Legacy DMC

JUL - 2019

2018 Annual Reports

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Reports Available on the Following Websites:

- http://www.michigan.gov/ag/
- http://www.dwcha.org/about/documents/

Tab 1

Legacy DMC

May 30, 2019

Mr. John L. Thurber
Michigan Department of Attorney General
Assistant Attorney General
Corporate Oversight Division

Dear Mr. Thurber:

The purpose of this letter is to provide Legacy DMC's eighth annual report covering VHS of Michigan's compliance with respect to certain Post-Closing Covenants contained in the Purchase and Sales Agreement (PSA) among the Department of Attorney General, Legacy DMC, VHS of Michigan, Inc. and Vanguard Health Systems, Inc. Legacy DMC is required to report annually on the status of these commitments by Article 3 (Item E) of the Monitoring and Compliance Agreement among the same four parties.

Article 12 of the PSA, Post-Closing Covenants of Buyer, established 20 Post-Closing Covenants, which are provided for reference in Attachment 1 (Tab 2). A list of these Covenants along with the related reporting and monitoring responsibilities is provided in Attachment 2 (Tab 3). As shown by underline, VHS of Michigan (VHS) is required to report to Legacy DMC (Legacy) annually on 15 of the 20 Covenants.

The annual VHS Report provides information regarding the status at the end of 2018 for each of the 15 covenants for which status reporting is required. Note that Legacy is required to monitor seven of the Covenants – all of which are included in the VHS Report.

During 2013, Tenet Healthcare Corp. (Tenet), a Dallas-based company, purchased Vanguard Health Systems, Inc. including its subsidiary VHS of Michigan. Tenet has acknowledged its obligation to fulfill the commitments established in the PSA as conditions of the sale of the Detroit Medical Center (DMC).

COMPLIANCE MONITORING AND RELATED MATTERS

The Legacy Board of Trustees meets regularly to review compliance with the PSA Covenants as required by Article 3 of the PSA (see Tab 6 for a description and Tab 7 for a list of Trustees). The Board relies on DMC to provide relevant information on capital spending, indigent care, and the status of the six hospitals and their key lines of service as well as research, education, and health and wellness initiatives to meet its reporting requirements.

At the time of the sale, it was understood that Legacy would need timely access to hospital information in order to assess compliance and understand developments and trends. To this end, the four parties agreed to a Monitoring and Enforcement Agreement. The Agreement (Section 3 B-ii) states "Buyer shall promptly provide Legacy DMC with such additional information prepared by the Buyer in the ordinary course of business that DMC (Legacy) reasonably requests".

Subsequent to the sale, DMC and Legacy signed a Confidentiality Agreement to ensure that such information would not be made public (if so designated by DMC).

Legacy has made numerous requests over the years for DMC to provide detailed information on its spending in support of the hospitals' "historic research mission". Such detailed information has not been provided. However, on May 29th, two days ago, DMC sent an email to Legacy containing additional information on research activity and research funding. A copy of this email has been inserted as an addition to the VHS Report behind the List of Exhibits. It does not appear that the contents of the email adequately respond to Legacy's requests for detailed financial data, particularly comparative data as to VHS's annual out of pocket research expenditures since the sale to VHS. Absent such meaningful financial information and for reasons set forth later in this report, Legacy lacks sufficient information and therefore can only conclude that DMC has not complied with its commitment to support its "historic research mission".

Similarly, DMC has not provided requested information on the annual requests and approved budgets for capital investment for each of the six hospitals. Again, this failure causes Legacy to conclude that the level of capital spending since 2015 has fallen below the level needed to preserve the facility and equipment improvements achieved since that date and that the requested information, if provided, – particularly unapproved requests – would enable Legacy to determine the approximate size of the shortfall. (DMC has provided some high level information in response to Legacy's request which is discussed in the Capital Investment Section of this Report.)

In 2018, Board meetings focused on the potential impact on the research and education commitments of DMC's negotiations with the Wayne State University's School of Medicine, recurring media coverage of DMC hospitals' failed safety and quality inspections requested by the Centers for Medicare and Medicaid Services (CMS) and public allegations by former DMC physicians relating to the quality of patient care.

In addition to meetings with DMC executives, the trustees also met with senior Tenet executives to express concerns about a perceived decline in DMC's status as a teaching and research hospital system, the need to meet its research and education commitments, significant concerns about perceived deterioration in the quality of patient care, and the negative impact on DMC's clinical reputation as a result of the failed inspections.

VHS submitted its 2018 Report on February 28, as required and its CEO and other executives met with the Board on March 20th to discuss it and answer questions. These answers did not allay Legacy's concerns. The VHS Report (Tab 8) provides updates on all commitments and includes six exhibits.

Attachment 3 (Tab 4 - *Tenet Covenants as of 2018*) provides a one-page summary of Legacy DMC's view of compliance status; it also notes risks that could adversely affect the hospitals' critical functions in the future.

INDIGENT AND LOW INCOME CARE

The VHS Report states that Tenet has continued the "more benevolent" charity care policy established in 2011 at the time of the Vanguard purchase. From that date, Legacy also established various methods to ensure that indigent and low income patients receive necessary medical care; these methods included quarterly reviews of uncompensated care expense and DMC's internal ombudsman reports and posting notice boards in the hospitals.

Uncompensated care expense combines charity care and bad debt expense and the term is used by CMS in Medicare and Medicaid policies and procedures. Legacy uses uncompensated care expense as a key metric in its review of costs incurred in treating low income and indigent patients. In 2014, Legacy DMC identified a substantial decline in uncompensated care expense starting and included an appropriate explanation of the decline in its annual reports.

Many factors have affected uncompensated care expense. The most significant were the launch of the Affordable Care Act (ACA) and the State of Michigan's expansion of eligibility for Medicaid (the Healthy Michigan program) which allowed many previously uninsured individuals to obtain insurance covering their medical needs. Both took effect in April 2014 and resulted in an immediate reduction in the level of uncompensated care in southeast Michigan. DMC, which operates three "safety net" hospitals, benefitted, as did other area providers.

DMC also noted the decline in its annual reports but added that the benefits it derives from the new coverage programs need to be balanced against reductions in other federal and state medical care payments that had been beneficial to DMC. Legacy believes that the overall effect of reimbursement changes has been significantly favorable to DMC hospitals.

Another important factor was DMC's initial "Path to Health" program and its continuing efforts helping individuals enroll for insurance coverage. Over 88,000 individuals have been enrolled since the expanded federal and state programs became available. The cost of medical care for many, if not most, of these individuals would have been previously classified as charity care expense.

Positive developments in 2018 include DMC's announcement that hospital parking would be free (obviously helpful to low income and indigent patients). It also improved the volume of patient referrals from the Federal Qualified Health Care organizations. Legacy noted that total uncompensated care costs increased substantially from 2017.

During 2018, Legacy received no actionable complaints relating to charity care; other comments, complaints and requests were appropriately re-directed. (These included questions on financial support and billing errors.) The annual report on Monitoring Responsibilities (Tab 6) provides additional details.

Subject to concerns about the potential impact on the quality of care provided to all DMC patients resulting from failed safety inspections and insufficient spending on research and capital investment levels, Legacy believes that DMC is in compliance with the Indigent and Low Income Care Commitment.

HOSPITALS AND CORE SERVICES

The VHS Report for 2018 confirms that the six hospitals specified in the PSA and their lines of service have been maintained. It provides information on the event that led to the "cessation of services" at the Detroit Surgery Hospital located in Madison Heights. Attachment 4 (Tab 5) provides the list of hospitals and services.

Last year's Legacy report noted that Legacy was reviewing semi-annual Leapfrog reports to monitor DMC hospitals' performance on patient safety and quality standards. Legacy believes that for DMC to succeed in the long-term it must achieve a high standard for these publicly available safety and quality measures and demonstrate a record of continuous improvement.

Unfortunately, DMC hospitals failed multiple safety and quality inspections in 2018 and 2019 and these negative outcomes received extensive media coverage. In addition, several former senior physicians at DMC have raised questions about quality of care issues and alleged that unfavorable medical outcomes were resulting from DMC's staffing reductions over the last several years.

Legacy met with the State's Department of Licensing and Regulatory Affairs (LARA) to discuss the record of DMC hospitals and better understand the findings. It was clear that DMC hospitals are being inspected more frequently due to complaints reported in the media and that they are frequently cited for condition and standards deficiencies, particularly relating to physical environment. The hospitals apparently respond with acceptable corrective action plans and complete them effectively; this suggests that the risk of becoming ineligible to receive Medicare and Medicaid payments – although present - is low. (This decision rests with CMS.) Obviously any interruption in these payments would have an immediate negative effect on DMC and its patients.

Subject to Legacy's continuing concerns on quality of patient care, Legacy believes that this commitment has been met but notes that continuing inspection failures will raise questions about whether the lines of service and related hospital operations are being hollowed out or diminished to an unacceptable level.

CAPITAL EXPENDITURES

VHS reported capital expenditures of about $12 million in 2018 for completion of the Children's Hospital Tower. This project was the most significant of the 15 Specified Capital Projects and totaled more than $170 million.

Cumulative expenditures for the Specified Projects total $545 million, substantially exceeding the original $500 million commitment (see Exhibit C in the VHS Report). Unfortunately, Tenet did not have the 2018 capital expenditure information reviewed by an independent certified public accounting firm (as done in prior years); the reported amount appears accurate and is consistent with previous forecasts.

As noted in previous Legacy reports, Tenet failed to make a required escrow deposit relating to delayed project completion as of the end of 2015. This matter was settled in 2017 with an agreement to purchase emergency department equipment totaling $2.3 million for the Detroit Receiving and Sinai Grace Hospitals.

Legacy has also noted in its previous reports that an annual capital expenditure of $50 to $70 million is required to preserve the facility and equipment improvements realized in DMC's six hospitals since the sale. In 2016, routine capital expenditures fell well below this level. In 2017, these expenditures achieved the minimum level. In 2018, routine capital expenditures once again fell below the minimum level mentioned above. (The PSA Covenant governing routine capital expenditures expired in 2015. DMC provides an annual update on capital spending although, as noted earlier, in less detail than requested.)

Legacy believes that DMC has exceeded the Capital Expenditures Commitment requiring an investment of $850 million. However, Legacy will continue to monitor and report annual capital spending in view of its importance in preserving the improvements realized as a result of the sale and maintaining DMC's competitive position in the Detroit market.

SALE OF HOSPITALS

Tenet executives have confirmed that no sale of any DMC hospital is under consideration.

COMMITMENT TO CONTINUE THE EDUCATION AND RESEARCH MISSIONS

The PSA includes separate but similar Covenants requiring the Buyer (Tenet) to maintain DMC's "historic commitments" to education and research as shown below:

> ***12.8 Commitment to Education Mission***. *After Closing, Buyer is committed to supporting fully Seller's historic education mission for undergraduate and graduate medical education, nursing education, and allied health services education.*
>
> ***12.9 Commitment to Research Mission***. *Buyer is committed to supporting Seller's historic research mission. To this end and as of Closing, Buyer will assume Seller's obligations and commitment to Wayne State University pertaining to Wayne State University's arrangements with the National Institutes of Health for the Perinatal Research Branch operation.*

These Covenants were included to ensure that DMC would retain its position as an academic medical center and because a strong reputation based on these two functions is a critical factor in recruitment of high-quality staff. Additionally, a successful academic medical center has a strong favorable economic impact for the City.

Legacy raised concerns relating to Tenet's compliance with these Covenants in last year's report because of the difficult negotiations between DMC and Wayne State University's School of Medicine with respect to renewal of long-standing academic and administrative contracts. These negotiations have concluded and it is clear that the volume of transactions between the two parties continues to decline. (Teaching contracts – covered by separate agreements - remain in place.)

Since then, WSU's School of Medicine has announced a Letter of Intent to align more closely with the Henry Ford Health System (HFHS) for medical research. Separately, University Pediatricians, which represents many of the doctors at the Children's Hospital of Michigan, has announced that it is moving its academic affiliation from WSU to the College of Medicine at Central Michigan University. Both announcements raise questions about the effect of these changes on DMC's research and education activities which will not be evident for some time.

Legacy has discussed its concerns about the impact of these developments with both DMC and Tenet leadership, who have reiterated DMC's plan to be ranked among the top 15 academic medical centers.

Notwithstanding executive reassurance, the status of the two key academic functions appears to be diverging as discussed below.

EDUCATION

DMC executives, including the recently appointed Vice-President of Academic and Community Affairs, met with Legacy trustees and reviewed 2018 results and 2019 plans.

The VHS Report includes several positive educational developments including the addition of 79 resident positions and a substantial pay increase for residents, which brought compensation to a more competitive level. All programs are accredited, none are on warning or probation, and the number of negative program citations declined substantially from last year. The annual report on Graduate Medical Education was included as Exhibit D. It shows a decline in residency and fellowship programs from 105 to 95 – apparently as a result of university curriculum decisions to combine programs.

Although Legacy believes that DMC is meeting this Commitment, there is an inextricable link between the quality of medical education and the level of active research. Legacy's concerns about research are described below.

RESEARCH

VHS's Report provides expanded information on this critical function as requested by Legacy. In addition to an update on the Perinatal Research at Harper Hospital funded by the National Institute of Health, it provides the number of active clinical studies (over 1,100) and mentions several 2019 initiatives including a new research position in Cardiology, planned development of an Orthopedics Program within its Sports Medicine Department, and a study of Sickle Cell at Children's Hospital (see page 11 of the VHS Report).

At the recent meeting with DMC executives, a presentation on the volume of research at Children's Hospital – funded by foundations and others - confirmed that it is declining, in part due to doctors being recruited to other institutions. There was also discussion of research allowances in physician contracts and incentives based on physician performance.

While this information was useful, Legacy has repeatedly requested detailed information on DMC's actual spending in support of research, which has not been provided. Legacy believes that DMC's failure to provide this detailed spending information supports its conclusion that DMC has not been providing sufficient direct financial support for research at levels consistent with its historical mission.

Without evidence of sufficient direct financial support for research activities, Legacy believes that DMC is not in compliance with its commitment to "supporting the Seller's historic research mission". Further, as mentioned above, Legacy is concerned that DMC's lack of support for research also jeopardizes DMC's ability to continue to achieve its education mission.

KARMANOS CANCER INSTITUTE (KCI)

The VHS Report summarizes the 2015 Settlement Agreement between DMC and KCI and provides an update on how both parties continue to abide by the agreement. KCI has confirmed its satisfaction that this Covenant has been met.

HEALTH AND WELLNESS INITIATIVES

The VHS Report includes information on the evolution of its "Path to Health" enrollment program initiated in 2015 to enroll uninsured individuals in either the insurance exchanges or Medicaid. Exhibit E provides detailed information on the program and reports that over 88,000 individuals have benefitted from this effort. It notes that the initial outreach and enrollment effort has evolved to focus on annual communications and reliance on in-hospital Certified Application Counselors. It also reports on financial support for advertising during the annual medical insurance enrollment period.

OTHER COMMITMENTS

As mentioned above, the VHS Report provides the required confirmation of compliance with several additional commitments, including the Warrant (no longer applicable), Supplier Diversity (updated with 2018 data), Project Genesis (Exhibit F) and Naming Conventions (no change).

CONCLUSION

As a result of events in 2018, this report identifies more issues than in previous years reflecting serious concerns about the apparent decline in the public perception of DMC as the institution responsible for Detroit's medical safety net.

As noted earlier, DMC hospitals continue their long-standing record of providing health care to the indigent, which is the most important PSA commitment. The capital spending commitments required by the sale have been completed and actual spending substantially exceeded the $850 million commitment. There has been no sale of hospitals or reduction in hospital lines of service and the relationship with the Karmanos Cancer Institute is stable and satisfactory.

Legacy's concerns for DMC's future success, however, have increased since last year's report. Recent developments are negative and have received extensive media coverage. The hospitals have performed poorly on basic patient safety and quality inspections, the long-standing relationship with the WSU School of Medicine is fracturing, there have been allegations of negative patient outcomes resulting from staff reductions, and, this week, additional layoffs have been announced.

Less public concerns include inadequate support of research activities, which over time will jeopardize DMC's ranking as an academic medical center. Importantly, Legacy has frequently requested DMC to demonstrate its financial support of research and DMC has not presented a credible case that it is in compliance with the commitment to support research. Outcomes for academic medical centers previously owned by Tenet provide no reason for optimism. Nor do the widely circulated reports concerning the debt levels disclosed in Tenet's balance sheet and the high level of executive turnover at Tenet.

As noted in previous reports, DMC's annual capital investment since 2015 remains at or below the low end of the acceptable range for the existing hospitals jeopardizing the progress from initial facility and equipment improvements.

In 2019, Legacy will endeavor to interact effectively with Tenet and DMC executives to preserve DMC's historic research mission and justify recognition as an important academic medical center. It will continue to encourage adequate staffing and capital investments to improve DMC's competitive position in the Detroit and Southeast Michigan market and reduce the risk of jeopardizing the safety net. It will also continue its efforts to obtain detailed information to complete its oversight role.

JWalsh
Joe Walsh
President

R R Widgren
Richard Widgren
Chairman

cc. Attorney General Dana Nessel
Mr. Ronald Rittenmeyer
Dr. Anthony Tedeschi

Tab 2

ARTICLE 12

POST-CLOSING COVENANTS OF BUYER

12.1 Buyer Advisory Board; Hospital Advisory Board.

(a) As of Closing, VHS of Michigan shall establish an Advisory Board (the "VHS Michigan Advisory Board") which shall be comprised of up to 11 members, a majority of whom shall be appointed by VHS of Michigan and the remainder of whom shall be appointed by DMC. Subject to the overall control and direction of the board of directors of VHS of Michigan, the VHS Michigan Advisory Board will oversee the conduct of the business of the Hospitals and the Hospital Businesses after Closing, will nominate members for each of the Hospital Advisory Boards, and will report to, and generally provide advice and make recommendations to, VHS of Michigan concerning the conduct of the business of the Hospitals, the Hospital Businesses, and the operating and capital budgets thereof. DM C may remove, with or without cause, any individual appointed by DMC to the VHS Michigan Advisory Board. VHS of Michigan may remove, with or without cause, any individual appointed by VHS of Michigan to the VHS Michigan Advisory Board. If, as a result of death, disability, retirement, resignation, removal or otherwise, there shall exist any vacancy on the VHS Michigan Advisory Board, the Person entitled under this Section 12.1 (a) to appoint such individual whose death, disability, retirement, resignation or removal resulted in such vacancy may appoint another individual to fill such capacity and serve as a member of the VHS Michigan Advisory Board. As of Closing, the VHS Michigan Advisory Board shall adopt bylaws that more precisely articulate the relationship between VHS of Michigan and the VHS Michigan Advisory Board and that govern its internal structure, activities and meetings (including the frequency thereof) that are in form and substance reasonably satisfactory to DMC and VHS of Michigan. The VHS Michigan Advisory Board will remain in existence for a period of at least ten years.

(b) Immediately after the Closing, the members of the current executive management team of Seller (comprising for this purpose the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Nursing Officer, the Chief Legal Officer and the Chief Medical Officer of DMC and the President of each of the Hospitals), who accept Buyer's offer of employment pursuant to Section 6.3(a), will be employed to manage the Hospitals and the Hospital Businesses in such respective capacities, subject to the terms of any applicable employment agreement and the authority of the applicable Buyer's board of directors.

(c) As soon as practicable following Closing, VHS of Michigan, acting in concert with or through the VHS Michigan Advisory Board, will appoint and maintain separate advisory boards for each of the Hospitals (each, a "Hospital Advisory Board"). Subject to applicable Legal Requirements, each Hospital Advisory Board will advise the Hospital with which it is associated on quality assurance and accreditation matters. In its advisory capacity, each Hospital Advisory Board shall also review and advise Buyer on management's recommended capital and operational budgets for the Hospital with which it is associated. The membership of each initial Hospital Advisory Board shall be agreed upon by Buyer and Seller on or prior to the Closing Date.

<u>12.2 Indigent and Low Income Care.</u> Buyer acknowledges that the Hospitals have historically provided significant levels of care for indigent and low-income patients and have also provided care through a variety of community-based health programs. For at least ten years after the Closing, Buyer will adhere to the more charitable and benevolent of: (a) Seller's historic charity care policy, a copy of which is attached as Schedule 12.2 ; or (b) Vanguard's corporate-wide charity care policy in place on June 10, 2010, Reference No.11-0801 as revised January 23, 2009, titled "Charity Care Financial Assistance, and Billing & Collection Policies for Uninsured Patients", a copy of which is attached as Schedule 12.2-a , as such corporate-wide charity care policy may be amended from time to time. Upon request of Seller at any time during the 180 day period prior to the tenth anniversary of the Closing Date, Buyer and Seller shall negotiate in good faith prior to the tenth anniversary of the Closing Date to determine whether Buyer should extend its commitment to provide charity care at the Hospitals as set forth above in Section 12.2(a) or 12.2(b), it being understood that such negotiations shall be limited in scope to the extension of the provision of charity care policy at the Hospitals as set forth above in Section 12.2(a) or 12.2(b) after the tenth anniversary of the Closing Date. During such time as this Section 12.2 is in effect, Buyer shall prominently publish on its website and prominently publicize at the Hospitals: (i) the availability of financial assistance to uninsured and underinsured patients on terms at least as generous as the applicable charity care policy, (ii) the availability of assistance in applying for Medicaid coverage, (iii) the availability of access to a patient-care ombudsman, a patient-car e hotline, and other measures to facilitate resolution of billing and treatment issues, (iv) the patients' rights and all current publicly available survey results in accordance with state and federal regulations and (v) its debt-collection policy, which shall comport with all federal and state collection practices laws.

<u>12.3 Commitments to Maintain the Hospitals and Provide Core Services.</u>

(a) For at least ten years from and after the Closing Date and unless otherwise agreed by Seller, Buyer shall maintain each of the Hospitals as a general acute care hospital licensed in the State of Michigan, or as a re habilitation hospital licensed in the State of Michigan in the case of Rehabilitation Hospital of Michigan. The Parties acknowledge that the Hospitals provide a large share of the State of Michigan's graduate medical education and care to beneficiaries of the Medicaid program and to the uninsured. Reductions in state or federal funding and reimbursement that apply proportionately to the Hospitals and all other general acute care hospitals in the State of Michigan shall not constitute a basis for Buyer to request approval from Seller to close any Hospital. The Parties also acknowledge that this provision is not intended to preclude Buyer from requesting approval from Seller to close a Hospital in the event of discriminatory reductions in state or federal funding and reimbursement for graduate medical education or services provided to beneficiaries of the Medicaid program or to the uninsured.

Reductions in state or federal funding and reimbursement to the Hospitals that are materially disproportionate to reductions in funding and reimbursement to all other general acute care hospitals in the State of Michigan and that cause one or more of the Hospitals to suffer material declines in EBITDA, shall constitute a basis for Buyer to request the approval of Seller to close such affected Hospitals, which approval shall not be unreasonably withheld. Upon such time as Buyer, if at all, is permitted to cease maintaining the operation of any Hospital prior to the date which is ten years from and after the Closing Date, notwithstanding any provision to the contrary contained in this Agreement, once Buyer has initiated the process of c easing the operation of such Hospital, Buyer shall be relieved of its obligations under each of Sections 12.1, 12.2, 12.3, 12.4 and 12.7, but in each case only with respect to such Hospital.

(b) For at least ten years from and after the Closing Date and unless otherwise agreed by Seller, Buyer shall provide at each Hospital, at a minimum, those services described on Schedule 12.3 for such Hospital (the "Core Services"). Notwithstanding the foregoing, if as a consequence of any facts or circumstances that are in existence or occur prior to Closing, Buyer is not able to provide a Core Service after Closing, Buyer shall be relieved of its obligation to provide such Core Service until such time as the facts or circumstances that prevent Buyer from providing such Core Services have been remedied by Buyer. Buyer shall use Commercially Reasonable Efforts to remedy any such facts and circumstances as soon as reasonably practicable after Closing (but only to the extent such remedy is economically feasible, as determined in the good faith reasonable discretion of Buyer). Additionally, if a casualty has occurred prior to Closing which has not been fully repaired as of the Closing Date that prevents Seller from providing a Core Service, Buyer shall not be obligated to provide such Core Service until such time as Buyer has repaired the casualty (but only to the extent such repair is economically feasible, as determined in the good faith reasonable discretion of Buyer) that prevents Buyer from providing such Core Service after Closing. Buyer shall use Commercially Reasonable Efforts to repair any such casualty as soon as reasonably practicable after Closing (but only to the extent such repair is economically feasible, as determined in the good faith reasonable opinion of Seller).

<u>12.4 Capital Expenditures.</u>

(a) During the five year period immediately following the Closing Date, Buyer shall make routine capital expenditures in respect of the Hospital Businesses in an average amount of at least $70,000,000 per year, but not less than $50,000,000 in the first year after Closing, and not less than $50,000,000 on average per year for each of the next four years thereafter taking into consideration all routine capital expenditures made by Buyer in all prior years since Closing, and in the amount of at least $350,000,000 in the aggregate over that period. For purposes of this Section 12.4(a), routine capital expenditures shall include (i) capital expenditures for any capital project that is not a Specified Capital Project, (ii) capital expenditures made pursuant to Section 12.4(b) in excess of the CapEx Commitment (but only to the extent that all Specified Capital Projects have been completed), and (iii) capital expenditures described in Section 12.4(f), but shall exclude (iv) capital expenditures for Specified Capital Projects and (v) capital expenditures for capital projects that are in progress as of the Closing Date and that are identified on Schedule 12.4 . Additionally and for purposes of this Agreement, the term "capital expenditure" shall mean an expenditure which is required to be capitalized in accordance with generally accepted accounting procedures as applied in the United States.

(b) In addition to Buyer's obligations under Section 12.4(a), (i) during the five year period immediately following the Closing Date Buyer will Expend funds for the Specified Capital Projects in the aggregate amount of at least $500,000,000 (the "CapEx Commitment"), and (ii) as of each anniversary of the Closing Date, Buyer will have Expended not less than the Anniversary Date CapEx Commitment required to be so Expended by such date. Schedule 12.4 sets forth (1) Seller's current estimated cost of each Specified Capital Project described therein, (2) the anticipated time schedule for the commencement and completion of each Specified Capital Project, and (3) the estimated amount of capital to be Expended by Buyer on each Specified Capital Project. Buyer will in good faith undertake and diligently pursue to completion each of the Specified Capital Project s within the time schedule for such project specified on Schedule 12.4 . Buyer may make modifications to a Specified Capital Project that constitute more than a ten percent reduction in the scope of, or a $5,000,000 reduction in, such Specified Capital Project, in each case, only with the consent of DMC, other than modifications that expand the scope of a Specified Capital Project; provided, however, DMC's approval of any requested modification to a Specified Capital Project shall not result in a reduction of Buyer's overall $500,000,000 CapEx Commitment. In the event that Buyer requests reduction in the scope of a Specified Capital Project by more than ten percent in order for such project to be completed on the budget for such project set forth on Schedule 12.4 , Buyer and DMC shall reasonably and in good faith determine the manner in which such project is to be completed. Buyer shall have no obligation to Expend more than $500,000,000 in the aggregate for all of the Specified Capital Projects. The amount of any capital expenditures made by Buyer to an Affiliate of Buyer shall not be included in any determinations of whether Buyer has satisfied its obligations under Sections 12.4(a) or 12.4(b) .

(c) Subject to Force Majeure, if at the end of any CapEx Year after Closing other than the fifth CapEx Year Buyer has failed to Expend the Anniversary Date CapEx Commitment required to have been Expended at the end of such CapEx Year, then within 30 Business Days after the expiration of such CapEx Year, Buyer will deliver to the Escrow Agent by wire transfer of immediately available funds an amount equal to the CapEx Shortfall as of the end of such CapEx Year. Pursuant to the terms and conditions of an escrow agreement that is in form and substance satisfactory to each of Seller and Buyer in its good faith reasonable discretion (the "CapEx Shortfall Escrow Agreement"), the Escrow Agent shall thereafter disburse such funds solely for the purpose of funding capital Expended by Buyer in respect of the Specified Capital Projects.

(d) Within 30 Business Days after the expiration of the fifth CapEx Year after Closing, subject to Force Majeure, Buyer will deliver to the Escrow Agent by wire transfer of immediately available funds an amount, if any, equal to (i) the CapEx Commitment minus (ii) the aggregate amount of capital Expended by Buyer pursuant to Section 12.4(b) during the five CapEx Years after Closing (including amounts disbursed by the Escrow Agent pursuant to the CapEx Shortfall Escrow Agreement to fund capital expenditures for Specified Capital Projects), minus (iii) any funds held by the Escrow Agent pursuant to the CapEx Shortfall Escrow Agreement (or otherwise held in an escrow account with an escrow agent and pursuant to an escrow agreement, each of which is reasonably satisfactory to Seller and Buyer, which escrow has been restricted for use only for the CapEx Commitment) as of the end of the fifth CapEx Year. Subject to Section 12.4(e), the Escrow Agent shall thereafter disburse such funds solely for the purpose of funding capital Expended by Buyer for the Specified Capital Projects, so long as Buyer is diligently pursuing in good faith the construction and completion of any Specified Capital Projects which had not yet been completed as of the end of the fifth CapEx Year after Closing.

(e) On the sixth anniversary of the Closing Date, subject to Force Majeure, the Escrow Agent shall continue to retain all funds held by the Escrow Agent up to (but not in excess of) $50,000,000 and shall disburse such funds solely for the purpose of funding capital Expended by Buyer for the Children's Hospital tower project, so long as Buyer is diligently pursuing in good faith the construction and completion of the Specified Capital Project constituting the Children's Hospital tower, and, subject to Section 12.4 (f), shall immediately disburse all funds held by the Escrow Agent in excess of $50,000,000 to the order of DMC. On the seventh anniversary of the Closing Date, subject to Section 12.4 (f), the Escrow Agent shall immediately disburse all remaining funds held by the Escrow Agent to the order of DMC. Additionally and notwithstanding anything herein to the contrary, in the event that Buyer ceases to diligently pursue in good faith the construction and completion of any Specified Capital Project after the expiration of the fifth CapEx Year, the Escrow Agent shall disburse all funds held for such Specified Capital Project pursuant to the CapEx Shortfall Escrow Agreement, together with any earnings thereon, to the order of DMC. Notwithstanding any provision to the contrary contained in this Agreement, upon DMC's receipt of all remaining funds held by Escrow Agent, Buyer shall have no further obligations under Sections 12.4(b) through 12.4(f) (other than any of such obligations that are in dispute on such date) and, to the extent it remains outstanding, the Warrant Certificate shall be immediately returned to Vanguard and immediately cancelled.

(f) If, prior to the date the Escrow Agent is required to disburse any funds to the order of DMC pursuant to Section 12.4(e), Buyer completes all of the Specified Capital Projects but has not fully Expended the CapEx Commitment, then notwithstanding the provisions of Section 12.4(e), Escrow Agent shall retain all funds held by the Escrow Agent and shall disburse such funds solely for the purpose of funding capital Expended by Buyer for additional capital projects or capital expenditures recommended by Buyer and approved by Seller in its good faith reasonable discretion, until all such funds are fully Expended.

(g) The CapEx Shortfall Escrow Agreement shall provide that the Escrow Agent shall invest all funds held pursuant to the CapEx Shortfall Escrow Agreement in investments described in the CapEx Shortfall Escrow Agreement pursuant to the instructions of Buyer. All earnings on funds held by the Escrow Agent shall be disbursed to the Party to whom such funds are disbursed. Buyer shall pay all cost s and expenses of the Escrow Agent.

(h) At Closing and as collateral to secure Buyer's CapEx Commitment described in Section 12.4(b), Vanguard will deliver to the Escrow Agent (without any consideration from DMC) a warrant certificate in substantially the form of Exhibit A (the "Warrant Certificate") providing for a warrant issuable to DMC to purchase 400,000 shares of common stock of Vanguard. From and after the Closing Date and until such time as the Warrant has been exercised or the Warrant Certificate has been cancelled in accordance with the terms of this Agreement, Vanguard shall deliver to DMC all valuations of Vanguard prepared by the Independent Appraiser, or such other valuation expert as may be retained by Vanguard in place of the Independent Appraiser, within ten Business Days after their delivery to Vanguard. The Escrow Agent shall hold and disburse the Warrant Certificate pursuant to the terms of Section 12.5 and an escrow agreement that is in form and substance satisfactory to each of DMC and Vanguard in its good faith reasonable discretion (the "Warrant Escrow Agreement").

(i) In the event of discriminatory reductions in state or federal funding and reimbursement for graduate medical education or services provided to beneficiaries of the Medicaid program or to the uninsured that are applicable to the Hospitals, that are materially disproportionate to reductions in such funding and reimbursement to all other general acute care hospitals in the State of Michigan and that cause one or more of the Hospitals to suffer material declines in EBITDA, and Buyer provides Seller written notice thereof, notwithstanding any provision to the contrary contained in this Section 12.4 or in Sections 1.1 or 12.5 , without further action of the Parties: (i) the Anniversary Date CapEx Commitment shall be modified so that such commitment is (A) $400,000,000 as of the fifth anniversary of the Closing Date, (B) $480,000,000 as of the sixth anniversary of the Closing Date and (C) $500,000,000 as of the seventh anniversary of the Closing Date, but without any change or modification to the obligation of Buyer to Expend funds in accordance with Sections 12.4(b) and (c) in the first four CapEx Years after Closing; (ii) the "five year period" described in Section 12.4 (b) shall thereafter be interpreted to mean the period ending upon the expiration of the seventh CapEx Year; (iii) references in each of Sections 12.4 (c), 12.4 (d) and 12.5 to the "fifth CapEx Year" where it appears therein shall be references to the "seventh CapEx Year;" (iv) the reference to the "five CapEx Years after Closing" in Section 12.4 (d) where it appears therein shall be references to the "seven CapEx Years after Closing;" (v) Section 12.4 (e) shall no longer be applicable (other than the last sentence thereof); (vi) on December 31, 2017, the Escrow Agent shall disburse all funds held by the Escrow Agent pursuant to the CapEx Shortfall Escrow Agreement, together with all earnings thereon, to the order of DMC; and (vii) the anticipated time schedule for undertaking each Specified Capital Project shall be deemed to be extended to take into consideration the additional period of time within which Buyer has to Expend the full amount of the CapEx Commitment.

12.5 The Warrant.

(a) At Closing, Vanguard shall deliver to the Escrow Agent an initial Warrant Certificate for the Warrant. Within 30 Business Days after the expiration of each CapEx Year after the Closing Date, up to and including the date which is 30 Business Days after the expiration of the fifth CapEx Year after the Closing, Vanguard may deliver to the Escrow Agent a new Warrant Certificate (in exchange for the return of any Warrant Certificate previously delivered to the Escrow Agent) for a warrant issued to DMC to purchase a number of shares of common stock of Vanguard equal to the product of the Warrant Shares and the Remaining CapEx Ratio as of the expiration of the applicable CapEx Year after the Closing (the "Adjusted Warrant Shares") with an exercise price of $.01 per share. At such time as the amount of the Adjusted Warrant Shares equals zero, Vanguard shall provide notice thereof to Escrow Agent and Escrow Agent shall immediately return to Vanguard any Warrant Certificate previously delivered to the Escrow Agent. Upon DMC's receipt of the Warrant Certificate, Buyer shall be relieved of its obligations under Sections 12.4(b) through 12.4(f) to the extent of the then value of the shares understood that such determination shall be made as of the date of DMC's receipt of the Warrant Certificate, and shall not be subject to further adjustment, including as a result of any subsequent change in the valuation of Vanguard's common stock), based on the valuation of Vanguard's common stock prepared by the Independent Appraise r as of the date of the exercise of the Warrant, which appraisal shall be obtained by Vanguard, at its sole cost and expense, within a reasonable period of time after the date the Warrant is exercised. If such value of the shares of common stock upon exercise of the Warrant is greater than the Remaining CapEx Commitment, DMC shall surrender to Vanguard, after exercise, a number of shares of common stock of Vanguard having an aggregate value equal to the value of the common stock in excess of the Remaining CapEx Commitment (it being understood that such determination shall be made as of the date of DMC's receipt of the Warrant Certificate, and shall not be subject to further adjustment, including as a result of any subsequent change in the valuation of Vanguard's common stock).

(b) If Buyer shall fail at any time to timely deposit any required CapEx Shortfall amounts with the Escrow Agent (provided that Buyer has not otherwise deposited cash amounts in an escrow account with an escrow agent and pursuant to an escrow agreement, each of which is reasonably satisfactory to DMC, Buyer and Vanguard, which escrow account has been restricted for use only for the CapEx Commitment, which cash amounts equal or exceed the amounts which were required to have been so deposited to satisfy any CapEx Shortfall), then, after 30 days notice of such default to Vanguard by Seller, and subject to Vanguard's failure to cure such default during such 30-day period (each a "CapEx Shortfall Default"), DMC shall be entitled to obtain from the Escrow Agent the Warrant Certificate then in the possession of the Escrow Agent and the Warrant Shares or Adjusted Warrant Shares, as applicable, shall be immediately exercisable in accordance with the terms of the Warrant Certificate upon DMC's receipt of such Warrant Certificate.

(c) Provided that Buyer has deposited any required CapEx Shortfall with the Escrow Agent (or Buyer has otherwise deposited cash amounts in an escrow account with an escrow agent and pursuant to an escrow agreement, each of which is reasonably satisfactory to DMC, Buyer and Vanguard, which escrow has been restricted for use only for the CapEx Commitment, which cash amounts equal or exceed the amounts which were required to have been so deposited to satisfy any CapEx Shortfall), if Vanguard should wish to consummate an initial public offering of its common stock at any time while the Warrant Certificate remains outstanding (whether the Warrant Certificate is then held by Escrow Agent or DMC), in order to provide for the cancellation of the Warrant Certificate to facilitate such initial public offering, then at any time after Vanguard files its S-1 Registration Statement with the SEC, but prior to its initial public offering of its common stock: (i) Vanguard may, but is not required to, deliver to the Escrow Agent or DMC (in exchange for the Warrant Certificate then in the possession of the Escrow Agent or DMC, which Warrant Certificate shall be immediately cancelled) a subordinated unsecured promissory note in substantially the form of Exhibit B payable to DMC in a principal amount equal to the Remaining CapEx Commitment at such time (the "Note"), and the principal amount of such Note shall be automatically reduced on a continuous basis by the amount of any reduction in the Remaining CapEx Commitment; or (ii) DMC and Vanguard shall enter into such other satisfactory arrangements in respect of cancellation of the Warrant Certificate as shall be agreed to by DM C and Vanguard, in their sole discretion.

(d) In the event Vanguard delivers the Note in exchange for the Warrant Certificate as set forth in Section 12.5(c), the Escrow Agent shall release the Note to DMC upon the occurrence of a CapEx Shortfall Default; provided that upon a CapEx Shortfall Default, the Note shall be in default upon delivery thereof to DMC (the "Note Delivery Date"). The Note will accrue interest from and after the date of the CapEx Shortfall Default at a market rate of interest for debt of its kind, with payment terms to be determined on the Note Delivery Date so as not to cause Vanguard to default under its then principal credit agreement or any indenture relating to debt securities that are publicly -held or are traded in the Rule 144A market. Notwithstanding any provision to the contrary contained in this Agreement, upon DMC's receipt of the Note, Buyer shall have no further obligations under Sections 12.4(b) through 12.4(f).

(e) In the event the Warrant Certificate remains outstanding on the date which is 60 Business Days after the expiration of the fifth CapEx Year after the Closing, the Warrant Certificate then in the possession of the Escrow Agent shall be delivered to DMC and shall be immediately exercisable in accordance with the terms of the Warrant Certificate upon DMC's receipt of such Warrant Certificate; provided, however, in the event Buyer has fully complied with its obligations set forth in Section 12.4(e) and in the first sentence of Section 12.4(d), the Warrant Certificate shall be of no force or effect, shall immediately be returned to Vanguard and immediately cancelled.

12.6 Retention of Medical Staff. As of the Closing, Buyer shall permit all members of the Hospitals' medical staffs, whether active, honorary, temporary or otherwise, to retain their current medical staff appointments until the expiration of their current appointments. The foregoing will not limit the ability of Buyer's board of directors or Buyer's medical executive committee to suspend medical staff appointments or clinical privileges in accordance with the terms and provisions of the medical staff bylaws of Buyer. From and after Closing, Buyer will work with the medical staffs of the Hospitals to evaluate, and where feasible, pursue opportunities for medical staff/clinical integration where doing so offers opportunities for advancement in quality and cost-effectiveness of care.

12.7 No Sale of Hospitals. For at least ten years from and after the Closing Date and without the consent of Seller, Buyer shall not, directly or indirectly, sell or otherwise transfer all or substantially all of the assets constituting one or more of the Hospitals or all or substantially all of Buyer's equity interest in any Subsidiary of Buyer that owns one or more of the Hospitals to any Person, other than in connection with a transfer to a Permitted Transferee. Nothing in this Section shall limit or impair the ability of Buyer (a) to operate and conduct the business of the Hospitals as Buyer sees fit in its sole discretion, subject to its obligations in this Agreement or (b) to sell any assets or property comprising any of the Hospitals so long as Buyer continues to maintain each Hospital as a general acute care hospital that provides the Core Services required to be provided by such Hospital, all as required by Section 12.3.

12.8 Commitment to Education Mission. After Closing, Buyer is committed to supporting fully Seller's historic education mission for undergraduate and graduate medical education, nursing education, and allied health services education.

12.9 Commitment to Research Mission. Buyer is committed to supporting Seller's historic research mission. To this end and as of Closing, Buyer will assume Seller's obligations and commitment to Wayne State University pertaining to Wayne State University's arrangements with the National Institutes of Health for the Perinatal Research Branch operation.

12.10 Karmanos Cancer Center. Buyer is committed to supporting Seller's historic partnership with the Karmanos Cancer Center. To this end and as of Closing, Buyer will assume all Contracts between Seller and Karmanos Cancer Center.

12.11 Health and Wellness Initiatives. After Closing, Buyer shall enhance current health and wellness initiatives, community outreach and prevention programs, and quality improvement programs of Seller.

12.12 Supplier Diversity Program. After Closing, Buyer will support fully the Supplier Diversity Program of Seller, a copy of which is attached as Schedule 12.12, in an effort to provide opportunities for minority-owned, women-owned, and Detroit-based businesses to work with and provide goods and services to Buyer and the Hospitals.

<u>12.13 Project Genesis</u>. After Closing, Buyer will support the Project Genesis summer employment/internship program for Detroit Public High School students.

<u>12.14 Detroit Based Systems</u>. For a period of at least ten years after Closing, Buyer will operate the Hospitals as a Detroit-based system, and will maintain its regional headquarters in Detroit, Michigan.

<u>12.1 National Support Centers</u>. If after Closing Vanguard seeks to establish national centers for system support services, the City of Detroit will be given a full opportunity to present to Vanguard proposals for basing such centers in Detroit before Vanguard makes a final decision on where to locate such centers.

<u>12.16 Naming Conventions</u>. After Closing, Buyer will honor all donor agreements for the naming of buildings, facilities or programs at the Hospitals.

<u>12.17 Annual Reporting Requirements.</u>

(a) For at least the first six years from and after the Closing Date, on or before 60 days after each anniversary of the Closing Date, Buyer shall prepare and deliver to DMC a written report that describes in reasonable detail and demonstrates Buyer's performance under and compliance with the covenants of Buyer set forth in Section 12.4. Such report will be reviewed pursuant to the agreed upon procedures set forth in Schedule 12.17 by an independent certified public accounting firm that is mutually acceptable to Seller and Buyer; provided, however, that such independent certified public accounting firm will only review Buyer's compliance with Section 12.4 . Seller (and its agents and others acting on behalf of Seller) and such independent certified public accounting firm shall have access to the books and records of Buyer and Vanguard for purposes of verifying the information contained in the annual report submitted by Vanguard.

(b) For at least the first ten years from and after the Closing Date, on or before 60 days after each anniversary of the Closing Date, Buyer shall prepare and deliver to DMC a written report that describes in reasonable detail and demonstrates Buyer's performance under and compliance with the covenants of Buyer contained in Sections 12.2, 12.3, 12.5, 12.7 12.8, 12.9, 12.10, 12.11, 12.12, 12.13, 12.14, 12.15 and 12.16, to the extent any such covenants continue in effect during such ten year period.

(c) During the first ten years from and after the Closing Date, Buyer shall make available to DMC those certain reports described on Schedule 12.17(c), and provide copies thereof upon DMC's request. Until such time as the information reported is publicly available, DMC shall keep the contents of such reports confidential, in accordance with the terms of a confidentiality agreement between DMC and Buyer on terms reasonably acceptable to each of DMC and Buyer. Buyer shall not be required to provide DMC such reports unless and until such confidentiality agreement is fully executed by DMC and Buyer.

(d) Within 30 days after the delivery of each annual report contemplated by Sections 12.17(a) and 12.17(b) above, Vanguard shall make a presentation to the board of trustees of DMC regarding such annual reports and Vanguard's plan for and position in the Detroit, Michigan market

12.18 Post Closing Assistance to Seller.

(a) Notwithstanding any of the other provisions of this Agreement, at any time after Closing upon reasonable notice and during normal business hours, Buyer will make its records pertaining to the operation of the Hospital Businesses prior to Closing available to Seller in a timely manner. In addition, Buyer will (i) provide reasonable assistance in the gathering and providing of financial information to Seller's accountants as reasonably requested for the preparation of financial statements and Tax Return s for Seller and its Affiliates for periods prior to Closing and (ii) provide such other assistance as Seller may reasonably request in the winding up of its business and affairs as the owner and operator of the Hospital Businesses.

(b) For 12 months after the Closing Date, Buyer will provide Seller with a reasonable amount of office space and comply with the provisions of Section 12.17(a) at no cost to Seller other than reimbursement of out-of-pocket expenses, if any. From and after the first anniversary of the Closing Date, Seller shall reimburse Buyer for its actual reasonable costs of complying with Section 12.17(a). Buyer shall provide such information, cooperation and assistance without warranty of any kind to Seller, including a warranty about the reliability of the contents of such information.

(c) Additionally and as of the Closing Date, DMC and Buyer shall enter into a Transition Services Agreement pursuant to which Buyer will (i) employ the employees who will provide services to DMC after Closing for up to 12 months after Closing and DMC will have the right to utilize such employees and will reimburse Buyer for all costs and expenses incurred by Buyer in connection with the employment of such employees (salaries, wages and benefits), (ii) at no cost to Seller, provide ministerial services in respect of the DMC Non-ERISA 403(b) Plan at a level currently provided by Seller, and (iii) provide such other services as DMC and Buyer may mutually agree. The Transition Services Agreement will otherwise be upon such terms and conditions as are mutually acceptable to DMC and Buyer.

12.19 Renaissance Subzone. During the term of the Development Agreement, VHS of Michigan shall provide DMC with copies of any reports which VHS of Michigan provides to the applicable Governmental Authorities under section 4 of the Development Agreement. Until such time as the information reported is publicly available, DMC shall keep the contents of such reports confidential, in accordance with the terms of a confidentiality agreement between DMC and Buyer on terms reasonably acceptable to each of DMC and Buyer. Buyer shall not be required to provide DMC such reports unless and until such confidentiality agreement is fully executed by DMC and Buyer. To the extent VHS of Michigan provides any legal notice under the Development Agreement to the Michigan Strategic Fund, VHS of Michigan shall provide DMC a copy of any such notice. Concurrent with the Closing, DMC shall provide a notice to the parties to the Development Agreement, with a copy to the Attorney General, which notice sets forth the address where DMC shall thereafter receive notices from the other parties to the Development Agreement.

12.20 Donor Restricted Funds. Buyer understands and acknowledges that Seller might seek one or more judicial determinations that certain "donor restricted" funds held by Seller should be re-characterized or determined to be "unrestricted" funds. To the extent the Seller is successful in obtaining such judicial relief (and Seller provides prompt written notice to Buyer of any judicial proceeding that is instituted prior to Closing), such funds shall continue to constitute Exclude Assets hereunder and such funds shall not be included within the funds or balance sheet accounts of Seller described in Section 2.5(a)(ii), and Buyer shall have no claim in respect of, or right to receive, any such funds as of Closing or at any time thereafter.

Tab 3

Attachment 2

POST CLOSING COVENANTS

(15 Vanguard Reporting Requirements Underlined)

Section	PSA Commitments	Monitoring References		
12.1	Buyer Advisory Board, Hospital Advisory Board			
12.2	Indigent and Low Income Care	E	M	Q
12.3	Commitment to Maintain Hospitals and Core Services	E	M	Q
12.4	Capital Expenditures	E	M	Q
12.5	The Warrant	E		
12.6	Retention of Medical Staff			
12.7	No Sale of Hospitals	E	M	Q
12.8	Commitment to Education			
12.9	Commitment to Research			
12.10	Karmanos Center			
12.11	Health and Wellness Initiatives			
12.12	Supplier Diversity Program			
12.13	Project Genesis			
12.14	Detroit-based Systems	E	M	
12.15	National Support Centers	E	M	
12.16	Naming Conventions			
12.17	Annual Reporting Requirements	E	M	
12.18	Post-Closing Assistance to Seller			
12.19	Renaissance Sub-zone			
12.20	Donor-restricted Funds			

Purchase and Sale Agreement – Article 12 identifies 20 Post Closing Covenants

E – Enforcement Agreement – supplemental agreement among Vanguard, DMC and Attorney General (AG) where parties recognize enforcement right by AG to certain remedies beyond those specified in the PSA (identified by "E" above). PSA remedies for any disagreement are primarily mediation/arbitration.

M – Monitoring Agreement – supplemental agreement among Vanguard, DMC and AG specifying responsibilities for Monitoring certain covenants (identified by "M" above) and information necessary to support Monitoring, as well as requiring identification of any potential conflict of interest and defining aspects of Legacy Board structure and operation.

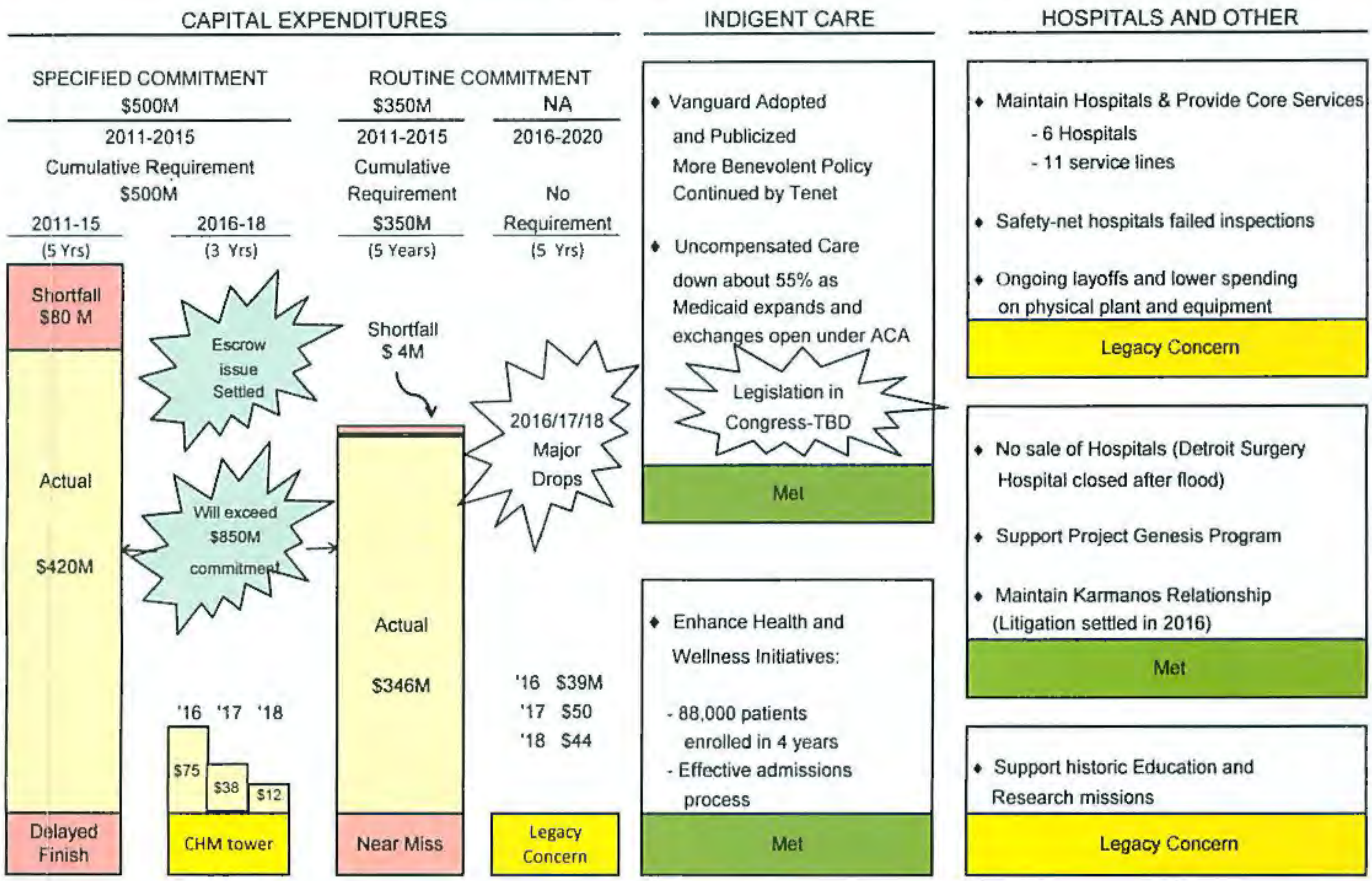
Q – Interim Quarterly Status Report – Legacy DMC and VHS-M have agreed to certain Interim Quarterly Status Reports (identified by "Q" above), in part to carry out Monitoring Agreement responsibilities.

May 15, 2019

Tab 4

Legacy DMC

TENET COVENANTS as of 2018



YEAR EIGHT OF TEN STATUS

• Capital Expenditure commitments met on extended time frame	
• Specified Capital Projects (15 totaling $500 M)	- CHM Tower finished in 2018
• Routine Capital ($350M over first 5 years)	- Commitment ($70M per year) expired in 2015 - Capital spending substantially lower since then
• Escrow shortfall	- Settled in 2017 for $2.3 million
• Indigent Care costs significantly reduced through Medicaid expansion and ACA health care insurance exchanges	- No decline in care for the indigent (in contrast to concerns for quality of care) as many gain Medicaid coverage
• Patient safety and quality violations	- Hospitals failed CMS/LARA safety and quality reviews; CMS threat to withdraw funding puts safety net at risk
• Education commitment	- Increased GME positions; favorable accreditation reviews; teaching agreement with WSU in place
• Research commitment	- Little or no financial research support; Spend with WSU declining as DMC focuses on purchased services from lowest-cost providers

GROWING RISKS IN DIFFICULT-TO-MEASURE AREAS

• Routine Capital Expenditures falling below target; limited CapEx information being provided.	- DMC defends decline and limited reporting
• Patient Safety and Quality issues continue	- Reputation issues adversely affect volume and payer mix
• Reduced Federal and State health care subsidies	- DOJ challenging ACA in court; future legislation in Congress and Federal support under ACA expiring
	- Potential decline in quality of care for the indigent

Tab 5

Legacy DMC

HOSPITAL CORE SERVICES

	Detroit Receiving	Harper Hutzel	Sinai-Grace	Huron Valley Sinai	Rehabilitation Institute of Michigan	Children's Hospital of Michigan
SERVICE						
Emergency Department Services	X	X	X	X		X
Trauma-designated Emergency Department	X		X			X
General Medical Services	X	X	X	X		X
Inpatient and Outpatient Surgery	X	X	X	X		X
Radiology and Diagnostic Services	X	X	X	X		X
Obstetrics		X	X	X		
Neonatal Intensive Care unit		X				X
Comprehensive Cardiology Services		X	X	X		X
Intensive Care Services	X	X	X	X		X
Inpatient Rehab Services					X	
Outpatient Rehab Services					X	

Tab 6

Legacy DMC

April 15, 2019

Mr. John L. Thurber
Michigan Department of Attorney General
Assistant Attorney General

Corporate Oversight Division

Dear Mr. Thurber:

The purpose of this letter is to report Legacy DMC's status with respect to the requirements contained in Article 3 of the Monitoring and Compliance Agreement among the Department of Attorney General, Legacy DMC, VHS of Michigan, Inc. and Vanguard Health Systems, Inc. This agreement supplements the Purchase and Sales Agreement (PSA) and defines various requirements relating to the Post-Closing Covenants contained in the PSA. This letter also makes reference to the Enforcement Agreement among the same four parties. (Tenet Healthcare Corp. acquired Vanguard Health Systems, Inc. in 2013; VHS of Michigan is now a wholly-owned subsidiary of Tenet.)

ARTICLE 3 – "Legacy DMC Monitoring Responsibilities"
This article contains five specific monitoring responsibilities (Items A through E) as discussed below:

Item A requires Legacy DMC to monitor VHS of Michigan's compliance with seven of the 20 Post-Closing Covenants contained in the PSA. The Enforcement Agreement adds an additional covenant – bringing to eight the total number of covenants being monitored by Legacy DMC. The attachment lists the 20 PSA Covenants and provides references to the related monitoring and reporting requirements contained in the agreements. Legacy DMC believes it has diligently monitored compliance with the Covenants. VHS of Michigan's Annual Report for 2018, which will be provided to your office with our comments in a separate letter, provides its update to the status of 15 commitments at the end of 2018.

Item B identifies certain reports and other information that VHS of Michigan is required to provide to Legacy DMC so that it can carry out its monitoring obligations; it also provides for a Confidentiality Agreement. The status of the three specific elements is as follows:

> i. Exhibit 2 of the Monitoring Agreement requires annual submission of 18 reports. For various reasons, Legacy DMC has reduced this list to 13 reports. These reports are prepared and become available at various dates in 2019, with virtually none ready until the Second Quarter 2019. VHS of Michigan has agreed to supply these reports as available, and we expect all to be received by June 2019.

ii. VHS of Michigan is required to provide additional "ordinary course of business" information if requested. Legacy DMC has made numerous requests relating to capital expenditures and research support. The information provided in response falls short of the detail requested.

iii. VHS of Michigan requested an agreement to keep "proprietary and commercially sensitive information" confidential as provided in this item. A Confidentiality Agreement is in place. Mr. Conrad Mallett serves as the "DMC Officer" responsible for determining confidentiality. VHS of Michigan's 2018 Report classified financial information useful in understanding indigent and uncompensated care as confidential. The information confirms that the substantial reduction in the cost of uncompensated care continues.

Item C requires Legacy DMC to establish a public complaint-intake procedure, to review all complaints and to investigate complaints, if appropriate. Legacy DMC has complied with this requirement of monitoring VHS of Michigan's charitable care commitment.

Legacy DMC established a telephone hotline, as well as email and postal addresses to obtain patient complaints. Any contact is logged and reviewed. During 2018, no actionable complaints relating to charitable care were received. Other complaints were referred to appropriate hospital departments, and other correspondence was appropriately re-directed.

The hotline contact information appears in approximately 70 locations throughout the DMC hospitals, all DMC Clinics located in Detroit and selected Federally Qualified Health Care Centers. It appears in all emergency rooms and all patient notice boards where the DMC displays its "800" telephone numbers for requesting hospital financial support and submitting patient billing complaints.

Item D requires Legacy DMC staff to report monthly to the Legacy DMC Board of Trustees regarding VHS of Michigan's compliance with the Post-Closing Covenants. During 2018, the Legacy DMC Board met four times.

VHS of Michigan's Chief Executive Officer, Dr. Anthony Tedeschi, attended two Board meetings in 2018.

During 2019, Legacy DMC's Board of Trustees plans to meet quarterly. Legacy DMC staff will alert the Trustees of material changes or serious compliance issues that arise during interim months.

Item E requires Legacy DMC to produce a written report annually and make it available to the public on a website. The 2018 report is in process and will be available to the public on the websites of the Detroit Wayne County Health Authority and the Department of the Attorney General later this year.

Mr. John L. Thurber
April 15, 2019
Page 3

Conclusion
Legacy DMC believes the requirements of Article 3 (as modified) have been met for 2018, the eighth year of the agreement period.

Sincerely,

Joe Walsh
President

R R Widgren

Richard Widgren
Chair

Cc: Mr. Ronald Rittenmeyer
Dr. Anthony Tedeschi

Attachment

POST CLOSING COVENANTS

(15 Vanguard Reporting Requirements Underlined)

Section	PSA Commitments	Monitoring References		
12.1	Buyer Advisory Board, Hospital Advisory Board			
12.2	<u>Indigent and Low Income Care</u>	E	M	Q
12.3	<u>Commitment to Maintain Hospitals and Core Services</u>	E	M	Q
12.4	<u>Capital Expenditures</u>	E	M	Q
12.5	<u>The Warrant</u>	E		
12.6	Retention of Medical Staff			
12.7	<u>No Sale of Hospitals</u>	E	M	Q
12.8	<u>Commitment to Education</u>			
12.9	<u>Commitment to Research</u>			
12.10	<u>Karmanos Center</u>			
12.11	<u>Health and Wellness Initiatives</u>			
12.12	<u>Supplier Diversity Program</u>			
12.13	<u>Project Genesis</u>			
12.14	<u>Detroit-based Systems</u>	E	M	
12.15	<u>National Support Centers</u>	E	M	
12.16	<u>Naming Conventions</u>			
12.17	<u>Annual Reporting Requirements</u>	E	M	
12.18	Post-Closing Assistance to Seller			
12.19	Renaissance Sub-zone			
12.20	Donor-restricted Funds			

<u>Purchase and Sale Agreement</u> – Article 12 identifies 20 Post Closing Covenants

<u>E – Enforcement Agreement</u> – supplemental agreement among Vanguard, DMC and Attorney General (AG) where parties recognize enforcement right by AG to certain remedies beyond those specified in the PSA (identified by "E" above). PSA remedies for any disagreement are primarily mediation/arbitration.

<u>M – Monitoring Agreement</u> – supplemental agreement among Vanguard, DMC and AG specifying responsibilities for Monitoring certain covenants (identified by "M" above) and information necessary to support Monitoring, as well as requiring identification of any potential conflict of interest and defining aspects of Legacy Board structure and operation.

<u>Q – Interim Quarterly Status Report</u> – Legacy DMC and VHS-M have agreed to certain Interim Quarterly Status Reports (identified by "Q" above), in part to carry out Monitoring Agreement responsibilities.

April 15, 2019

Tab 7

Legacy DMC

April 15, 2019

Mr. John L. Thurber
Michigan Department of Attorney General
Assistant Attorney General
Corporate Oversight Division

Dear Mr. Thurber:

The purpose of this letter is to confirm compliance with Article 4 of the Monitoring and Compliance Agreement among the Department of Attorney General, Legacy DMC, VHS of Michigan, Inc. and Vanguard Health Systems, Inc. This agreement supplements the Purchase and Sales Agreement (PSA) and defines various requirements relating to the Post-Closing Covenants contained in the PSA. (Tenet Healthcare Corp. acquired Vanguard Health Systems, Inc. in 2013; VHS of Michigan is now a wholly-owned subsidiary of Tenet.)

ARTICLE 4 – "Legacy DMC Corporate Structure"
This article contains eight specific governance requirements as discussed below:

Items A and C require Legacy DMC to submit its Articles of Incorporation and Bylaws to the Attorney General promptly before closing after making appropriate changes to reflect its obligations under the Monitoring Agreement. Legacy DMC made the necessary modifications, submitted its documents, and received the approval of the Attorney General before closing. Because of a procedural issue, the modified Articles of Incorporation were not accepted for filing. Approval for a necessary revision of the Articles was requested from the Attorney General, but approval of the modification was never obtained. Thus, the Articles of Incorporation as they existed prior to the sale remain in effect, except for a change of the name of the corporation to Legacy DMC which did receive approval from the Attorney General.

Item D stipulates that the Attorney General must approve all changes in Legacy DMC's Articles of Incorporation or Bylaws for 10 years after closing. During 2015, Legacy DMC proposed certain changes consistent with distribution of the charitable assets. The proposed changes were submitted to the Attorney General for approval. To date, formal approval of the proposed changes has not been received.

Item E establishes certain governance criteria, including the number of trustees (at least 11 and not more than 20), provision for appointment of three trustees (one each by the Mayor of the City of Detroit, the Wayne County Executive, and the Attorney General of the State of Michigan), and staggered three-year trustee terms starting in 2017.

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Legacy DMC presently has 16 trustees (see Attachment) including the appointees representing Detroit (Ms. Patti Kukula), Wayne County (Mr. Marcus Ivery) and the State (Ms. Candyce Abbatt). Legacy DMC's Nominating Committee will identify candidates who meet the criteria contained in this item to fill open positions, if necessary.

Item F states that the President and Chair of Legacy DMC will oversee Vanguard's capital expenditure and hospital commitments. Legacy DMC's Chair, Mr. Richard Widgren, and President, Mr. Joe Walsh, provided this oversight.

Item H establishes certain requirements relating to Legacy DMC representation on the VHS of Michigan Advisory Board, the individual DMC hospital advisory boards, and the Vanguard Health System, Inc. Board. It also stipulated procedures relating to potential conflict of interest situations and compensation. The status of these matters is as follows:

> *i.* At its December 2010 meeting, the DMC Board appointed six representatives to the VHS of Michigan Advisory Board and the hospital Advisory Boards; these representatives receive no compensation. At the same time, the DMC Board nominated a representative to the Board of Vanguard Health Systems, Inc. This representative served as a director until September 2013, when Tenet Healthcare Corp. completed its acquisition of Vanguard. Requirements relating to the compensation related to this position were met.
>
> *ii.* No matters considered by the Legacy DMC Board have required a recusal of these members relating to a potential conflict between the interests of Legacy DMC and other entities.

Conclusion

Legacy DMC believes the requirements of Article 4 have been met for 2018, the eighth year of the Agreement. Previous reports have provided a final status on Items B, G and H iii. Subsequent annual reports will provide updates on the remaining open requirements.

Sincerely,

Joe Walsh
President

R R Widgren

Richard Widgren
Chair

Cc: Mr. Ronald Rittenmeyer
Dr. Anthony Tedeschi

Legacy DMC

BOARD ROSTER

Richard Widgren (Chair)
President
Life Beyond Barriers
(Subsidiary of Urban Science)

Candyce Abbatt
Fried Saperstein Abbatt P.C.

John M. Barnwell MD
Chief of Surgery and Surgical Services
Sinai – Grace Hospital

Honorable Terrence Berg
U.S. District Court Judge

Cynthia Ford
Vice Chair
Children's Hospital of Michigan Foundation

Matt Friedman
Tanner Friedman Strategic Communications

Marcus Ivery
Wayne County

Patti Kukula
City of Detroit

Yale Levin
Executive Vice President
Soave Enterprises

David Nicholson
PVS Chemicals

Gloria Robinson
Retired CEO
Heritage Vision Plans Inc.

Alan Schwartz (Vice Chair)
Vice Chair
Honigman Miller Schwartz and Cohn LLP

Herbert C. Smitherman Jr. MD, MPH, FACP
Vice Dean, Diversity and Community Affairs
Associate Professor, Department of Medicine
and Karmanos Cancer Institute,
Wayne State University School of Medicine

President and CEO
Health Centers Detroit Foundation

Mary Stephens – Ferris (Secretary and Treasurer)
Retired President
Detroit Community Health Center

Lorna Thomas MD
Chair
DMC Foundation

Rhonda Welburn
Dickinson Wright PLLC

April 15, 2019

Tab 8

DMC
DETROIT MEDICAL CENTER

VHS OF MICHIGAN, INC

2018 ANNUAL REPORT TO LEGACY DMC

February 28, 2019

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VHS of Michigan, Inc. hereby presents to the Legacy DMC its 2018 Annual Report. The intent of the 2018 Annual Report is to provide Legacy DMC with a description of the performance through December 31, 2018 by VHS of Michigan, Inc. ("VHS" or "DMC") in maintaining compliance with the various covenants assumed by DMC.

This report has been prepared and is being delivered for the calendar year period ending December 31, 2018 in accordance with Section 12.17 of the Purchase and Sale Agreement by and among the Detroit Medical Center, Harper-Hutzel Hospital, Detroit Receiving Hospital and University Health Center, Children's Hospital of Michigan, Rehabilitation Institute of Michigan, Inc., Sinai Hospital of Greater Detroit, Huron Valley Hospital, Inc., Detroit Medical Center Cooperative Services, DMC Orthopedic Billing Associates, LLC, Metro TPA Service, Inc., Michigan Mobile PET CT, LLC, DMC Primary Care Services II and Healthsource, as Seller, and VHS of Michigan, Inc., VHS Harper-Hutzel Hospital, Inc., VHS Detroit Receiving Hospital, Inc., VHS Children's Hospital of Michigan, Inc., VHS Rehabilitation Institute of Michigan, Inc., VHS Sinai-Grace Hospital, Inc., VHS Huron Valley-Sinai Hospital, Inc., VHS Detroit Businesses, Inc., VHS Detroit Ventures, Inc., VHS University Laboratories, Inc., VHS Physicians of Michigan and CRNAS of Michigan, as Buyer, and Vanguard Health Systems, Inc. dated as of December 31, 2010 (the "Agreement").

As in prior years, this Annual Report has been organized by section of the Agreement relating to a specific covenant assumed by DMC. Various documents and information supporting DMC's performance or providing detail related to a particular matter are included as Exhibits to this Annual Report.

Management Overview of 2018

On behalf of VHS of Michigan, Inc. (VHS), I am pleased to present our 2018 Annual Report, which outlines Detroit Medical Center's (DMC) progress over the past year in meeting the commitments it made as part of the 2010 Purchase and Sale Agreement between DMC and Vanguard Health Systems, Inc.

Detailed within this report, 2018 marked another year of significant milestones for DMC in satisfying and in some cases, surpassing the expectations that were set within the agreement. In spite of broader industry and local market challenges, DMC continues to fulfill its commitments to: invest in facilities and other capital improvements, strengthen training for our people, further education and research efforts, expand access to healthcare and enhance care for the Detroit community that we serve.

Among the many 2018 accomplishments outlined in the report, DMC:

- Exceeded its $850 million capital investment commitment spanning 2011 through 2018 and continues to make investments to enhance facilities and care. The largest project in 2018 was the completion of the Children's Hospital of Michigan Tower and related renovation of the Carl's Medical Office Building. The DMC continues to invest beyond the requirements of the purchase agreement. A few of the larger projects in 2018 include the addition of 3 DaVinci robots, 2 MRI unit replacements, new surgical equipment across multiple campuses, IT infrastructure improvements and a new Linear Accelerator.

- The DMC remains committed to being a Watson Health (formerly Truven) 15 Top Health System. We are proud of the improvements we made this year on metrics that are used to determine our status in this report. In 2018 we made significant improvements in readmissions, mortality and CAUTI. We are proud of the work being done at the DMC in these areas and look forward to continued improvement.

- The DMC continues to support the indigent and underinsured community in Detroit through the traditional avenues we have in the past including maintaining charity care programs consistent with previous periods. In December 2018 we announced that the DMC will begin to offer free parking to all patients and visitors at all DMC sites as an effort to improve access to care in the Detroit community.

- The DMC continues to support its medical education mission by employing and training over 1,000 residents and fellows during the 2017-18 academic year. We are proud of the additional investments and commitments made to our residency program this year which include a 12% resident salary increase that will go into effect in 2019 as well as the addition of 79 residency slots. These additions account for an incremental $7.5M investment into the GME program.

- Since the inception of the purchase agreement, clinical research studies have grown from over 900 studies annually to now over 1,100 studies; this is the largest number of clinical research studies that we have reported in our annual report.

- Continued efforts to expand access to healthcare, which resulted in 23,247 enrollments in the Healthy Michigan Medicaid Plan in 2018; this is a 23% increase over 2017. To date, the DMC's insurance efforts have netted 88,365 Healthy Michigan health insurance enrollments.

- Completed the 13th summer of sponsoring the Project Genesis Summer Youth Employment Program (PG) in partnership with Detroit Public Schools Community District. DMC developed PG to provide a valuable experience for students interested in healthcare careers and DMC is proud to employ alumni as registered nurses, physical therapists and pharmacy technicians to name a few.

- Received approval to relocate all 31 existing adult psychiatric beds from DMC Surgery Hospital to Detroit Receiving Hospital as well as approval to add 31 adult psychiatric beds to Detroit Receiving Hospital.

In summary, 2018 was a year of significant accomplishments for DMC as we continue to fulfill our commitments under the 2010 agreement. As we make additional investments to strengthen quality of care, improve patient satisfaction and offer more convenient care services, we are building an organization that is more efficient, effective and accountable. I look forward to updating you on these and other accomplishments in the future.

Indigent and Low Income Care (Section 12.2)

In compliance with Section 12.2 of the Agreement, during 2018 DMC has maintained compliance with the Vanguard Health System charity care policy in place on June 10, 2010, as was required under Schedule 12.2-a to the Agreement. This charity care policy has remained in effect through the acquisition of Vanguard Health System by Tenet Healthcare Corporation ("Tenet") in 2013.

Exhibit A provides information related to charity care and uncompensated care or bad debt for 2018 and trends from 2011 to 2018.

As reported in the 2014 Annual Report to Legacy DMC, The DMC's *Path to Health* campaign experienced greater success than projected. This program was a significant effort to enroll the uninsured residents of Southeast Michigan in Medicaid and, if unqualified for Medicaid, with Exchange plans. The increase in the number of insured patients receiving services continued in 2015 with 2015 being the first full year of expanded Medicaid coverage. Consequentially, charity care and uncompensated care write-offs reported on the financial statements of the DMC in 2015 declined significantly. Charity care and uncompensated care write-offs have continued at this new, lower rate. (Refer to Exhibit A, Page 4-5).

However, the financial effects of Medicaid expansion must be balanced, in 2015 and over time, with the federal reductions in Medicare DSH, the future reductions in Medicaid DSH ceilings and in targeted State reductions in support for programs directly beneficial to the DMC. In addition to these threats, CMS has approved Michigan's request for Medicaid Work Requirements which will be effective January 1, 2020. It is estimated that 5% to 10% of recipients could become dis-enrolled.

In 2018 the Detroit Medical Center worked closely to build relationships with area Federally Qualified Health Centers to better support their needs in caring for community patients and families. Together we established processes and systems to simplify access for FQHC patients needing additional care.

Commitments to Maintain the Hospitals and Provide Core Services (Section 12.3)

As required by the Agreement, DMC continues to maintain each of its Hospitals as a general acute hospital licensed in the State of Michigan or, in the case of the Rehabilitation Institute of Michigan, as a rehabilitation hospital licensed under the laws of the State of Michigan. DMC continued to provide the Core Services as listed on Schedule 12.3 of the Agreement throughout 2018.

On August 11, 2014, a historic rainfall in Southeast Michigan caused flooding which resulted in significant damage to the Detroit Surgery Hospital in Madison Heights, including damage to its power plant, HVAC, central sterile processing and food service areas, and contamination to large areas of its basement. This event forced the relocation of all patients and clinical services from the Detroit Surgery Hospital to other DMC in-patient and out-patient facilities and the cessation of services at that site. The DMC Surgery Hospital facility building was sold to an outside party and the sale was completed on March 30,

2017. DMC has relocated the medical and surgical bed licenses to Children's Hospital of Michigan and the psychiatry bed licenses and services to Sinai-Grace Hospital in 2016.

At the time of execution of the Agreement, the Detroit Surgery Hospital was part of the Harper-Hutzel Hospital tax identification number and services it rendered were billed under that number. For that reason, the Detroit Surgery Hospital was not separately listed as a hospital in the definition of a "Hospital" under the Agreement, but was instead a separately listed component comprising part of Harper-Hutzel Hospital.

Capital Expenditures (Section 12.4)

Under Section 12.4 of the Agreement, DMC is obligated to make certain "Routine" and "Specified" Capital Project Expenditures within prescribed periods. Exhibit B provides information related to Routine Capital Expenditures for the five year period from January 1, 2011 through December 31, 2015. Exhibit C provides information related to Specified Capital Project Expenditures for the eight year period from January 1, 2011 through December 31, 2018 Actual.

Routine Capital

Routine Capital Expenditures (also called "Non-Specified" Project Capital in certain reports), which are governed by Section 12.4(a) of the Agreement, totaled $346.1 million over the five year period from January 1, 2011 through December 31, 2015. The requirement per the Agreement was $350M and with some carryover into Q1 2016, the $350M commitment has not only been met but exceeded.

Specified Capital Project Expenditures

Actual expenditures for Specified Capital Projects in the 2018 CY totaled $11.7 million, for a cumulative total of $544.5 million since 2011. Cumulative spending through 2018 exceeds the $500 million threshold in the Purchase Agreement. Spend in 2018 was the continued construction of the Children's Hospital of Michigan Tower Project. Portions of the new building opened in 2017 and construction was complete in 2018.

DMC reached an agreement with the Legacy DMC Board regarding timing of spending on Specified Capital Projects. Though the DMC has exceeded the $500 million commitment, the completion of Children's Hospital Tower has continued beyond the five year time period. As a result, the DMC spent an additional $2.3 million on emergency, surgical, and neurological equipment items at DMC's two safety-net hospitals, Detroit Receiving and Sinai-Grace.

Exhibit C includes:

- Specified Capital Expenditures CY 2011-2018 Actual
- Specified Capital Project Expenditure Schedule
- Specified Capital by Project

Warrant (Section 12.5)

At Closing, Vanguard delivered to the Escrow Agent an initial Warrant Certificate for the Warrant. In connection with Vanguard's initial public offering of its common stock in June 2011, Vanguard delivered to the Escrow Agent (in exchange for the Warrant Certificate then in the possession of the Escrow Agent) the Note in the original principal amount of $500,000,000. In accordance with Section 12.5 of the Purchase and Sale Agreement, the principal amount of the Note is automatically reduced on a continuous basis by the amount of any reduction in the Remaining CapEx Commitment under the Agreement resulting in a current principal amount of $0.

No Sale of Hospitals (Section 12.7)

There has been no sale of VHS of Michigan, Inc. d/b/a Detroit Medical Center. VHS of Michigan, Inc. continues to be a wholly-owned subsidiary of Vanguard Health Systems, Inc. Vanguard Health Systems, Inc. became a wholly-owned subsidiary of Tenet Healthcare Corporation on October 1, 2013, a Permitted Transferee of the Hospitals under Section 12.7 of the Agreement.

Commitment to Education Mission (Section 12.8)

Throughout the preceding year, DMC fully supported its historic medical education mission and satisfaction of its commitment under Section 12.8 of the Agreement. DMC continued to employ and train over 1,000 residents and fellows during the 2017-18 academic year.

DMC is the Sponsoring Institution for 95 Graduate Medical Education (GME) training programs. This number has reduced due to consolidation of AOA programs to ACGME (Anesthesiology, Radiology, Plastic Surgery and Vascular Surgery). In 2017-18, the Annual Institutional Review (AIR) subcommittee of the DMC GMEC met throughout the course of the year to review DMC's Institutional Performance as required by the Accreditation Council for Graduate Medical Education (ACGME).

The DMC GME Institution received continued accreditation with commendations which is the highest accreditation the ACGME issues. This accreditation demonstrates excellent overall oversight of all accredited programs within the DMC system. In fact, 73% of all programs received continued accreditation with commendation demonstrating substantial compliance with the ACGME requirements. As of February 2019, none of the DMC GME programs were on warning or probation. The institution as a whole received only 15 citations in 2017 - 18, down from 41 in 2016- 17. The DMC GME office along with the new addition of the Vice President of Academic & Community Affairs, Dr. Patricia Wilkerson-Uddyback, MD, MBA and our new Assistant Vice President of Academic Affairs and Associate Designated Institutional Official, Steven Svoboda, MBA, have prioritized accreditation in 2019.

We are also excited that our GME program continues to grow as we have added 79 slots for the next academic year.

Registered Nurses are the largest licensed group of health care professionals in the State of Michigan, with nearly 170,000 licensed nurses providing the majority of healthcare services to the people of the State. The DMC has a nursing workforce of approximately 3,200 registered nurses that provide direct patient care. The DMC, with over fifty academic partners and access to numerous specialty areas, provides a wide range of clinical experiences for nursing students. These clinical rotations are provided to students pursuing degrees from an Associate through Doctoral levels of study. DMC employed Advanced Practice Nurses serve as clinical preceptors, adjunct faculty and guest lecturers for the graduate nursing programs of nine colleges and universities. Staff nurses of the DMC are encouraged to pursue opportunities for professional and academic development, which is facilitated through financial support for tuition reimbursement. This represents organizational efforts to comply with the Institute of Medicine (IOM) recommendation to increase the proportion of nurses with baccalaureate degrees to 80% by the year 2020. In order to remain competitive in the dynamic healthcare market within Southeast Michigan and to recruit the highest caliber of candidates, the DMC has initiated a referral bonus program to nurses who successfully recruit experienced nurses into the DMC. In addition, a new Tenet Nursing Onboarding program has been piloted at the DMC for both new graduates, and experienced nurses joining the team. The goal is to streamline the classroom and clinical competency validation processes in a way that makes the transition to the DMC more successful, and improves the overall experience for the new staff nurses. The pilots were implemented at Sinai Grace Hospital and the Children's Hospital of Michigan with initial survey data showing very positive responses.

The DMC GME Office completed the following improvements in the 2017-18 academic year:

1. Utilized the DMC GME Performance Dashboard to identify areas of potential improvement. The DMC GME Performance Dashboard includes measurement of key performance indicators and monitoring of program and institutional level performance throughout the academic year. Results of this evolving measurement and monitoring system include the best accreditation outcomes in the history of DMC GME in 2017-18 academic year with fewer program citations and no programs on probation or warning.

2. Continued implementation of training programs for Program Directors and Program Coordinators to increase knowledge and skills in management of medical education programs.

3. The DMC GME office developed a multidisciplinary Institutional Wellness Committee that is dedicated to the assessment and development of wellness programs that address wellness among our residents, fellows, faculty and staff. There were over 15 various wellness activities for residents and fellows in 2017-18 that addressed resident wellness, burnout and fatigue.

4. Aligned with our commitment to quality and safety improvement, the GME office is committed to the optimization of the "sign out" process among residents to ensure a high-level of care continuity during shift changes and night coverage.

5. DMC remains affiliated for undergraduate medical education with Wayne State University School of Medicine and Michigan State University College of Osteopathic

Medicine. DMC continues to be a member in the Detroit Wayne County Health Authority Consortium which partners with local area hospitals and health care systems in training its residents. In 2017-18, our academic partnership base expanded to include Meharry Medical College in Nashville, Tennessee, which is aligned with our commitment to increase the number of primary care providers that serve the metro-Detroit community.

2019 DMC GME Strategic Plan

The DMC GME office has developed a Strategic Plan aligned with the mission of Tenet/DMC which is to help people lead healthier, happier lives by providing the best training to our residents and fellows. The plan is based on 4 areas of growth & development.

1. **DMC GME Accreditation**
    - Continued accreditation of all DMC ACGME programs to ensure residency and fellowship programs achieve success at the highest level.
    - Creation and implementation of an all-inclusive GME reference manual that encompasses all aspects of accreditation standards related to resident and fellow training programs at the DMC.
    - Creation of a structured DMC GME orientation program for new program directors and coordinators.
    - Addition of resident slots to existing programs; mainly in the areas of primary care. Collaboration with program directors and faculty to develop innovative training programs to remain at the forefront of educational trends.

2. **DMC GME Quality & Safety Improvement**
    - Creation of a resident Quality Improvement Institute that will oversee and monitor resident quality improvement initiatives to insure support and alignment with ACGME standards and the hospital quality improvement initiatives.
    - Looking at options to enhance the simulation experience within the DMC to optimize training of our residents, nursing teams and any other allied health profession in need of competency in a procedural based area.
    - Addition of residents to key hospital based quality & safety committees to ensure interdisciplinary collaboration in hospital quality improvement initiatives aligned with the ACGME CLER (Clinical Learning Environment Review) pathways to clinical excellence program.

3. **DMC GME Operations**

    - Optimization of the orientation and onboarding process for new residents and fellows.
    - Continued development and implementation of DMC GME resident and faculty wellness programs and completion of a resident/fellow and faculty wellness survey in March 2019 that will guide our wellness interventions and programing throughout the year.
    - Residents and fellows will receive a 12% pay increase in 2019.
    - The educational stipend of $3,120 stipend will also be reallocated among the residents and program directors to insure all residents have dollars set aside to

support to support research and scholarly activities.

- The GME office also approved a \$600 per year on-call food stipend which aligns the sponsoring institution with our resident employment contract and ACGME standards.

4. **DMC GME Brand Development & Marketing**
   - Development of a robust GME website that promotes our history and strengths to the GME community.
   - Standardization and alignment of DMC GME program specific websites to attract the strongest residents possible.
   - Internal recruitment team to optimize retention of our DMC residents to meet our manpower needs and that of Tenet at large.

Attached as Exhibit D is the Annual Report for Academic Year 2017 – 2018 which provides a summary of the status of GME Programs at the DMC.

Commitment to Research Mission (Section 12.9)

The continued commitment of DMC to its historic research mission extends to the over 1,100 ongoing clinical trials and retrospective research reviews at the DMC Hospitals. Since the inception of the purchase agreement, research studies have grown from over 900 studies annually to now over 1,100 studies. The increase in research studies is particularly meaningful in light of the decline in the number of faculty members at Wayne State University (WSU) who hold medical staff membership at DMC Hospitals.

We maintain a robust department that administratively supports WSU's clinical studies. We also continue to contract with WSU for the utilization of the Wayne State IRB for all DMC clinical trials. The DMC incurs expense approaching \$1M annually for the administrative support of clinical research. In addition to the administrative support provided by DMC, we continue to support research through delivery of services prescribed by research protocols and fund research through our annual teaching contributions to WSU as well as financially supporting research/education time for our physicians. DMC provides resources to University Pediatricians for unfunded research in the amount of approximately \$1M annually. Finally, physicians employed by DMC are encouraged to perform research as a part of their employment duties and financial support is provided for these programs.

The Perinatal Research Branch (PRB) continues to be supported by the DMC and is hosted at Hutzel Women's Hospital. This program, in addition to conducting groundbreaking research, is an important focus for the DMC as we seek to improve infant mortality rates in the Detroit community. We continue to seek new opportunities to educate the community and create awareness to reduce premature birth and infant mortality. The OB/GYN resident clinic is the sole site for patient recruitment into the numerous projects at the PRB. Monthly meetings are held to encourage collaboration and assist with improving overall recruitment of patients into the research protocols of the PRB.

Our vision to be a top 15 Academic Medical Center will be achieved by continuing to make investments in research and education. In 2019, our commitment is to continue to invest in research and education. Below are a few initiatives that support this focus:

In 2019 we are investing in research to support development of outstanding service lines.

- We are establishing a new research team to support our Cardiology service line. Dr. Ileana Piña has been hired as Regional and National Director of Heart Failure, and Director of Cardiovascular Research and Academic Affairs. Dr. Piña has contributed to more than 200 scientific publications and has received dozens of honors and awards throughout her career. We have also established a new position for Director of Clinical Research for the Cardiovascular Service Line.

- We are also excited about the enhancements and additions in Orthopedics. AA dedicated research and education center is being developed as part of the new Sports Medicine Institute (SMI). To support this, we are adding four additional research positions to support Orthopedics and Sports Medicine. These positions are in addition to another analyst we already employ that will support our 12 fellowship positions and 20 residents in fulfilling the required research component of their program.

- The Children's Hospital recently learned that they were selected as one of the few sites in the country for a new research study related to Sickle Cell Disease.

- Our new clinical services agreement with University Physician Group establishes a strategic investment pool that has the potential for investment of up to $5M annually by the DMC. The funds will be used toward high-priority areas such as faculty recruitment, research priorities, including clinical and translational research; program development activities and capital investments not allocated elsewhere that further the missions of both parties and compensation of personnel other than physicians and non-physician providers that support strategic programs consistent with the missions of both parties. We see this as an exciting opportunity to further our joint mission of education and research.

- The addition of resident slots will increase the number of individuals engaged in research.

- DMC is actively recruiting physicians to the community to increase patient access and develop new service capabilities. We highlight research opportunities as part of the recruitment process. Opportunities for research are meaningful attractions for the high-quality physicians we seek to deliver cutting-edge care.

- With over 1,100 research studies underway at the DMC, we believe there is opportunity for us to highlight some of the work that is being completed and possibly highlight new findings as a result of the studies completed at the DMC.

Karmanos Cancer Center (Section 12.10)

Section 12.10 of the Agreement states VHS of Michigan ("Buyer") is committed to supporting DMC's ("Seller") historic partnership with Karmanos Cancer Center ("KCC") and, to that end, VHS of Michigan, Inc. d/b/a Detroit Medical Center assumed all contracts with KCC.

On October 30, 2013, KCC notified DMC that KCC and its sole member, Karmanos Cancer Institute ("KCI", collectively "Karmanos") had executed a written agreement with McLaren Health Care Corporation ("McLaren"). Under that agreement, McLaren became the sole member of KCI, McLaren would use the "Karmanos" name in its marketing, and KCC would enter into clinical affiliations with McLaren hospitals. KCC did not seek DMC's consent to this arrangement which led to litigation which was subsequently resolved via a Settlement Agreement executed on October 7, 2015.

With the execution of the Settlement Agreement, the Court dismissed the litigation. Among the Settlement Agreement terms are:

1. The continuation of long-term Purchase Service (clinical and non-clinical), laboratory and IT agreements between KCC and the DMC with options for renewal. In 2017, DMC and KCC reviewed the latest terms and conditions of the agreement, jointly selected and obtained a FMV review opinion (PWC) for all components of the agreement and executed agreement(s) accordingly;

2. Establishment of a Services Oversight Committee with executives from all parties to review the relationship and status of various agreements between the parties; and, to resolve any potential issues that may arise. That Oversight Committee (with three members from both KCC and DMC) have met quarterly and have been actively focusing on any quality, operating issues and opportunities to improve access/care for the oncology patients we jointly serve in the community;

3. Finally, as part of the settlement, DMC and KCC/McLaren committed to evaluating additional adult cancer service partnerships at both DMC and McLaren facilities within the market(s) served. The Settlement Agreement did not require such partnerships, and there will not be a breach of terms and conditions if no new partnerships develop and the DMC pursues adult cancer services independently. In the fall of 2017, both DMC and KCC committed resources, including engagement of a consulting firm, to help with the review and potential formation of a combined entity and service line approach for Oncology. After extensive due diligence, in fall of 2018 it was determined the complexity of alignment in a joint venture arrangement between a for-profit and a non-profit entity would not generate the level of community benefit to overcome associated risk and cost of development. DMC and KCC continue to collaborative and in the active process of evaluating additional oncology access and service opportunities. DMC and KCC/McLaren continue to work as good stewards of the community on plans to increase access, service and quality to meet the needs of Southeast Michigan and beyond that require world class oncological care.

Health and Wellness Initiatives (Section 12.11)

In 2018 we continued with Conifer presence within the Emergency Department and within our in-house operations across the system which resulted in 23,247 enrollments in the Healthy Michigan Medicaid Plan as noted on page 3 of the handout (Exhibit E). To date, the DMC's insurance efforts have netted a total of 88,365 Healthy Michigan health insurance enrollments.

We also partnered with Conifer to ensure patients ineligible for Medicaid were made aware of the Marketplace Open Enrollment period right at the bedside. The patients were referred to a Certified Application Counselor to obtain assistance to enroll into a Marketplace plan or to discuss other options.

We dedicated over \$200,000 to implement a 4th quarter PR/Marketing campaign for the 2018 Health Insurance Marketplace. The campaign was driven by through several channels including print, direct mail, phone calls, TV, Radio and Outdoor and transit. The goal was to increase awareness within the community. The PR campaign caused an uptick in calls and visits to the hospital by individuals inquiring about health insurance.

Going forward, we will continue to provide access to Certified Application Counselors across the system for health insurance enrollment and partner with the State of Michigan supporting their efforts to engage Healthy Michigan Plan enrollees in healthy behaviors.

Supplier Diversity Program (Section 12.12)

The DMC continues to support it Supplier Diversity Program. There have been no amendments or changes made to the Supplier Diversity Program Policy over the past year. Overall Tier 1 diversity spend for FY 2018 was \$15,364,535 which is down \$432,500 or 3% from FY 2017 where Tier 1 spend was \$ 15,797,034 million. This net change is attributable to both a decrease in Supply spend of \$401,026 and Construction spend of \$31,472 over the prior year. Total diversity spend for services, supplies and I.S. expenses was \$14,089,400 and in construction was \$1,275,135.

With respect to the Specified Capital projects, the DMC has met the requirements of the Renaissance Zone Agreement. The data reported below is cumulative through 12/31/18.

Goal	Results
30% of all construction dollars awarded to minority-owned **(MBE)**, women-owned, **(WBE)** and Detroit-based businesses, **(DHB, DBB)**	50%
25% of all hours worked on construction projects will be by **City of Detroit Residents**	33%
50% of all hours worked on construction projects will be by **Wayne County Residents**	54%
25% of all hours worked on construction projects will be by **Minority workers**	39%
25% of all hours worked by apprentices on construction projects will be by **Minority apprentices**	64%

Project Genesis (Section 12.13)

Detroit Medical Center (DMC) completed its 13th summer of sponsoring the Project Genesis Summer Youth Employment Program (PG) in partnership with Detroit Public Schools Community District (DPSCD) (Exhibit F – DMC 2018 Community and School Programs Annual Report). Annually one hundred promising students are placed in patient care and business areas throughout DMC.

DMC Community and School Programs designed this program to provide a valuable summer employment experience, incorporating the core elements of successful youth-development and practice of real job expectations for high school juniors. PG also provides greater awareness of various healthcare careers and opportunities for career instruction. Students receive a new employee physical, attend the PG New Employee Orientation, and complete required HealthStream education modules.

Those assigned to work in patient care areas attend a three-day clinical orientation. Clinical Orientation is led by DMC Nurse Educators. In addition, students attend weekly Career Development Sessions (where students are given an opportunity to interact with various DMC healthcare professionals), and participate in community outreach assignments.

PG gives students the opportunity to explore their interests in the healthcare field. Within the eight consecutive weeks of employment (thirty-hour work week) students receive weekly training in areas such as career development, leadership, and work readiness. An important part of the program includes mentorship from DMC healthcare professionals as well as helping students learn how to network and build connections.

PG Alumni are employed at DMC in various positions, e.g., registered nurses, physical therapists, emergency and pharmacy technicians, and other occupations.

Students are recognized at the end of the program with a luncheon attended by students, DMC supervisors, and executive management.

Detroit Based Systems (Section 12.14)

In compliance with Section 12.14 of the Agreement, the DMC continues to operate its hospitals as a Detroit-based system with its regional headquarters located in the City of Detroit, Michigan.

National Support Centers (Section 12.15)

Senior representatives of Tenet have regularly returned to Michigan and the DMC to assess opportunities to implement and develop beneficial growth strategies and investments. Since the closing of the acquisition of Vanguard Health Systems, Inc. in 2013, senior executives of Tenet have also visited Detroit frequently to meet with DMC management and local, municipal, and state officials. Tenet's Board of Directors held its first meeting in the City of Detroit in December 2013. In addition to visits by Tenet Senior Leadership to Detroit, the DMC Board of Directors attended a retreat in Dallas in 2018 and met with Tenet Senior Leadership on a variety of topics. Tenet maintains an office in Detroit for the management of DMC.

Naming Conventions (Section 12.16)

The DMC continues to honor all naming conventions as designated in donor agreements.

2018 Annual Report to Legacy DMC

Exhibits Referenced in Report

Exhibit A: Indigent and Low Income Care (Confidential) .... Page 5

Exhibit B: Routine Capital Expenditures CY 2011 – 2015.. Page 6

Exhibit C: Specified Capital Expenditures CY 2011-2018 Actual .... Page 6

Specified Capital Project Expenditure Schedule..................................... Page 6

Specified Capital By Project.. Page 6

Exhibit D: Graduate Medical Education Annual Report for Academic Year 2017-2018... Page 10

Exhibit E: DMC Insurance Enrollment 2018 Summary.. Page 12

Exhibit F: DMC 2018 Community and School Programs Annual Report .... Page 13

From: Tedeschi MD, Anthony (Tony) J. <ATedeschi@dmc.org>
Sent: Wednesday, May 29, 2019 12:12 PM
To: Joe Walsh
Cc:
Subject: DMC's clinical research performance

Joe,

Knowing that the Legacy Board is finalizing its report, I want to be sure that the Board has the benefit of some additional quantitative support for the information shared with you last week about DMC's clinical research performance:

- ***Research Activity.***
  - Number of studies has increased from approximately 900 at the time of purchase to over 1100 currently
  - DMC-affiliated research publications increased 6-fold from 2008 to 2018 on PubMed, an NIH-sponsored archive of biomedical and life sciences journal literature.
    - Average number of clinical trial publications on PubMed from DMC-affiliated WSU has more than doubled since the Tenet acquisition from 33 in 2011-13 to 78 in 2016-18
    - Average number of publications on PubMed from the Perinatology Research Branch has doubled since the Tenet acquisition from 27 in 2011-13 to 55 in 2016-18.
  - The Perinatology Research Branch (PRB) had 165 peer-reviewed publications in the last 3 years (2016-2018), doubling the 82 publications in the 3-year period before the Tenet acquisition (2011-2013). With its research, the PRB has developed methods to identify mothers a risk for premature labor, created interventions to reduce preterm birth, developed methods to examine images of a developing heart to find abnormalities in the womb, and discovered biomarkers to prevent pregnancy complications.
  - CHM was selected as one of the few sites in the country for a new research study related to Sickle Cell Disease
- ***Research Funding.***
  - Research funding at WSU has remained consistent during its partnership with the DMC.
    - National Science Foundation ranks institutions based on R&D expenditures. During its partnership with the DMC, WSU's position has remained consistently in the 10th-12th percentile for every year of the rankings, which are available from 2008-2017.
  - New research services agreements topped $4.5M with $2.5M to DMC Heart Hospital.
  - Pediatric research funding has also remained consistent.
    - WSU Dept. of Pediatrics' primary NIH funding as a three-year rolling average remained essentially constant between 2007 and 2017 with clear events explaining variations (e.g., transfer of PPRC grant ownership from Pediatrics to Family Medicine in 2012).
    - Non-NIH funding at CHM is 30% higher in the past three years than in the three years prior to Tenet acquisition (2011-2013)
    - The highest non-NIH funding in the last decade was seen during Tenet ownership, in 2016

These figures underscore the depth and breadth of DMC's ongoing dedication to research, furthering the advancement of healthcare.

As always, please let me know if you have questions.

Tony

Anthony Tedeschi, MD
Chief Executive Officer
Detroit Medical Center
3990 John R
Detroit, MI 48201

EXHIBIT A

Indigent and Low Income Care

CONFIDENTIAL

All information provided in this Exhibit A is confidential information and may not be disclosed publicly.

EXHIBIT B

Routine Capital Expenditures CY 2011 - 2015

Routine Capital Expenditures

Calendar Year						
Amounts in $ Millions	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	Cumulative Total thru 2015
Total non-specified capital spending	$ 37.4	$ 63.3	$ 49.2	$ 70.1	$ 126.1	$ 346.1
Total annual commitment	$ 70.0	$ 70.0	$ 70.0	$ 70.0	$ 70.0	$ 350.0
Surplus/(Shortfall)	$ (32.6)	$ (6.7)	$ (20.8)	$ 0.1	$ 56.1	$ (3.9)

EXHIBIT C

Specified Capital Expenditures
CY 2011-2018 Actual

Specified Capital Project Expenditure Schedule

Specified Capital by Project

Specified Capital Expenditures
CY 2011-2018 Actual

	Calendar Year								
Amount in $ Millions	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	Cumulative Total thru 2018
Total specified project capital spending	$ 38.3	$ 93.9	$ 142.4	$ 84.9	$ 60.0	$ 75.1	$ 38.2	$ 11.7	$ 544.5
Cumulative Annual Totals		$ 132.2	$ 274.6	$ 359.5	$ 419.5	$ 494.6	$ 532.8	$ 544.5	

Specified Capital Project Expenditure Schedule Through December 2018

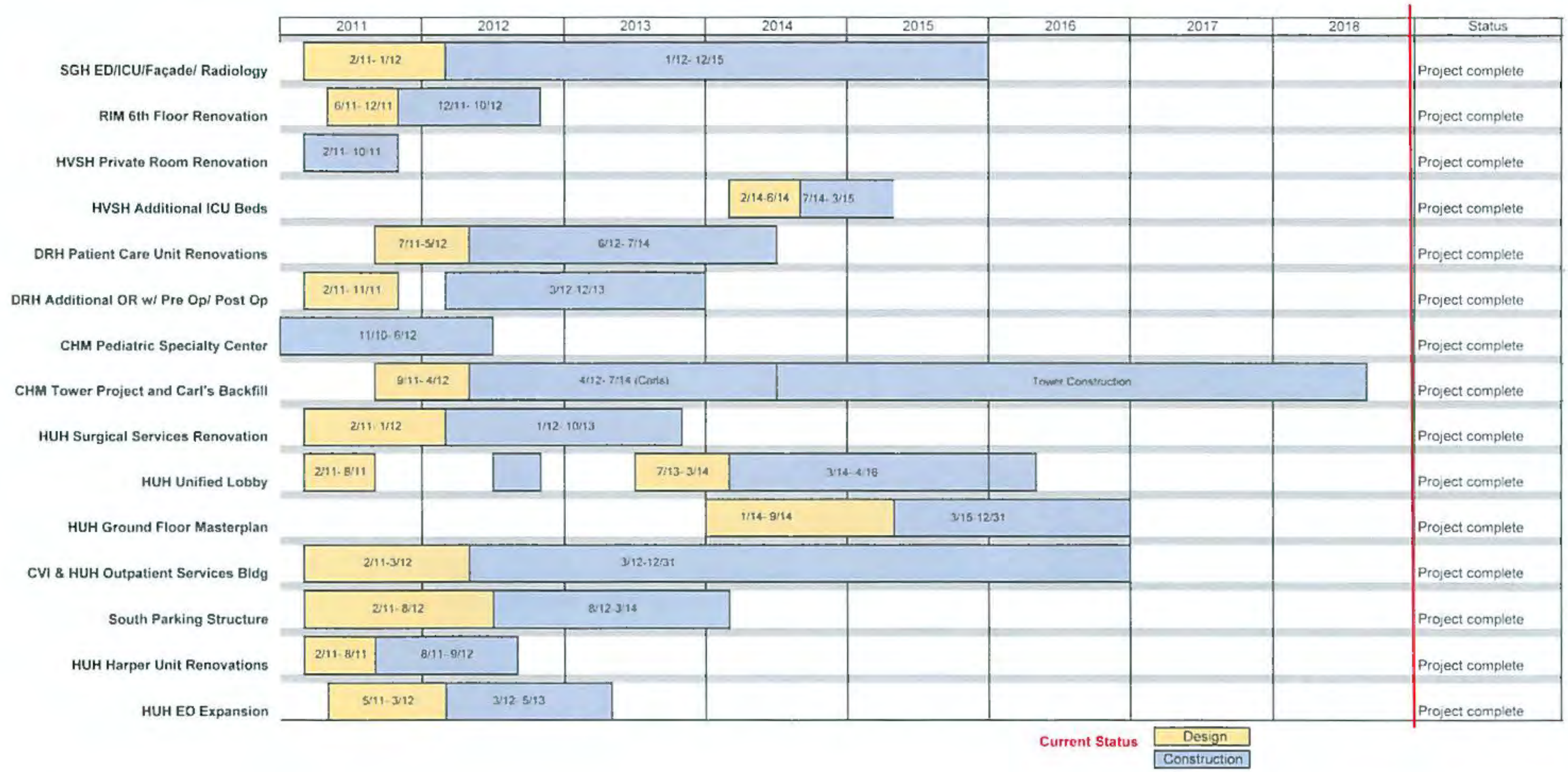


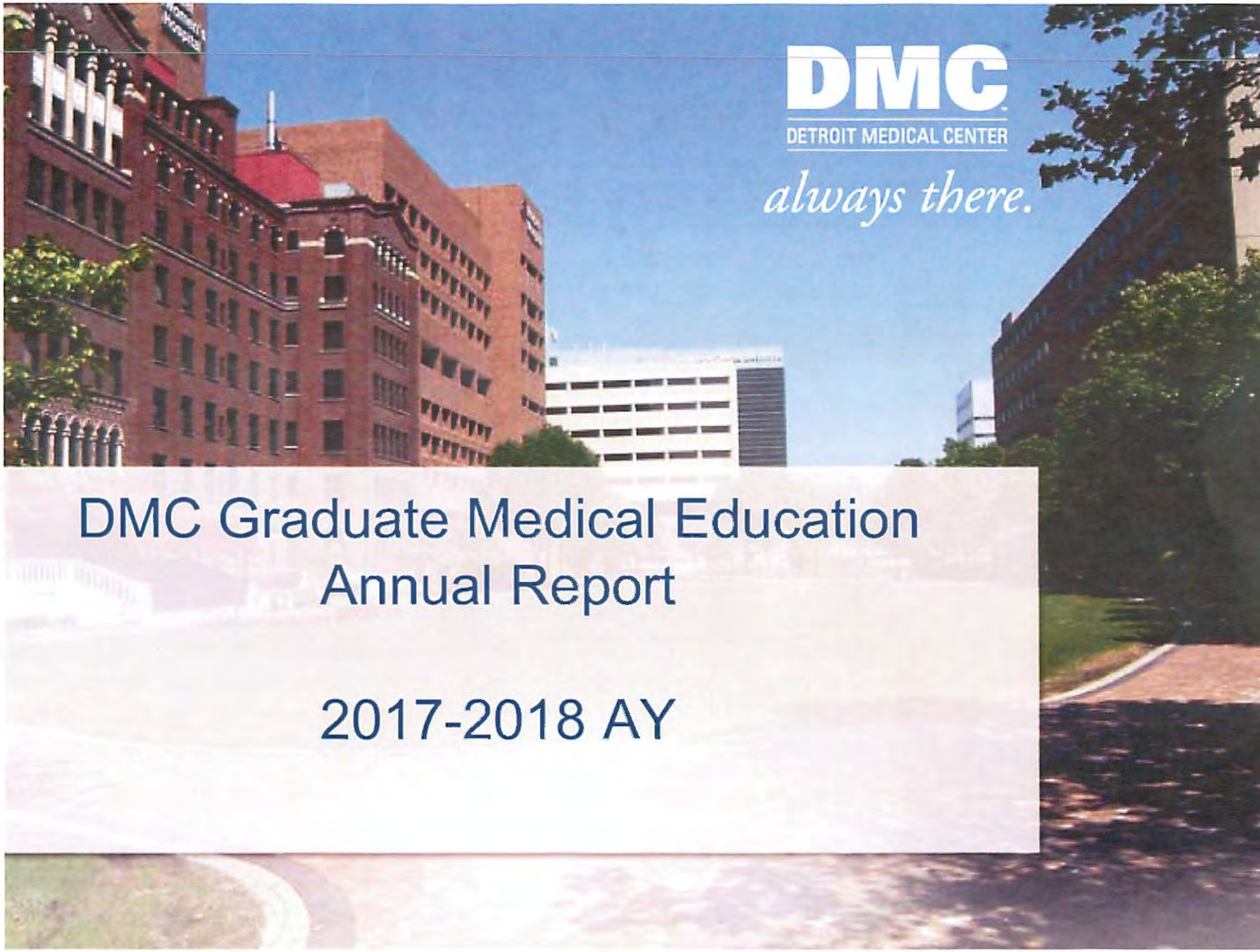
EXHIBIT C - 2018 Annual Report to Legacy DMC

Specified Capital by Project

Project Name	Schedule 12.4	Spend to Date
HVSH Patient Care Renovation	$ 6,982,526	$ 5,939,061
Capital Building Program	$ -	$ 151,796
Children's Pediatric Specialty Center	$ 33,130,741	$ 43,143,437
CVI OP Specialty Services/Parking structure	$ 111,801,273	$ 125,845,069
DRH Inpatient Unit Renovations	$ 20,674,225	$ 21,084,361
DRH OR with Pre/Post Op	$ 8,369,469	$ 8,445,205
Harper ED Expansion	$ 3,431,485	$ 10,759,609
Harper Surgery Expansion	$ 22,898,330	$ 25,889,327
Harper Unified Lobby	$ 10,681,709	$ 15,951,509
Harper Ground Floor Master Plan Total	$ 13,938,968	$ 13,723,284
Harper Unit Renovations 9WS and 5BS	$ 6,681,099	$ 7,063,619
RIM 6th Floor Renovation	$ 5,641,008	$ 5,486,451
Sinai Grace ED ICU	$ 77,681,749	$ 83,701,587
HVSH ICU	$ 3,715,716	$ 3,684,756
CHM Tower Total / Carls Bldg Renovation	$ 174,371,702	$ 173,645,176
Total All Projects	$ 500,000,000	$ 544,514,248

EXHIBIT D

DMC GME Annual Report Presentation



DMC Graduate Medical Education Annual Report

2017-2018 AY

Graduate Medical Education (GME) Programs 2017-2018

95 Residency & Fellowship Programs

85 DMC Sponsored Programs:

- 63 ACGME Accredited Programs
- 2 ABOG Accredited Programs
- 6 Other Accredited Programs
- 14 Unaccredited Programs

10 CHM Sponsored Pediatric and Fellowship Programs (ACGME Accredited)

1,000 + Residents & Fellows Enrolled

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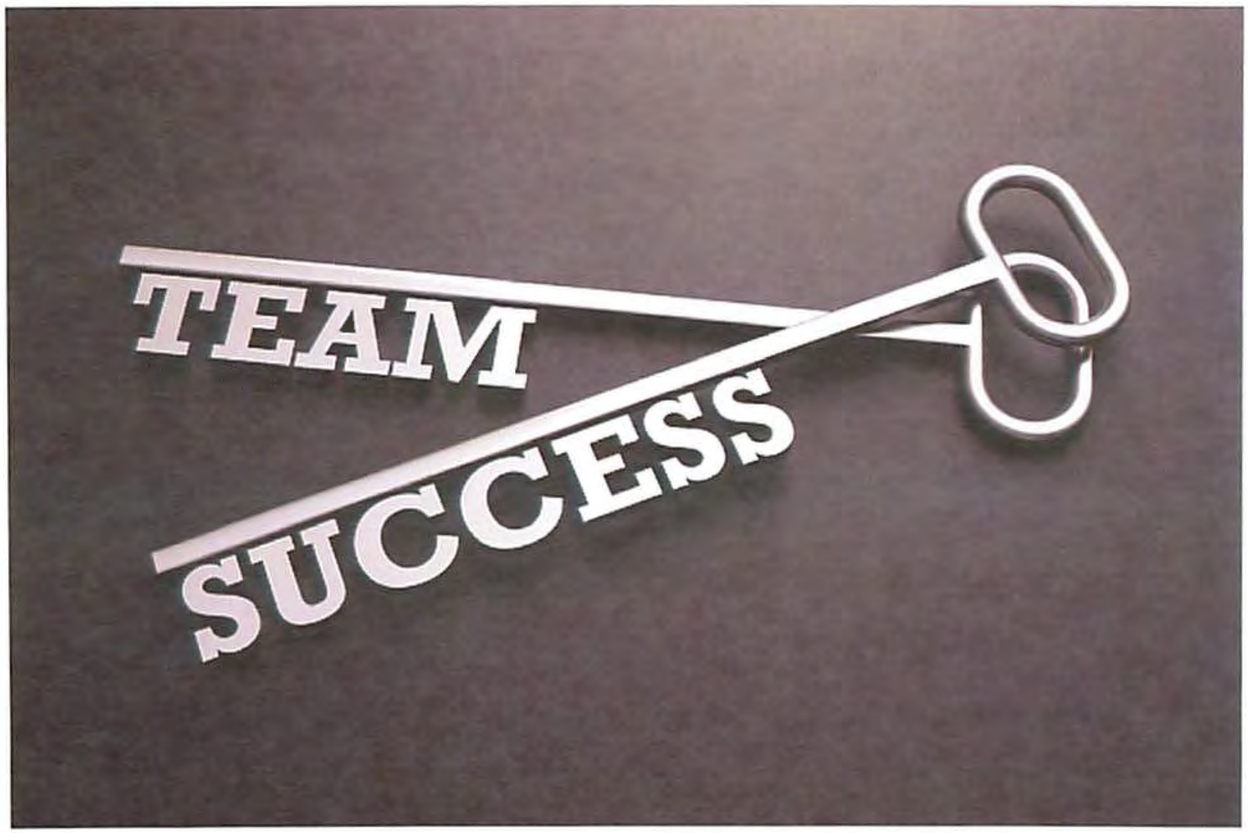
DMC GME Outcomes 2017 – 2018 AY



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DMC GME Institutional Accreditation

Continued Accreditation with Commendations

No Citations

January 2019

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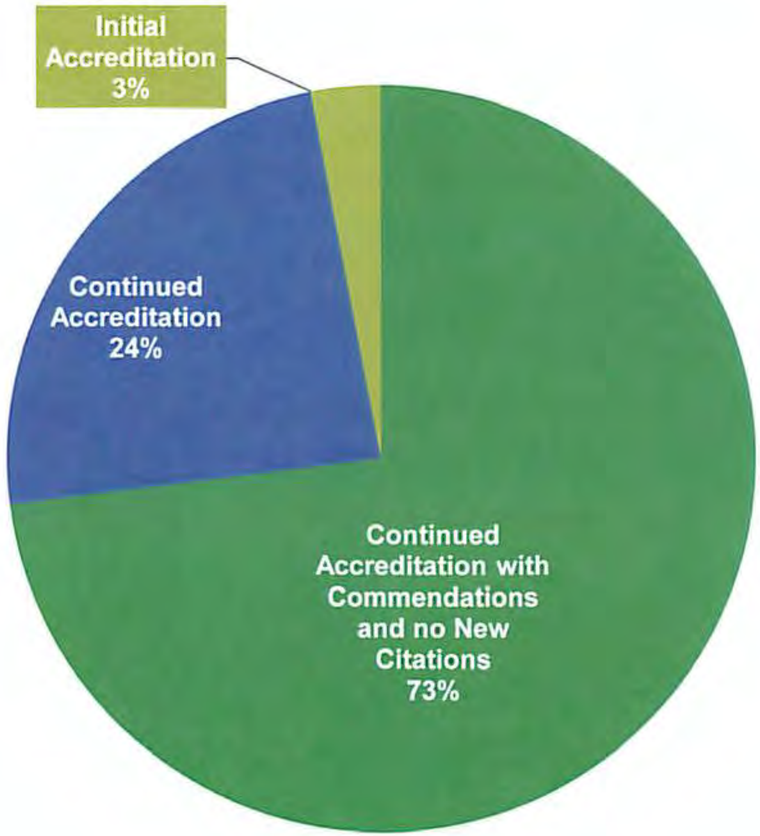
2017-2018 AY ACGME Program Review

0% Programs on Warning

0% Programs on Probation



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ACGME Citations

- ✓ ACGME Citations 2016-2017= 41
- ✓ ACGME Citations 2017-2018= 15

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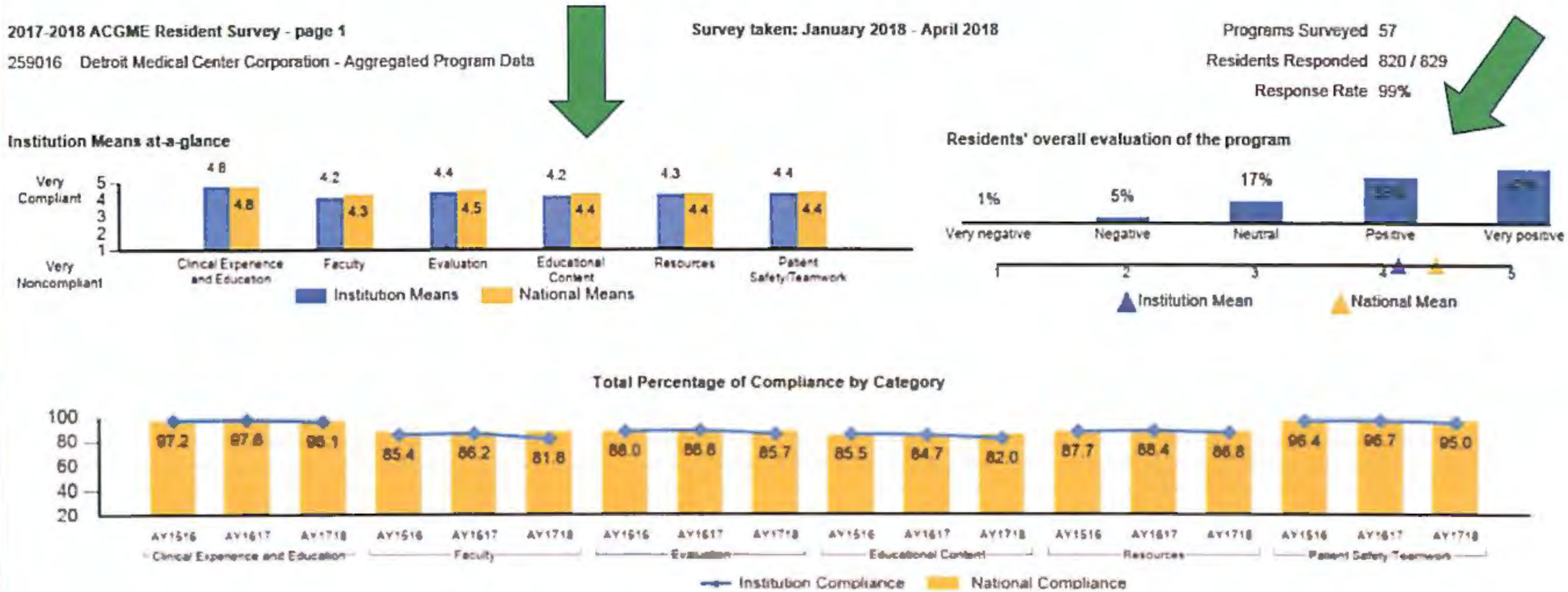
ACGME Resident Survey Results



2017-2018 ACGME Resident Survey Highlights:

1. 77% Resident Rated their Program **"Positive"** or **"Very Positive"**
2. 97% of DMC GME Faculty Rated their Program **"Positive"** or **"Very Positive"**
3. Compliance Trends indicate DMC **AT** National Mean

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How Did We Get Here?

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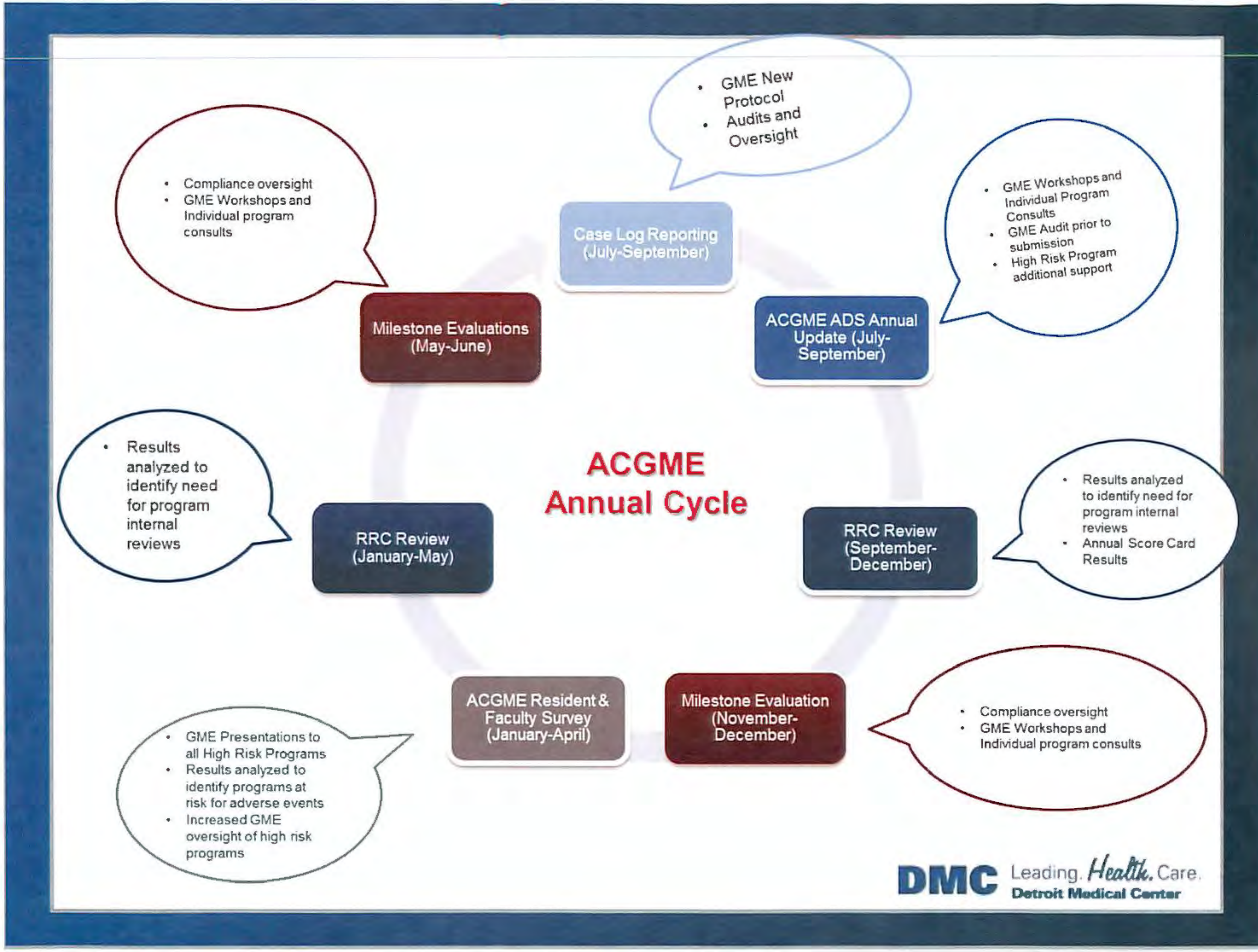
ACGME Annual Cycle
Case Log Reporting (July-September)
• GME New Protocol
• Audits and Oversight
ACGME ADS Annual Update (July-September)
• GME Workshops and Individual Program Consults
• GME Audit prior to submission
• High Risk Program additional support
RRC Review (September-December)
• Results analyzed to identify need for program internal reviews
• Annual Score Card Results
Milestone Evaluation (November-December)
• Compliance oversight
• GME Workshops and Individual program consults
ACGME Resident & Faculty Survey (January-April)
• GME Presentations to all High Risk Programs
• Results analyzed to identify programs at risk for adverse events
• Increased GME oversight of high risk programs
RRC Review (January-May)
• Results analyzed to identify need for program internal reviews
Milestone Evaluations (May-June)
• Compliance oversight
• GME Workshops and Individual program consults
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GME Support to Programs

*Membership and participation in SEMCME

- Provides year round tools and resources for Program Directors/Coordinators and faculty

*New Innovations tutorials and education on use of our GME database

*Ongoing accreditation training for Program Directors and Program Coordinators

*Sponsorship of program coordinator participation in national meetings

*Statewide Campus System – Michigan State University participation

*IHI Modules for Quality Improvement education and other resources

*AHME webinars for program development

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Resident Quality Improvement

***GME QuESST (Quality Education and Safe Systems Training) Research Day**
This is a program sponsored by DMC GME and is dedicated to highlighting resident and fellow scholarly contributions to quality improvement and patient safety projects. The program has grown since its inception in 2012 and includes both poster and oral presentations. Participation is voluntary.

***Resident Quality Council** – Initiative focused on reduction of CLABSI and CAUTI throughout the DMC that supports residents to actively review central lines daily to insure appropriateness of lines.

***Resident Stroke Liaisons** – Work with multi-disciplinary team to insure all stroke patients receive evidenced based care if admitted with a diagnosis of stroke

***Resident Hand Off Improvement** – Continued improvement and focus on optimizing use of CORES for resident hand off of patients to fellow residents. Using our electronic CORES tool insures standardization of process.

DMC Strategic Plan 2019

Goals:

*Continued growth of resident programs that meet the needs of our community

*Engagement of residents in DMC Quality Improvement initiatives

*Enhanced alignment with Tenet, DMC & Hospital Strategic Plans

*Creation of Internal DMC GME Scorecard & Benchmarks

*Brand Development & GME WEB site enhancement

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DMC Strategic Plan 2019

Goals:

*Re-structure resident stipend allocation to align with industry standards

*Identify and upgrade general resident space and resident call rooms systemwide

*Improved resident retention and alignment across the DMC & Tenet

*Resident Wellness Continued Focus

*Clinical Learning Environment Enhancement with development of a Quality Institute

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Thank you to our outstanding Program Administrators, Faculty, Residents & Fellows for a fantastic year!!!

DMC Graduate Medical Education
Sponsoring Institution & Programs

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EXHIBIT E

DMC Insurance Enrollment 2018 Summary

2018 DMC Health Insurance & Community Outreach Summary

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DMC Health Insurance Operation
Where We Focused
2018

Focus on Healthy Michigan Plan & Marketplace Enrollments for Detroit Residents

DMC Patient Touch Points

- DMC ER
- DMC Health Access Center
- DMC.org/Web
- DMC Physicians

Patient Targeting Opportunities

- DMC ER
- DMC Call Center
- DMC.org/Web
- DMC Physicians
- DMC Friends & Family
- DMC Community Outreach
- Targeted Consumer/Patient Mailings

Patient Resource Support

- DMC.org/Web
- DMC Health Access Center/Conifer
- DMC Patient Insurance Advisors
  - On-site
  - In the community

DMC Health Insurance Operation

What We Achieved

Campaign Summary

	2015	2016	2017	2018
TOTAL	**25,271**	**20,873**	**18,974**	**23,247**
Conifer On-Site Enrollments	17,244	17,866	18,782	23,054
Church Enrollments	1,548	0	0	30
In-Hospital Enrollments	1,072	261	192	167
Retail / Franchise Enrollments	897	48	0	0
Community Enrollments	3,812	1,960	0	0
Ambassador Enrollments	698	738	0	0

Please note: 2015 analysis is based on October 1, 2014 thru December 31, 2015
2016 analysis based on January 1, 2016 thru December 31, 2016
2017 analysis based on January 1, 2017 thru December 31, 2017
2018 analysis based on January 1, 2018 thru December 31, 2018

DMC Health Insurance Operation

What We Achieved

Conifer On-Site Enrollment

Located onsite in hospital ED's and outpatient sites, Conifer works with patients who are identified as self pay to enroll in insurance. The Conifer team walks patients through the application process with the patient and submits the application. They are onsite 5 days a week some of which includes weekend coverage.

	2015	2016	2017	2018
TOTAL ENROLLED	**17,234**	**17,866**	**18,782**	**23,247**
Children's Hospital of MI	2,707	2,880	2,277	1,698
Detroit Receiving Hospital	3,657	3,733	4,170	5,890
Harper University Hospital	5,659	5,547	6,097	6,095
Huron Valley-Sinai Hospital	792	1,040	1,130	1,223
Rehab Institute of Michigan	55	88	200	310
Sinai-Grace Hospital	4,364	4,578	4,908	6,051

Please note: 2015 analysis is based on January 1, 2015 thru December 31, 2015
2016 analysis based on January 1, 2016 thru December 31, 2016
2017 analysis based on January 1, 2017 thru December 31, 2017
2018 analysis based on January 1, 2018 thru December 31, 2018

Source: Conifer Database

2018 Open Enrollment

Community Outreach

2018 Open Enrollment Efforts

Internal

Enrollment assistance by appointment (Healthy Michigan & Marketplace Plans) – Adult Central Campus (Harper, Detroit Receiving Hospital) and Sinai-Grace Hospital

External

- 61 Day Challenge Kick Off (Introduced enrollment)
- Ministerial Advisory Council Meeting
- Stakeholder Partner Meeting
- Church Enrollment Events (Nov. 17, Dec. 1 & 8)
- Coney Island Enrollment Events (Nov. 20, 27, 29 & Dec. 4) – supported by live radio broadcasts
- FQHC Presentation (Dec. 6)
- Community events (Dec. 10 & 14)

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Marketing Campaign

Open Enrollment Paid Media and Marketing Campaign
October – December 2018 – Estimated 200K Spend

Channel	Outlet	Reach	October				November				December				
			1	8	15	22	29	5	12	19	26	3	10	17	24
Print	• Michigan Chronicle x 2 ads – 50,000 Circulation														
Direct Mail	• Weekly direct mail drops of Open Enrollment Postcard to 80,737 households														
	• Mailings to 300 Community Organizations														
Phone calls	• 10,000 Robo calls														
Broadcast TV	• Detroit Wants to Know with Steve Hood • Get Up Stand Up with Malik Shabazz														
Broadcast Radio	• WMGC 105.1 FM "The Bounce" • 4-Live Remotes at Detroit Coney Islands • 30-spot schedule														
	• *WMXD 92.3 FM - The Mix* • *WDMK – 105.9 KISS FM* • *WGPR 107.5* • *Praise Radio – 99.9, 93.5, 98.3 FM* • *120 spots total* • *140 GRPS, 121.3 Frequency*														
Transit	• Wrapped 15 DDOT Busses City Wide														
Outdoor	• Purchased 7 billboards City Wide														

Insurance Enrollment

Earned Media Results

- DMC Enrollment Assistance Event – WXYZ Channel 7 segment previewing the Saturday, Dec. 1, event.
- Detroit Medical Center helping with insurance enrollments – WXYZ Channel 7 segment covering the Saturday, Nov. 18, event.
- Wake up Steve Hood – Facebook Live video by local personality urging people to enroll at DMC event.
- On the Air with Reverend Horace Sheffield – Radio AM 910
- Get Up Stand Up television show with Rev. Malik Shabazz – Channel 33
- Pending – Michigan Chronicle – To publish next week

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Insurance Enrollment






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EXHIBIT F

DMC 2018 Community and School Programs Annual Report

2018 Community and School Programs Annual Report

PROJECT GENESIS: Summer Youth Employment Program

Detroit Medical Center (DMC) completed its 13th summer of sponsoring the Project Genesis Summer Youth Employment Program (PG) in partnership with Detroit Public Schools Community District (DPSCD).

Annually one hundred promising students are placed in patient care and business areas throughout DMC.

DMC Community and School Programs designed this program to provide a valuable summer employment experience, incorporating the core elements of successful youth-development and practice of real job expectations for high school juniors. PG also provides greater awareness of various healthcare careers and opportunities for career instruction. Students receive a new employee physical, attend the PG New Employee Orientation, and complete required HealthStream modules.

Those assigned to work in patient care areas attend a three-day clinical orientation. Clinical Orientation is led by DMC Nurse Educators. In addition, students attend weekly Career Development Sessions (where students are given an opportunity to interact with various DMC healthcare professionals), and participate in community outreach assignments.

PG gives students the opportunity to explore their interests in the healthcare field. Within the eight consecutive weeks of employment (thirty-hour work week) students receive weekly training in areas such as career development, leadership, and work readiness. An important part of the program includes mentorship from DMC healthcare professionals as well as helping students learn how to network and build connections.

PG Alumni are employed at DMC in various positions, e.g., registered nurses, physical therapists, emergency and pharmacy technicians, and other occupations.

Students are recognized at the end of the program with a luncheon attended by students, DMC supervisors, and executive management.

2018 Community and School Programs Annual Report

PROJECT GENESIS: Hiring Process

Interviewers are the staff of DMC.

Pictured: **Carol Frey, MSN, RN, NE-BC**
Administrative Director of Education and Diabetes Management DRH-HUH-HWH, & Nursing Office Operations HUH-HWH, Patient Care Services
Dr. Deepak Gupta,
DMC Anesthesiologist
Marlena Conner, RN
PG *Alumni Harper Employee*

Staff volunteers share their expertise as PG interviewee's career interest is closely matched with their interviewer.

PG students receive an in-service on processing department and human resources, occupational health services paperwork and willingly assist incoming interns.

PG interns must attend the mandatory new hire orientation designed specifically to welcome our employees.

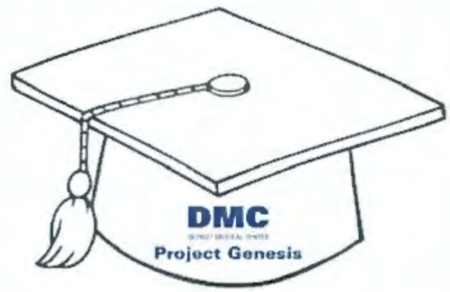
Topics covered are campus safety customer service and the payroll process, to name a few.

Project Genesis candidates receive a one-on-one interview by a professional staff of Detroit Medical Center. Volunteer interviewers include pharmacists, registered nurses, anesthesiologists, pediatricians, physical therapists, information services apecialists and more. Candidates generally are interviewed by someone from their desired career interest.

Once interviewed and a job offered, the students attend an on-site new hire human resources process session and a new hire orientation led by current and former PG students and DMC staff. Topics covered are customer service standards, campus safety, past experiences and success story of visiting PG alumni. Prior to hiring they also receive a pre-employment physical.

2018 Community and School Programs Annual Report

PROJECT GENESIS: Clinical Orientation...before patient contact.



Students spend three days in clinical orientation led by DMC nurse educators. Students are introduced to the skills required to work in patient care areas. Students learn to take vital signs; learn how to properly put on surgical masks, gloves, and gowns, in addition, they practice the latest techniques in safe transport of patients and so much more! All students attend a separate four-hour training session covering compression-only CPR, First Aid, and Stop the Bleed.

PROJECT GENESIS: Career Development

Career Development sessions are weekly one-hour sessions and are attended by all PG students. The sessions serve as an introduction to the fields of medicine, nursing, pharmacy, therapy careers, and other healthcare-related professions. In addition, lectures about teen money management and how to avoid brain injuries are given. Career Development Sessions are led by DMC healthcare professionals. Students are reminded to stay encouraged and motivated as some healthcare careers might take years to complete, but by remaining dedicated, working hard and studying even harder -- their career choice will be obtainable. Students receive a pre-test and post-evaluation for each session. In addition, students going away to college receive campus safety tips form DMC security officers. Students have an opportunity to network with DMC healthcare professionals who work daily in healthcare areas. They learn our healthcare professionals use the latest technology, and are aware of emerging trends; lecturers also share what it takes to get into college for their specific career. Students learn about the educational requirements for a specific healthcare career and receive tangible advice on steps to take now, while in high school, to prepare and position themselves for a successful career in the field of healthcare. The sessions are very interactive between the presenter and the students. Students also learn of job-shadowing opportunities.

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Project Genesis

2018 Community and School Programs Annual Report

PROJECT GENESIS: Then and Now

Diamond has been 'with' the DMC since she was three years old. Her mother, a DMC employee and avid volunteer, would bring her along on community outreach events. Always knowing DMC, coupled with her parents degenerative medical conditions, sparked her interest in healthcare. Diamond worked in patient care and decided she prefers working on the information services side of healthcare and will pursue a career in computer science when she attends college this fall.

Ellis's sister participated in the PG program and has since obtained her PharmD degree. After facing unimaginable challenges, losing both parents to sudden death, they both credit DMC and the PG program for keeping them focused on both career and in life choices. Ellis is currently a senior at Michigan State University and plans to apply to the physical therapy program at Wayne State University with plans to return to DMC to work. Both siblings continue to give back to the DMC by returning to their DPSCD and speaking about the PG program. In addition, after watching his grandmother spend weeks at DMC Rehabilitation of Michigan and her healing process, it further solidified his career choice in physical therapy.

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DETROIT MEDICAL CENTER
Project Genesis

2018 Community and School Programs Annual Report

PROJECT GENESIS: Giving Back!

Community Events, e.g., health fairs, parades, food distribution and more!

DMC Internal activities, disaster drills, block parties, back to school rallies.

Project Genesis:

Happy to Help!

Represent DMC at local events, i.e., youth summit as well as speak to local youth regarding their experience.

DMC

DETROIT MEDICAL CENTER

Project Genesis

2018 Community and School Programs Annual Report

PROJECT GENESIS: Celebration of Excellence!

Students are recognized at the end of the program with a luncheon attended by students, DMC supervisors, community members, and the DMC executive management team. Selected students share their employment experiences with attendees.