



Investor Presentation

September 19, 2013

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FY2013 Financial Results

Fiscal Year 2013 through June 2013

Key Financial Indicators (\$ in millions)

<u>Financial Results</u>	<u>Pgh. Promise</u>	<u>Actual</u>	<u>Budget</u>	<u>Prior Year</u>
• Operating Revenues		\$10,188	\$9,956	\$9,637
• Operating Income	\$187	\$132	\$300	\$351
• Operating Margin %	1.8%	1.3%	3.0%	3.6%
• Rating Agency Operating Inc.	\$55	\$0	\$156	\$228
• Rating Agency Margin %	0.5%	0.0%	1.6%	2.4%
• Operating EBIDA	\$611	\$556	\$710	\$746
• Operating EBIDA %	6.0%	5.5%	7.1%	7.7%
• Investment Revenue		\$352	\$212	(\$6)
• Interest Expense		<u>(133)</u>	<u>(134)</u>	<u>(121)</u>
• Investment Income (Loss)		\$219	\$78	(\$127)
• Net Income	\$414	\$359	\$368	\$221
<u>Liquidity</u>				
• Cash & Investments		\$4,205	\$4,192	\$3,971
• Unrestricted Cash over Debt		\$383	\$438	\$291
• Days Cash on Hand		131	135	135
• Days in AR		39	35	38

Fiscal Year 2013 through June 2013

Key Operational Indicators

<u>Provider Services</u>	<u>Actual</u>	<u>Budget</u>	<u>Prior Year</u>
• Medical/Surgical Admissions	187,326	188,454	185,816
• Observation Visits	<u>61,527</u>	<u>58,985</u>	<u>53,199</u>
Subtotal	248,853	247,439	239,015
• Psychiatric Admissions	8,827	8,421	8,432
• Rehabilitation Admissions	3,630	3,521	3,486
• SNF/Other Specialty Admissions	<u>2,971</u>	<u>3,048</u>	<u>2,966</u>
• Total Admissions and Observation Visits	264,281	262,429	253,899
• Medical/Surgical ALOS	5.2	5.2	5.2
• Medical/Surgical Case Mix Index	1.61	1.63	1.63
• Transplants	595	576	590
<u>Insurance Services</u>			
• Insurance Plan Members	2,130,044	1,949,135	1,843,014
• Insurance Plan Medical Expense Ratio	90%	90%	90%
<u>Consolidated UPMC</u>			
• Total FTE	51,241	50,998	50,054
• Overtime (% of total hours)	2.23%	2.25%	2.40%

Fiscal Year 2013 through June 2013

Statement of Cash Flows (*\$ in millions*)

Cash and Investments at June 30, 2012	\$3,971
Operating Activities	
Operating Income	132
Investment Income, other	227
Depreciation and amortization	424
Change in operating assets and liabilities, net	<u>(96)</u>
	687
Investing Activities	
Purchase of property and equipment	(474)
Acquisitions, joint venture investments	<u>(29)</u>
	(503)
Financing Activities	
Borrowings	376
Extinguishment and repayments of long term debt	<u>(326)</u>
	50
Net change in cash and equivalents from operating, investing and financing activities	234
Cash and Investments at June 30, 2013	<u>\$4,205</u>

Asset Allocation

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Insurance Market Transition

Insurance Market Transition

Pittsburgh employees to see 2 health suitors

August 29, 2013

By Bill Toland / Pittsburgh Post-Gazette

City of Pittsburgh employees and their family members will soon have a choice of health insurers -- and guaranteed access to UPMC hospitals, according to the president of the firefighters union.

Joe King, head of International Association of Fire Fighters Local 1, said Highmark Inc. and HealthAmerica will be **offering plans to the city's 3,400 employees and their immediate relatives, totaling about 7,900 "covered lives."**

For the last five years, Highmark Inc. had been the city's exclusive health carrier, giving them the city's entire book of business. The new multicarrier agreement, running 2014 through 2016, means Highmark seems sure to lose at least some of its customer load to HealthAmerica, a division of Coventry Health, which was purchased last year by health insurance giant Aetna for \$7.3 billion.

"We are going back to a choice of carriers," Mr. King said. "We don't want our families involved in the middle of this fight," speaking of the ongoing grudge match between Highmark and UPMC.

The multicarrier agreement was important, he said, because HealthAmerica has access to UPMC hospitals and doctors into 2015. Highmark, on the other hand, does not -- UPMC says it doesn't want to sign a new access agreement with Highmark, because Highmark is assembling its own health system, the Allegheny Health Network.

The current contract between the two expires at the end of 2014, and after that -- barring a new agreement -- many Highmark customers won't have in-network access to most UPMC facilities.

The multicarrier arrangement isn't unusual -- many employers offer coverage options through multiple health insurance companies, and prior to 2008, the City of Pittsburgh did too.

But that year, Mayor Luke Ravenstahl's administration decided to go with a single provider, Highmark. The three-year contract would save the city \$17 million over the duration, the mayor's office said at the time, because the Pittsburgh insurer offered a pricing discount in exchange for the guaranteed book of business.

The city's health benefits contract again came up for bid in 2010, for the three-year period running from 2011 through 2013, and Highmark again was awarded an exclusive contract.

But this time around, Highmark's fractured relationship with UPMC complicated the renewal. Two months ago, Judy Hill Finegan, director of the city's Personnel and Civil Service Commission, said that the city had received four bids, and that all of the bidders were asked whether they'd be open to a multicarrier arrangement.

Ms. Hill Finegan was not available to discuss the city's health plan Wednesday, but Mr. King said Ms. Hill Finegan was **"very headstrong on going to a choice of carriers, because of this fight"** between Highmark and UPMC.

In addition to Highmark and UPMC [sic, HealthAmerica], Mr. King said Cigna and UnitedHealth also submitted bids, which ultimately were rejected. Notably, UPMC Health Plan did not bid, saying at the time that tensions with the city and its mayor meant **"we did not believe we could get a fair shake from the current administration."**

Highmark and HealthAmerica officials did not comment on the new arrangement. Paul Wood, UPMC spokesman, did, saying that **this is "exactly what we know will happen when employers offer [an] option other than just Highmark."**

Mr. King said the **new arrangement should save the city \$4 million or \$5 million a year**, and that health plan orientation programs with city employees are underway. The "open enrollment" period for city employees -- during which time they can switch carriers or otherwise amend their benefits plans -- begins Oct. 1.

Bullets and Mandatory Tenders

Schedule of Bullet Maturities and Mandatory Tenders

	<u>Date</u>	<u>Fiscal Years ended 6/30:</u>					<u>Beyond</u>
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
2008A Bullet	9/1/2014		\$169,000,000				
CanAm Loan Bullet	7/1/2015			\$71,000,000			
2008B Bullet	6/15/2018					\$145,545,000	
2011B Bullet	12/15/2021						\$100,000,000
Series 2007B2 MT	8/1/2014		\$65,000,000				
Series 2008 MT	8/1/2014		\$92,540,000				
Series 2010B1 MT	12/1/2016				\$75,000,000		
Series 2010B2 MT	12/1/2016				\$25,000,000		
Series 2010C MT	12/1/2016				\$50,000,000		
Series 2010D MT	12/1/2016				\$150,000,000		
Series 2010F MT	12/1/2017					\$95,000,000	

Summary of 2013 Financing

Series 2013 Plan of Finance

	Pennsylvania Economic Development Financing Authority	Monroeville Finance Authority
Expected Issuance	\$125* million tax-exempt fixed rate bonds	\$100* million tax-exempt fixed rate bonds
Use of Proceeds	New capital projects at UPMC campuses	Refinancing of existing debt
Ratings	Aa3 (stable) / A+ (stable) / AA- (negative)	
Security	Gross revenues	
Structure	Amortizing 7/1/2014 through 7/1/2043*	
Retail Pricing	Monday, September 23, 2013*	
Institutional Pricing	Tuesday, September 24, 2013*	
Closing	Tuesday, October 8, 2013*	
Replay	Available through pricing (password "UPMC2013")	

*Preliminary, subject to change