

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 OR 15(d)  
of The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 25, 2021**

**UNIVERSAL HEALTH SERVICES, INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction of  
Incorporation or Organization)

**1-10765**  
(Commission  
File Number)

**23-2077891**  
(I.R.S. Employer  
Identification No.)

**UNIVERSAL CORPORATE CENTER  
367 SOUTH GULPH ROAD  
KING OF PRUSSIA, PENNSYLVANIA 19406**  
(Address of principal executive office) (Zip Code)

**Registrant's telephone number, including area code (610) 768-3300**

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock	UHS	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## Item 2.02 Results of Operations and Financial Condition

On October 25, 2021, Universal Health Services, Inc. issued the press release attached hereto as Exhibit 99.1.

## Item 8.01 Other Events

On October 18, 2021, the United States District Court for the Eastern District of Pennsylvania granted preliminary approval of a settlement (“Settlement”) in the stockholder derivative action captioned *In re Universal Health Services, Inc., Derivative Litigation*, Case No. 2:17-cv-02187-JHS (the “Federal Derivative Action”). The complaint in the Federal Derivative Action alleged claims, including breach of fiduciary duty, against certain current and former directors and officers of Universal Health Services, Inc. (the “Company”) relating to alleged practices and operations at the Company’s behavioral health facilities. The defendants have denied, and continue to deny, the allegations in the complaint. On August 19, 2019, the district court dismissed the complaint with prejudice, and on April 29, 2020, it denied plaintiffs’ leave to amend their complaint. Plaintiffs’ appeal from those decisions was pending on appeal at the time of the Settlement.

Pursuant to the Court’s Order granting preliminary approval of the settlement, the Company is publishing the Notice of: (I) Pendency And Proposed Settlement Of Stockholder Derivative Actions; (II) Settlement Fairness Hearing; and (III) Motion For An Award Of Attorneys’ Fees And Litigation Expenses, dated October 26, 2021 (the “Notice”) and the Stipulation of Settlement, attached hereto as Exhibits 99.2 and 99.3. The Notice and Stipulation of Settlement relate to the proposed settlement of the Federal Derivative Action, the stockholder derivative action captioned *Delaware County Employees’ Retirement Fund, et al. v. Alan B. Miller, et al.*, C.A. No. 2017-0475-JTL, pending in the Court of Chancery of the State of Delaware, and a stockholder litigation demand submitted by Dr. Eli Inzlicht-Sprei.

This Notice is also available for review on the company’s investor relations website at <https://ir.uhsinc.com>.

## Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

99.1	<a href="#">Universal Health Services, Inc., press release, dated October 25, 2021.</a>
99.2	<a href="#">Notice of Proposed Settlement and Hearing</a>
99.3	<a href="#">Stipulation and Agreement of Settlement</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

### Exhibit Index

<u>Exhibit No.</u>	<u>Exhibit</u>
99.1	<a href="#">Universal Health Services, Inc., press release, dated October 25, 2021.</a>
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99.3	<a href="#">Stipulation and Agreement of Settlement</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Universal Health Services, Inc.

By: /s/ Steve Filton

Name: Steve Filton

Title: Executive Vice President and  
Chief Financial Officer

Date: October 26, 2021

FOR IMMEDIATE RELEASE

October 25, 2021

CONTACT: Steve Filton  
Chief Financial Officer  
610-768-3300

**UNIVERSAL HEALTH SERVICES, INC.**  
**REPORTS 2021 THIRD QUARTER FINANCIAL RESULTS**

Consolidated Results of Operations, As Reported and As Adjusted – Three-month periods ended September 30, 2021 and 2020:

KING OF PRUSSIA, PA – Universal Health Services, Inc. (NYSE: UHS) announced today that its reported net income attributable to UHS was \$218.4 million, or \$2.60 per diluted share, during the third quarter of 2021, as compared to \$241.3 million, or \$2.82 per diluted share, during the third quarter of 2020. Net revenues increased 8.4% to \$3.156 billion during the third quarter of 2021 as compared to \$2.913 billion during the third quarter of 2020.

As reflected on the Schedule of Non-GAAP Supplemental Information (“Supplemental Schedule”), our adjusted net income attributable to UHS during the third quarter of 2021 was \$224.1 million, or \$2.67 per diluted share, as compared to \$246.5 million, or \$2.88 per diluted share, during the third quarter of 2020.

Included in our reported and adjusted net income attributable to UHS during the third quarter of last year were the following: (i) a favorable impact of approximately \$21.4 million, or \$0.25 per diluted share, resulting from \$28 million of net revenues recorded in connection with the California Medicaid supplemental payment program related to our acute care hospitals (approximately \$11 million of these supplemental revenues were attributable to the first nine months of 2020 and \$17 million were attributable to prior years), and; (ii) an unfavorable impact of approximately \$4.7 million, or \$0.06 per diluted share, resulting from a reversal of approximately \$5 million of previously recognized grant income revenues recorded in connection with various governmental stimulus programs, most notably the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).

As reflected on the Supplemental Schedule, included in our reported results during the third quarter of 2021, was a net aggregate unfavorable after-tax impact of \$5.8 million, or \$0.07 per diluted share, consisting primarily of the following: (i) an after-tax charge of \$12.9 million, or \$0.15 per diluted share, (\$16.8 million pre-tax which is included in “Other (income) expense, net”) recorded in connection with costs related to extinguishment of debt, as discussed below in *Liquidity and Financing Transactions*, partially offset by; (ii) an after-tax unrealized gain of \$6.8 million, or \$0.08 per diluted share, (\$8.9 million pre-tax which is included in “Other (income) expense, net”), resulting from an increase in the market value of shares of certain equity securities.

As reflected on the Supplemental Schedule, included in our reported results during the third quarter of 2020, was a net aggregate unfavorable after-tax impact of \$5.2 million, or \$0.06 per diluted share, consisting of the following: (i) an after-tax unrealized loss of \$2.1 million, or \$0.02 per diluted share, (\$2.7 million pre-tax which is included in “Other (income) expense, net”), resulting from a decrease in the market value of shares of certain equity securities, and; (ii) an unfavorable after-tax impact of \$3.1 million, or \$0.04 per diluted share, resulting from ASU 2016-09, “Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”).

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As calculated on the attached Supplemental Schedule, our earnings before interest, taxes, depreciation & amortization (“EBITDA net of NCI”, NCI is net income attributable to noncontrolling interests), was \$441.5 million during the third quarter of 2021, as compared to \$471.0 million during the third quarter of 2020. Our adjusted earnings before interest, taxes, depreciation & amortization (“Adjusted EBITDA net of NCI”), which excludes the impact of other (income) expense, net, was \$448.2 million during the third quarter of 2021 as compared to \$472.8 million during the third quarter of 2020.

Consolidated Results of Operations, As Reported and As Adjusted – Nine-month periods ended September 30, 2021 and 2020:

Reported net income attributable to UHS was \$752.5 million, or \$8.83 per diluted share, during the nine-month period ended September 30, 2021, as compared to \$635.2 million, or \$7.40 per diluted share, during the first nine months of 2020. Net revenues increased 10.6% to \$9.367 billion during the first nine months of 2021 as compared to \$8.472 billion during the comparable period of 2020.

As reflected on the Supplemental Schedule, our adjusted net income attributable to UHS during the nine-month period ended September 30, 2021 was \$756.6 million, or \$8.88 per diluted share, as compared to \$646.9 million, or \$7.53 per diluted share, during the first nine months of 2020.

Included in our reported and adjusted net income attributable to UHS during the nine-month period ended September 30, 2021, the substantial majority of which was previously disclosed and recorded during the second quarter of 2021, was a net favorable after-tax impact of approximately \$31.2 million, or \$.37 per diluted share, consisting of:

- a favorable after-tax impact of \$47.7 million, or \$.56 per diluted share, resulting from approximately \$62 million of revenues recorded during the second and third quarters of 2021 (\$55 million and \$7 million, respectively), in connection with the Kentucky Medicaid Managed Care Hospital Rate Increase Program, covering the period of July 1, 2020 to June 30, 2021, as discussed below in *Kentucky Hospital Rate Increase Program*;
- an unfavorable after-tax impact of approximately \$31.0 million, or \$.36 per diluted share, resulting from a \$41 million increase to our reserves for self-insured professional and general liability claims recorded during the second and third quarters of 2021 (\$36 million and \$5 million, respectively), resulting from unfavorable trends experienced in connection with the number of asserted claims and reported incidents and estimates of losses for those claims;
- an aggregate favorable after-tax impact of \$22.1 million, or \$.26 per diluted share, resulting from aggregate commercial insurance proceeds received of approximately \$29 million, approximately \$19 million and \$10 million of which were recorded during the second and third quarters of 2021, respectively, in connection with: (i) the unfavorable economic impact resulting from the previously disclosed information technology incident that occurred during 2020 (\$20 million aggregate proceeds received thus far representing partial recovery of the loss sustained), and; (ii) the COVID-19 pandemic (approximately \$9 million of insurance proceeds received during the second quarter of 2021 representing recovery of the policy maximum), and;
- an estimated unfavorable impact of approximately \$7.6 million (approximately \$10 million pre-tax), or \$.09 per diluted share, resulting from damage sustained from Hurricane Ida during the third quarter of 2021 at three of our behavioral health care facilities located in Louisiana and Pennsylvania (see below in *Behavioral Health Care Services* for additional disclosure).

Our reported and adjusted net income attributable to UHS during the nine-month period ended September 30, 2020 included the following: (i) a favorable impact of \$157.2 million, or \$1.84 per diluted share, resulting from the recording of approximately \$213 million of grant income revenues recorded in connection

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with various governmental stimulus programs, most notably the CARES Act, and; (ii) a favorable impact of \$21.4 million, or \$0.25 per diluted share, resulting from the above-mentioned \$28 million of net revenues recorded during the third quarter of 2020 in connection with the California Medicaid supplemental payment program.

As reflected on the Supplemental Schedule, included in our reported results during the nine-month period ended September 30, 2021, was a net aggregate unfavorable after-tax impact of \$4.1 million, or \$.05 per diluted share, consisting of the following: (i) an after-tax charge of \$12.9 million, or \$.15 per diluted share, (\$16.8 million pre-tax which is included in "Other (income) expense, net") recorded in connection with costs related to extinguishment of debt, as discussed below in *Liquidity and Financing Transactions*; (ii) an after-tax unrealized gain of \$6.3 million, or \$.07 per diluted share, (\$8.2 million pre-tax which is included in "Other (income) expense, net") resulting from an increase in the market value of shares of certain equity securities, and; (iii) a favorable after-tax impact of \$2.5 million, or \$.03 per diluted share, resulting from ASU 2016-09.

As reflected on the Supplemental Schedule, included in our reported results during the nine-month period ended September 30, 2020, was a net aggregate unfavorable after-tax impact of \$11.6 million, or \$.13 per diluted share, consisting of the following: (i) an after-tax unrealized loss of \$7.2 million, or \$.08 per diluted share, (\$9.4 million pre-tax which is included in "Other (income) expense, net"), resulting from a decrease in the market value of shares of certain equity securities, and; (ii) an unfavorable after-tax impact of \$4.4 million, or \$.05 per diluted share, resulting from ASU 2016-09.

As calculated on the attached Supplemental Schedule, our EBITDA net of NCI, was \$1.450 billion during the nine-month period ended September 30, 2021, as compared to \$1.303 billion during the first nine months of 2020. Our Adjusted EBITDA net of NCI, which excludes the impact of other (income) expense, net, was \$1.448 billion during the nine-month period ended September 30, 2021, as compared to \$1.311 billion during the first nine months of 2020.

*Acute Care Services – Three and nine-month periods ended September 30, 2021 and 2020:*

During the third quarter of 2021, at our acute care hospitals owned during both periods ("same facility basis"), adjusted admissions (adjusted for outpatient activity) increased 12.4% and adjusted patient days increased 10.9%, as compared to the third quarter of 2020. Patient volumes at our acute care hospitals during the third quarter of 2021 included a continuation of relatively robust non-COVID patient volumes as well as an increase in COVID-related patients as compared to volumes experienced during the second quarter of 2021.

At these facilities, excluding the governmental stimulus revenues of approximately \$4 million recorded during the third quarter of 2020, net revenue per adjusted admission increased 1.3% while net revenue per adjusted patient day increased 2.7% during the third quarter of 2021, as compared to the third quarter of 2020. During the third quarter of 2021, as compared to the third quarter of 2020, net revenues generated from our acute care services on a same facility basis increased 13.1% including the governmental stimulus revenues recorded during the third quarter of 2020, and increased 13.4% excluding the governmental stimulus revenues recorded during the third quarter of 2020.

During the nine-month period ended September 30, 2021, at our acute care hospitals on a same facility basis, adjusted admissions increased 7.3% and adjusted patient days increased 9.9%, as compared to the first nine months of 2020. At these facilities, excluding the governmental stimulus revenues of approximately \$161 million recorded during the first nine months of 2020, net revenue per adjusted admission increased 10.4% while net revenue per adjusted patient day increased 7.8% during the first nine months of 2021, as compared to the comparable period of 2020. During the first nine months of 2021, as compared to the comparable period of 2020, net revenues generated from our acute care services on a same facility basis increased 14.4% including

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the governmental stimulus revenues recorded during the first nine months of 2020, and increased 18.6% excluding the governmental stimulus revenues recorded during the first nine months of 2020.

*Behavioral Health Care Services – Three and nine-month periods ended September 30, 2021 and 2020:*

During the third quarter of 2021, at our behavioral health care facilities on a same facility basis, adjusted admissions decreased 2.7% and adjusted patient days decreased 2.1%, as compared to the third quarter of 2020. During the third quarter of 2021, patient volumes at our behavioral health care hospitals were pressured by increased COVID-19 infections experienced in many of our markets, as well as clinical staffing shortages caused by the general unfavorable availability of workers in the U.S., as well as pandemic-related staffing challenges experienced at many of our facilities.

In addition, three of our behavioral health care facilities located in Louisiana and Pennsylvania were damaged and temporarily closed (either entirely or partially) as a result of Hurricane Ida in late August/early September of 2021. One of these facilities was fully re-opened by the end of September while the other two are expected to be fully re-opened by late October/mid-November. As mentioned above, we estimate that our pre-tax financial results for the three and nine month periods ended September 30, 2021 were unfavorably impacted by approximately \$10 million as a result of the damage sustained from Hurricane Ida.

At these facilities, excluding the governmental stimulus revenue reversal of approximately \$9 million recorded during the third quarter of 2020, net revenue per adjusted admission increased 4.2% while net revenue per adjusted patient day increased 3.6% during the third quarter of 2021, as compared to the third quarter of 2020. During the third quarter of 2021, as compared to the third quarter of 2020, net revenues generated from our behavioral health care services on a same facility basis increased 2.0% including the governmental stimulus revenue reversal recorded during the third quarter of 2020, and increased 1.3% excluding the governmental stimulus revenue reversal recorded during the third quarter of 2020.

During the nine-month period ended September 30, 2021, at our behavioral health care facilities on a same facility basis, adjusted admissions increased 1.6% and adjusted patient days increased 0.3%, as compared to the first nine months of 2020. At these facilities, excluding the governmental stimulus revenues of approximately \$52 million recorded during the first nine months of 2020, net revenue per adjusted admission increased 4.7% while net revenue per adjusted patient day increased 6.0% during the first nine months of 2021, as compared to the comparable period of 2020. During the first nine months of 2021, as compared to the comparable period of 2020, net revenues generated from our behavioral health care services on a same facility basis increased 5.4% including the governmental stimulus revenues recorded during the first nine months of 2020, and increased 6.9% excluding the governmental stimulus revenues recorded during the first nine months of 2020.

*COVID-19*

The impact of the COVID-19 pandemic, which began during the second half of March, 2020, has had a material effect on our operations and financial results since that time. The COVID-19 vaccination process commenced during the first quarter of 2021. Since that time, through the second quarter of 2021, we had generally experienced a decline in COVID-19 patients as well as a corresponding recovery in non-COVID-19 patient activity. However, during the third quarter of 2021, our facilities generally experienced an increase in COVID-19 patients resulting primarily from the Delta variant. Since the future volumes and severity of COVID-19 patients remain highly uncertain and subject to change, including potential increases in future COVID-19 patient volumes caused by new variants of the virus, as well as related pressures on staffing and wage rates, we are not able to fully quantify the impact that these factors will have on our future financial results. However, developments related to the COVID-19 pandemic could materially affect our financial performance during the remainder of 2021 and into 2022.

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Net Cash Provided by Operating Activities and Liquidity and Financing Transactions:

*Net Cash Provided by Operating Activities:*

For the nine months ended September 30, 2021, our net cash provided by operating activities was \$562 million as compared to \$2.218 billion during the first nine months of 2020. The \$1.656 billion net decrease in our cash provided by operating activities during the first nine months of 2021, as compared to the first nine months of 2020, was due to: (i) an unfavorable change of \$1.576 billion resulting primarily from the \$695 million of Medicare accelerated payments repaid during the first quarter of 2021, as compared to a favorable change of \$878 million experienced during the first nine months of 2020 resulting from receipt of the Medicare accelerated payments and other deferred governmental stimulus grants; (ii) a favorable change of \$153 million resulting from an increase in net income plus depreciation and amortization expense, stock-based compensation expense, gain/loss on sales of assets and businesses, costs related to extinguishment of debt and provision for asset impairment; (iii) an unfavorable change of \$111 million due to the first nine months of 2020 including the favorable impact of the payment deferral of the employer's share of Social Security taxes, as provided for by the CARES Act; (iv) an unfavorable change of \$75 million in accounts receivable; (v) an unfavorable change of \$51 million in accrued and deferred income taxes, and; (vi) \$4 million of other combined net favorable changes.

*Liquidity and Financing Transactions:*

During the third quarter of 2021, we completed the following previously announced financing transactions:

- On August 24, 2021, we completed the following via private offerings to qualified institutional buyers under Rule 144A and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended:
  - Issued \$700 million of aggregate principal amount of 1.65% senior secured notes due on September 1, 2026, and;
  - Issued \$500 million of aggregate principal amount of 2.65% senior secured notes due on January 15, 2032.
- On August 24, 2021, we entered into a seventh amendment to our credit agreement dated as of November 15, 2010, which provided for the amendment and restatement of the previously existing credit facility. The seventh amendment, among other things, provided for the following:
  - a \$1.2 billion aggregate amount revolving credit facility, which is scheduled to mature on August 24, 2026, representing an increase of \$200 million over the \$1.0 billion previous commitment. As of September 30, 2021, this facility had no borrowings outstanding and \$1.196 billion of available borrowing capacity, net of outstanding letters of credit;
  - a \$1.7 billion tranche A term loan facility, which is scheduled to mature on August 24, 2026, resulting in a reduction of \$150 million from the \$1.85 billion of borrowings outstanding under the previous tranche A term loan facility, and;
  - repayment of approximately \$488 million of borrowings outstanding under the previous tranche B term loan facility.
- On September 13, 2021, we redeemed \$400 million of aggregate principal amount of 5.00% senior secured notes, that were scheduled to mature on June 1, 2026, at 102.50% of the aggregate principal, or \$410 million.

In connection with the various financing transactions mentioned above, our results of operations for the three and nine-month periods ended September 30, 2021, include a \$16.8 million pre-tax charge incurred for costs related to the extinguishment of debt. This pre-tax charge consisted of the following: (i) \$6.8 million

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incurred to write-off unamortized deferred charges on the extinguished debt, and; (ii) a \$10 million make-whole premium paid on the early redemption of the \$400 million, 5.00% senior secured notes.

As of September 30, 2021, we had approximately \$190 million of cash and cash equivalents.

Stock Repurchase Program:

As of September 30, 2021, we had an aggregate stock repurchase authorization of \$3.7 billion which was approved by our Board of Directors in various increments since 2014, including a previously announced \$1.0 billion increase authorized on July 26, 2021. Pursuant to the terms of this program, which had an aggregate available repurchase authorization of \$790.5 million as of September 30, 2021, shares of our Class B Common Stock may be repurchased, from time to time as conditions allow, on the open market or in negotiated private transactions.

In conjunction with our stock repurchase programs, during the three-month period ended September 30, 2021, we have repurchased approximately 2.78 million shares at an aggregate cost of \$419.1 million (approximately \$151 per share). Since inception of the program in 2014 through September 30, 2021, we have repurchased approximately 23.0 million shares at an aggregate cost of approximately \$2.91 billion (approximately \$126 per share).

Kentucky Hospital Rate Increase Program:

As previously disclosed, in early 2021, the Centers for Medicare and Medicaid Services (“CMS”) approved the Kentucky Medicaid Managed Care Hospital Rate Increase Program (“HRIP”) for state fiscal year (“SFY”) 2021, which covered the period of July 1, 2020 through June 30, 2021. This program change increased our reimbursement for SFY 2021 by an aggregate of approximately \$62 million, of which \$55 million and \$7 million were recorded by us during the second and third quarters of 2021, respectively.

Programs such as HRIP require an annual state submission and approval by CMS. In May, 2021, Kentucky submitted a request to CMS in order to continue the HRIP program for SFY 2022 with a similar payment methodology and payment level as the SFY 2021 program. Although we believe the CMS approval process is in progress, we are unable to predict if CMS will ultimately approve the HRIP for SFY 2022, and if approved, if the rates will be generally comparable to the SFY 2021 HRIP rates.

Conference call information:

We will hold a conference call for investors and analysts at 9:00 a.m. eastern time on October 26, 2021. The dial-in number is 1-877-648-7971.

A live broadcast of the conference call will be available on our website at [www.uhs.com](http://www.uhs.com). Also, a replay of the call will be available following the conclusion of the live call and will be available for one full year.

General Information, Forward-Looking Statements and Risk Factors and Non-GAAP Financial Measures:

One of the nation’s largest and most respected providers of hospital and healthcare services, Universal Health Services, Inc. has built an impressive record of achievement and performance. Growing steadily since our inception into an esteemed Fortune 500 corporation, our annual revenues were approximately \$11.6 billion during 2020. In 2021, UHS was again recognized as one of the World’s Most Admired Companies by *Fortune*; ranked #270 on the Fortune 500; and ranked #307 on *Forbes’* list of America’s Largest Public Companies.

Our operating philosophy is as effective today as it was upon the Company’s founding in 1979, enabling us to provide compassionate care to our patients and their loved ones. Our strategy includes building or acquiring high quality hospitals in rapidly growing markets, investing in the people and equipment needed to allow each facility to thrive, and becoming the leading healthcare provider in each community we serve.

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Headquartered in King of Prussia, PA, UHS has approximately 89,000 employees and through its subsidiaries operates 27 acute care hospitals, 333 behavioral health facilities, 40 outpatient facilities and ambulatory care access points, an insurance offering, a physician network and various related services located in 38 U.S. states, Washington, D.C., Puerto Rico and the United Kingdom. It acts as the advisor to Universal Health Realty Income Trust, a real estate investment trust (NYSE:UHT). For additional information visit [www.uhs.com](http://www.uhs.com).

This press release contains forward-looking statements based on current management expectations. Numerous factors, including those disclosed herein, those related to the anticipated impact of COVID-19 on our operations and financial results, those related to healthcare industry trends and those detailed in our filings with the Securities and Exchange Commission (as set forth in *Item 1A-Risk Factors* and in *Item 7-Forward-Looking Statements and Risk Factors* in our Form 10-K for the year ended December 31, 2020 and in *Item 2-Forward Looking Statements and Risk Factors* in our Form 10-Q for the quarterly period ended June 30, 2021), may cause the results to differ materially from those anticipated in the forward-looking statements. These statements are subject to risks and uncertainties and therefore actual results may differ materially. Readers should not place undue reliance on such forward-looking statements which reflect management's view only as of the date hereof. We undertake no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise. Many of the factors that could affect our future results are beyond our control or ability to predict, including the impact of the COVID-19 pandemic. Our future operations and financial results will likely be materially impacted by developments related to COVID-19 including, but not limited to, the potential impact on future COVID-19 patient volumes resulting from new variants of the virus, the length of time and severity of the spread of the pandemic; the volume of cancelled or rescheduled elective procedures and the volume of COVID-19 patients treated at our hospitals and other healthcare facilities; measures we are taking to respond to the COVID-19 pandemic; the impact of government and administrative regulation and stimulus on the hospital industry and potential retrospective adjustment in future periods of CARES Act and other grant income revenues recorded as revenues in prior periods; declining patient volumes and unfavorable changes in payer mix caused by deteriorating macroeconomic conditions (including increases in uninsured and underinsured patients as the result of business closings and layoffs); potential disruptions to our clinical staffing and shortages and disruptions related to supplies required for our employees and patients; and potential increases to expenses related to staffing, supply chain or other expenditures; the impact of our substantial indebtedness and the ability to refinance such indebtedness on acceptable terms, as well as risks associated with disruptions in the financial markets and the business of financial institutions as the result of the COVID-19 pandemic which could impact us from a financing perspective; and changes in general economic conditions nationally and regionally in our markets resulting from the COVID-19 pandemic. We are not able to fully quantify the impact that these factors will have on our future financial results, but developments related to the COVID-19 pandemic could materially affect our financial performance during the remainder of 2021 and into 2022.

We believe that adjusted net income attributable to UHS, adjusted net income attributable to UHS per diluted share, EBITDA net of NCI and Adjusted EBITDA net of NCI, which are non-GAAP financial measures ("GAAP" is Generally Accepted Accounting Principles in the United States of America), are helpful to our investors as measures of our operating performance. In addition, we believe that, when applicable, comparing and discussing our financial results based on these measures, as calculated, is helpful to our investors since it neutralizes the effect of material items impacting our net income attributable to UHS, such as, the impact of ASU 2016-09, unrealized gains/losses resulting from changes in the market value of shares of certain equity securities, and other potential material items that are nonrecurring or non-operational in nature including, but not limited to, impairments of long-lived and intangible assets, reserves for various matters including settlements, legal judgments and lawsuits, costs related to extinguishment of debt, gains/losses on sales of assets and businesses, and other amounts that may be reflected in the current or prior year financial statements that

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relate to prior periods. To obtain a complete understanding of our financial performance these measures should be examined in connection with net income attributable to UHS, as determined in accordance with GAAP, and as presented in the condensed consolidated financial statements and notes thereto in this report or in our other filings with the Securities and Exchange Commission including our Report on Form 10-K for the year ended December 31, 2020, and our Report on Form 10-Q for the quarter ended June 30, 2021. Since the items included or excluded from these measures are significant components in understanding and assessing financial performance under GAAP, these measures should not be considered to be alternatives to net income as a measure of our operating performance or profitability. Since these measures, as presented, are not determined in accordance with GAAP and are thus susceptible to varying calculations, they may not be comparable to other similarly titled measures of other companies. Investors are encouraged to use GAAP measures when evaluating our financial performance.

(more)

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**Universal Health Services, Inc.****Consolidated Statements of Income**

(in thousands, except per share amounts)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net revenues	\$ 3,155,999	2,912,541	\$ 9,366,866	8,471,962
<i>Operating charges:</i>				
Salaries, wages and benefits	1,556,448	1,406,348	4,542,156	4,147,027
Other operating expenses	754,072	666,665	2,233,590	1,982,202
Supplies expense	367,834	335,409	1,052,977	936,808
Depreciation and amortization	134,462	125,961	399,850	376,563
Lease and rental expense	28,375	28,488	88,848	84,967
	<u>2,841,191</u>	<u>2,562,871</u>	<u>8,317,421</u>	<u>7,527,567</u>
Income from operations	314,808	349,670	1,049,445	944,395
Interest expense, net	21,199	24,575	64,455	86,399
Other (income) expense, net	6,719	1,831	(1,575)	8,291
Income before income taxes	286,890	323,264	986,565	849,705
Provision for income taxes	67,515	79,172	232,844	204,649
Net income	219,375	244,092	753,721	645,056
Less: Net income attributable to noncontrolling interests	1,024	2,813	1,255	9,811
Net income attributable to UHS	<u>\$ 218,351</u>	<u>\$ 241,279</u>	<u>\$ 752,466</u>	<u>\$ 635,245</u>
Basic earnings per share attributable to UHS (a)	<u>\$ 2.65</u>	<u>\$ 2.84</u>	<u>\$ 8.96</u>	<u>\$ 7.44</u>
Diluted earnings per share attributable to UHS (a)	<u>\$ 2.60</u>	<u>\$ 2.82</u>	<u>\$ 8.83</u>	<u>\$ 7.40</u>

**Universal Health Services, Inc.**  
**Footnotes to Consolidated Statements of Income**  
(in thousands, except per share amounts)  
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>(a) Earnings per share calculation:</b>				
<u>Basic and diluted:</u>				
Net income attributable to UHS	\$ 218,351	\$ 241,279	\$ 752,466	\$ 635,245
Less: Net income attributable to unvested restricted share grants	(396)	(790)	(1,609)	(1,987)
Net income attributable to UHS - basic and diluted	<u>\$ 217,955</u>	<u>\$ 240,489</u>	<u>\$ 750,857</u>	<u>\$ 633,258</u>
Weighted average number of common shares - basic	<u>82,262</u>	<u>84,672</u>	<u>83,756</u>	<u>85,172</u>
Basic earnings per share attributable to UHS:	<u>\$ 2.65</u>	<u>\$ 2.84</u>	<u>\$ 8.96</u>	<u>\$ 7.44</u>
Weighted average number of common shares	82,262	84,672	83,756	85,172
Add: Other share equivalents	1,411	575	1,275	415
Weighted average number of common shares and equiv. - diluted	<u>83,673</u>	<u>85,247</u>	<u>85,031</u>	<u>85,587</u>
Diluted earnings per share attributable to UHS:	<u>\$ 2.60</u>	<u>\$ 2.82</u>	<u>\$ 8.83</u>	<u>\$ 7.40</u>

**Universal Health Services, Inc.**  
Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")  
For the Three Months ended September 30, 2021 and 2020  
(in thousands, except per share amounts)  
(unaudited)

Calculation of Earnings/Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA/Adjusted EBITDA net of NCI")

	Three months ended September 30, 2021	% Net revenues	Three months ended September 30, 2020	% Net revenues
Net income attributable to UHS	\$ 218,351		\$ 241,279	
Depreciation and amortization	134,462		125,961	
Interest expense, net	21,199		24,575	
Provision for income taxes	67,515		79,172	
EBITDA net of NCI	<u>\$ 441,527</u>	<u>14.0%</u>	<u>\$ 470,987</u>	<u>16.2%</u>
Other (income) expense, net	6,719		1,831	
Adjusted EBITDA net of NCI	<u>\$ 448,246</u>	<u>14.2%</u>	<u>\$ 472,818</u>	<u>16.2%</u>
Net revenues	<u>\$ 3,155,999</u>		<u>\$ 2,912,541</u>	

Calculation of Adjusted Net Income Attributable to UHS

	Three months ended September 30, 2021		Three months ended September 30, 2020	
	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income attributable to UHS	\$ 218,351	\$ 2.60	\$ 241,279	\$ 2.82
Plus/minus after-tax adjustments:				
Unrealized gain (loss) on equity securities	(6,785)	(0.08)	2,066	0.02
Debt extinguishment costs	12,884	0.15	-	-
Impact of ASU 2016-09	(323)	-	3,137	0.04
Subtotal adjustments	5,776	0.07	5,203	0.06
Adjusted net income attributable to UHS	<u>\$ 224,127</u>	<u>\$ 2.67</u>	<u>\$ 246,482</u>	<u>\$ 2.88</u>

**Universal Health Services, Inc.**  
**Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")**  
**For the Nine Months ended September 30, 2021 and 2020**  
(in thousands, except per share amounts)  
(unaudited)

Calculation of Earnings/Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA/Adjusted EBITDA net of NCI")

	Nine months ended September 30, 2021	% Net revenues	Nine months ended September 30, 2020	% Net revenues
Net income attributable to UHS	\$ 752,466		\$ 635,245	
Depreciation and amortization	399,850		376,563	
Interest expense, net	64,455		86,399	
Provision for income taxes	232,844		204,649	
EBITDA net of NCI	<u>\$ 1,449,615</u>	<u>15.5%</u>	<u>\$ 1,302,856</u>	<u>15.4%</u>
Other (income) expense, net	(1,575)		8,291	
Adjusted EBITDA net of NCI	<u>\$ 1,448,040</u>	<u>15.5%</u>	<u>\$ 1,311,147</u>	<u>15.5%</u>
Net revenues	<u>\$ 9,366,866</u>		<u>\$ 8,471,962</u>	

Calculation of Adjusted Net Income Attributable to UHS

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income attributable to UHS	\$ 752,466	\$ 8.83	\$ 635,245	\$ 7.40
Plus/minus after-tax adjustments:				
Unrealized (gain) loss on equity securities	(6,255)	(0.07)	7,193	0.08
Debt extinguishment costs	12,884	0.15	-	-
Impact of ASU 2016-09	(2,522)	(0.03)	4,412	0.05
Subtotal adjustments	4,107	0.05	11,605	0.13
Adjusted net income attributable to UHS	<u>\$ 756,573</u>	<u>\$ 8.88</u>	<u>\$ 646,850</u>	<u>\$ 7.53</u>

**Universal Health Services, Inc.**  
**Consolidated Statements of Comprehensive Income**

(in thousands)  
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income	\$ 219,375	\$ 244,092	\$ 753,721	\$ 645,056
Other comprehensive income (loss):				
Foreign currency translation adjustment	(9,121)	14,245	(23,184)	(18,280)
Other comprehensive income (loss) before tax	(9,121)	14,245	(23,184)	(18,280)
Income tax expense (benefit) related to items of other comprehensive income (loss)	109	302	(1,958)	(908)
Total other comprehensive income (loss), net of tax	(9,230)	13,943	(21,226)	(17,372)
Comprehensive income	210,145	258,035	732,495	627,684
Less: Comprehensive income attributable to noncontrolling interests	1,024	2,813	1,255	9,811
Comprehensive income attributable to UHS	<u>\$ 209,121</u>	<u>\$ 255,222</u>	<u>\$ 731,240</u>	<u>\$ 617,873</u>



**Universal Health Services, Inc.**  
**Condensed Consolidated Balance Sheets**

(in thousands)  
(unaudited)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 189,743	\$ 1,224,490
Accounts receivable, net	1,764,214	1,728,928
Supplies	202,824	190,417
Other current assets	186,518	138,034
<b>Total current assets</b>	<b>2,343,299</b>	<b>3,281,869</b>
Property and equipment	10,515,812	9,885,888
Less: accumulated depreciation	(4,828,108)	(4,512,764)
	5,687,704	5,373,124
<b>Other assets:</b>		
Goodwill	3,888,999	3,882,715
Deferred income taxes	48,591	22,689
Right of use assets-operating leases	309,387	336,513
Deferred charges	6,721	4,985
Other	562,152	574,984
<b>Total Assets</b>	<b>\$ 12,846,853</b>	<b>\$ 13,476,879</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 44,961	\$ 331,998
Accounts payable and other liabilities	1,845,465	1,668,671
Medicare accelerated payments and deferred CARES Act and other grants	1,375	376,151
Operating lease liabilities	60,853	59,796
Federal and state taxes	16,163	44,423
<b>Total current liabilities</b>	<b>1,968,817</b>	<b>2,481,039</b>
Other noncurrent liabilities	545,282	458,549
Operating lease liabilities noncurrent	250,754	278,303
Medicare accelerated payments noncurrent	0	322,617
Long-term debt	3,709,316	3,524,253
Deferred income taxes	0	5,582
Redeemable noncontrolling interest	4,886	4,569
UHS common stockholders' equity	6,274,021	6,317,146
Noncontrolling interest	93,777	84,821
<b>Total equity</b>	<b>6,367,798</b>	<b>6,401,967</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 12,846,853</b>	<b>\$ 13,476,879</b>

**Universal Health Services, Inc.**  
**Consolidated Statements of Cash Flows**

(in thousands)  
(unaudited)

	Nine months ended September 30,	
	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 753,721	\$ 645,056
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation & amortization	399,850	376,563
(Gain) loss on sale of assets and businesses	(4,803)	2,124
Costs related to extinguishment of debt	16,831	1,365
Stock-based compensation expense	55,548	49,928
Provision for asset impairment	7,195	0
<i>Changes in assets &amp; liabilities, net of effects from acquisitions and dispositions:</i>		
Accounts receivable	(29,079)	45,435
Accrued interest	3,714	(10,526)
Accrued and deferred income taxes	(52,727)	(2,095)
Other working capital accounts	52,616	85,944
Medicare accelerated payments and deferred CARES Act and other grants	(697,393)	878,480
Other assets and deferred charges	(34,038)	1,271
Other	9,607	115,431
Accrued insurance expense, net of commercial premiums paid	140,702	113,571
Payments made in settlement of self-insurance claims	(60,069)	(84,390)
Net cash provided by operating activities	<u>561,675</u>	<u>2,218,157</u>
<b>Cash Flows from Investing Activities:</b>		
Property and equipment additions	(666,025)	(546,656)
Proceeds received from sales of assets and businesses	21,143	7,851
Acquisition of businesses and property	(39,391)	(52,009)
Inflows from foreign exchange contracts that hedge our net U.K. investment	4,261	22,453
Increase in capital reserves of commercial insurance subsidiary	100	0
Costs incurred for purchase of information technology applications, net of refunds	20,202	(5,345)
Investment in, and advances to, joint venture and other	0	(997)
Net cash used in investing activities	<u>(659,710)</u>	<u>(574,703)</u>
<b>Cash Flows from Financing Activities:</b>		
Repayments of long-term debt	(3,026,888)	(1,173,590)
Additional borrowings	2,912,374	803,197
Financing costs	(17,967)	(8,256)
Repurchase of common shares	(770,665)	(200,098)
Dividends paid	(50,284)	(17,344)
Issuance of common stock	10,108	9,288
Profit distributions to noncontrolling interests	(5,744)	(15,175)
Purchase of ownership interests by minority member	13,046	(548)
Net cash used in financing activities	<u>(936,020)</u>	<u>(602,526)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(682)</u>	<u>(706)</u>
(Decrease) increase in cash, cash equivalents and restricted cash	(1,034,737)	1,040,222
Cash, cash equivalents and restricted cash, beginning of period	1,279,154	105,667
Cash, cash equivalents and restricted cash, end of period	<u>\$ 244,417</u>	<u>\$ 1,145,889</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	<u>\$ 58,719</u>	<u>\$ 93,579</u>
Income taxes paid, net of refunds	<u>\$ 286,376</u>	<u>\$ 208,460</u>
Noncash purchases of property and equipment	<u>\$ 73,428</u>	<u>\$ 76,402</u>

**Universal Health Services, Inc.**  
**Supplemental Statistical Information**  
(unaudited)

<b>Same Facility:</b>	% Change Quarter ended 9/30/2021	% Change 9 months ended 9/30/2021
<b>Acute Care Services</b>		
Revenues (a)	13.1%	14.4%
Revenues-excludes governmental stimulus revenues	13.4%	18.6%
Adjusted Admissions	12.4%	7.3%
Adjusted Patient Days	10.9%	9.9%
Revenue Per Adjusted Admission-excludes governmental stimulus revenues	1.3%	10.4%
Revenue Per Adjusted Patient Day-excludes governmental stimulus revenues	2.7%	7.8%
<b>Behavioral Health Care Services</b>		
Revenues (b)	2.0%	5.4%
Revenues-excludes governmental stimulus revenues	1.3%	6.9%
Adjusted Admissions	-2.7%	1.6%
Adjusted Patient Days	-2.1%	0.3%
Revenue Per Adjusted Admission-excludes governmental stimulus revenues	4.2%	4.7%
Revenue Per Adjusted Patient Day-excludes governmental stimulus revenues	3.6%	6.0%

(a) Includes governmental stimulus program revenues of \$4 million and \$161 million recorded in the three and nine-month periods ended September 30, 2020, respectively.

(b) Includes the reversal of governmental stimulus program revenues of \$9 million and governmental stimulus revenues of \$52 million recorded in the three and nine-month periods ended September 30, 2020, respectively.

<b>UHS Consolidated</b>	Third Quarter Ended		Nine months ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Revenues	\$3,155,999	\$2,912,541	\$9,366,866	\$8,471,962
EBITDA net of NCI	\$441,527	\$470,987	\$1,449,615	\$1,302,856
EBITDA Margin net of NCI	14.0%	16.2%	15.5%	15.4%
Adjusted EBITDA net of NCI	\$448,246	\$472,818	\$1,448,040	\$1,311,147
Adjusted EBITDA Margin net of NCI	14.2%	16.2%	15.5%	15.5%
Cash Flow From Operations	\$442,227	\$766,788	\$561,675	\$2,218,157
Days Sales Outstanding	51	50	51	51
Capital Expenditures	\$183,814	\$192,046	\$666,025	\$546,656
Debt			\$3,754,277	\$3,609,177
UHS' Shareholders Equity			\$6,274,021	\$5,962,788
Debt / Total Capitalization			37.4%	37.7%
Debt / EBITDA net of NCI (1)			1.87	2.02
Debt / Adjusted EBITDA net of NCI (1)			1.88	2.03
Debt / Cash From Operations (1)			5.34	1.41
Net Debt / EBITDA net of NCI (1) (2)			1.81	1.40
Net Debt / Adjusted EBITDA net of NCI (1) (2)			1.82	1.41
Net Debt / Cash From Operations (1) (2)			5.16	0.98

(1) Latest 4 quarters

(2) Debt, net of approximately \$122 million of short-term cash investments as of September 30, 2021 and \$1.101 billion as of September 30, 2020.

**Universal Health Services, Inc.**  
**Acute Care Hospital Services**  
For the Three and Nine Months ended  
September 30, 2021 and 2020  
(in thousands)

**Same Facility Basis - Acute Care Hospital Services**

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Net revenues (a)	\$ 1,792,862	100.0%	\$ 1,585,142	100.0%	\$ 5,178,594	100.0%	\$ 4,528,364	100.0%
Operating charges:								
Salaries, wages and benefits	755,216	42.1%	660,610	41.7%	2,153,046	41.6%	1,909,216	42.2%
Other operating expenses	410,960	22.9%	366,754	23.1%	1,216,277	23.5%	1,086,669	24.0%
Supplies expense	316,238	17.6%	283,829	17.9%	901,827	17.4%	781,778	17.3%
Depreciation and amortization	82,478	4.6%	78,388	4.9%	246,621	4.8%	234,756	5.2%
Lease and rental expense	17,505	1.0%	17,641	1.1%	55,663	1.1%	50,224	1.1%
Subtotal-operating expenses	1,582,397	88.3%	1,407,222	88.8%	4,573,434	88.3%	4,062,643	89.7%
Income from operations	210,465	11.7%	177,920	11.2%	605,160	11.7%	465,721	10.3%
Interest expense, net	255	0.0%	205	0.0%	749	0.0%	1,339	0.0%
Other (income) expense, net	436	0.0%	-	-	436	0.0%	-	-
Income before income taxes	\$ 209,774	11.7%	\$ 177,715	11.2%	\$ 603,975	11.7%	\$ 464,382	10.3%

**All Acute Care Hospital Services**

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Net revenues (a)	\$ 1,822,027	100.0%	\$ 1,610,003	100.0%	\$ 5,271,000	100.0%	\$ 4,598,558	100.0%
Operating charges:								
Salaries, wages and benefits	757,962	41.6%	660,694	41.0%	2,157,060	40.9%	1,909,415	41.5%
Other operating expenses	436,475	24.0%	391,642	24.3%	1,305,544	24.8%	1,156,909	25.2%
Supplies expense	316,950	17.4%	283,827	17.6%	902,654	17.1%	781,776	17.0%
Depreciation and amortization	83,794	4.6%	78,388	4.9%	248,462	4.7%	234,756	5.1%
Lease and rental expense	17,518	1.0%	17,641	1.1%	55,676	1.1%	50,224	1.1%
Subtotal-operating expenses	1,612,699	88.5%	1,432,192	89.0%	4,669,396	88.6%	4,133,080	89.9%
Income from operations	209,328	11.5%	177,811	11.0%	601,604	11.4%	465,478	10.1%
Interest expense, net	255	0.0%	205	0.0%	749	0.0%	1,339	0.0%
Other (income) expense, net	436	0	-	-	436	0	-	-
Income before income taxes	\$ 208,637	11.5%	\$ 177,606	11.0%	\$ 600,419	11.4%	\$ 464,139	10.1%

(a) Includes governmental stimulus program revenues of \$4 million and \$161 million recorded in the three and nine-month periods ended September 30, 2020, respectively.

We believe that providing our results on a “Same Facility” basis (which is a non-GAAP measure), which includes the operating results for facilities and businesses operated in both the current year and prior year periods, is helpful to our investors as a measure of our operating performance. Our Same Facility results also neutralize (if applicable), the effect of material items that are nonrecurring or non-operational in nature including items such as, but not limited to, reserves for various matters, settlements, legal judgments and lawsuits, cost related to extinguishment of debt, gains/losses on sales of assets and businesses, impairments of long-lived and intangible assets and other amounts that may be reflected in the current or prior year financial statements that relate to prior periods. Our Same Facility basis results exclude from net revenues and other operating expenses, provider tax assessments incurred in each period. However, these provider tax assessments are included in net revenues and other operating expenses as reflected in the table under All Acute Care Hospital Services. The provider tax assessments had no impact on the income before income taxes as reflected on the above tables since the amounts offset between net revenues and other operating expenses. To obtain a complete understanding of our financial performance, the Same Facility results should be examined in connection with our net income as determined in accordance with GAAP and as presented herein and the condensed consolidated financial statements and notes thereto as contained in our Form 10-K for the year ended December 31, 2020 and Form 10-Q for the quarter ended June 30, 2021.

The All Acute Care Hospital Services table summarizes the results of operations for all our acute care operations during the periods presented. These amounts include: (i) our acute care results on a same facility basis, as indicated above; (ii) the impact of provider tax assessments which increased net revenues and other operating expenses but had no impact on income before income taxes, and; (iii) certain other amounts including the results of facilities acquired or opened during the last twelve months.

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**Universal Health Services, Inc.**  
**Behavioral Health Care Services**  
For the Three and Nine Months ended  
September 30, 2021 and 2020  
(in thousands)

**Same Facility - Behavioral Health Care Services**

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Net revenues (a)	\$ 1,302,468	100.0%	1,276,568	100.0%	\$ 4,004,066	100.0%	3,797,579	100.0%
Operating charges:								
Salaries, wages and benefits	721,949	55.4%	683,567	53.5%	2,133,755	53.3%	2,022,066	53.2%
Other operating expenses	267,878	20.6%	229,862	18.0%	776,087	19.4%	693,724	18.3%
Supplies expense	51,337	3.9%	51,806	4.1%	151,435	3.8%	153,761	4.0%
Depreciation and amortization	45,798	3.5%	43,919	3.4%	136,926	3.4%	129,877	3.4%
Lease and rental expense	10,311	0.8%	9,928	0.8%	31,339	0.8%	31,384	0.8%
Subtotal-operating expenses	1,097,273	84.2%	1,019,082	79.8%	3,229,542	80.7%	3,030,812	79.8%
Income from operations	205,195	15.8%	257,486	20.2%	774,524	19.3%	766,767	20.2%
Interest expense, net	336	0.0%	354	0.0%	1,014	0.0%	1,079	0.0%
Other (income) expense, net	27	0.0%	526	0.0%	435	0.0%	2,337	0.1%
Income before income taxes	\$ 204,832	15.7%	\$ 256,606	20.1%	\$ 773,075	19.3%	\$ 763,351	20.1%

**All Behavioral Health Care Services**

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Net revenues (a)	\$ 1,328,293	100.0%	1,299,591	100.0%	\$ 4,075,127	100.0%	3,864,823	100.0%
Operating charges:								
Salaries, wages and benefits	727,137	54.7%	684,575	52.7%	2,144,735	52.6%	2,027,223	52.5%
Other operating expenses	292,794	22.0%	253,779	19.5%	847,780	20.8%	765,006	19.8%
Supplies expense	51,712	3.9%	51,858	4.0%	152,273	3.7%	153,861	4.0%
Depreciation and amortization	47,205	3.6%	45,154	3.5%	140,870	3.5%	134,081	3.5%
Lease and rental expense	10,421	0.8%	10,734	0.8%	31,789	0.8%	34,151	0.9%
Subtotal-operating expenses	1,129,269	85.0%	1,046,100	80.5%	3,317,447	81.4%	3,114,322	80.6%
Income from operations	199,024	15.0%	253,491	19.5%	757,680	18.6%	750,501	19.4%
Interest expense, net	1,218	0.1%	433	0.0%	3,564	0.1%	1,184	0.0%
Other (income) expense, net	27	0.0%	526	0.0%	435	0.0%	2,337	0.1%
Income before income taxes	\$ 197,779	14.9%	\$ 252,532	19.4%	\$ 753,681	18.5%	\$ 746,980	19.3%

(a) Includes the reversal of governmental stimulus program revenues of \$9 million and governmental stimulus revenues of \$52 million recorded in the three and nine-month periods ended September 30, 2020, respectively.

We believe that providing our results on a “Same Facility” basis (which is a non-GAAP measure), which includes the operating results for facilities and businesses operated in both the current year and prior year periods, is helpful to our investors as a measure of our operating performance. Our Same Facility results also neutralize (if applicable), the effect of material items that are nonrecurring or non-operational in nature including items such as, but not limited to, reserves for various matters, settlements, legal judgments, lawsuits and reserves established in connection with the government's investigation of our behavioral health care facilities, cost related to extinguishment of debt, gains/losses on sales of assets and businesses, impairments of long-lived and intangible assets and other amounts that may be reflected in the current or prior year financial statements that relate to prior periods. Our Same Facility basis results exclude from net revenues and other operating expenses, provider tax assessments incurred in each period. However, these provider tax assessments are included in net revenues and other operating expenses as reflected in the table under All Behavioral Health Care Services. The provider tax assessments had no impact on the income before income taxes as reflected on the above tables since the amounts offset between net revenues and other operating expenses. To obtain a complete understanding of our financial performance, the Same Facility results should be examined in connection with our net income as determined in accordance with GAAP and as presented herein and in the condensed consolidated financial statements and notes thereto as contained in our Form 10-K for the year ended December 31, 2020 and Form 10-Q for the quarter ended June 30, 2021.

The All Behavioral Health Care Services table summarizes the results of operations for all our behavioral health care facilities during the periods presented. These amounts include: (i) our behavioral health results on a same facility basis, as indicated above; (ii) the impact of provider tax assessments which increased net revenues and other operating expenses but had no impact on income before income taxes, and; (iii) certain other amounts including the results of facilities acquired or opened during the last twelve months as well as the results of certain facilities that were closed or restructured during the past year.

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## Universal Health Services, Inc.

### Selected Hospital Statistics

For the Three Months Ended  
September 30, 2021 and 2020

#### AS REPORTED:

	<u>ACUTE</u>			<u>BEHAVIORAL HEALTH</u>		
	<u>09/30/21</u>	<u>09/30/20</u>	<u>% change</u>	<u>09/30/21</u>	<u>09/30/20</u>	<u>% change</u>
Hospitals owned and leased	27	26	3.8%	333	330	0.9%
Average licensed beds	6,579	6,451	2.0%	24,189	23,566	2.6%
Average available beds	6,407	6,279	2.0%	24,084	23,464	2.6%
Patient days	416,422	383,958	8.5%	1,537,206	1,563,259	-1.7%
Average daily census	4,526.3	4,173.5	8.5%	16,708.8	16,991.9	-1.7%
Occupancy-licensed beds	68.8%	64.7%	6.3%	69.1%	72.1%	-4.2%
Occupancy-available beds	70.6%	66.5%	6.2%	69.4%	72.4%	-4.2%
Admissions	78,799	71,682	9.9%	113,448	115,569	-1.8%
Length of stay	5.3	5.4	-2.1%	13.4	13.5	-0.7%
Inpatient revenue	\$ 9,497,975	\$ 8,137,264	16.7%	\$ 2,470,401	\$ 2,487,568	-0.7%
Outpatient revenue	5,343,246	4,128,549	29.4%	242,976	243,600	-0.3%
Total patient revenue	14,841,221	12,265,813	21.0%	2,713,377	2,731,168	-0.7%
Other revenue	173,063	127,396	35.8%	56,337	53,105	6.1%
Gross hospital revenue	15,014,284	12,393,209	21.1%	2,769,714	2,784,273	-0.5%
Total deductions	13,192,257	10,783,206	22.3%	1,441,421	1,484,682	-2.9%
Net hospital revenue	\$ 1,822,027	\$ 1,610,003	13.2%	\$ 1,328,293	\$ 1,299,591	2.2%

#### SAME FACILITY:

	<u>ACUTE</u>			<u>BEHAVIORAL HEALTH</u>		
	<u>09/30/21</u>	<u>09/30/20</u>	<u>% change</u>	<u>09/30/21</u>	<u>09/30/20</u>	<u>% change</u>
Hospitals owned and leased	26	26	0.0%	330	330	0.0%
Average licensed beds	6,557	6,451	1.6%	23,759	23,440	1.4%
Average available beds	6,385	6,279	1.7%	23,654	23,338	1.4%
Patient days	416,026	383,958	8.4%	1,522,738	1,556,152	-2.1%
Average daily census	4,522.0	4,173.5	8.4%	16,551.5	16,914.7	-2.1%
Occupancy-licensed beds	69.0%	64.7%	6.6%	69.7%	72.2%	-3.5%
Occupancy-available beds	70.8%	66.5%	6.6%	70.0%	72.5%	-3.5%
Admissions	78,764	71,682	9.9%	111,692	114,902	-2.8%
Length of stay	5.3	5.4	-1.4%	13.6	13.5	0.7%



## **Universal Health Services, Inc.**

### Selected Hospital Statistics

For the Nine Months Ended

September 30, 2021 and 2020

#### AS REPORTED:

	<b>ACUTE</b>			<b>BEHAVIORAL HEALTH</b>		
	<b>09/30/21</b>	<b>09/30/20</b>	<b>% change</b>	<b>09/30/21</b>	<b>09/30/20</b>	<b>% change</b>
Hospitals owned and leased	27	26	3.8%	333	330	0.9%
Average licensed beds	6,534	6,451	1.3%	24,121	23,591	2.2%
Average available beds	6,362	6,279	1.3%	24,018	23,488	2.3%
Patient days	1,171,141	1,071,830	9.3%	4,636,270	4,620,471	0.3%
Average daily census	4,289.9	3,911.8	9.7%	16,982.7	16,863.0	0.7%
Occupancy-licensed beds	65.7%	60.6%	8.3%	70.4%	71.5%	-1.5%
Occupancy-available beds	67.4%	62.3%	8.2%	70.7%	71.8%	-1.5%
Admissions	227,944	213,658	6.7%	345,874	339,356	1.9%
Length of stay	5.1	5.0	2.8%	13.4	13.6	-1.4%
Inpatient revenue	\$ 27,279,494	\$ 22,695,513	20.2%	\$ 7,471,742	\$ 7,298,466	2.4%
Outpatient revenue	15,281,854	12,204,970	25.2%	756,068	719,513	5.1%
Total patient revenue	42,561,348	34,900,483	22.0%	8,227,810	8,017,979	2.6%
Other revenue	484,227	513,423	-5.7%	189,474	223,212	-15.1%
Gross hospital revenue	43,045,575	35,413,906	21.5%	8,417,284	8,241,191	2.1%
Total deductions	37,774,575	30,815,348	22.6%	4,342,157	4,376,368	-0.8%
Net hospital revenue	\$ 5,271,000	\$ 4,598,558	14.6%	\$ 4,075,127	\$ 3,864,823	5.4%

#### SAME FACILITY:

	<b>ACUTE</b>			<b>BEHAVIORAL HEALTH</b>		
	<b>09/30/21</b>	<b>09/30/20</b>	<b>% change</b>	<b>09/30/21</b>	<b>09/30/20</b>	<b>% change</b>
Hospitals owned and leased	26	26	0.0%	330	330	0.0%
Average licensed beds	6,528	6,451	1.2%	23,726	23,416	1.3%
Average available beds	6,356	6,279	1.2%	23,623	23,313	1.3%
Patient days	1,170,733	1,071,830	9.2%	4,601,879	4,597,028	0.1%
Average daily census	4,288.4	3,911.8	9.6%	16,856.7	16,777.5	0.5%
Occupancy-licensed beds	65.7%	60.6%	8.3%	71.0%	71.6%	-0.8%
Occupancy-available beds	67.5%	62.3%	8.3%	71.4%	72.0%	-0.8%
Admissions	227,909	213,658	6.7%	341,812	337,210	1.4%
Length of stay	5.1	5.0	2.4%	13.5	13.6	-1.2%

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

IN RE UNIVERSAL HEALTH SERVICES, INC., DERIVATIVE LITIGATION	:	CIVIL ACTION NO. 17-02187
	:	
This Document Relates To:	:	HONORABLE JOEL H. SLOMSKY
	:	
ALL ACTIONS	:	
	:	

**NOTICE OF (I) PENDENCY AND PROPOSED SETTLEMENT OF STOCKHOLDER DERIVATIVE ACTIONS; (II) SETTLEMENT FAIRNESS HEARING; AND (III) MOTION FOR AN AWARD OF ATTORNEYS’ FEES AND LITIGATION EXPENSES**

*A Federal Court authorized this Notice. This is not a solicitation from a lawyer.*

TO: ALL HOLDERS OF UNIVERSAL HEALTH SERVICES, INC. (“UHS” OR THE “COMPANY”) COMMON STOCK AS OF THE CLOSE OF TRADING ON OCTOBER 18, 2021 (“CURRENT UHS STOCKHOLDERS”).

The purpose of this Notice is to inform you of: (i) the stockholder derivative action captioned *In re Universal Health Services, Inc., Derivative Litigation*, Civil Action No. 17-02187 (including each of its member cases, the “Federal Action”), pending in the United States District Court for the Eastern District of Pennsylvania (the “Federal District Court” or “Court”); the stockholder derivative action captioned *Delaware County Employees’ Retirement Fund, et al. v. Alan B. Miller, et al.*, C.A. No. 2017-0475-JTL (the “Delaware Action” and, together with the Federal Action, the “Actions”), pending in the Court of Chancery of the State of Delaware (the “Delaware Court”); and the stockholder litigation demand submitted by Dr. Eli Inzlicht-Sprei (the “Litigation Demand”); (ii) a proposed settlement of the Federal Action, the Delaware Action, and the Litigation Demand (the “Settlement”), subject to the approval of the Federal District Court, as provided in the Stipulation and Agreement of Settlement dated September 15, 2021 (the “Stipulation”); (iii) the hearing that the Federal District Court will hold on December 20, 2021 at 10:30 a.m to determine whether to finally approve the proposed Settlement and to consider the application by Federal Plaintiffs’ Counsel, on behalf of all Plaintiffs’ Counsel,<sup>1</sup> for an award of attorneys’ fees and litigation expenses; and (iv) Current UHS Stockholders’ rights with respect to the proposed Settlement and Federal Plaintiffs’ Counsel’s application for attorneys’ fees and expenses.<sup>2</sup>

<sup>1</sup> “Plaintiffs’ Counsel” consist of (i) Co-Lead Counsel for the Federal Plaintiffs, the law firms Bernstein Litowitz Berger & Grossmann LLP, Scott+Scott Attorneys at Law LLP, Grant & Eisenhofer P.A., and the Axelrod Firm, LLC (“Federal Plaintiffs’ Counsel”); (ii) counsel for the Delaware Plaintiffs, Cohen Millstein Sellers & Toll PLLC and Andrews Springer LLC (“Delaware Plaintiffs’ Counsel”); and (iii) counsel for Dr. Eli Inzlicht-Sprei, Brager Eigel & Squire P.C., and Hynes & Hernandez, LLC.

<sup>2</sup> All capitalized terms not otherwise defined in this Notice shall have the meaning provided in the Stipulation, which is available in the “Investor Relations” section of the UHS’s website, www.uhsinc.com.

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.  
YOUR RIGHTS WILL BE AFFECTED BY THE PROPOSED SETTLEMENT OF THIS ACTION.**

The Stipulation was entered into as of September 15, 2021, by and among (i) lead plaintiffs in the Federal Action: Amalgamated Bank, Trustee of the Longview Broad Market 3000 Index Fund, Longview LargeCap 500 Index Fund, Longview LargeCap 500 Index VEBA Fund, Longview Quant LargeCap Equity VEBA Fund, and Longview Quantitative LargeCap Fund (“Amalgamated”), City of Cambridge Retirement System (“Cambridge”), and Charter Township of Clinton Police & Fire Pension Fund (“Clinton” and together with Amalgamated and Cambridge, the “Federal Plaintiffs”); (ii) plaintiffs in the Delaware Action: Delaware County Employees’ Retirement Fund (“Delaware County”) and Chester County Employees’ Retirement System (“Chester County” and together with Delaware County, the “Delaware Plaintiffs” which, together with the Federal Plaintiffs, are the “Plaintiffs”); (iii) Dr. Eli Inzlicht-Sprei (together with Plaintiffs, the “Settling Stockholders”); (iv) defendants in the Federal Action: Alan Miller, Marc Miller, Robert H. Hotz, Lawrence S. Gibbs, Eileen C. McDonnell, Anthony Pantaleoni, John H. Herrell, Steve G. Filton, Debra K. Osteen, Marvin G. Pember, Charles F. Boyle, and James Caponi (collectively, the “Federal Defendants”); (v) defendants in the Delaware Action: Alan Miller, Marc Miller, Robert H. Hotz, Lawrence S. Gibbs, Eileen C. McDonnell, Anthony Pantaleoni, John H. Herrell, Steve G. Filton, Charles F. Boyle, James Caponi, and Matthew Klein (collectively, the “Delaware Defendants” and, together with the Federal Defendants, the “Defendants”); and (vi) nominal defendant in the Actions, UHS (Plaintiffs, Dr. Eli Inzlicht-Sprei, Defendants, and UHS, collectively, the “Settling Parties”), subject to the approval of the Federal District Court pursuant to Rule 23.1 of the Federal Rules of Civil Procedure.

As described in paragraph 35 below, the Settlement provides for corporate governance reforms that UHS will implement. Because the Settlement involves the resolution of derivative actions, which were brought on behalf of and for the benefit of the Company, and a stockholder litigation demand, the benefits from the Settlement will go to the Company.

Please Note: Individual UHS Stockholders will not receive any direct payment from the Settlement. Accordingly, there is no Proof of Claim Form for stockholders to submit in connection with this settlement. Also, stockholders are not required to take any action in response to this Notice.

## WHAT IS THE PURPOSE OF THIS NOTICE?

1. The purpose of this Notice is to explain the Actions and the Litigation Demand, the terms of the proposed Settlement, and how the proposed Settlement affects UHS Stockholders' legal rights.
2. In a derivative action, one or more persons or entities who are current stockholders of a corporation sue on behalf of and for the benefit of the corporation, seeking to enforce the corporation's legal rights. In this case, Plaintiffs have filed suit against Defendants on behalf of and for the benefit of UHS.
3. The Federal District Court has scheduled a hearing to consider the fairness, reasonableness, and adequacy of the Settlement and the application by Federal Plaintiffs' Counsel for an award of attorneys' fees and expenses (the "Settlement Fairness Hearing"). See paragraphs 43-44 below for details about the Settlement Fairness Hearing, including the location, date, and time of the hearing.

## WHAT ARE THESE CASES ABOUT? WHAT HAS HAPPENED SO FAR?

THE FOLLOWING DESCRIPTION OF THE FEDERAL ACTION, THE DELAWARE ACTION, THE LITIGATION DEMAND, AND THE SETTLEMENT HAS BEEN PREPARED BY COUNSEL FOR THE SETTLING PARTIES. THE FEDERAL DISTRICT COURT AND THE DELAWARE COURT HAVE MADE NO FINDINGS WITH RESPECT TO SUCH MATTERS, AND THIS NOTICE IS NOT AN EXPRESSION OR STATEMENT BY EITHER COURT OF FINDINGS OF FACT.

### **The Eastern District of Pennsylvania Derivative Action**

4. Amalgamated sent an inspection demand pursuant to 8 *Del. C.* §220 to Universal's Board of Directors (the "Board"), dated June 15, 2017 (the "Amalgamated 220 Demand"). Following negotiations, Amalgamated obtained UHS Board minutes and presentations, among other things. On July 28, 2017, Lead Plaintiff Amalgamated filed a derivative shareholder action captioned *Amalgamated Bank Longview Funds v. Boyle*, No. 2:17-cv-03404 (E.D. Pa.).
5. On August 7, 2017, Amalgamated sought to consolidate the various derivative actions pending and be appointed lead plaintiff. After briefing on the competing leadership motions, on March 29, 2018, the Court appointed Amalgamated lead plaintiff and its counsel, Scott+Scott Attorneys at Law LLP ("Scott+Scott"), lead counsel of the consolidated derivative action.
6. On March 9, 2017, Cambridge served a demand for books and records pursuant to 8 *Del. C.* §220. On April 26, 2017, Cambridge filed in the Delaware Court of Chancery a complaint against UHS for books and records pursuant 8 *Del. C.* §220. After UHS had begun producing books and records to Cambridge for its inspection, a trial of the books and records action was conducted on March 22, 2018, before Vice Chancellor Glasscock. On August 24, 2018, the

Court of Chancery entered a final order in Cambridge's books and records action. Pursuant to the Court of Chancery's order, UHS produced additional documents as ordered by the Court.

7. On October 3, 2018, the Charter Township of Clinton Police & Fire Pension Fund ("Clinton") served a demand for books and records pursuant to 8 Del. C. §220. It was agreed that Clinton, whose counsel was Delaware counsel for Cambridge, would accept the same documents that Cambridge received.

8. Amalgamated, Cambridge, and Clinton agreed to work together to prosecute the derivative action in the Eastern District of Pennsylvania. On November 5, 2018, Amalgamated, Cambridge, and Clinton filed and served an amended consolidated derivative complaint (defined above as the "Federal Complaint").

9. The Federal Complaint claimed breaches of fiduciary duty against the Defendants for allegedly failing to prohibit or terminate asserted business practices with respect to behavioral-health patient admissions that Plaintiffs described as violations of federal and state laws. Specifically, the complaint alleged that, starting in 2013, UHS's Board learned of an investigation of the Company by the Office of Inspector General for the U.S. Department of Health and Human Services ("OIG") and Department of Justice ("DOJ") looking at potential violations of the False Claims Act and improper billing. The Federal Complaint further described news reports and letters from a union pension fund claiming that UHS was improperly committing patients to UHS behavioral health facilities, and diagnosing patients as experiencing suicidal ideation at higher rates than other hospitals in order to increase revenues.

10. On November 9, 2018, Defendants moved to stay the action, and if the stay was denied, for an extension of time to move or respond to the Federal Complaint. On November 23, 2018, Amalgamated, Cambridge, and Clinton filed their opposition to the Defendants' motions. On November 30, 2018, Defendants filed their reply papers in support of their motions.

11. On December 10, 2018, the Court denied the Defendants' motion to stay the Federal Action and granted the motion for an extension of time to respond to the Federal Complaint.

12. On January 25, 2019, Plaintiffs moved to amend the Court's March 29, 2018 order and appoint Cambridge and Clinton as additional co-lead plaintiffs, and their counsel, Bernstein Litowitz Berger & Grossmann LLP ("BLB&G") and Grant & Eisenhofer P.A. ("G&E") as additional co-lead counsel. On February 8, 2019, Defendants filed their opposition to Plaintiffs' motion to amend the leadership order. On February 15, 2019, Plaintiffs filed their reply papers in further support of the motion to amend the leadership order.

13. On February 22, 2019, the Court granted Plaintiffs' motion to amend the leadership order, appointing Amalgamated, Cambridge, and Clinton as co-lead plaintiffs ("Co-Lead Plaintiffs"), and their respective counsel Scott+Scott, BLB&G, and G&E as co-lead counsel.

#### **Defendants' Motion To Dismiss**

14. On February 11, 2019, Defendants moved to dismiss the Federal Complaint pursuant to Federal Rules of Civil Procedure 12(b)(6) and 23.1, based on alleged failure to plead demand futility and failure to state a claim. On March 29, 2019, Co-Lead Plaintiffs served and

filed their opposition to the motion to dismiss. On April 29, 2019, Defendants served their reply papers in further support of their motion to dismiss. On May 31, 2019, the Court heard oral argument on Defendants' motion to dismiss.

15. On June 7, 2019, Co-Lead Plaintiffs filed a supplemental brief and supporting documents in opposition to the Defendants' motion to dismiss. On June 20, 2019, Defendants filed a supplemental brief in further support of their motion to dismiss.

16. On July 26, 2019, Defendants filed a notice that UHS had publicly disclosed that it had been advised that the DOJ's Criminal Frauds Section had closed its investigation of the Company and its affiliated behavioral health facilities. In addition, UHS disclosed that it had reached an agreement in principle to resolve the related civil investigation led by the DOJ's Civil Division for \$127 million, subject to the receipt of requisite approvals and the preparation and execution of settlement agreements and a corporate integrity agreement. On August 19, 2019, the Court issued an order and opinion dismissing the Federal Complaint under Rule 23.1 for failing to plead demand futility because it lacked sufficiently particularized allegations to demonstrate that the Board directed UHS behavioral health facilities to engage in any fraudulent misconduct, and because it failed to state any claim against any director defendant.

17. On September 13, 2019, Co-Lead Plaintiffs moved to amend the judgment of dismissal under Rule 59(e) and for leave to file a second amended complaint. On September 27, 2019, Defendants filed their opposition to the motion. On October 11, 2019, Co-Lead Plaintiffs filed their reply papers in further support of the motion. On April 29, 2020, the Court denied Co-Lead Plaintiffs' motion.

18. On May 28, 2020, Co-Lead Plaintiffs filed a notice of appeal.

### **Delaware Chancery Court Derivative Action**

19. Delaware Plaintiffs each served books and records demands pursuant to 8 Del. C. § 220.

20. On June 30, 2017, Delaware Plaintiffs filed the Delaware Action.

21. On December 16, 2017, the Delaware Court of Chancery granted Defendants' motion to stay the case pending resolution of the federal securities class action that was then pending in the Eastern District Court of Pennsylvania. That stay has since been extended pending the final resolution of the Federal Action.

### **The Litigation Demand**

22. On August 11, 2017, a litigation demand was submitted to the Board of UHS on behalf of Dr. Eli Inzlicht-Sprei.

### **Proceedings and Mediation In The Third Circuit**

23. In August 2020, the Chief Circuit Mediator for the Third Circuit designated this action (and the companion securities class action) for mediation.

24. The parties agreed, with the consent of the Chief Circuit Mediator for the Third Circuit, to retain private mediators. The parties retained the Honorable Daniel Weinstein (retired) and Jed Melnick of JAMS as mediators (collectively, the “Mediators”).

25. On September 14, 2020, Co-Lead Plaintiffs filed their opening appeal brief in the Third Circuit.

26. On October 12, 2020, the parties submitted to the Mediators and exchanged mediation statements.

27. On October 21, 2020, the parties had a mediation session with the Mediators. The mediation did not result in a proposed settlement, and the parties both continued to litigate and also to mediate. The parties, working through the Mediators, continued to pursue a proposed settlement and exchanged proposals.

28. On November 12, 2020, the Defendants filed their opposition brief in the Third Circuit.

29. Through a series of orders entered in the Third Circuit, the date for Appellants’ reply brief was extended. The parties continued to work with the Mediators to obtain a proposed settlement.

30. On June 1, 2021, as a result of extensive, arm’s-length negotiations and work with the Mediators, the parties signed a Memorandum of Understanding (“MOU”) setting forth the primary terms of the proposed settlement.

31. The MOU set forth, among other things, the Settling Parties’ agreement to resolve the Federal Action, the Delaware Action, and the Litigation Demand in exchange for the corporate governance reforms set forth in Exhibit A hereto, subject to certain terms and conditions and the execution of a customary “long form” stipulation and agreement of settlement and related papers.

32. On September 15, 2021, the Settling Parties entered into Stipulation, which reflects the final and binding agreement by and among the Settling Parties and supersedes the Term Sheet.

33. In connection with settlement discussions and negotiations leading to the proposed Settlement set forth in the Stipulation, counsel for the Settling Parties did not discuss the amount of any application by Federal Plaintiffs’ Counsel for an award of attorneys’ fees and expenses until the substantive terms of the Settlement were negotiated at arm’s-length and agreed upon.

34. On October 18, 2021, the Federal District Court preliminarily approved the Settlement, authorized this Notice to be provided to Current UHS Stockholders, and scheduled the Settlement Fairness Hearing to consider whether to grant final approval of the Settlement.

#### WHAT ARE THE TERMS OF THE SETTLEMENT?

35. In consideration for the dismissal with prejudice of the Actions and the withdrawal of the Litigation Demand, and the settlement and release of all Released Plaintiffs’ Claims (defined

in paragraph 38 below) against the Released Defendants' Persons (defined in paragraph 38 below), the UHS Board has agreed, in the sound exercise of its business judgment, with the approval by the Office of the Inspector General, Department of Health and Human Services ("OIG"), and consistent with the terms of UHS's Corporate Integrity Agreement, to the corporate governance reforms set forth in Exhibit A to the Stipulation.

WHAT ARE THE SETTLING PARTIES' REASONS FOR THE SETTLEMENT?

36. Settling Stockholders believe that the claims raised in the Actions and the Litigation Demand have merit and that their investigations support the claims asserted the Actions and the Litigation Demand. Without conceding the merit of any of the Defendants' defenses, and in light of the benefits of the Settlement as well as to avoid the potentially protracted time, expense, and uncertainty associated with continued litigation, including potential trial(s) and appeal(s), Settling Stockholders and Plaintiffs' Counsel have concluded that it is desirable that the Actions and the Litigation Demand be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Settling Stockholders and Plaintiffs' Counsel recognize the significant risk, expense, and length of continued proceedings necessary to prosecute the Actions against Defendants through trial(s) and through possible appeal(s). Settling Stockholders have also taken into account the uncertain outcome and the risk of any litigation, especially complex litigation such as would be entailed by the Actions, the difficulties and delays inherent in such litigation, the cost to the Company – on behalf of which Settling Stockholders filed the Actions or made the Litigation Demand – and distraction to the management of UHS that would result from extended litigation. Based on their evaluation, and in light of what Settling Stockholders and Plaintiffs' Counsel believe to be the significant benefits conferred upon the Company as a result of the Settlement, Settling Stockholders and Plaintiffs' Counsel have determined that the Settlement is in the best interests of Settling Stockholders and the Company and have agreed to settle the Actions and the Litigation Demand upon the terms and subject to the conditions set forth in the Stipulation.

37. Defendants and the Company, to avoid the costs, disruption, and distraction of further litigation, and without admitting the validity of any allegations made in the Actions or the Litigation Demand, or any liability with respect thereto, have concluded that it is desirable that the claims against them be settled on the terms reflected in the Stipulation. Defendants have denied, and continue to deny, that they committed, or aided and abetted in the commission of, any violation of law or duty or engaged in any wrongful acts whatsoever, including specifically those alleged in the Actions and the Litigation Demand, and expressly maintain that they have complied with their statutory, fiduciary, and other legal duties, and are entering into the Stipulation and the Settlement to eliminate the burden, expense, and uncertainties inherent in further litigation.

WHAT WILL HAPPEN IF THE SETTLEMENT IS APPROVED? WHAT CLAIMS WILL THE SETTLEMENT RELEASE?

38. If the Settlement is approved, the Settling Parties will request that the Court enter an Order and Final Judgment Approving Derivative Action Settlement (the "Judgment"). Pursuant to the Judgment, upon the Effective Date of the Settlement, the following releases will occur:



**Release of Claims by Plaintiffs and the Company:** UHS, Plaintiffs (acting on their own behalf and derivatively on behalf of the Company), Dr. Eli Inzlicht-Sprei, and any UHS Stockholder acting derivatively on behalf of the Company will release all Released Plaintiffs' Claims (defined below) against the Released Defendants' Persons (defined below). In addition, upon the Effective Date, UHS, Plaintiffs (acting on their own behalf and derivatively on behalf of the Company), Dr. Eli Inzlicht-Sprei, and any other UHS Stockholder acting derivatively on behalf of the Company, will be forever barred and enjoined from commencing, instituting, or prosecuting any of the Released Plaintiffs' Claims against the Released Defendants' Persons.

"Released Plaintiffs' Claims" means any and all claims, rights, duties, controversies, obligations, debts, demands, actions, sums of money, suits, contracts, agreements, promises, damages, losses, judgments, liabilities, allegations, arguments, and causes of action of every nature and description, whether known claims or Unknown Claims (defined below), whether arising under federal, state, local, statutory, common, or foreign law, or any other rule or regulation, whether at law or equity, whether fixed or contingent, whether accrued or unaccrued, whether matured or unmatured, whether liquidated or unliquidated, that (i) were or could have been asserted by the Company or by Plaintiffs or any other UHS Stockholder derivatively on the Company's behalf and arise out of or relate to the allegations, transactions, facts, matters, disclosures, or non-disclosures set forth in the Federal Complaint, the Delaware Complaint, or in the Litigation Demand, or (ii) arise out of or relate in any way to the defense or settlement of the claims against Defendants, except for claims relating to the enforcement of the Stipulation. For the avoidance of doubt, this release shall not cover, include, or release: (i) the claims asserted in the Complaint dated July 6, 2021, filed in *Knight v. Miller, et al.*, Case No. 2021-0581-SG (Del. Ch.) or (ii) any direct claims of Plaintiffs or any UHS Stockholder, including without limitation any claims asserted under the federal securities laws, including without limitation the claims asserted in *Teamsters Local 456 Pension Fund, et al. vs. Universal Health Services, Inc., et al.*, Case No. 2:17-cv-02817-JHS (E.D. Pa.).

"Released Defendants' Persons" means: (i) Defendants, (ii) all of the current and former representatives, insurers, attorneys, heirs, executors, administrators, and assigns of each Defendant, in their capacities as such; and (iii) the Released Company Persons.<sup>3</sup>

"Unknown Claims" means any Released Plaintiffs' Claims which any Plaintiff does not know or suspect to exist in its favor at the time of the release of such claims and any Released Defendants' Claims which any Defendant or the Company does not know or suspect to exist in his, her, or its favor at the time of the release of such claims, which, if known by him, her, or it, might have affected his or its decision(s) with respect to this Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date of the Settlement, Plaintiffs, Defendants, and the Company shall expressly waive any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common

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<sup>3</sup> "Released Company Persons" means (i) the Company; (ii) the Company's current and former parents, affiliates, subsidiaries, and divisions; and (iii) all of the current and former principals, partners, officers, owners, directors, supervisors, employees, agents, members, representatives, insurers, attorneys, heirs, executors, administrators, and assigns of each of the persons and entities listed in (i) and (ii), in their capacities as such.

law or foreign law, which is similar, comparable, or equivalent to California Civil Code §1542, which provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Plaintiffs, Defendants, and the Company acknowledge that the foregoing waiver was separately bargained for and a key element of the Settlement. Plaintiffs, Defendants, UHS, and each UHS Stockholder may hereafter discover facts in addition to or different from those which he, she, it, or their counsel now knows or believes to be true with respect to the subject matter of the Released Claims, but, upon the Effective Date, Plaintiffs, UHS, and each UHS Stockholder derivatively on behalf of UHS, and Defendants shall be deemed to have, and by the operation of the Judgment shall have, fully, finally and forever settled and released all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, without regard to the subsequent discovery or existence of such different or additional facts. The Settling Parties acknowledge, and the UHS Stockholders shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and is a key element of the Settlement of which this release is a part.

**Release of Claims by Defendants and the Company:** Defendants and the Company will release all Released Defendants' Claims (defined below) against the Released Plaintiffs' Persons (defined below). In addition, upon the Effective Date, Defendants and the Company will be forever barred and enjoined from commencing, instituting, or prosecuting any of the Released Defendants' Claims against the Released Plaintiffs' Persons.

"Released Defendants' Claims" means any and all claims, rights, duties, controversies, obligations, debts, demands, actions, sums of money, suits, contracts, agreements, promises, damages, losses, judgments, liabilities, allegations, arguments, and causes of action of every nature and description, whether known claims or Unknown Claims, whether arising under federal, state, local, statutory, common, or foreign law, or any other rule or regulation, whether at law or equity, whether fixed or contingent, whether accrued or unaccrued, whether matured or unmatured, whether liquidated or unliquidated, that arise out of or relate in any way to the institution, prosecution, or settlement of the claims against Defendants, except for claims relating to the enforcement of the Stipulation.

"Released Plaintiffs' Persons" means: (i) Plaintiffs, (ii) Plaintiffs' Counsel, (iii) UHS Stockholders, and (iv) all of the current and former principals, partners, officers, owners, directors, supervisors, current and former employees, agents, members, representatives, insurers, attorneys, heirs, executors, administrators, and assigns of each of the persons and entities listed in (i), (ii), and (iii), in their capacities as such.

**Additional Release of Claims by Defendants:** Defendants will release all Released Defendants' Claims against the Released Company Persons. In addition, upon the Effective Date, Defendants

will be forever barred and enjoined from commencing, instituting, or prosecuting any of the Released Defendants' Claims against the Released Company Persons.

39. By Order of the Court, all proceedings in the Action, other than proceedings necessary to carry out or enforce the terms and conditions of the Stipulation, have been stayed until otherwise ordered by the Court. Also, pending final determination of whether the Settlement should be approved, the Court has (i) barred and enjoined the commencement or prosecution of any action asserting any Released Plaintiffs' Claims against any of the Released Defendants' Parties; and (ii) barred and enjoined the commencement or prosecution of any action asserting any Released Defendants' Claims against any of the Released Plaintiffs' Parties.

#### HOW WILL THE ATTORNEYS BE PAID?

40. Defendants and the Company agree that the efforts of Plaintiffs' Counsel conferred benefits on UHS and UHS Stockholders and that Plaintiffs' Counsel are entitled to an award of reasonable attorneys' fees and expenses based on such benefits. Federal Plaintiffs' Counsel intend to apply for an aggregate Fee and Expense Award in the Federal District Court in an amount not to exceed \$5,700,000, and Defendants and the Company reserve the right to oppose the amount of any such application for attorneys' fees and expenses.

41. The Federal District Court will determine the amount of any Fee and Expense Award for Plaintiffs' Counsel. The Company will cause the full payment of any Court-approved Fee and Expense Award to Federal Plaintiffs' Counsel. UHS Stockholders are not personally liable for any such fees or expenses.

#### WHEN AND WHERE WILL THE SETTLEMENT FAIRNESS HEARING BE HELD? DO I HAVE THE RIGHT TO APPEAR AT THE SETTLEMENT FAIRNESS HEARING? MAY I OBJECT TO THE SETTLEMENT AND SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?

42. You do not need to attend the Settlement Fairness Hearing. The Court will consider any submission made in accordance with the provisions below even you do not attend the Settlement Fairness Hearing.

43. **Please Note:** The date and time of the Settlement Fairness Hearing may change without further written notice to UHS Stockholders. In addition, the ongoing COVID-19 health emergency is a fluid situation that creates the possibility that the Court may decide to conduct the Settlement Fairness Hearing by video or telephonic conference, or otherwise allow Current UHS Stockholders to appear at the hearing by phone or video, without further written notice to Current UHS Stockholders. **In order to determine whether the date and time of the Settlement Fairness Hearing have changed, or whether Current UHS Stockholders must or may participate by phone or video, it is important that you monitor the Court's docket and the "Investor Relations" section of UHS's website, [www.uhsinc.com](http://www.uhsinc.com), before making any plans to attend the Settlement Fairness Hearing. Any updates regarding the Settlement Fairness Hearing, including any changes to the date or time of the hearing or updates regarding in-**

person or telephonic appearances at the hearing, will be posted to the “Investor Relations” section of UHS’s website, [www.uhsinc.com](http://www.uhsinc.com). Also, if the Court requires or allows Current UHS Stockholders to participate in the Settlement Fairness Hearing by telephone or video conference, the information needed to access the conference will be posted to the “Investor Relations” section of UHS’s website, [www.uhsinc.com](http://www.uhsinc.com).

44. The Settlement Fairness Hearing will be held on **December 20, 2021 at 10:30 a.m.**, before The Honorable Joel H. Slomsky, either in person at United States District Court for the Eastern District of Pennsylvania, 601 Market Street, Philadelphia, PA 19106, or by telephone or videoconference (in the discretion of the Court), to determine, among other things: (i) whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable, and adequate to UHS and UHS Stockholders, and should be finally approved by the Court; (ii) whether a Judgment, substantially in the form attached as Exhibit E to the Stipulation, should be entered finally approving the Settlement and dismissing the Federal Action with prejudice against the Federal Defendants; (iii) whether the application by Federal Plaintiffs’ Counsel, on behalf of all Plaintiffs’ Counsel, for an award of attorneys’ fees and litigation expenses should be approved; and (iv) any other matters that may properly be brought before the Court in connection with the Settlement.

45. Any Current UHS Stockholder may object to the Settlement or Federal Plaintiffs’ Counsel’s application for an award of attorneys’ fees and litigation expenses. Objections must be in writing. You must file any written objection, together with copies of all other papers and briefs supporting the objection, with the Clerk’s Office at the United States District Court for the Eastern District of Pennsylvania at the address set forth below as well as serve copies on Representative Federal Plaintiffs’ Counsel, Defendants’ Counsel, and UHS Counsel at the addresses and email addresses set forth below such the objection is **received on or before November 29, 2021**.

**Clerk’s Office**

United States District Court  
Eastern District of Pennsylvania  
601 Market Street  
Philadelphia, PA 19106

**Defendants’ Counsel**

Morgan, Lewis & Bockius LLP  
Steven A. Reed, Esq.  
1701 Market Street  
Philadelphia, PA 19103-2921  
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**Representative Federal Plaintiffs’ Counsel**

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**UHS Counsel**

Robbins, Russell, Englert, Orseck &  
Untereiner LLP  
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2000 K Street, NW  
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Washington, DC 20006  
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46. Any objections must identify the case name and civil action number for the Federal Action, “*In re Universal Health Services, Inc., Derivative Litigation*, Civil Action No. 17-02187,” and they must: (i) state the name, address, and telephone number of the person or entity objecting, and if represented by counsel, the name, address, and telephone number of such counsel, and must be signed by the objector; (ii) state with specificity the grounds for the objection, including any legal and evidentiary support the objector wishes to bring to the Court’s attention; and (iii) include documentation sufficient to prove that the objector owned shares of UHS common stock as of the close of trading on October 18, 2021. Documentation establishing ownership of UHS common stock must consist of copies of a monthly brokerage account statement, or an authorized statement from the objector’s broker containing the information found in an account statement.

47. **You may not object to the Settlement or Federal Plaintiffs’ Counsel’s application for an award of attorneys’ fees and litigation expenses if you are not a Current UHS Stockholder.**

48. You may file a written objection without having to appear at the Settlement Hearing. You may not, however, appear at the Settlement Fairness Hearing to present your objection unless you first file and serve a written objection in accordance with the procedures described above, unless the Court orders otherwise.

49. If you wish to be heard orally at the Settlement Hearing in opposition to the approval of the Settlement or Federal Plaintiffs’ Counsel’s motion for an award of attorneys’ fees and litigation expenses, assuming you timely file and serve a written objection as described above, you must also file a notice of appearance with the Clerk’s Office and serve it on Representative Federal Plaintiffs’ Counsel, Defendants’ Counsel, and UHS Counsel at the addresses set forth in paragraph 45 above so that it is **received on or before November 29, 2021**. Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing. Objectors who intend to appear at the Settlement Hearing through counsel must also identify that counsel by name, address, and telephone number. Objectors and/or their counsel may be heard orally at the discretion of the Court.

50. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. However, if you decide to hire an attorney, it will be at your own expense, and that attorney must file a notice of appearance with the Court and serve it on Representative Federal Plaintiffs’ Counsel, Defendants’ Counsel, and UHS Counsel at the addresses set forth in paragraph 45 above so that the notice is **received on or before November 29, 2021**.

51. The Settlement Hearing may be adjourned by the Court without further written notice to UHS Stockholders, and the Court may approve the proposed Settlement with such modifications as the Settling Parties may agree to, if appropriate, without further notice to the UHS Stockholders. If you intend to attend the Settlement Hearing, you should confirm the date and time of the hearing as stated in paragraph 45 above.

52. Unless the Court orders otherwise, any Current UHS Stockholder who does not object in the manner described above will be deemed to have waived any objection and will be forever foreclosed from making any objection to the proposed Settlement or Federal Plaintiffs' Counsel's motion for an award of attorneys' fees and litigation expenses. Current UHS Stockholder do not need to appear at the Settlement Hearing or take any other action to indicate their approval.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

53. This Notice contains only a summary of the terms of the Settlement. For the full terms and conditions of the Settlement, please see the Stipulation available at "Investor Relations" section of UHS's website, [www.uhsinc.com](http://www.uhsinc.com). More detailed information about the matters involved in the Federal Action can be obtained by accessing the Court docket in this case, for a fee, through the Court's Public Access to Court Electronic Records (PACER) system at <https://ecf.paed.uscourts.gov>, or by visiting, during regular office hours, the Office of the Clerk, United States District Court for the Eastern District of Pennsylvania, 601 Market Street, Philadelphia, PA 19106. Additionally, copies of any related orders entered by the Federal Court and certain other filings in this Action will be posted on "Investor Relations" section of UHS's website, [www.uhsinc.com](http://www.uhsinc.com). If you have questions regarding the Settlement, you may write, call, or email the following counsel for Plaintiffs: David Wales, Esq., Bernstein Litowitz Berger & Grossmann LLP, 1251 Avenue of the Americas, New York, NY 10020, 1-800-380-8496, [settlements@blgbglaw.com](mailto:settlements@blgbglaw.com); Thomas L. Laughlin, IV, Esq., Scott+Scott Attorneys At Law LLP, 230 Park Avenue, 17th Floor, New York, NY 10169, [tloughlin@scott-scott.com](mailto:tloughlin@scott-scott.com); and Michael J. Barry, Esq., Grant & Eisenhofer P.A., 123 Justison Street, Wilmington, DE 19801, [mbarry@gelaw.com](mailto:mbarry@gelaw.com).

**PLEASE DO NOT CALL OR WRITE THE COURT, THE OFFICE OF THE CLERK OF THE COURT, DEFENDANTS, THE COMPANY, OR THEIR COUNSEL REGARDING THIS NOTICE OR THE SETTLEMENT.**

Dated: October 26, 2021

By Order of the Court  
United States District Court for the Eastern District of Pennsylvania

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

IN RE UNIVERSAL HEALTH SERVICES, INC., DERIVATIVE LITIGATION : : : This Document Relates To: : : ALL ACTIONS : : :	CIVIL ACTION NO. 17-02187 : : HONORABLE JOEL H. SLOMSKY : : :
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**STIPULATION AND AGREEMENT OF SETTLEMENT**

This Stipulation and Agreement of Settlement, dated as of September 15, 2021 (the “Stipulation”) is entered into by and among (a) lead plaintiffs in the above-captioned stockholder derivative action (including each of its member cases, the “Federal Action”) pending in the United States District Court for the Eastern District of Pennsylvania (the “Federal District Court” or “Court”): Amalgamated Bank, Trustee of the Longview Broad Market 3000 Index Fund, Longview LargeCap 500 Index Fund, Longview LargeCap 500 Index VEBA Fund, Longview Quant LargeCap Equity VEBA Fund, and Longview Quantitative LargeCap Fund (“Amalgamated”), City of Cambridge Retirement System (“Cambridge”), and Charter Township of Clinton Police & Fire Pension Fund (“Clinton” and, together with Amalgamated and Cambridge, the “Federal Plaintiffs”); (b) plaintiffs in the stockholder derivative litigation captioned *Delaware County Employees’ Retirement Fund and the Chester County Employees’ Retirement System v. Alan B. Miller, et al.*, C.A. No. 2017-0475-JTL (the “Delaware Action”), brought in the Court of Chancery of the State of Delaware (the “Delaware Court”): Delaware County Employees’ Retirement Fund (“Delaware County”) and Chester County Employees’

Retirement System (“Chester County” and, together with Delaware County, the “Delaware Plaintiffs” which, together with the Federal Plaintiffs, are the “Plaintiffs”); (c) Dr. Eli Inzlicht-Sprei; (d) defendants in the Federal Action: Alan Miller, Marc Miller, Robert H. Hotz, Lawrence S. Gibbs, Eileen C. McDonnell, Anthony Pantaleoni, John H. Herrell, Steve G. Filton, Debra K. Osteen, Marvin G. Pember, Charles F. Boyle, and James Caponi (collectively, the “Federal Defendants”); (e) defendants in the Delaware Action: Alan Miller, Marc Miller, Robert H. Hotz, Lawrence S. Gibbs, Eileen C. McDonnell, Anthony Pantaleoni, John H. Herrell, Steve G. Filton, Charles F. Boyle, James Caponi, and Matthew Klein (collectively, the “Delaware Defendants” and, together with the Federal Defendants, the “Defendants”); and (f) nominal defendant in the Federal Action and Delaware Action: Universal Health Services, Inc. (“UHS” or the “Company”) (Plaintiffs, Dr. Eli Inzlicht-Sprei, Defendants, and UHS, collectively, the “Settling Parties”), by and through their respective undersigned counsel. Subject to the approval of this Court and the terms and conditions expressly provided herein, this Stipulation is intended to fully and finally resolve the Federal Action, the Delaware Action, and the stockholder litigation demand submitted by Dr. Eli Inzlicht-Sprei (the “Litigation Demand”).

WHEREAS:

**The Eastern District of Pennsylvania Derivative Action**

A. Amalgamated sent an inspection demand pursuant to 8 *Del. C.* §220 to Universal’s Board of Directors (the “Board”), dated June 15, 2017 (the “Amalgamated 220 Demand”). Following negotiations, Amalgamated obtained UHS Board minutes and presentations, among other things. On July 28, 2017, Lead Plaintiff Amalgamated filed a derivative shareholder action captioned *Amalgamated Bank Longview Funds v. Boyle*, No. 2:17-cv-03404 (E.D. Pa.).



B. On August 7, 2017, Amalgamated sought to consolidate the various derivative actions pending and be appointed lead plaintiff. After briefing on the competing leadership motions, on March 29, 2018, the Court appointed Amalgamated lead plaintiff and its counsel, Scott+Scott Attorneys at Law LLP, lead counsel of the consolidated derivative action.

C. On March 9, 2017, Cambridge served a demand for books and records pursuant to 8 *Del. C.* §220. On April 26, 2017, Cambridge filed in the Delaware Court of Chancery a complaint against UHS for books and records pursuant 8 *Del. C.* §220. After UHS had begun producing books and records to Cambridge for its inspection, a trial of the books and records action was conducted on March 22, 2018, before Vice Chancellor Glasscock. On August 24, 2018, the Court of Chancery entered a final order in Cambridge's books and records action. Pursuant to the Court of Chancery's order, UHS produced additional documents as ordered by the Court.

D. On October 3, 2018, the Charter Township of Clinton Police & Fire Pension Fund ("Clinton") served a demand for books and records pursuant to 8 *Del. C.* §220. It was agreed that Clinton, whose counsel was Delaware counsel for Cambridge, would accept the same documents that Cambridge received.

E. Amalgamated, Cambridge, and Clinton agreed to work together to prosecute the derivative action in the Eastern District of Pennsylvania. On November 5, 2018, Amalgamated, Cambridge, and Clinton filed and served an amended consolidated derivative complaint (defined above as the "Federal Complaint").

F. The Federal Complaint claimed breaches of fiduciary duty against the Defendants for allegedly failing to prohibit or terminate asserted business practices with respect to behavioral-health patient admissions that Plaintiffs described as violations of federal and state laws. Specifically, the complaint alleged that, starting in 2013, UHS's Board learned of an investigation

of the Company by the Office of Inspector General for the U.S. Department of Health and Human Services (“OIG”) and Department of Justice (“DOJ”) looking at potential violations of the False Claims Act and improper billing. The Federal Complaint further described news reports and letters from a union pension fund claiming that UHS was improperly committing patients to UHS behavioral health facilities, and diagnosing patients as experiencing suicidal ideation at higher rates than other hospitals in order to increase revenues.

G. On November 9, 2018, Defendants moved to stay the action, and if the stay was denied, for an extension of time to move or respond to the Federal Complaint. On November 23, 2018, Amalgamated, Cambridge, and Clinton filed their opposition to the Defendants’ motions. On November 30, 2018, Defendants filed their reply papers in support of their motions.

H. On December 10, 2018, the Court denied the Defendants’ motion to stay the Federal Action and granted the motion for an extension of time to respond to the Federal Complaint.

I. On January 25, 2019, Plaintiffs moved to amend the Court’s March 29, 2018 order and appoint Cambridge and Clinton as additional co-lead plaintiffs, and their counsel, Bernstein Litowitz Berger & Grossmann LLP (“BLB&G”) and Grant & Eisenhofer P.A (“G&E”) as additional co-lead counsel. On February 8, 2019, Defendants filed their opposition to Plaintiffs’ motion to amend the leadership order. On February 15, 2019, Plaintiffs filed their reply papers in further support of the motion to amend the leadership order.

J. On February 22, 2019, the Court granted Plaintiffs’ motion to amend the leadership order, appointing Amalgamated, Cambridge, and Clinton as co-lead plaintiffs (“Co-Lead Plaintiffs”), and their respective counsel Scott+Scott, BLB&G, and G&E as co-lead counsel.

### **Defendants' Motion To Dismiss**

A. On February 11, 2019, Defendants moved to dismiss the Federal Complaint pursuant to Federal Rules of Civil Procedure 12(b)(6) and 23.1, based on alleged failure to plead demand futility and failure to state a claim. On March 29, 2019, Co-Lead Plaintiffs served and filed their opposition to the motion to dismiss. On April 29, 2019, Defendants served their reply papers in further support of their motion to dismiss. On May 31, 2019, the Court heard oral argument on Defendants' motion to dismiss.

B. On June 7, 2019, Co-Lead Plaintiffs filed a supplemental brief and supporting documents in opposition to the Defendants' motion to dismiss. On June 20, 2019, Defendants filed a supplemental brief in further support of their motion to dismiss.

C. On July 26, 2019, Defendants filed a notice that UHS had publicly disclosed that it had been advised that the DOJ's Criminal Frauds Section had closed its investigation of the Company and its affiliated behavioral health facilities. In addition, UHS disclosed that it had reached an agreement in principle to resolve the related civil investigation led by the DOJ's Civil Division for \$127 million, subject to the receipt of requisite approvals and the preparation and execution of settlement agreements and a corporate integrity agreement. On August 19, 2019, the Court issued an order and opinion dismissing the Federal Complaint under Rule 23.1 for failing to plead demand futility because it lacked sufficiently particularized allegations to demonstrate that the Board directed UHS behavioral health facilities to engage in any fraudulent misconduct, and because it failed to state any claim against any director defendant.

D. On September 13, 2019, Co-Lead Plaintiffs moved to amend the judgment of dismissal under Rule 59(e) and for leave to file a second amended complaint. On September 27, 2019, Defendants filed their opposition to the motion. On October 11, 2019, Co-Lead Plaintiffs

filed their reply papers in further support of the motion. On April 29, 2020, the Court denied Co-Lead Plaintiffs' motion.

E. On May 28, 2020, Co-Lead Plaintiffs filed a notice of appeal.

#### **Delaware Chancery Court Derivative Action**

A. Delaware Plaintiffs each served books and records demands pursuant to 8 *Del. C.* § 220.

B. On June 30, 2017, Delaware Plaintiffs filed the Delaware Action.

C. On December 16, 2017, the Delaware Court of Chancery granted Defendants' motion to stay the case pending resolution of the federal securities class action that was then pending in the Eastern District Court of Pennsylvania. That stay has since been extended pending the final resolution of the Federal Action.

#### **The Litigation Demand**

A. On August 11, 2017, a litigation demand was submitted to the Board of UHS on behalf of Dr. Eli Inzlicht-Sprei.

#### **Proceedings and Mediation In The Third Circuit**

A. In August 2020, the Chief Circuit Mediator for the Third Circuit designated this action (and the companion securities class action) for mediation.

B. The parties agreed, with the consent of the Chief Circuit Mediator for the Third Circuit, to retain private mediators. The parties retained the Honorable Daniel Weinstein (retired) and Jed Melnick of JAMS as mediators (collectively, the "Mediators").

C. On September 14, 2020, Co-Lead Plaintiffs filed their opening appeal brief in the Third Circuit.

- D. On October 12, 2020, the parties submitted to the Mediators and exchanged mediation statements.
- E. On October 21, 2020, the parties had a mediation session with the Mediators. The mediation did not result in a proposed settlement, and the parties both continued to litigate and also to mediate. The parties, working through the Mediators, continued to pursue a proposed settlement and exchanged proposals.
- F. On November 12, 2020, the Defendants filed their opposition brief in the Third Circuit.
- G. Through a series of orders entered in the Third Circuit, the date for Appellants' reply brief was extended. The parties continued to work with the Mediators to obtain a proposed settlement.
- H. On June 1, 2021, as a result of extensive, arm's-length negotiations and work with the Mediators, the parties signed a Memorandum of Understanding ("MOU") setting forth the primary terms of the proposed settlement.
- I. The MOU set forth, among other things, the Settling Parties' agreement to resolve the Federal Action, the Delaware Action, and the Litigation Demand in exchange for the corporate governance reforms set forth in Exhibit A hereto, subject to certain terms and conditions and the execution of a customary "long form" stipulation and agreement of settlement and related papers.
- J. This Stipulation (together with the exhibits hereto) reflects the final and binding agreement among the Settling Parties, and controls in the event of any inconsistency between the Stipulation and the MOU.
- K. In connection with settlement discussions and negotiations leading to the proposed Settlement set forth in this Stipulation, counsel for the Settling Parties did not discuss the amount

of any application by Plaintiffs' Counsel for an award of attorneys' fees and expenses until the substantive terms of the Settlement were negotiated at arm's-length and agreed upon.

L. Plaintiffs brought their claims in good faith and continue to believe that their claims have merit but, based upon Plaintiffs' and Plaintiffs' Counsel's investigation, prosecution, and mediation of the Actions, Plaintiffs and Plaintiffs' Counsel have concluded that the terms and conditions of this Stipulation are fair, reasonable, and adequate to the Company and its stockholders. Based on Plaintiffs' direct oversight of the prosecution of this matter and with the advice of their counsel, Plaintiffs have agreed to settle and release the claims asserted in the Actions pursuant to the terms and provisions of this Stipulation, after considering (a) the substantial corporate governance protections provided under the proposed Settlement; (b) the uncertain outcome, inherent delays, and significant risks of continued litigation; and (c) the desirability of permitting the Settlement to be consummated as provided by the terms of this Stipulation.

M. Defendants have denied, and continue to deny, that they committed, or aided and abetted in the commission of, any violation of law or duty or engaged in any wrongful acts whatsoever, including specifically those alleged in the Actions, and expressly maintain that they have complied with their statutory, fiduciary, and other legal duties, and are entering into this Stipulation and the Settlement to eliminate the burden, expense, and uncertainties inherent in further litigation. Each of the Settling Parties recognizes and acknowledges, however, that the Action has been initiated, filed, and prosecuted by Plaintiffs in good faith and defended by Defendants in good faith, that the Actions are being voluntarily settled with the advice of counsel, and that the terms of the Settlement are fair, reasonable, and adequate.

NOW THEREFORE, it is hereby STIPULATED AND AGREED, by and among the Settling Parties through their respective undersigned attorneys and subject to the approval of the Court, that, in consideration of the benefits flowing to the Settling Parties from the Settlement, all Released Plaintiffs' Claims as against the Released Defendants' Persons and all Released Defendants' Claims as against the Released Plaintiffs' Persons shall be settled and released, upon and subject to the terms and conditions set forth below.

**CERTAIN DEFINITIONS**

1. As used in this Stipulation and all exhibits attached hereto and made a part hereof, the following capitalized terms shall have the following meanings:

- (a) "Delaware Action" means the stockholder derivative litigation captioned *Delaware County Employees' Retirement Fund, et al. v. Alan B. Miller, et al.*, C.A. No. 2017-0475-JTL.
- (b) "Delaware Complaint" means the *Delaware County Employees' Retirement Fund and the Chester County Employees' Retirement System v. Alan B. Miller, et al.*, C.A. No. 2017-0475-JTL filed in the Delaware Action on June 30, 2017.
- (c) "Delaware Court" means the Court of Chancery of the State of Delaware.
- (d) "Delaware Plaintiffs" means Delaware County Employees' Retirement Fund and Chester County Employees' Retirement System.
- (e) "Delaware Plaintiffs' Counsel" means counsel for the Delaware Plaintiffs: Cohen Millstein Sellers & Toll PLLC and Andrews Springer LLC.
- (f) "Defendants' Counsel" means Morgan, Lewis & Bockius LLP.

- (g) “Dr. Eli Inzlicht-Sprei” means Dr. Eli Inzlicht-Sprei, and all of Dr. Eli Inzlicht-Sprei’s current and former representatives, insurers, attorneys, heirs, executors, administrators, and assigns, in their capacities as such.
- (h) “Effective Date” with respect to the Settlement means the first date by which all of the events and conditions specified in paragraph 17 of this Stipulation have been met and have occurred or have been waived.
- (i) “Federal Action” means *In re Universal Health Services, Inc., Derivative Litigation*, Civil Action No. 17-02187, including each of its member cases.
- (j) “Federal Complaint” means the amended complaint captioned *In Re Universal Health Services, Inc., Derivative Litigation*, C.A. No. 17-02187 (JHS) filed in the Federal Action on November 5, 2018.
- (k) “Federal District Court” or “Court” means the United States District Court for the Eastern District of Pennsylvania.
- (l) “Federal Plaintiffs” means Amalgamated Bank, Trustee of the Longview Broad Market 3000 Index Fund, Longview LargeCap 500 Index Fund, Longview LargeCap 500 Index VEBA Fund, Longview Quant LargeCap Equity VEBA Fund, and Longview Quantitative LargeCap Fund, City of Cambridge Retirement System, and Charter Township of Clinton Police & Fire Pension Fund.
- (m) “Federal Plaintiffs’ Counsel” means Co-Lead Counsel for the Federal Plaintiffs, the law firms Bernstein Litowitz Berger & Grossmann LLP, Scott+Scott Attorneys at Law LLP, Grant & Eisenhofer P.A., and The Axelrod Firm, PC.
- (n) “Final” with respect to the Judgment or any other court order means: (i) if no appeal is filed, the expiration date of the time for filing or noticing of any appeal of the Judgment



or order; or (ii) if there is an appeal from the Judgment or order, (a) the date of final dismissal of all such appeals, or the final dismissal of any proceeding on certiorari or otherwise, or (b) the date the Judgment or order is finally affirmed on appeal, the expiration of the time to file a petition for a writ of certiorari or other form of review, or the denial of a writ of certiorari or other form of review, and, if certiorari or other form of review is granted, the date of final affirmance following review pursuant to that grant. However, any appeal or proceeding seeking subsequent judicial review pertaining solely to an order issued with respect to attorneys' fees or expenses shall not in any way delay or preclude the Judgment from becoming Final.

(o) "Judgment" means the final judgment, substantially in the form attached hereto as Exhibit D, to be entered by the Court approving the Settlement.

(p) "Litigation Demand" means the stockholder litigation demand submitted by Dr. Eli Inzlicht-Sprei on August 11, 2017.

(q) "MOU" means the Memorandum of Understanding (the "MOU") executed by the Settling Parties on June 1, 2021.

(r) "Notice" means the Notice of (I) Pendency and Proposed Settlement of Stockholder Derivative Actions; (II) Settlement Fairness Hearing; and (III) Motion for an Award of Attorneys' Fees and Litigation Expenses, substantially in the form attached hereto as Exhibit C.

(s) "Notice Costs" means all costs, fees, and expenses related to providing notice of the Settlement.

(t) "Plaintiffs" means the Federal Plaintiffs and the Delaware Plaintiffs.

(u) "Plaintiffs' Counsel" means Federal Plaintiffs' Counsel, Delaware Plaintiffs' Counsel, Brager Eigel & Squire P.C., and Hynes & Hernandez, LLC, counsel for Dr. Eli Inzlicht-Sprei.

(v) “Released Claims” means each and any of the Released Defendants’ Claims and each and any of the Released Plaintiffs’ Claims.

(w) “Released Company Persons” means (i) the Company; (ii) the Company’s current and former parents, affiliates, subsidiaries, and divisions; and (iii) all of the current and former principals, partners, officers, owners, directors, supervisors, employees, agents, members, representatives, insurers, attorneys, heirs, executors, administrators, and assigns of each of the persons and entities listed in (i) and (ii), in their capacities as such.

(x) “Released Defendants’ Claims” means any and all claims, rights, duties, controversies, obligations, debts, demands, actions, sums of money, suits, contracts, agreements, promises, damages, losses, judgments, liabilities, allegations, arguments, and causes of action of every nature and description, whether known claims or Unknown Claims, whether arising under federal, state, local, statutory, common, or foreign law, or any other rule or regulation, whether at law or equity, whether fixed or contingent, whether accrued or unaccrued, whether matured or unmatured, whether liquidated or unliquidated, that arise out of or relate in any way to the institution, prosecution, or settlement of the claims against Defendants, except for claims relating to the enforcement of the Stipulation.

(y) “Released Defendants’ Persons” means: (i) Defendants, (ii) all of the current and former representatives, insurers, attorneys, heirs, executors, administrators, and assigns of each Defendant, in their capacities as such; and (iii) the Released Company Persons.

(z) “Released Plaintiffs’ Claims” means any and all claims, rights, duties, controversies, obligations, debts, demands, actions, sums of money, suits, contracts, agreements, promises, damages, losses, judgments, liabilities, allegations, arguments, and causes of action of every nature and description, whether known claims or Unknown Claims, whether arising under

federal, state, local, statutory, common, or foreign law, or any other rule or regulation, whether at law or equity, whether fixed or contingent, whether accrued or unaccrued, whether matured or unmatured, whether liquidated or unliquidated, that (i) were or could have been asserted by the Company or by Plaintiffs or any other UHS Stockholder derivatively on the Company's behalf and arise out of or relate to the allegations, transactions, facts, matters, disclosures, or non-disclosures set forth in the Federal Complaint, the Delaware Complaint, or in the Litigation Demand, or (ii) arise out of or relate in any way to the defense or settlement of the claims against Defendants, except for claims relating to the enforcement of the Stipulation. For the avoidance of doubt, this release shall not cover, include, or release: (i) the claims asserted in the Complaint dated July 6, 2021, filed in *Knight v. Miller, et al.*, Case No. 2021-0581-SG (Del. Ch.) or (ii) any direct claims of Plaintiffs or any UHS Stockholder, including without limitation any claims asserted under the federal securities laws, including without limitation the claims asserted in *Teamsters Local 456 Pension Fund, et al. vs. Universal Health Services, Inc., et al.*, Case No. 2:17-cv-02817-JHS (E.D. Pa.).

(aa) "Released Plaintiffs' Persons" means: (i) Plaintiffs, (ii) Plaintiffs' Counsel, (iii) UHS Stockholders, and (iv) all of the current and former principals, partners, officers, owners, directors, supervisors, current and former employees, agents, members, representatives, insurers, attorneys, heirs, executors, administrators, and assigns of each of the persons and entities listed in (i), (ii), and (iii), in their capacities as such.

(bb) "Released Persons" means each and any of the Released Defendants' Persons and each and any of the Released Plaintiffs' Persons.

(cc) "Releases" means the releases set forth in paragraphs 4-6 of this Stipulation.

- (dd) "Preliminary Approval Order" means the order, substantially in the form attached hereto as Exhibit B, to be entered by the Court preliminarily approving the Settlement and directing notice of the Settlement.
- (ee) "Settlement" means the resolution of the Federal Action, the Delaware Action, and the Litigation Demand on the terms and conditions set forth in this Stipulation.
- (ff) "Settlement Fairness Hearing" means the hearing set by the Court to, among other things, consider final approval of the Settlement.
- (gg) "Settling Parties" means Plaintiffs, Dr. Eli Inzlicht-Sprei, Defendants, and UHS.
- (hh) "Summary Notice" means the Summary Notice of (I) Pendency and Proposed Settlement of Stockholder Derivative Actions; (II) Settlement Fairness Hearing; and (III) Motion for an Award of Attorneys' Fees and Litigation Expenses, substantially in the form attached hereto as Exhibit D.
- (ii) "UHS" or the "Company" means Universal Health Services, Inc. and its current and former parents, affiliates, subsidiaries, and divisions.
- (jj) "UHS Counsel" means counsel for UHS, Robbins, Russell, Englert, Orseck & Untereiner LLP.
- (kk) "UHS Stockholder" means any actual or beneficial owner of UHS stock, and each such UHS Stockholder's current and former principals, partners, officers, owners, directors, supervisors, employees, agents, members, representatives, insurers, attorneys, heirs, executors, administrators, and assigns, in their capacities as such.
- (ll) "Unknown Claims" means any Released Plaintiffs' Claims which any Plaintiff does not know or suspect to exist in its favor at the time of the release of such claims and

any Released Defendants' Claims which any Defendant or the Company does not know or suspect to exist in his, her, or its favor at the time of the release of such claims, which, if known by him, her, or it, might have affected his or its decision(s) with respect to this Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date of the Settlement, Plaintiffs, Defendants, and the Company shall expressly waive any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable, or equivalent to California Civil Code §1542, which provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Plaintiffs, Defendants, and the Company acknowledge that the foregoing waiver was separately bargained for and a key element of the Settlement. Plaintiffs, Defendants, UHS, and each UHS Stockholder may hereafter discover facts in addition to or different from those which he, she, it, or their counsel now knows or believes to be true with respect to the subject matter of the Released Claims, but, upon the Effective Date, Plaintiffs, UHS, and each UHS Stockholder derivatively on behalf of UHS, and Defendants shall be deemed to have, and by the operation of the Judgment shall have, fully, finally and forever settled and released all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, without regard to the subsequent discovery or existence of such different or additional facts. The Settling Parties acknowledge, and the UHS Stockholders shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and is a key element of the Settlement of which this release is a part.

### **THE SETTLEMENT CONSIDERATION**

2. In consideration for the dismissal with prejudice of the Federal Action and Delaware Action and the withdrawal of the Litigation Demand, and the settlement and release of all Released Plaintiffs' Claims against the Released Defendants' Persons, the UHS Board has agreed, in the sound exercise of its business judgment, with the approval by the Office of the Inspector General, Department of Health and Human Services ("OIG"), and consistent with the terms of UHS's Corporate Integrity Agreement, to the corporate governance reforms set forth in Exhibit A hereto.

### **RELEASE OF CLAIMS**

3. The obligations incurred pursuant to this Stipulation are in consideration of the full and final disposition of the Federal Action, the Delaware Action, and the Litigation Demand, and the Releases provided for herein.

4. Pursuant to the Judgment, upon the Effective Date of the Settlement and without further action by anyone, UHS, Plaintiffs (acting on their own behalf and derivatively on behalf of the Company), Dr. Eli Inzlicht-Sprei, and any UHS Stockholder acting derivatively on behalf of the Company will release all Released Plaintiffs' Claims against the Released Defendants' Persons. In addition, upon the Effective Date, UHS, Plaintiffs (acting on their own behalf and derivatively on behalf of the Company), Dr. Eli Inzlicht-Sprei, and any other UHS Stockholder acting derivatively on behalf of the Company, shall be forever barred and enjoined from commencing, instituting, or prosecuting any of the Released Plaintiffs' Claims against the Released Defendants' Persons.

5. Pursuant to the Judgment, upon the Effective Date of the Settlement and without further action by anyone, Defendants and the Company will release all Released Defendants'

Claims against the Released Plaintiffs' Persons. In addition, upon the Effective Date, Defendants and the Company shall be forever barred and enjoined from commencing, instituting, or prosecuting any of the Released Defendants' Claims against the Released Plaintiffs' Persons.

6. Pursuant to the Judgment, upon the Effective Date of the Settlement and without further action by anyone, Defendants will release all Released Defendants' Claims against the Released Company Persons. In addition, upon the Effective Date, Defendants shall be forever barred and enjoined from commencing, instituting, or prosecuting any of the Released Defendants' Claims against the Released Company Persons.

7. Notwithstanding paragraphs 4-6 above, nothing in the Judgment shall bar any action by any of the Settling Parties to enforce or effectuate the terms of this Stipulation or the Judgment, or bar or otherwise affect any claim of right to indemnification between UHS and any present or former officer or director of UHS, or any claim for insurance coverage by any of the Released Defendants' Persons.

**PRELIMINARY APPROVAL ORDER AND NOTICE**

8. Within ten business days of the later of (i) execution of this Stipulation or (ii) remand of the Federal Action from the Third Circuit to the Federal District Court, Federal Plaintiffs will move the Federal District Court for preliminary approval of the Settlement, authorization to provide notice of the Settlement, and the scheduling of a hearing for consideration of final approval of the Settlement, which motion shall be unopposed by Defendants and the Company. Concurrently with the motion for preliminary approval, Federal Plaintiffs will apply to the Federal District Court for, and Defendants and the Company will agree to, entry of the Preliminary Approval Order, substantially in the form attached hereto as Exhibit B.

9. In accordance with the terms of the Preliminary Approval Order to be entered by the Court, no later than the later of ten (10) business days following the date of entry of the Preliminary Approval Order or forty-five (45) days before any scheduled hearing for consideration of final approval of the settlement (in either case, the “Notice Date”), Defendants and the Company shall cause the Stipulation and Notice, substantially in the form attached hereto as Exhibit C, to be furnished to the Securities and Exchange Commission via a Form 8-K, 10-Q, or 10-K, and shall cause the Summary Notice, substantially in the form attached hereto as Exhibit D, to be published for one day in *Investor’s Business Daily*. Defendants and the Company also shall post the Stipulation and Notice on the Investor Relations section of UHS’s website no later than ten (10) business days following the date of entry of the Preliminary Approval Order and until the entry of the Final Approval Order.

10. The Company shall assume all administrative responsibility for and pay or cause to be paid any and all reasonable Notice Costs, regardless of whether the Court approves the Settlement or the Effective Date otherwise fails to occur, and in no event shall Plaintiffs or their respective counsel be responsible for any Notice Costs.

**DISMISSAL OF THE ACTIONS; WITHDRAWAL OF LITIGATION DEMAND**

11. If the Settlement contemplated by this Stipulation is approved by the Court, Federal Plaintiffs’ Counsel and Defendants’ Counsel shall request that the Court enter the Judgment, substantially in the form attached hereto as Exhibit E, which will, among other things, finally approve the proposed Settlement and dismiss the Federal Action with prejudice.

12. Within ten (10) business days after final approval of the Settlement by the Federal District Court, Delaware Plaintiffs shall move to dismiss the Delaware Action with prejudice and Dr. Eli Inzlicht-Sprei shall withdraw his Litigation Demand.



**ATTORNEYS' FEES AND LITIGATION EXPENSES**

13. Defendants and the Company agree that the efforts of Plaintiffs' Counsel conferred benefits on the Company and its stockholders and that Plaintiffs' Counsel are entitled to an award of reasonable attorneys' fees and expenses based on such benefits.

14. The Court may consider and rule upon the fairness, reasonableness, and adequacy of the Settlement independently of the consideration of any appropriate award of attorneys' fees and litigation expenses for all Plaintiffs' Counsel (a "Fee and Expense Award"), and the failure of the Court to approve any requested Fee and Expense Award, in whole or in part, shall have no effect on the Settlement.

15. The Company shall cause the full amount of any Fee and Expense Award to be paid to Federal Plaintiffs' Counsel no later than fifteen (15) business days after the later of (i) date of entry of the Court's order awarding such fees and expenses or (ii) Defendants' Counsel's and UHS Counsel's receipt of acceptable wiring instructions and an IRS W-9 Form from Federal Plaintiffs' Counsel. The full amount of the Fee and Expense award shall be timely paid to Federal Plaintiffs' Counsel notwithstanding the existence of any timely filed objections to the application for, or the Court's approval of, the Fee and Expense Award, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof. The payment of any Fee and Expense Award to Plaintiffs' Counsel shall be subject to the joint-and-several obligation of Plaintiffs' Counsel to make appropriate refunds or repayments to the paying entity or entities if the Settlement is terminated or if, as a result of any appeal or further proceedings on remand or successful collateral attack, the Fee and Expense Award is reduced or reversed and such order reducing or reversing the award has become Final. Plaintiffs' Counsel shall make the appropriate refund or repayment in full no later than thirty (30) calendar days after (a) receiving from Defendants' Counsel or UHS

Counsel's notice of the termination of the Settlement; or (b) any order reducing or reversing the Fee and Expense Award has become Final.

16. Unless otherwise ordered by the Court, Federal Plaintiffs' Counsel shall allocate the attorneys' fees awarded amongst Plaintiffs' Counsel in a manner which they, in good faith, believe reflects the contributions of such counsel to the institution, prosecution, and settlement of the Actions and the Litigation Demand. In all events, the Released Defendants' Persons shall have no responsibility for or liability whatsoever with respect to the allocation or award of the Fee and Expense Award amongst Plaintiffs' Counsel.

**CONDITIONS OF SETTLEMENT AND EFFECT OF TERMINATION**

17. The Effective Date of the Settlement shall be deemed to occur on the occurrence or waiver of all of the following events:

- (a) the Federal District Court has entered the Preliminary Approval Order, substantially in the form set forth in Exhibit B attached hereto;
  - (b) Federal Plaintiffs have not exercised their option to terminate the Settlement pursuant to paragraph 18 below;
  - (c) The Company has not exercised its option to terminate the Settlement pursuant to paragraph 18 below;
  - (d) Defendants have not exercised their option to terminate the Settlement pursuant to paragraph 18 below;
- and
- (e) the Federal District Court has approved the Settlement as described herein, following notice to Company stockholders and a hearing, and entered the Judgment, substantially in the form set forth in Exhibit E attached hereto, and the Judgment has become Final.

18. Federal Plaintiffs (provided they unanimously agree amongst themselves), the Company, and Defendants (provided they unanimously agree amongst themselves) shall each have the right to terminate the Settlement and this Stipulation, by providing written notice of their election to do so (“Termination Notice”) to the other Parties within thirty (30) calendar days of: (a) the Court’s final refusal to enter the Preliminary Approval Order in any material respect; (b) the Court’s final refusal to approve the Settlement or any material part thereof; (c) the Court’s final refusal to enter the Judgment in any material respect as to the Settlement; or (d) the date upon which an order vacating, modifying, revising or reversing the Judgment becomes Final, and the provisions of paragraph 19 below shall apply. However, any decision or proceeding, whether in this Court or any appellate court, solely with respect to an application for an award of attorneys’ fees or litigation expenses shall not be considered material to the Settlement, shall not affect the finality of the Judgment, and shall not be grounds for termination of the Settlement.

19. If Federal Plaintiffs, the Company, or Defendants exercise their right to terminate the Settlement pursuant to paragraph 18 above, then: (a) the Settlement and the relevant portions of this Stipulation shall be canceled; (b) the Settling Parties shall each revert to their respective litigation positions in their respective Actions or the Litigation Demand as of immediately prior to the execution of the MOU on June 1, 2021; (c) the terms and provisions of the MOU and this Stipulation, with the exception of this paragraph 19 and paragraphs 10, 15, 20, and 38 hereof, shall have no further force and effect with respect to the Settling Parties and shall not be used in the Action or in any other proceeding for any purpose, and the Settling Parties shall proceed in all respects as if the MOU and this Stipulation had not been entered; and (d) the Judgment and any other order entered by the Court in accordance with the terms of this Stipulation shall be treated as vacated, *nunc pro tunc*.

**NO ADMISSION OF WRONGDOING**

20. Neither the MOU, this Stipulation (whether or not consummated), including the exhibits hereto, the negotiations leading to the execution of the MOU and this Stipulation, nor any proceedings taken pursuant to or in connection with the MOU, this Stipulation and/or approval of the Settlement (including any arguments proffered in connection therewith):

(a) shall be offered against any of the Released Defendants' Persons as evidence of, or construed as, or deemed to be evidence of any presumption, concession, or admission by any of the Released Defendants' Persons with respect to the truth of any fact alleged by Plaintiffs or the validity of any claim that was or could have been asserted or the deficiency of any defense that has been or could have been asserted in the Action or in any other litigation, or of any liability, negligence, fault, or other wrongdoing of any kind of any of the Released Defendants' Persons or in any way referred to for any other reason as against any of the Released Defendants' Persons, in any civil, criminal, or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the Settlement; or

(b) shall be offered against any of the Released Plaintiffs' Persons as evidence of, or construed as, or deemed to be evidence of any presumption, concession, or admission by any of the Released Plaintiffs' Persons that any of their claims are without merit, that any of the Released Defendants' Persons had meritorious defenses, or that damages recoverable under the Complaint would not have exceeded the Settlement consideration or with respect to any liability, negligence, fault, or wrongdoing of any kind, or in any way referred to for any other reason as against any of the Released Plaintiffs' Persons, in any

civil, criminal, or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the Settlement;

*provided, however*, that if this Stipulation is approved by the Court, the Settling Parties, the Released Persons, and their respective counsel may refer to it to effectuate the protections from liability granted hereunder or otherwise to enforce the terms of the Settlement.

**MISCELLANEOUS PROVISIONS**

21. All of the exhibits attached hereto are hereby incorporated by reference as though fully set forth herein. Notwithstanding the foregoing, in the event that there exists a conflict or inconsistency between the terms of this Stipulation and the terms of any exhibit attached hereto, the terms of the Stipulation shall prevail.

22. The Settling Parties intend this Stipulation and the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by Plaintiffs against the Released Defendants' Persons with respect to the Released Plaintiffs' Claims. No Settling Party shall assert any claims of any violation of Rule 11 of the Federal Rules of Civil Procedure relating to the institution, prosecution, defense, or settlement of the Federal Action. The Settling Parties agree that the terms of the Settlement were negotiated at arm's length and in good faith by the Settling Parties, including through a mediation process supervised and conducted by Jed Melnick, Esq., and reflect the Settlement that was reached voluntarily after extensive negotiations and consultation with experienced legal counsel, who were fully competent to assess the strengths and weaknesses of their respective clients' claims or defenses.

23. While retaining their right to deny that the claims asserted in the Actions were meritorious, Defendants, the Company, and their counsel, in any statement made to any media representative (whether or not for attribution) will not assert that the Actions were commenced or

prosecuted in bad faith, nor will they deny that the Actions were commenced and prosecuted in good faith and are being settled voluntarily after consultation with competent legal counsel. While retaining their right to assert that the claims asserted in the Actions were meritorious, Plaintiffs and their counsel, in any statement made to any media representative (whether or not for attribution) will not assert that the Actions were defended or disputed in bad faith, nor will they deny that the Actions were defended or disputed in good faith and are being settled voluntarily after consultation with competent legal counsel. In all events, Plaintiffs and their counsel and Defendants, the Company, and their counsel shall not make any accusations of wrongful or actionable conduct by any Settling Party concerning the prosecution, defense, and resolution of the Actions, and shall not otherwise suggest that the Settlement constitutes an admission of any claim or defense alleged.

24. The terms of the Settlement, as reflected in this Stipulation, may not be modified or amended, nor may any of its provisions be waived except by a writing signed on behalf of each of the Settling Parties (or their successors-in-interest).

25. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

26. The administration and consummation of the Settlement as embodied in this Stipulation shall be under the authority of the Court, and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of reasonable attorneys' fees and litigation expenses to Plaintiffs' Counsel and enforcing the terms of this Stipulation.

27. The waiver by one Settling Party of any breach of this Stipulation by any other Settling Party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

28. This Stipulation and its exhibits constitute the entire agreement among the Settling Parties concerning the Settlement and this Stipulation and its exhibits. All Settling Parties acknowledge that no other agreements, representations, warranties, or inducements have been made by any Settling Party concerning this Stipulation or is other than those contained and memorialized in such documents.

29. This Stipulation may be executed in one or more counterparts, including by signature transmitted via facsimile, or by a .pdf/.tif image of the signature transmitted via email. All executed counterparts and each of them shall be deemed to be one and the same instrument.

30. This Stipulation shall be binding upon and inure to the benefit of the successors and assigns of the Settling Parties, including any and all Released Persons and any corporation, partnership, or other entity into or with which any Settling Party may merge, consolidate, or reorganize.

31. The construction, interpretation, operation, effect, and validity of this Stipulation and all documents necessary to effectuate it shall be governed by the internal laws of the State of Delaware without regard to conflicts of laws, except to the extent that federal law requires that federal law govern.

32. Any action arising under or to enforce this Stipulation or any portion thereof, shall be commenced and maintained only in the Court.

33. This Stipulation shall not be construed more strictly against one Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations between the Settling Party and all Settling Parties have contributed substantially and materially to the preparation of this Stipulation.

34. All counsel and any other person executing this Stipulation and any of the exhibits hereto, or any related Settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

35. Federal Plaintiffs' Counsel and Defendants' Counsel agree to cooperate fully with one another in seeking Court approval of the Preliminary Approval Order and the Settlement, as embodied in this Stipulation, and to use best efforts to promptly agree upon and execute all such other documentation as may be reasonably required to obtain final approval by the Court of the Settlement.

36. If any Settling Party is required to give notice to another Settling Party under this Stipulation, such notice shall be in writing and shall be deemed to have been duly given upon receipt of hand delivery or facsimile or email transmission, with confirmation of receipt. Notice shall be provided as follows:

If to Federal Plaintiffs or Federal Plaintiffs' Counsel:

Bernstein Litowitz Berger  
& Grossmann LLP  
Attn: David Wales, Esq.  
1251 Avenue of the Americas  
New York, NY 10020  
Telephone: (212) 554-1400  
Facsimile: (212) 554-1444  
Email: davidw@blbglaw.com

Scott+Scott Attorneys At Law LLP  
Attn: Thomas L. Laughlin, IV, Esq.  
The Helmsley Building  
230 Park Avenue, 17th Floor  
New York, NY 10169  
Telephone: (212) 223-6444  
Facsimile: (212) 223-6334  
Email: tlaughlin@scott-scott.com

Grant & Eisenhofer P.A.  
Attn: Michael J. Barry, Esq.  
123 Justison Street  
Wilmington, DE 19801  
Telephone: (302) 622-7000  
Facsimile: (302) 622-7100  
Email: mbarry@gelaw.com



If to Defendants:	Morgan, Lewis & Bockius LLP Attn: Steven A. Reed, Esq. 1701 Market Street Philadelphia, PA 19103-2921 Telephone: (215) 963-5603 Facsimile: (215) 963-5001 Email: Steven.reed@morganlewis.com
If to the Company:	Robbins, Russell, Englert, Orseck & Untereiner LLP Attn: Gary A. Orseck, Esq. 2000 K Street, NW 4th Floor Washington DC 20006 Telephone: (202) 775-4504 Facsimile: (202) 775-4510 Email: gorseck@robbinsrussell.com

37. Except as otherwise provided herein, each Settling Party shall bear its own costs.

38. Whether or not the Stipulation is approved by the Court and whether or not the Stipulation is consummated, or the Effective Date occurs, the Settling Parties and their counsel shall keep all negotiations, discussions, acts performed, agreements, drafts, documents signed and proceedings in connection with the Stipulation confidential.

39. The Settling Parties agree to continue to preserve the confidentiality of documents pursuant to the Stipulation and Order for the Production and Exchange of Confidential and Highly Confidential Information entered in the Action.

**IN WITNESS WHEREOF**, the Settling Parties have caused this Stipulation to be executed, by their duly authorized attorneys, as of September 15, 2021.

**BERNSTEIN LITOWITZ BERGER  
& GROSSMANN LLP**

By: /s/ David Wales  
Mark Lebovitch  
David Wales (*pro hac vice*)  
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davidw@blbglaw.com

**SCOTT+SCOTT ATTORNEYS AT LAW LLP**

By: /s/ Thomas L. Laughlin, IV  
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**GRANT & EISENHOFER P.A.**

By: /s/ Michael J. Barry  
Michael J. Barry (PA I.D. 69122)  
John Kairis (*pro hac vice*)  
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*Co-Lead Counsel for Federal Plaintiffs*

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**ANDREWS & SPRINGER LLC**

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*Counsel for Delaware Plaintiffs*

**BRAGER EAGEL & SQUIRE P.C.**

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Lawrence P. Eagel  
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Telephone: (212) 308-5858

**HYNES & HERNANDEZ LLC**

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*Counsel for Dr. Eli Inzlicht-Sprei*

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*Counsel for Defendants*

**ROBBINS, RUSSELL, ENGLERT, ORSECK & UNTEREINER LLP**

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**[EXHIBIT A]**

**Universal Health Services, Inc.'s Derivative Settlement Proposal**

*In re Universal Health Services, Inc., Derivative Litigation,*

No 20-2087 (3d Cir.), No. 17-cv-2187 (E.D. Pa.)

*Delaware County Employees' Retirement Fund v. Miller,*

C.A. No. 2017-0475-JTL (Del. Ch.)

**I. COMMITMENT STATEMENT**

Universal Health Services, Inc. ("UHS" or the "Company") agrees to adopt and/or incorporate the following commitment statement as part of its Code of Conduct:

Universal Health Services is committed to business practices and corporate values of compliance with applicable laws and regulations related to the evaluation and determination of whether patients require inpatient treatment and their length of stay at our affiliated facilities. This includes a commitment to compliance with applicable federal and state laws, as well as with all final orders or agreements with federal or state agencies related to patient treatment at UHS's affiliated behavioral health facilities.

**II. FORMATION OF A BOARD COMPLIANCE AND QUALITY COMMITTEE**

Subject to the agreement and preclearance of the Office of Inspector General, Department of Health and Human Services, the Board shall form a board-level compliance and quality committee (the "Board Compliance and Quality Committee") within 90 days of the Court's entry of an order approving the Settlement.

**A. Scope of Committee's Responsibility**

The Board Compliance and Quality Committee shall be organized pursuant to a charter that describes the Committee's duties and responsibilities concerning the oversight of healthcare-related regulatory and compliance issues. The charter shall include information concerning the composition and meetings of the Committee, the means by which the Committee may accomplish its compliance-oversight responsibilities, and the Committee's reporting obligations to the full Board or any other internal or external entity to which the Committee reports.

**B. Composition of the Committee**

1. The Board Compliance and Quality Committee shall consist of at least three members, at least two of whom shall be independent directors. At all times during the Board Compliance Committee's Initial Term, as defined below, at least half of the Committee's members shall be independent directors.

2. The Board Compliance and Quality Committee shall be chaired by an independent director.

**C. Term of the Committee**

1. The Board Compliance and Quality Committee shall have a term of 5 years (the "Initial Term"). If, prior to the end of the Initial Term, the Board determines not to extend the Board Compliance and Quality Committee's term, it shall disclose that decision in the Company's Annual Report or Proxy Statement.

2. During the Initial Term of the Board Compliance and Quality Committee, the Committee shall conduct at least quarterly meetings. These meetings may be in-person or by telephonic or video communication methods as appropriate.

**III. TRAINING AND EDUCATION OF BOARD COMPLIANCE AND QUALITY COMMITTEE MEMBERS**

1. Within 90 days of the formation of the Committee, each Board Compliance and Quality Committee member shall receive training from a Qualified Expert (defined below) on laws and regulations pertinent to healthcare regulatory compliance (the "Healthcare Compliance Training"). The Healthcare Compliance Training will provide a review of industry best-practices and recommendations for the prevention and detection of non-compliant practices, including of the nature alleged in this litigation.

2. During each of the second and third years following court approval of the settlement of these actions, each Board Compliance and Quality Committee member shall receive training from a Qualified Expert on changes to applicable laws, regulations, industry best practices, and recommendations for the prevention and detection of non-compliant practices pertinent to healthcare regulatory compliance.

3. Any new member of the Board Compliance and Quality Committee, within three years of the entry of judgment in these actions, shall receive the Healthcare Compliance Training within 60 days following appointment to the Board Compliance and Quality Committee.

4. "Qualified Expert" shall mean an individual who has professional experience in health care regulation and enforcement. The Company may use an outside consultant to provide the training, which may include outside counsel who have previously advised or represented the Company.

#### **IV. INFORMATION AND REPORTS TO BE PROVIDED TO THE BOARD COMPLIANCE AND QUALITY COMMITTEE**

1. At least on a quarterly basis, the Chief Compliance Officer or its designee will report to the Board Compliance and Quality Committee and, where appropriate at his or her discretion to the full Board, regarding:

a. any federal or state government criminal, regulatory, or civil actions, or threatened actions against the Company that raise material and substantiated concerns that a facility or facilities within the Behavioral Health Division is not complying with applicable laws or regulations related to reimbursement, patient safety, or the quality of patient care;

b. any subpoenas, inspection demands, search warrants, or similar requests to the Company from the United States Department of Justice, the United States Department of Health or Human Services, or any State Attorney General, that raise material and substantiated concerns that a facility or facilities within the Behavioral Health Division is not complying with applicable laws or regulations related to reimbursement, patient safety, or the quality of patient care;

c. any internal or external complaints (including but not limited to *qui tam* actions of which the company is aware) that raise material and substantiated concerns that a facility or facilities within the Behavioral Health Division is not complying with applicable laws or regulations related to reimbursement, patient safety, or the quality of patient care; and

d. the Board Compliance and Quality Committee shall be provided annual Medicare data provided to the Company by Centers for Medicare & Medicaid Services (CMS) or its contractor, to the extent such reports are available, that states Behavioral Health Division facilities' inpatient (i) average length of stay, (ii) percentage of discharges with comorbidity diagnoses on the claim, (iii) percentage of claims submitted for outlier payment, (iv) percentage of claims with no secondary diagnosis, (v) proportion of admissions readmitted to the same or another inpatient psychiatric facility within 3-5 days, and (vi) proportion of admissions readmitted to the same or another inpatient psychiatric facility within 30 days, and that compares such facility data to national data for industry as a whole and identifies instances where any Behavioral Health Division facility's data is



(depending on the metric) greater than the 80th percentile or below the 20th percentile nationwide.

2. All Reports of the Independent Monitor required under the Company's Corporate Integrity Agreement, and all responses by the Company to the Independent Monitor's reports, shall be provided to the Board Compliance and Quality Committee during the pendency of the CIA.

3. The Board Compliance and Quality Committee shall receive in-person reports (including by remote appearance), at times and frequency of its choosing, from the Company's internal or external counsel, President, Chief Clinical Officer, Chief Medical Officer of the Behavioral Health Division, or their designees.

**V. AUTHORITY OF THE BOARD COMPLIANCE AND QUALITY COMMITTEE IN CARRYING OUT ITS COMPLIANCE OVERSIGHT RESPONSIBILITIES**

1. The Board Compliance and Quality Committee shall have the right to retain outside advisors to assist with its performance of its compliance-oversight responsibilities set forth in this Settlement or in the Corporate Integrity Agreement. Management and the Company's Compliance Committee shall undertake best efforts to answer any questions concerning compliance issues or concerns posed to them by the Board Compliance and Quality Committee or its advisors.

2. The Board Compliance and Quality Committee shall have the authority to:

a. require management to conduct audits on compliance, regulatory, and/or legal concerns and, where appropriate, direct management to provide the results of such audits directly to the Board Compliance and Quality Committee or full Board;

b. commission such other studies, analyses, reviews, or surveys it deems appropriate to ensure the Company's compliance with regulatory requirements, as well as to evaluate the quality of the personnel, committees and entities providing compliance and regulatory services to the Company;

c. request to meet privately with any officer or employee of the Company; and

d. conduct a review of the performance of the Company's Chief Compliance Officer.

**VI. BOARD COMPLIANCE AND QUALITY COMMITTEE REPORTING TO THE FULL BOARD**

The Board Compliance and Quality Committee, through its Chairperson or his or her designee, shall report, at least annually, to the full Board on the actions taken and findings made by the Board Compliance and Quality Committee concerning compliance with applicable laws or regulations related to reimbursement, patient safety, or the quality of patient care.

**VII. OTHER GOVERNANCE ENHANCEMENTS MADE BY THE COMPANY**

1. One of the stockholder derivative plaintiffs' allegations in these actions was that directors responsible "for overseeing regulatory compliance" did not have the necessary "medical and regulatory experience" to do so. In part in response to that concern, and even while these lawsuits were still pending, UHS nominated and its stockholders elected Elliott Sussman, MD, MBA, to the Board of Directors. Dr. Sussman is Chairman of the Board, The Villages Health, in Florida. Prior to that, he was President and Chief Executive Officer of Lehigh Valley Health Network for 17 years. He brings a wealth of medical and regulatory experience to the Company, and to its Board. UHS acknowledges

plaintiffs' contribution to identifying the usefulness of having someone with Dr. Sussman's qualifications and experience on its Board.

2. During the pendency of the appeal in the federal action, and in part because of concerns expressed by stockholder derivative plaintiffs in these cases, the Company appointed Mark Friedlander, MD, as Chief Medical Officer for the Behavioral Health Division ("CMO").

3. The CMO is a new position created to contribute a practitioner's perspective to setting the Division's medical strategy—including through the CMO's oversight of medical staff and utilization management across the Division. Dr. Friedlander previously served as CMO of Aetna's behavioral health unit for nine years, where he was responsible for utilization management, quality, accreditation by the National Committee for Quality Assurance (NCQA), clinical compliance, and overseeing physicians, clinical and non-clinical staff.

4. The CMO shall, among other things, provide the following services for the Company's Behavioral Health Division:

- a. in conjunction with others, provide clinical and operational direction;
- b. identify and develop clinical integration opportunities for facilities and systems;
- c. assist in the development and implementation of effective clinical protocols and guidelines for facilities;
- d. assist in the development of data collection tools, protocols, and processes to assist in the development and implementation of clinical outcomes;

- e. develop and oversee recruitment, monitoring, orientation, and training for facility-based medical directors and medical staff;
- f. enhance peer review and critical case review processes; and provide general oversight, guidance, and direction to facility medical staff.