by lower inpatient volumes.

Insurance Services

UPMC Insurance Services Division ("Insurance Services") holds various interests in health care financing initiatives and network care delivery operations that have nearly four million members as of September 30, 2026. UPMC *Health Plan* is a health maintenance organization ("HMO") offering coverage for Commercial and Medicare members. UPMC *for You*, also an HMO, is engaged in providing coverage to Medical Assistance & Medicare Special Needs Plan beneficiaries. UPMC *Health Network* offers preferred provider organization ("PPO") plan designs to serve Medicare beneficiaries. UPMC *Health Options* offers PPO plan designs to serve Commercial beneficiaries. UPMC *for Life* is a Medicare product line offered by various companies within Insurance Services. UPMC *Workpartners* provides fully insured workers' compensation, integrated workers' compensation and disability services to employers. CCBH is a state-licensed HMO that manages the behavioral health services for Medical Assistance through mandatory managed care programs in Pennsylvania. UPMC *Community HealthChoices* ("CHC") is Pennsylvania's managed care program for individuals who are dual eligible for Medicaid and Medicare or qualify for Medicaid Long Term Services and Supports and is designed to increase opportunities for older Pennsylvanians and individuals with physical disabilities to remain in their homes and communities rather than in facilities.

Operating results for Insurance Services increased by $461 million during the nine months ended September 30, 2026, when compared to the prior year. This increase is primarily driven by reduced claims expense as a result of lower utilization across Commercial, Medicare, Medicaid and CHC product lines coupled with rate increases for Medicaid, CHC and CCBH offerings.

UPMC Enterprises

As an organization dedicated to outstanding patient care, UPMC has defined a bold mission: to shape the future of health care through innovation. UPMC Enterprises advances this mission by transforming ideas into thriving businesses and Life Changing Medicine. With an emphasis on translational sciences and digital solutions, UPMC Enterprises provides its portfolio companies and partners with capital, connections and resources to develop solutions to health care's most complex problems. Working in close collaboration with innovators from UPMC and the University of Pittsburgh Schools of Health Sciences, as well as others worldwide, UPMC Enterprises strives to accelerate science from the bench to the bedside.

UPMC Enterprises manages a portfolio that includes research and product development initiatives, as well as operating companies with commercially available products and services focused on improving the delivery of health care. UPMC Enterprises' results are classified as investing and financing activity in the consolidated statements of operations and changes in net assets, reflecting the long-term nature of developing and commercializing life sciences and technology-enabled initiatives. Due to the nature of UPMC Enterprises' investment activity, financial results may fluctuate between periods.

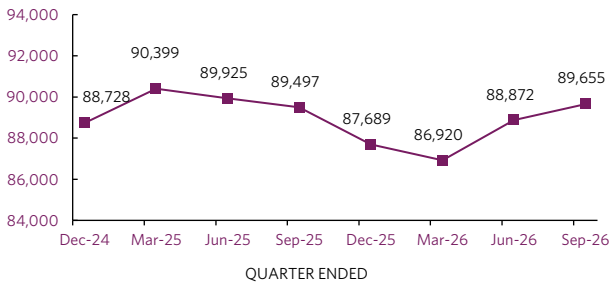
REVENUE METRICS – HEALTH SERVICES

Medical-Surgical Admissions and Observation Visits

Inpatient activity, as measured by medical-surgical admissions and observation visits at UPMC's hospitals for the nine months ended September 30, 2026, decreased 2% compared to the same period in 2025.

For the Nine Months Ended September 30			
(in thousands)	**2026**	2025	Change
Academic	**85.0**	85.2	(0%)
Community	**35.9**	37.0	(3%)
Regional	**144.5**	147.6	(2%)
Total	**265.4**	269.8	(2%)

Quarter Ended

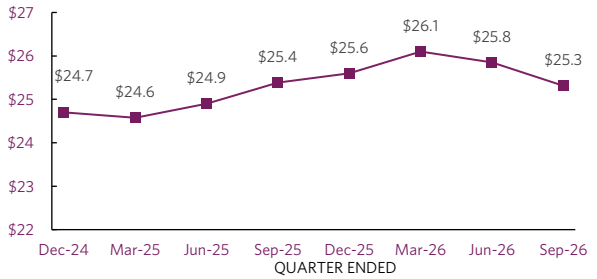


Outpatient Revenue per Workday

UPMC's outpatient activity for the nine months ended September 30, 2026, as measured by average revenue per workday, increased 3% compared to the same period in 2025. Surgical demand, particularly in the outpatient setting, has increased as former inpatient services continue to move to outpatient. This, coupled with the increase in ambulatory patient volumes, has caused the increase to outpatient revenue per workday. Hospital outpatient activity is measured on an equivalent workday basis to adjust for weekend and holiday hours.

For the Nine Months Ended September 30			
(in thousands)	**2026**	2025	Change
Academic	**$ 9,816**	$ 9,407	4%
Community	**2,547**	2,396	6%
Regional	**13,354**	13,155	2%
Total	**$ 25,717**	$ 24,958	3%

Quarterly Average (in millions)



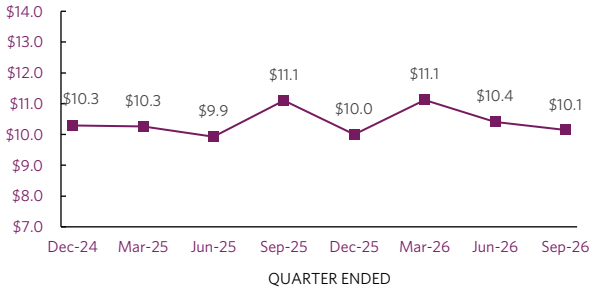
METRICS – HEALTH SERVICES (CONTINUED)

Physician Service Revenue per Weekday

UPMC's physician activity for the nine months ended September 30, 2026, as measured by average revenue per weekday, decreased 5% from the comparable period in 2025. Physician services activity is measured on a weekday basis.

For the Nine Months Ended September 30			
(in thousands)	**2026**	2025	Change
Academic	**$ 4,241**	$ 4,251	(0%)
Community	**2,792**	2,456	14%
Regional	**3,501**	4,400	(20%)
Total	**$ 10,534**	$ 11,107	(5%)

Quarterly Average (in millions)



Sources of Patient Service Revenue

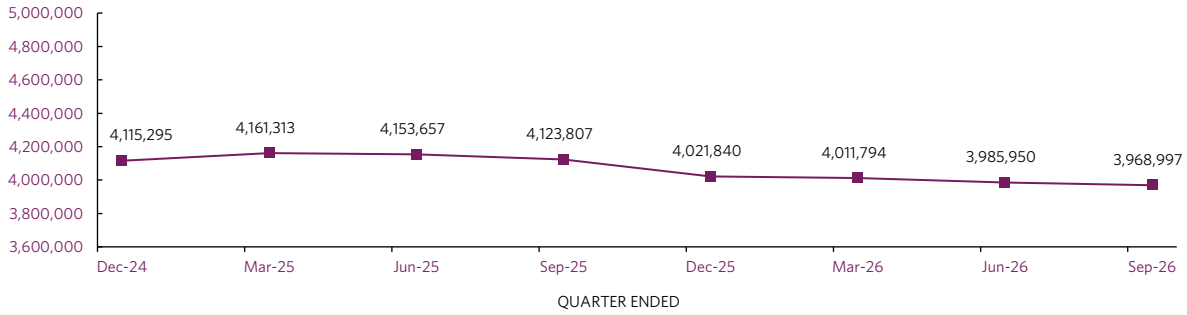
The gross patient service revenues of UPMC, before price concessions and intercompany eliminations, are derived from payers which reimburse or pay UPMC for the services it provides to patients covered by such payers. The following table is a summary of the percentage of the hospitals' gross patient service revenue by payer.

	Nine Months Ended September 30	
	2026	2025
Medicare	**51%**	50%
Medicaid	**15%**	16%
Commercial Insurers	**16%**	16%
UPMC Insurance Services Commercial	**10%**	11%
Self-pay/Other	**8%**	7%
Total	**100%**	100%

OPERATING METRICS - INSURANCE SERVICES

Membership

Membership in UPMC Insurance Services has remained stable through the nine months ended September 30, 2026.

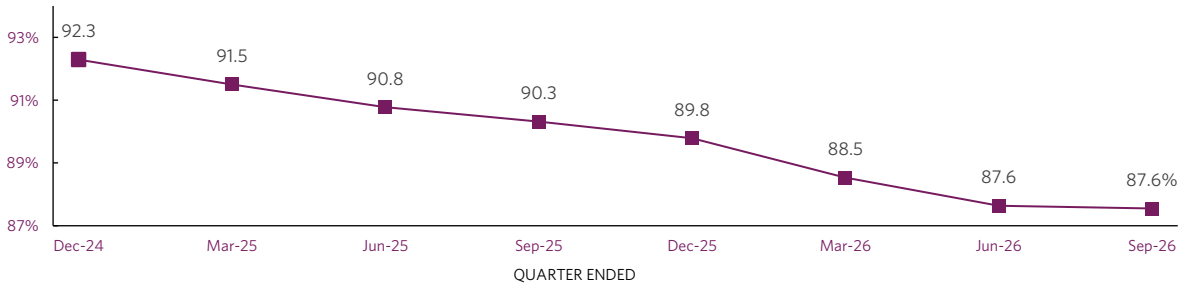


As of	**September 30, 2026**	September 30, 2025
Commercial Health	**532,349**	554,395
Medicare	**226,302**	228,850
Medical Assistance	**601,214**	622,526
Sub-Total Physical Health Products	**1,359,865**	1,405,771
Community HealthChoices	**140,284**	137,434
Behavioral Health	**1,125,082**	1,188,659
Sub-Total Health Products	**2,625,231**	2,731,864
Workpartners	**845,960**	893,698
Ancillary Products	**497,806**	487,430
Third-Party Administration	**-**	10,815
Total Membership	**3,968,997**	4,123,807

Medical Expense Ratio

UPMC Insurance Services' medical expense ratio ("MER") for the trailing twelve months has decreased to 87.6% as of September 30, 2026. Through Q3 of 2026, higher revenue within the Medicaid, CHC, and CCBH products, driven by improved Pennsylvania Department of Health Services rates and lower utilization, have contributed to the decline in MER. The chart below is revised quarterly to reflect updated estimates and actual medical claims for each period presented.

Trailing Twelve Months



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2026

KEY FINANCIAL INDICATORS

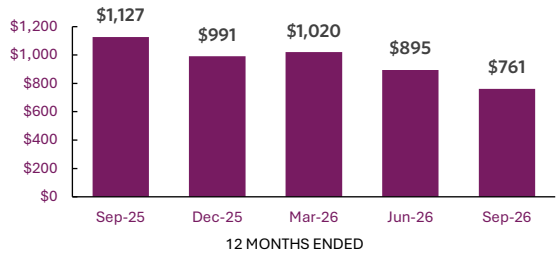
(Dollars in millions)

Operating Earnings before Interest, Depreciation and Amortization

Operating EBIDA for the nine months ended September 30, 2026, decreased 25% compared to the nine months ended September 30, 2025.

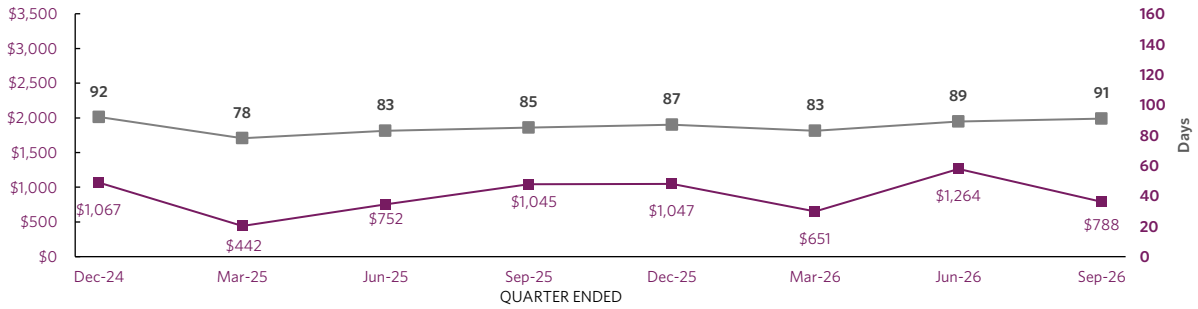
For the Nine Months Ended September 30			
(in millions)	2026	2025	Change
Operating Income	$ 148	$ 394	(62%)
Depreciation and Amortization	541	525	3%
Operating EBIDA	$ 689	$ 919	(25%)

Trailing Twelve Months Operating EBIDA



Unrestricted Cash and Investments over Long Term Debt and Days Cash on Hand

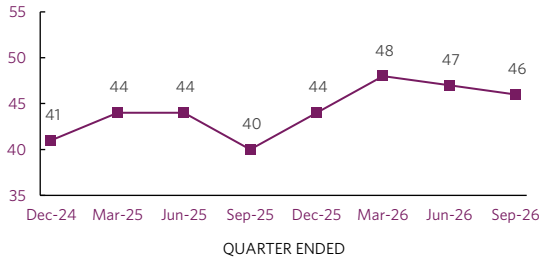
As of September 30, 2026, unrestricted cash and investments over long term debt decreased $259 million compared to December 31, 2025. The decrease is primarily due to increases in net receivables as of September 30, 2026.



Days in Net Accounts Receivable

Days in net Accounts Receivable at September 30, 2026 and December 31, 2025 were 46 and 44, respectively.

By Receivable	September 30, 2026 Balance	Days Sept 30, 2026	Days Dec 31, 2025
Patient	$ 2,202	63	56
Insurance and Other	2,062	36	36
Consolidated	$ 4,264	46	44

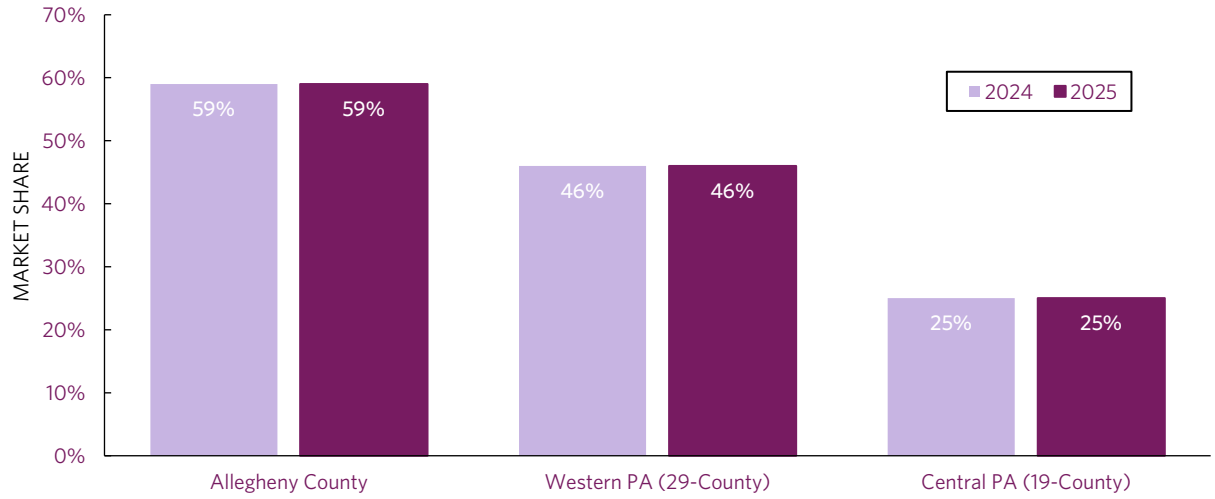


MARKET SHARE

The chart below shows the change in UPMC's estimated inpatient market share for calendar years 2024 and 2025 by service area(1). This is the most recent market share data currently available.

UPMC INPATIENT MEDICAL-SURGICAL MARKET SHARE

AS OF DECEMBER 31[2]



[1] UPMC's three service areas are (A) Allegheny County, (B) a 29-county region which also includes Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Cameron, Centre, Clarion, Clearfield, Crawford, Elk, Erie, Fayette, Forest, Greene, Huntingdon, Indiana, Jefferson, Lawrence, McKean, Mercer, Potter, Somerset, Venango, Warren, Washington and Westmoreland counties, and (C) a 19-county region including Adams, Clinton, Columbia, Cumberland, Dauphin, Franklin, Fulton, Juniata, Lancaster, Lebanon, Lycoming, Mifflin, Montour, Northumberland, Perry, Snyder, Tioga, Union, and York counties.

[2] Excludes psychiatry and substance abuse discharge

ASSET AND LIABILITY MANAGEMENT

As of September 30, 2026, UPMC's investment portfolio, excluding Enterprises and various restricted assets, utilized 157 ongoing external investment managers, including 21 traditional managers, 13 hedge fund managers and 49 private capital managers. UPMC is also invested with an additional 74 legacy private capital and hedge fund managers. UPMC's investment portfolio has a long-term perspective and has generated annualized returns of 7.9%, 11.3% and 5.6% for the trailing one-, three- and five-year periods, respectively, ending September 30, 2026. As of September 30, 2026, 73% of UPMC's investment portfolio could be liquidated within three days.

UPMC's cost of capital during the nine-month period ended September 30, 2026, was 3.7%. This cost of capital includes the accrual of interest payments, the amortization of financing costs and original issue discount or premium, the ongoing costs of variable rate debt and the cash flow impact of derivative contracts. As of September 30, 2026, the interest rates on UPMC's long-term debt were approximately 88% fixed and 12% variable. Interest cost for the variable rate debt for the period averaged 2.9%. The interest cost for the fixed rate debt was 3.8%. UPMC's primary credit facility, which expires in May 2028, has a borrowing limit of $1 billion. As of September 30, 2026, UPMC had approximately $54 million in letters of credit outstanding under the credit facility leaving $946 million available to fund operating and capital needs. As of September 30, 2026, $600 million was drawn on the facility.

During the second quarter of 2026, Insurance Services closed on a $350 million credit facility, which replaces a facility of an equal commitment that expired in May 2026. Subject to certain conditions, the full $350 million commitment is available from May 15th through August 14th, with a reduction to $35 million for the balance of the calendar year. This new facility expires in May 2031. Also supporting Insurance Services is a $250 million credit facility wherein the full $250 million commitment is available from May 1st through August 31st, with a reduction to $25 million for the balance of the calendar year. This facility expires in May 2027. As of September 30, 2026, these credit facilities were undrawn.

During the second quarter of 2026, UPMC issued the tax-exempt Series 2026A, Series 2026B, and Series 2026C Bonds with par values of $787 million, $278 million, and $35 million, respectively. These bonds refunded certain indebtedness and will fund capital projects. Additionally, UPMC publicly remarketed the tax-exempt Series 2016B and Series 2023D Bonds, both of which had previously been held by banks.

The table below compares reported Investing and Financing Activity for the nine months ended September 30, 2026 and 2025 by type.

Investing and Financing Activity by Type

Nine Months Ended September 30	2026	2025
(in thousands)		
Realized gain	$ 349,337	$ 115,345
Interest and dividends, net of fees	132,457	126,600
Realized investment gain	$ 481,794	$ 241,945
Unrealized gain on derivative contracts	42	94
Unrealized investment (loss) gain	(43,258)	443,671
Investment gain	$ 438,578	$ 685,710
Interest expense	(171,447)	(166,961)
Gain on extinguishment of debt	6,115	11,886
UPMC Enterprises activity	(477)	(71,105)
Gain from investing and financing activities	$ 272,769	$ 459,530

Sources and Uses of Cash

UPMC's primary source of operating cash is the collection of revenues and related accounts receivable. As of September 30, 2026, UPMC had approximately $1.6 billion of cash and cash equivalents.

Operating EBIDA was $689 million for the nine months ended September 30, 2026, compared to $919 million for the nine months ended September 30, 2025. Key uses of cash for the nine months ended September 30, 2026 include capital expenditures, net of disposals, of approximately $848 million (excluding any capital acquired through lease arrangements). Major capital projects included construction and improvements at UPMC Presbyterian, as well as ongoing expansion and improvement across the entirety of UPMC. Major information services projects include UPMC's implementation of a single electronic health record aimed at improving health data interoperability and streamlining patient care, enhancements that are advancing UPMC's leading clinician centric computing environment, technology infrastructure that supports UPMC's diversified digital environment, and investments in enterprise data analytics and other technologies that are transforming the consumer experience across the spectrum of health care.

UTILIZATION STATISTICS

PERIOD ENDED SEPTEMBER 30, 2026

The following table presents selected consolidated statistical indicators of medical-surgical, psychiatric, rehabilitation and skilled nursing patient activity for the nine months ended September 30, 2026 and 2025.

	Nine Months Ended September 30	
	2026	2025
Licensed Beds	**7,770**	8,005
BEDS IN SERVICE		
Medical-Surgical	**5,176**	5,169
Psychiatric	**417**	417
Rehabilitation	**233**	234
Skilled Nursing	**479**	661
Total Beds in Service	**6,305**	6,481
PATIENT DAYS		
Medical-Surgical	**1,050,492**	1,066,340
Psychiatric	**88,523**	89,862
Rehabilitation	**54,737**	51,459
Skilled Nursing	**123,688**	149,337
Total Patient Days	**1,317,440**	1,356,998
Average Daily Census	**4,826**	4,971
Observation Days	**102,991**	90,725
Obs Average Daily Census	**377**	332
ADMISSIONS AND OBSERVATION CASES		
Medical-Surgical	**194,869**	205,172
Observation Cases	**70,578**	64,649
Subtotal	**265,447**	269,821
Psychiatric	**7,751**	7,840
Rehabilitation	**3,786**	3,529
Skilled Nursing	**1,520**	1,517
Total Admissions and Observation Cases	**278,504**	282,707
Overall Occupancy	**83%**	83%
AVERAGE LENGTH OF STAY		
Medical-Surgical	**5.4**	5.2
Psychiatric	**11.4**	11.5
Rehabilitation	**14.5**	14.6
Skilled Nursing	**81.4**	98.4
Overall Average Length of Stay	**6.3**	6.2
Emergency Room Visits	**845,866**	842,471
TRANSPLANTS (DOMESTIC AND INTERNATIONAL)		
Liver	**184**	202
Kidney	**260**	280
All Other	**214**	246
Total	**658**	728
OTHER POST-ACUTE METRICS		
Home Health Visits	**398,518**	400,635
Hospice Care Days	**194,583**	198,171
Outpatient Rehab Visits	**570,726**	555,153

OUTSTANDING DEBT

PERIOD ENDED SEPTEMBER 30, 2026
(DOLLARS IN THOUSANDS)

Issuer	Original Borrower	Series	Amount Outstanding
Allegheny County Hospital Development Authority	UPMC Health System	1997B	$ 9,775
	UPMC	2007A	18,535
	UPMC	2017D	370,030
	UPMC	2019A	549,265
	UPMC	2021B	31,730
Monroeville Finance Authority	UPMC	2012	20,095
	UPMC	2022B	153,900
	UPMC	2023C	31,920
	UPMC	2026C	34,765
Pennsylvania Economic Development Financing Authority	UPMC	2015B	99,045
	UPMC	2016	162,810
	UPMC	2017A	338,440
	UPMC	2017B	81,485
	UPMC	2017C	124,885
	UPMC	2020A	233,385
	UPMC	2021A	200,610
	UPMC	2022A	206,370
	UPMC	2023A	433,250
	UPMC	2023B	80,930
	UPMC	2023D	250,000
	UPMC	2025A	372,370
	UPMC	2025B	326,795
	UPMC	2026A	787,125
	UPMC	2026B	278,290
	UPMC	*2026 Bank Loan*	*95,862*
Tioga County Industrial Development Authority	Laurel Health System	2010	3,665
	Laurel Health System	2011	1,930
Dauphin County General Authority	Pinnacle Health System	2016A	8,575
	Pinnacle Health System	2016B	69,840
Potter County Hospital Authority	UPMC	2018A	2,558
Washington County Hospital Authority	The Washington Hospital	2020A	32,605
	The Washington Hospital	2020B	1,985
Maryland Health and Higher Educational Facilities Authority	UPMC	2020B	170,480
None	UPMC	2020 Term Loan	300,000
	UPMC	2023	800,000
	Somerset Management Services	*2013*	*1,015*
	Various	*Financing Leases / Loans*	*258,378*
		Original Issue Premium	*282,320*
		Deferred Financing Costs	*(39,390)*
		Swap Liabilities	*22*
Total UPMC Outstanding Debt[1]			**$ 7,185,650**

[1]Represents current portion of long-term obligations plus long-term obligations
Italicized figures are definitionally excluded when calculating Master Trust Indenture ("MTI") Debt

Source: UPMC Records

DEBT COVENANT CALCULATIONS

PERIOD ENDED SEPTEMBER 30, 2026
(DOLLARS IN THOUSANDS)

DEBT SERVICE COVERAGE RATIO

UPMC is subject to a Debt Service Coverage Ratio covenant, tested annually at fiscal year-end, of 1.25x in various bank agreements and 1.10x in the 2007 MTI.

		Trailing Twelve-Month Period Ended September 30, 2026
Excess of revenues over expenses	$	207,756
ADJUSTED BY:		
Net Unrealized Gains during Period[1]		(28,822)
Depreciation and Amortization[1]		720,636
Gain on Extinguishment of Debt[1]		(6,115)
Release of Premium Deficiency Reserve[1]		(42,300)
Lease Impairment Realization – Facilities[2]		(10,962)
Realized Investment Impairments[2]		(6,988)
Interest Expense[3]		222,929
Revenues Available for Debt Service	$	1,056,134
Historical Debt Service Requirements - 2007 Master Trust Indenture ("MTI")	$	507,938
Debt Service Coverage Ratio – applicable to the 2007 MTI and various bank agreements		**2.08X**
For informational purposes:		
Historical Debt Service Requirements - All Debt and Finance Leases	$	555,498
Debt Service Coverage Ratio - All Debt and Finance Leases		1.90X

LIQUIDITY RATIO AS OF SEPTEMBER 30, 2026

UPMC is subject to a Liquidity Ratio covenant, tested annually at fiscal year-end, of 0.6x in various bank agreements and 0.5x in the 2007 MTI.

Unrestricted Cash and Investments	$	8,268,186
Master Trust Indenture Debt		6,587,443
Unrestricted Cash to MTI Debt		**1.26X**

[1] Non-Cash.
[2] Reflects ultimate realization of previously impaired cost-based investments.
[3] Includes only interest on long-term debt.

I hereby certify to the best of my knowledge that, as of September 30, 2026, UPMC is in compliance with the applicable covenants contained in the financing documents for the bonds listed on the cover hereof and all applicable bank lines of credit and no Event of Default (as defined in any related financing document) has occurred and is continuing.



UPMC
J.C. Stilley
Senior Vice President & Treasurer,
Chief Investment Officer, UPMC

Unaudited Interim Condensed Consolidated Financial Statements

FOR THE PERIOD ENDED SEPTEMBER 30, 2026

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Shape the future with confidence

Review Report of Independent Auditors

To the Board of Directors of UPMC

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated financial statements of UPMC (the Company), which comprise the condensed consolidated balance sheet as of September 30, 2026, and the related condensed consolidated statements of operations and changes in net assets for the three-month and nine-month periods ended September 30, 2026 and 2025, and cash flows for the nine-month periods ended September 30, 2026 and 2025, and the related notes (collectively referred to as the "interim financial information").

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Balance Sheet as of December 31, 2025

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 27, 2026. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2025, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Ernst & Young LLP

November 24, 2026

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	As of September 30, 2026	December 31, 2025
CURRENT ASSETS		
Cash and cash equivalents	$ 1,587,387	$ 1,223,530
Patient accounts receivable	2,202,156	1,999,651
Insurance and other receivables	2,061,958	2,039,415
Other current assets	860,054	802,605
Total current assets	6,711,555	6,065,201
Board-designated, restricted, trusteed and other investments	8,206,293	8,013,203
Beneficial interests in foundations and trusts	928,777	890,993
Net property, buildings and equipment	7,841,021	7,510,931
Operating lease right-of-use assets	709,411	764,637
Other assets	875,128	851,827
Total assets	$ 25,272,185	$ 24,096,792
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 972,853	$ 1,137,097
Accrued salaries and related benefits	1,070,177	1,179,302
Current portion of insurance reserves	1,658,579	1,348,329
Current portion of long-term obligations	702,379	782,633
Other current liabilities	1,448,294	956,439
Total current liabilities	5,852,282	5,403,800
Long-term obligations	6,483,271	5,866,601
Long-term insurance reserves	549,140	520,618
Operating lease noncurrent liabilities	647,284	710,449
Other noncurrent liabilities	330,695	476,553
Total liabilities	13,862,672	12,978,021
Net assets without donor restrictions	9,877,912	9,646,474
Net assets with donor restrictions	1,531,601	1,472,297
Total net assets	11,409,513	11,118,771
Total liabilities and net assets	$ 25,272,185	$ 24,096,792

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Nine Months Ended September 30		Three Months Ended September 30	
	2026	2025	**2026**	2025
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net patient service revenue	**$ 9,807,567**	$ 9,718,003	**$ 3,222,282**	$ 3,302,736
Insurance enrollment revenue	**14,222,902**	13,161,312	**4,814,905**	4,424,641
Other revenue	**1,412,248**	2,185,052	**445,576**	789,136
Total operating revenues	**25,442,717**	25,064,367	**8,482,763**	8,516,513
Salaries, professional fees and employee benefits	**8,182,420**	7,823,746	**2,779,975**	2,710,408
Insurance claims expense	**9,419,425**	9,586,138	**3,184,053**	3,275,440
Supplies, purchased services and general	**7,151,822**	6,735,040	**2,432,580**	2,310,294
Depreciation and amortization	**541,264**	525,258	**180,880**	174,821
Total operating expenses	**25,294,931**	24,670,182	**8,577,488**	8,470,963
Operating income (loss)	**147,786**	394,185	**(94,725)**	45,550
Academic and research support provided	**(203,250)**	(195,000)	**(67,750)**	(65,000)
Income tax and other non-operating activities	**14,158**	3,261	**7,160**	3,156
After-tax (loss) income	**$ (41,306)**	$ 202,446	**$ (155,315)**	$ (16,294)
Investing and financing activities:				
Investment gain	**438,578**	685,710	**16,787**	288,204
Interest expense	**(171,447)**	(166,961)	**(59,237)**	(54,923)
Gain on extinguishment of debt	**6,115**	11,886	**-**	-
UPMC Enterprises activity:				
Portfolio company revenue and net gains from sales	**94,526**	127,850	**18,271**	36,727
Portfolio company and research and development expense	**(95,003)**	(198,955)	**(32,702)**	(67,958)
Gain (loss) from investing and financing activities	**272,769**	459,530	**(56,881)**	202,050
Excess of revenues over expenses (expense over revenues)	**231,463**	661,976	**(212,196)**	185,756
Net activity attributable to noncontrolling interest	**(2,843)**	(5,699)	**(1,108)**	(6,478)
Excess of revenues over expenses (expense over revenues) attributable to controlling interest	**228,620**	656,277	**(213,304)**	179,278
Net change in pension liability and other	**2,818**	44,422	**(7,562)**	22,254
Change in net assets without donor restrictions	**231,438**	700,699	**(220,866)**	201,532
NET ASSETS WITH DONOR RESTRICTIONS				
Change in beneficial interests in foundations and trusts	**37,784**	40,717	**11,052**	30,567
Other changes in net assets with donor restrictions	**21,520**	34,362	**16,401**	18,915
Change in net assets with donor restrictions	**59,304**	75,079	**27,453**	49,482
Change in total net assets	**290,742**	775,778	**(193,413)**	251,014
Net assets, beginning of period	**11,118,771**	10,163,905	**11,602,926**	10,688,669
Net assets, end of period	**$ 11,409,513**	$ 10,939,683	**$ 11,409,513**	$ 10,939,683

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(DOLLARS IN THOUSANDS)

	Nine Months Ended September 30	
	2026	2025
OPERATING ACTIVITIES		
Increase in total net assets	**$ 290,742**	$ 775,778
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	**541,264**	525,258
Change in beneficial interest in foundations and trusts	**(37,784)**	(40,717)
Restricted contributions and investment gains	**(35,261)**	(34,064)
Unrealized losses (gains) on investments	**43,258**	(443,671)
Realized gains on investments	**(349,337)**	(241,945)
Net gain on dispositions	**-**	(97,355)
Net changes in non-alternative investments	**(82,040)**	282,508
Changes in operating assets and liabilities:		
Accounts receivable	**(225,048)**	(402,031)
Other current assets	**54,830**	95,861
Accounts payable and accrued liabilities	**(273,369)**	(100,717)
Insurance reserves	**338,772**	34,938
Other current liabilities	**199,576**	(10,133)
Other noncurrent liabilities	**(209,023)**	(76,986)
Other operating changes	**(1,840)**	(25,796)
Net cash provided by operating activities	**254,740**	240,928
INVESTING ACTIVITIES		
Purchase of property, buildings and equipment, net of disposals	**(848,300)**	(808,180)
UPMC Enterprises payments from (investments in) non-consolidated entities	**43,074**	(48,343)
Net change in investments designated as nontrading	**(103,457)**	(47,025)
Cash proceeds from dispositions	**-**	167,800
Net change in alternative investments	**255,454**	200,556
Other investing changes	**(120,000)**	74,573
Net cash used in investing activities	**(773,229)**	(460,619)
FINANCING ACTIVITIES		
Repayments of long-term obligations	**(683,377)**	(696,799)
Borrowings of long-term obligations	**1,230,462**	761,301
Repayments of short-term line of credit	**(994,000)**	-
Borrowings of short-term line of credit	**1,294,000**	-
Other financing changes	**35,261**	34,064
Net cash provided by financing activities	**882,346**	98,566
Net change in cash and cash equivalents	**363,857**	(121,125)
Cash and cash equivalents, beginning of period	**1,223,530**	974,097
Cash and cash equivalents, end of period	**$ 1,587,387**	$ 852,972
SUPPLEMENTAL INFORMATION		
Finance lease obligations incurred to acquire assets	**$ 8,200**	$ 32,049

See accompanying notes

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION

UPMC is a Pennsylvania nonprofit corporation and is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) of the Code. Headquartered in Pittsburgh, Pennsylvania, UPMC is one of the world's leading Integrated Delivery and Financing Systems. UPMC comprises nonprofit and for-profit entities offering medical and health care-related services, including health insurance products. Closely affiliated with the University of Pittsburgh (the "University") and with shared academic and research objectives, UPMC partners with the University's Schools of the Health Sciences to deliver outstanding patient care, train tomorrow's health care specialists and biomedical scientists, and conduct groundbreaking research on the causes and course of disease.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. The accompanying unaudited interim condensed consolidated financial statements include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation. For further information, refer to the audited consolidated financial statements and notes thereto as of and for the twelve-month period ended December 31, 2025.

2. NEW ACCOUNTING PRONOUNCEMENTS

No new accounting pronouncements were released or adopted that will have a material effect on UPMC's condensed consolidated financial statements.

3. REVENUE

Net Patient Service Revenue

UPMC's net patient service revenue is recorded based upon the estimated amounts UPMC expects to be entitled to receive from patients, third-party payers (including health insurers and government programs) and others and includes an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, UPMC bills the patients and third-party payers several days after the services are performed and/or the patient is discharged from the facility. Estimates of the explicit price concessions under managed care, commercial and governmental insurance plans are based upon the payment terms specified in the related contractual agreements or as mandated under government payer programs. UPMC continually reviews the explicit price concession estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care and commercial contractual terms resulting from contract negotiations and renewals. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by UPMC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. UPMC believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to inpatient services. UPMC measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and UPMC does not believe it is required to provide additional goods or services to the patient.

The majority of UPMC's services are rendered to patients with third-party coverage. Payment under these programs for all payers is based on a combination of prospectively determined rates, discounted charges and historical costs. Amounts received under Medicare and Medical Assistance programs are subject to review and final determination by program intermediaries or their agents and the contracts UPMC has with commercial payers also provide for retroactive audit and review of claims. Agreements with third-party payers typically provide for payments at amounts less than established charges. Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. UPMC also provides services to uninsured patients. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts).

UPMC also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record these revenues at the estimated amounts UPMC expects to collect. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods if final settlements differ from estimates. Adjustments arising from a change to previously estimated transaction prices were not significant in the three and nine months ended September 30, 2026 or 2025.

Consistent with UPMC's mission, care is provided to patients regardless of their ability to pay. UPMC has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, deductibles and copayments). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts UPMC expects to collect based on its collection history with those patients. Price concessions are deducted from net patient service revenue.

The collection of outstanding receivables from Medicare, Medicaid, managed care payers, other third-party payers and patients is one of UPMC's primary sources of cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the age of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon UPMC's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators.

The composition of UPMC's net patient service revenue for the three and nine months ended September 30, 2026 and 2025 is as follows:

	Nine Months Ended		Three Months Ended	
Periods Ended September 30	**2026**	2025	**2026**	2025
Commercial	**33%**	35%	**31%**	35%
Medicare	**45%**	43%	**48%**	43%
Medical Assistance	**14%**	15%	**14%**	15%
Self-pay/other	**8%**	7%	**7%**	7%
	100%	100%	**100%**	100%

Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from Medicare and Medical Assistance programs. As a result, there is at least a reasonable possibility that the recorded estimates may change.

Insurance Enrollment Revenue

UPMC's insurance subsidiaries (collectively, the "Health Plans") pay for health care services on a prepaid basis under various contracts. Insurance enrollment revenues are recognized as income in the period in which enrollees are entitled to receive health care services, which represents the performance obligation. Health care premium payments received from UPMC's members in advance of the service period are recorded as unearned revenues.

Insurance enrollment revenues include premiums that are collected from companies, individuals, and government entities. Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the programs. As a result, there is at least a reasonable possibility that recorded estimates may change.

Other Revenue

UPMC's other revenue consists of various contracts related to Health Services and Insurance Services. These contracts vary in duration and in performance obligations. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collectability is probable.

4. FAIR VALUE MEASUREMENTS

As of September 30, 2026 and December 31, 2025, UPMC held certain assets that are required to be measured at fair value on a recurring basis. These include certain board-designated, restricted, trusteed, and other investments and derivative instruments. Certain alternative investments are measured using the equity method of accounting and are, therefore, excluded from the fair value hierarchy tables presented herein. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are generally unsupported by market activity. The three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, includes:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables represent UPMC's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2026 and December 31, 2025. When quoted market prices are unobservable for fixed income securities, quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable, are used for valuation purposes. These investments are included in Level 2 and include corporate fixed income, government bonds, and mortgage and asset-backed securities.

Other investments measured at fair value represent funds included on the condensed consolidated balance sheets that are reported using net asset value ("NAV"). These amounts are not required to be categorized in the fair value hierarchy. The fair value of these investments is based on the net asset value information provided by the general partner. Fair value is based on the proportionate share of the NAV based on the most recent partners' capital statements received from the general partners, which is generally one quarter prior to the balance sheet date. Certain of UPMC's alternative investments are utilizing NAV to calculate fair value and are included in other investments in the following tables.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

FAIR VALUE MEASUREMENTS AS OF SEPTEMBER 30, 2026

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Equity securities:					
Domestic equity	$1,908,357	$ -	$ -	$ -	$ 1,908,357
International equity	614,376	-	-	-	614,376
U.S. REITS	79,742	-	-	-	79,742
Fixed income:					
Government securities	-	732,846	-	-	732,846
Corporate debt	-	716,044	-	-	716,044
Asset and mortgage-backed securities	-	773,318	-	-	773,318
Bond funds	450,534	-	-	-	450,534
Active equity	175,389	7,780	-	-	183,169
Absolute equity	-	43,835	-	-	43,835
Securities on loan	103,222	-	-	-	103,222
Securities lending collateral	15,878	-	-	-	15,878
Alternative and other investments at NAV	-	-	-	1,100,769	1,100,769
Total assets measured at fair value on a recurring basis	$3,347,498	$ 2,273,823	$ -	$ 1,100,769	$ 6,722,090
LIABILITIES					
Payable under securities lending agreement	$ (15,878)	$ -	$ -	$ -	$ (15,878)
Total liabilities measured at fair value on a recurring basis	$ (15,878)	$ -	$ -	$ -	$ (15,878)

FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2025

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Equity securities:					
Domestic equity	$1,702,032	$ -	$ -	$ -	$ 1,702,032
International equity	589,612	-	-	-	589,612
U.S. REITS	86,322	-	-	-	86,322
Fixed income:					
Government securities	-	676,250	-	-	676,250
Corporate debt	-	691,450	-	-	691,450
Asset and mortgage-backed securities	-	679,178	-	-	679,178
Bond funds	355,966	-	-	-	355,966
Active equity	223,886	6,450	-	-	230,336
Absolute equity	-	41,123	-	-	41,123
Securities on loan	47,927	-	-	-	47,927
Securities lending collateral	23,599	-	-	-	23,599
Alternative and other investments at NAV	-	-	-	1,477,846	1,477,846
Total assets measured at fair value on a recurring basis	$3,029,344	$ 2,094,451	$ -	$ 1,477,846	$ 6,601,641
LIABILITIES					
Payable under securities lending agreement	$ (23,599)	$ -	$ -	$ -	$ (23,599)
Derivative instruments	-	(65)	-	-	(65)
Total liabilities measured at fair value on a recurring basis	$ (23,599)	$ (65)	$ -	$ -	$ (23,664)

5. FINANCIAL INSTRUMENTS

Substantially all of UPMC's investments in debt and equity securities are classified as trading. This classification requires UPMC to recognize unrealized gains and losses on its investments in debt and equity securities as investment gain (loss) in the condensed consolidated statements of operations and changes in net assets. Unrealized gains and losses on donor-restricted assets are recorded as changes in net assets with donor restrictions in the condensed consolidated statements of operations and changes in net assets. Gains and losses on the sales of securities are determined by the average cost method. Realized gains and losses are included in investment gain in the condensed consolidated statements of operations and changes in net assets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices or model-driven valuations. Cash and cash equivalents and investments recorded at fair value aggregate to $8,293,592 and $7,801,572 at September 30, 2026 and December 31, 2025, respectively. As of September 30, 2026 and December 31, 2025, respectively, UPMC had $3,352,796 and $2,702,315 of total cash and investments that are held by UPMC's regulated entities.

Investments in limited partnerships that invest in nonmarketable securities are primarily recorded at fair value using the NAV practical expedient if the ownership percentage is less than 5% and are reported using the equity method of accounting if the ownership percentage is greater than 5%. UPMC had $1,500,088 and $1,435,161 of alternative investments accounted for under the equity method, which approximate fair value, at September 30, 2026 and December 31, 2025, respectively.

UPMC participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the condensed consolidated balance sheet (reported in other current assets and other current liabilities, respectively). Total collateral is required to have a market value between 102% and 105% of the market value of securities loaned. As of September 30, 2026 and December 31, 2025, respectively, securities loaned, of which UPMC maintains ownership, total $103,222 and $47,927, and total collateral (cash and noncash) received related to the securities loaned was $112,767 and $50,137.

UPMC's primary credit facility, which expires in May 2028, has a borrowing limit of $1 billion. As of September 30, 2026, UPMC had approximately $54 million in letters of credit outstanding under the credit facility leaving $946 million available to fund operating and capital needs, $600 million of which was drawn.

During the nine months ended September 30, 2026, Insurance Services closed on a $350,000 credit facility which replaces a facility of an equal commitment which expired in May 2026. Subject to certain conditions, the full $350,000 commitment is available from May 15th through August 14th, with a reduction to $35,000 for the balance of the calendar year. This new facility expires in May 2031. Also supporting Insurance Services is a $250,000 credit facility wherein the full $250,000 commitment is available from May 1st through August 31st, with a reduction to $25,000 for the balance of the calendar year. This facility expires in May 2027. As of September 30, 2026, these credit facilities were undrawn.

During the nine months ended September 30, 2026, UPMC issued the tax-exempt Series 2026A, Series 2026B, and Series 2026C Bonds with par values of $787,125, $278,290, and $34,765, respectively. These bonds refunded certain indebtedness and will fund capital projects.

During the nine months ended September 30, 2026, UPMC converted the tax-exempt Series 2016B and Series 2023D Bonds from bearing interest in an index rate mode held by certain financial institutions to publicly remarketed variable-rate demand bonds supported by irrevocable direct pay letters of credit with certain financial institutions. These variable-rate demand bonds ("VRDB's"), while subject to long-term amortization periods, may be tendered to the liquidity provider at the option of the bondholders in connection with associated remarketing agreements. UPMC may be required to, under the terms of the reimbursement agreements, repay the liquidity provider prior to the bonds scheduled maturity. Such acceleration may be necessitated by an expiration of the liquidity facility, provisions regarding repayment under the liquidity facility or the inclusion of subjective clauses. Although certain triggering events could result in accelerated repayment, the stated repayment periods under the reimbursement agreements extend beyond one year from the balance sheet date. As a result, the VRDB's are presented as long-term obligations.

UPMC maintains interest rate swap programs on certain of its debt in order to manage its interest rate risk. As of September 30, 2026, and December 31, 2025, UPMC is party to a basis swap where UPMC receives 67% of the Secured Overnight Financing Rate ("SOFR") plus .3217% and pays Securities Industry and Financial Markets Association ("SIFMA") on a notional amount of $18,535 and $22,680, respectively.

6. PENSION PLANS

UPMC and its subsidiaries maintain defined benefit pension plans (the "Plans"), defined contribution plans and nonqualified pension plans that cover substantially all of UPMC's employees. Benefits under the Plans vary and are generally based upon the employee's earnings and years of participation.

The components of net periodic pension cost, of which only service cost is included in operating income and all other components are in other non-operating activities on the condensed consolidated statements of operations and changes in net assets, for the Plans are as follows:

	Nine Months Ended September 30		Three Months Ended September 30	
	2026	2025	**2026**	2025
Service cost	**$ 135,216**	$ 137,523	**$ 45,072**	$ 45,841
Interest cost	**138,504**	134,459	**46,168**	44,819
Expected return on plan assets	**(160,362)**	(144,012)	**(53,454)**	(48,004)
Recognized net actuarial (gain) loss	**(6)**	1,667	**(2)**	557
Amortization of prior service credit	**(3,942)**	(3,942)	**(1,314)**	(1,314)
Net periodic pension cost	**$ 109,410**	$ 125,695	**$ 36,470**	$ 41,899

7. HEALTH INSURANCE COSTS

Costs covered by the Health Plans include estimates of payments to be made on claims reported but not yet processed as of the balance sheet date and estimates of health care services incurred but not reported to the Health Plans. Such estimates include the cost of services that will continue to be incurred after the balance sheet date when the Health Plans are obligated to remit payment for such services in accordance with contract provisions or regulatory requirements. UPMC determines the amount of the reserve for incurred but not paid claims by following a detailed actuarial process that uses both historical claim payment patterns as well as emerging medical cost trends to project UPMC's best estimate of the reserve for physical health care costs. This process involves formatting of historical paid claims data into claim triangles, which compare claim incurred dates to the dates of claim payments. This information is analyzed to create completion factors that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Completion factors are applied to claims paid through the period-end date to estimate the ultimate claim expense incurred for the period. Actuarial estimates of incurred but not paid claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims.

For the most recent incurred months, the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factors methodology less reliable for such months. Therefore, incurred claims for most recent months are not projected from historical completion and payment patterns; rather, they are projected by estimating the claims expense for those months based on recent claims expense levels and health care trend levels, or trend factors.

While there are many factors that are used as part of the estimation of UPMC's reserve for physical health care costs, the two key assumptions having the most significant impact on UPMC's incurred but not paid claims liability as of September 30, 2026 and 2025, were the completion and trend factors.

		2026		2025
Reserve for physical health care costs (beginning balance, December 31)	$	**953,864**	$	824,633
Add: Provisions for medical costs occurring in:				
Current year		**11,419,888**		11,282,540
Prior year		**(49,747)**		21,949
Net incurred medical costs		**11,370,141**		11,304,489
Deduct: Payments for claims occurring in:				
Current year		**10,404,690**		10,415,828
Prior year		**810,348**		825,312
Net paid medical costs		**11,215,038**		11,241,140
Reserve for physical health care costs (ending balance, September 30)	$	**1,108,967**	$	887,982

The foregoing rollforward, inclusive of all physical health care costs for Insurance Services, shows favorable development of $49,747 and unfavorable development of $21,949 for the nine months ended September 30, 2026 and 2025, respectively. UPMC regularly reviews and sets assumptions regarding cost trends and utilization when initially establishing a reserve for physical health care costs. UPMC continually monitors and adjusts the reserve and claims expense based on subsequent paid claims activity. If it is determined that UPMC's assumptions regarding cost trends and utilization are materially different from actual results, UPMC's consolidated statements of operations and changes in net assets and consolidated balance sheets could be impacted in future periods within insurance claims expense and current and long-term insurance reserves, respectively. Adjustments of prior year's estimates may result in additional claims expense or a reduction of claims expense in the period an adjustment is made.

8. LEASES

UPMC has operating and finance leases for corporate offices, physician offices and various equipment types, among others. These lease arrangements have remaining lease terms of one year to 25 years, some of which include options to extend the leases for several periods, and some of which include options to terminate the leases within one year. Balance sheet information related to leases are as follows:

	Sept 30, 2026	Dec 31, 2025
OPERATING LEASES		
Operating lease right-of-use assets	$ 709,411	$ 764,637
Other current liabilities	143,243	147,023
Operating lease noncurrent liabilities	647,284	710,449
Total operating lease liabilities	$ 790,527	$ 857,472
FINANCE LEASES		
Property, plant and equipment, net	$ 66,289	$ 76,905
Current portion of long-term obligations	21,987	24,327
Long-term obligations	51,399	62,776
Total finance lease liabilities	$ 73,386	$ 87,103

Undiscounted maturities of lease liabilities are as follows:

For the Nine Months Ended September 30	Operating Leases	Finance Leases
2026 (rest of year)	$ 44,657	$ 5,944
2027	162,491	23,230
2028	144,453	17,825
2029	126,609	10,176
2030	88,109	4,697
Thereafter	360,485	12,744

9. CONTINGENCIES

UPMC is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators. These matters include medical malpractice, employment, intellectual property, antitrust, privacy and contract claims, claims related to health care benefits coverage and other business practices. UPMC records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving UPMC are inherently difficult to predict, particularly where the matters involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, UPMC is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility, or it is probable a loss may be incurred.

Concurrently, UPMC has been involved or is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, state attorneys general, the Office of the Inspector General, the Office of Personnel Management, the Office of Civil Rights, the Government Accountability Office, the Federal Trade Commission, U.S. Congressional committees, the U.S. Department of Justice (DOJ), the IRS, the U.S. Drug Enforcement Administration, the U.S. Department of Labor, the FDIC, Consumer Financial Protection Bureau and other governmental authorities. UPMC records liabilities for estimates of probable cost resulting from these matters where appropriate. Estimates of cost resulting from governmental investigations, audits and reviews are inherently difficult to predict and as a result UPMC cannot reasonably estimate the outcome which may result from these matters given their procedural status.

In the opinion of management, based in part on the advice of legal counsel, adequate provision has been made as of September 30, 2026 for such matters. Although there is considerable variability inherent in such estimates, management further believes that the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position.

10. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to September 30, 2026 through November 24, 2026, the date the consolidated financial statements of UPMC were issued. During this period, there were no subsequent events requiring recognition or disclosure in the consolidated financial statements except as noted below.

On October 1, 2026, UPMC completed the acquisition of certain assets and assumption of certain liabilities of Trinity for a preliminary purchase price of approximately $120,000. The purchase price is subject to agreed-upon closing adjustments. The fair value of assets acquired and liabilities assumed will be determined during the measurement period in accordance with Accounting Standards Codification 805 *Business Combinations*. UPMC is in the process of finalizing the allocation of the purchase price to the net assets acquired.