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To: City of Detroit Mayor and City Council
Cc; Wayne County Health Department
Wayne County Board of Commissioners
State of Michigan Attorney General Cox
State of Michigan Governor Granholm

THE SALE OF DETROIT MEDICAL CENTER

We do not support the sale, or an approval from any governmental or quasi-governmental agency or entity of the profitable non-profit Detroit Medical Center to the for-profit company Vanguard Health Systems. Conversion to a for-profit entity of the non-profit health systems and hospitals we have now is not acceptable.

The fact that the executives and board members are promoting the for profit conversion and privatization of DMC is a direct violation of their fiduciary duties and stewardship responsibilities to the non-profit organization they manage and advise, and their public mission. A promise of supporting the public mission for 10 years does not equal having a public mission and responsibility as an ultimate goal. Added to this is the reality that DMC patients are mostly insured by Medicare and Medicaid which makes it for all intents and purposes a tax supported entity. This is an issue that involves us all.

The mission of the non-profit DMC is to serve the health care needs of their patients and the welfare of the community at large in a fiscally responsible way, without profit as a goal. The sale of DMC to a for-profit company with the ultimate goal of large profits is not only a violation of their mission and responsibilities, but needed resources would be siphoned off to support the parent company, including large salaries and bonuses and the need for ever larger profits

The fact that the large banks and Wall Street firms will not provide financing to a profitable non-profit enterprise for needed upgrades, despite the fact that the new Healthcare Legislation will be providing more income and subsidies to hospitals, especially in urban areas, yet will provide a much greater amount of financing to a private company owned by one of their own is very worrisome and should be looked into. If Wall Street won't give them financing, maybe they should apply directly to our own funds in Michigan.

This would seem to be a strategy to undermine local community benefit non-profits to force privatization and lead to the privatization of all of Michigan's non-profit hospitals and health systems, changing their focus on helping the communities where they operate and providing healthcare at the lowest possible cost to making the most profit possible.

CREATING A RENIASSANCE ZONE FOR THE DETROIT MEDICAL CENTER

We do not support creating a Renaissance Zone for the Detroit Medical Center and Vanguard Health Systems. Creating such a zone would be giving the same tax status to a for profit company as a non-profit company without the public mission.

Another problem to consider would be that a no tax zone for DMC would put Henry Ford Hospital, which is also in a distressed area, at a disadvantage. It is foreseeable that pressure would be put on Henry Ford Hospital to privatize, or convert and sell to a for-profit company also, and create another tax free zone for a for profit company. This could become a domino effect of financial squeeze and forced conversion and sale for all Michigan non-profit health systems.

OTHER POINTS TO CONSIDER

Aside from the main points already mentioned, selling DMC for much less than it is actually worth to Vanguard, which is a small company with a lot of debt, and in not so good shape is a bad deal. Their 2 hospitals in Chicago, a similar urban area, are in bad shape. This company lost 20 million dollars in the last quarter of last year. It also already has $1.8 billion in debt and would be taking on another $1.5 billion to equal $3.3 billion in debt. Vanguards total revenue last year was only $3.2 billion and had only $28.6 million in profits last year, the first profits since 2006. At this rate, they it would take Vanguard 128 years to pay back the $1.8 billion they already owe if they paid half of their profit each year and actually make that much in the future. And that is not including interest. A lot of companies with a lot less debt are filing bankruptcy and not paying back their debt. Vanguard's B and B2 rating means their bonds are speculative, sub-prime loans (where have we heard that before) with the expectation of a deteriorating situation, paying high interest rates and they are publicly traded. The Moody's-S&P average historic corporate default rate, meaning they do not pay back the money, from the Municipal Bond Fairness Act (hr 6308) table is about 48%. This means we could be left holding the bag again and Vanguard could be sliced up in a bankruptcy. It is also a fact that Blackstone, the majority owner of Vanguard Health System, could break up and sell the company at any time, so who knows who will own our hospital in the future and what concern there would be for our community. This may be a really good deal for Vanguard and a few others but not for the rest of us.

District 11 Plus – A group of concerned citizens.

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