



## **2019 Annual Reports**

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### **Reports Available on the Following Websites:**

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

# Legacy DMC

June 25, 2020

Ms. Julia Dale  
Michigan Department of Attorney General  
Assistant Attorney General  
Corporate Oversight Division

Dear Ms. Dale:

This letter is Legacy DMC's ninth annual report (the "Report") concerning VHS of Michigan Inc.'s ("VHS", doing business as Detroit Medical Center) compliance with certain post-closing covenants set forth in the Restated Purchase and Sale Agreement, dated December 31, 2010 (the "PSA"), by which various subsidiaries of Vanguard Health Systems, Inc. ("Vanguard"), including VHS, acquired the assets of The Detroit Medical Center and its affiliated hospital entities.

This Report is divided into three sections:

- *Section I* provides a brief summary of the factual background supporting this Report;
- *Section II* discusses VHS's compliance with the covenants Legacy DMC is required to report on under the Monitoring and Compliance Agreement (the "Monitoring Agreement") entered into between the Michigan Department of Attorney General (the "Attorney General"), Legacy DMC, VHS and Vanguard; and
- *Section III* addresses additional concerns of Legacy DMC that do not arise from its obligations as the contractual monitor under the Monitoring Agreement, but rather from its role as: (i) a party to the PSA; (ii) the surviving entity that represents the corporate continuation of The Detroit Medical Center; and (iii) a member of the Detroit community, all of which make Legacy DMC concerned with VHS's compliance with its other commitments and its general performance.

Given the critical importance of the Detroit Medical Center hospital system to the health care safety net for both the City of Detroit and its surrounding areas, Legacy DMC looks forward to discussing the findings in this report with the Attorney General and all other interested stakeholders.

## **SECTION I: FACTUAL BACKGROUND**

In 2010, various subsidiaries of the Tennessee-based, for-profit corporation, Vanguard, including VHS, entered into the PSA by which they acquired the assets of the not-for profit corporation, The Detroit Medical Center, including Children's Hospital of Michigan, Harper-Hutzel Hospital, Huron Valley Hospital, Detroit Receiving Hospital and University Health Center, Rehabilitation Institute, and Sinai Hospital of Greater Detroit (collectively, the "Hospitals") – institutions that help comprise the critical health care safety net for the City of Detroit.

Article 12 of the PSA (Attachment 1) sets forth 20 Post-Closing Covenants with which VHS is required to comply. These Post-Closing Covenants include:

- Indigent and low income care (Art. 12.2);
- Commitments to maintain the Hospital and provide core services (Art. 12.3);
- Mandatory capital expenditures (Art. 12.4);
- No sale of hospitals (Art. 12.7);
- Commitments to DMC's education mission (Art. 12.8);
- Commitments to DMC's research mission (Art. 12.9);
- Health and wellness initiatives (Art. 12.11);
- Commitments to support Project Genesis (an employment/internship program) (Art. 12.13)
- Operation of Detroit-based system (Art. 12.14);
- Opportunity to present proposals regarding national support centers (Art. 12.15); and
- Annual reporting requirements (Art. 12.17)

As a condition to its approval of the transactions contemplated by the PSA, the Attorney General identified certain of VHS's Post-Closing Covenants that are "of importance to the public and require special protection." Given the importance of these commitments, the Attorney General further concluded that Legacy DMC "must have the appropriate and necessary resources to monitor, evaluate, and, if necessary, enforce [VHS's] compliance with certain Post-Closing Covenants for a period of not less than ten years." To address this concern, the Attorney General, Legacy DMC, VHS and Vanguard entered into the Monitoring Agreement, which requires, in part, that Legacy DMC "diligently monitor" and produce annual reports on VHS's compliance with its contractual covenants regarding: (i) indigent and low income care; (ii) maintaining the hospitals and core services; (iii) capital expenditures; (iv) sale of the hospitals; (v) Detroit-based systems; (vi) national support centers; and (vii) annual reporting requirements (the "Required Reporting Commitments").

Legacy DMC arose from these transactions as the continuation of the nonprofit corporation that previously held the Hospital assets. Under the Monitoring Agreement, Legacy DMC's Board of Trustees (the "Board") includes appointees of the City of Detroit Mayor, Wayne County Executive, and Attorney General. The remaining Trustees are continuing members of the Detroit Medical Center Board of Trustees who were chosen from "representatives of the business community, physicians, and individuals with hospital administration, charity care advocacy, or other public health experience and whose interests and abilities will enable them to contribute to the fulfillment of the purposes of Legacy DMC." (Monitoring Agreement §4.E.) A list of the Trustees is included as Attachment 2.



During 2013, Dallas-based, for-profit corporation, Tenet Healthcare Corp. ("Tenet"), purchased Vanguard, including VHS. Tenet subsequently acknowledged its obligation to fulfill the commitments established in the PSA, including certain of its post-transaction covenants, as a condition of that sale.

Pursuant to Section 12.17 of the PSA, for a period of six (6) years after the closing of the PSA, VHS was required to report to Legacy DMC with regard to VHS's compliance with its capital expenditure commitments. Similarly, Section 12.17 of the PSA also required VHS to provide Legacy DMC annually, for a period of ten (10) years, "a written report that describes in reasonable detail and demonstrates [VHS's] performance under and compliance with [VHS's other Post-Closing Covenants]."

In addition, pursuant to Section 3.B.ii of the Monitoring Agreement, VHS is required to "promptly provide Legacy DMC with such additional information prepared by [VHS] in the ordinary course of business the DMC reasonably requests."

Utilizing this information, and other information obtained by the Legacy DMC staff, the Legacy DMC Board then is required to publish its findings to the public.

On May 30, 2019, Legacy DMC submitted its previous annual compliance report to the Attorney General (the "2018 Annual Report") and subsequently published it to the public. In its 2018 Annual Report, Legacy DMC discussed its findings regarding VHS's compliance with the PSA and the Required Reporting Commitments, noting that:

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 29<sup>th</sup>, two days ago, DMC sent an email to Legacy containing additional information on research activity and research funding. . . . 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 in 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. . . .

VHS's representatives initiated a coordinated advertising campaign, both before and after Legacy DMC's 2018 Annual Report, including billboards, full-page newspaper advertisements, and letters stating that Legacy DMC's conclusions in the 2018 Annual Report were incorrect and touting VHS's investment in Detroit. Legacy DMC advised VHS that certain of its public statements were incorrectly presented as Legacy DMC's statements.

Legacy DMC and VHS subsequently engaged in numerous communications regarding both Legacy DMC's findings and the scope of its monitoring and reporting authority. Legacy DMC stood by, and continues to stand by, its findings and its mission to monitor and report on VHS's compliance with its contractual obligations.

In an effort to cause Legacy DMC to withdraw its findings and to challenge the scope of Legacy DMC's permissible monitoring and reporting authority, VHS initiated a facilitation process pursuant to the PSA's dispute resolution provisions before attorney Gene J. Esshaki as facilitator.

Following this facilitation, Legacy DMC continued to request information and documentation from VHS. For example, on February 21, 2020, Legacy DMC provided VHS with a written list of its current areas of concern, which largely mirror the issues addressed in Section III of this Report, requesting VHS's views as well as documentation and information on those issues. However, while some of the requested information was provided, VHS failed to provide information and documents that Legacy DMC considers critical to allowing it to effectively analyze VHS's compliance with its contractual obligations under the PSA.

VHS submitted an initial version of its annual report for the year ending December 31, 2019 to Legacy DMC on March 13, 2020, a date that included a two-week extension provided at VHS's request.

VHS's CEO – Dr. Audrey Gregory – and other VHS executives met by conference call with the Legacy DMC Board on March 25, 2020 to discuss that initial report. After this call, Legacy DMC reiterated its request for documentation and information and welcomed either additional discussions with VHS or supplementation of VHS's annual report.

VHS subsequently submitted its final version of its 2019 annual report on April 10, 2020 (the "2019 VHS Report"). The 2019 VHS Report included an expanded discussion of VHS's compliance with the covenant regarding indigent care, but was otherwise essentially unchanged from the initial version of its report.

## **SECTION II: COMPLIANCE WITH THE REQUIRED REPORTING COMMITMENTS**

As discussed above, Legacy DMC is required under the Monitoring Agreement to monitor and report on VHS's compliance with the seven Required Reporting Commitments under the PSA.

Based on the information obtained by Legacy DMC from VHS and as a result of Legacy DMC's monitoring efforts, Legacy DMC believes that VHS is in compliance with six of the Required Reporting Commitments. However, Legacy DMC cannot report that VHS is in compliance with its general reporting obligations under Article 12.17 of the PSA, as Legacy DMC believes that the 2019 VHS Report is insufficient to meet the requirements of the PSA.

While this Section concludes that VHS is in compliance with most of the minimum requirements under the PSA, Section III will discuss other concerns which, though falling outside of Legacy's specific monitoring and reporting obligations under the Monitoring Agreement, are nevertheless troublesome performance trends that concern Legacy DMC as a party to the PSA and a member of the Detroit community.



**Indigent and Low Income Care (PSA Art. 12.2)**

Legacy DMC believes that this is the most important covenant and recognizes that the Hospitals provide critical “safety net” medical care in the City of Detroit. Legacy DMC has established various methods to monitor VHS’s compliance.

Pursuant to Section 12.2 of the PSA, VHS is required to adhere to “the more charitable and benevolent” of: (i) the historic, pre-sale, charity care policy of The Detroit Medical Center or (ii) Vanguard’s corporate-wide charity care policy in place as of June 10, 2010. VHS also is required to prominently display on its website and at the hospitals: (i) the availability of financial assistance; (ii) the availability of assistance in applying for Medicaid coverage; (iii) the availability of patient-care ombudsmen, hotlines, and other mechanisms to help resolve payment and treatment issues; (iv) the patients’ rights and all currently available survey results in accordance with applicable regulations; and (v) its debt collection policy.

The 2019 VHS Report states that VHS has complied with its obligations under Section 12.2 of the PSA by continuing to adhere to the Vanguard Health System charity policy. Legacy DMC has confirmed continuation of the appropriate policy. It maintains a hotline to receive patient concerns about denial of care. Notice boards with hotline information are posted in 80 locations in the Hospitals. During 2019, Legacy DMC received no actionable complaints regarding denial of service.

Legacy DMC notes the 2019 VHS Report’s discussion of the substantial reduction in uncompensated care expense realized as a result of the Affordable Care Act and the Healthy Michigan program. 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 monitors uncompensated care expense as a key metric in its review of costs incurred in treating low income and indigent patients. These costs increased slightly in 2019. Legacy DMC also reviews reports of Medicaid patient visits and days and Medicaid billings as a percent of VHS revenue. These reports show consistent volumes of activity.

Based on available information, Legacy DMC believes that VHS is in compliance with its contractual commitments to indigent and low income care, as that commitment is set forth in the PSA.

VHS and Legacy DMC will soon be required to “negotiate in good faith... to determine whether Buyer [VHS] should extend its commitment to provide charity care” ...after the tenth anniversary of the Closing Date (PSA Art. 12.2). Legacy DMC looks forward to this discussion.

**Maintaining the Hospitals and Providing Core Services (Art. 12.3)**

Legacy DMC believes, based on available information, that VHS currently is in compliance with its contractual commitments to maintain the DMC hospitals and provide core services, as those commitments are set forth in the PSA.

Section 12.3(a) of the PSA requires VHS to “maintain each of the Hospitals as a general acute care hospital licensed in the State of Michigan, or as a rehabilitation hospital licensed in the State of Michigan in the case of Rehabilitation Hospital of Michigan.” Similarly, under section 12.3(b) of the PSA, VHS is required to “provide at each Hospital, at a minimum, those services described [in a separate schedule] for such Hospital.” To the extent that VHS cannot provide those services (detailed in Attachment 3), VHS is required to use commercially reasonable efforts to remedy the facts and circumstances precluding their provision.

The 2019 VHS Report confirms that VHS has met its contractual commitments to maintain the six Hospitals and their lines of service, at least to the extent required in the PSA. The 2019 VHS Report also reports that the Hospitals passed all regulatory examinations and audits last year and are in good standing with all relevant authorities.

Legacy DMC contacted the Michigan Department of Licensing and Regulatory Affairs to review the Hospital inspections for 2019 and has no basis to dispute VHS’s assertions.

**Mandatory capital expenditures (Art. 12.4)**

VHS’s mandatory capital expenditure obligations under Article 12.4 of the PSA have expired. Legacy DMC will address its concerns with VHS’s capital expenditures generally in Section III, below.

**No sale of hospitals (Art. 12.7)**

Based on Tenet’s recent sales of hospitals in Chicago and Philadelphia and another pending sale in Memphis, Legacy DMC had raised this covenant with Tenet and expressed concern about a possible sale of all or part of the Detroit Medical Center after Legacy DMC’s oversight ends in December 2020. In response, the 2019 VHS Report included the following statement:

“DMC’s parent, Tenet Healthcare Corporation, continually assesses each of its assets in an effort to best serve the communities in which it operates and its obligations to its shareholders. The circumstances giving rise to recent transactions are unique to those situations and should not give rise to any inference regarding the future of the DMC or Tenet’s commitment to the DMC, its missions or the Detroit community.”

While VHS is in compliance with its contractual commitment not to sell or otherwise transfer all of the assets constituting one or more of the Hospitals, in light of Tenet’s recent sales of urban hospital systems, Legacy DMC remains concerned about Tenet’s continuing commitment to retain the Hospitals after the expiration of the PSA.

**Operation of Detroit-based system (Art. 12.14)**

VHS currently is in compliance with its contractual commitment to operate the Hospitals as a Detroit-based system and to maintain its regional headquarters in Detroit, Michigan.

*National support centers (Art. 12.15)*

Legacy DMC believes, based on the available information, that VHS currently is in compliance with its contractual commitment to provide the City of Detroit with a full opportunity to present proposals for being a national center for system support services should Vanguard choose to establish such a center.

*Annual reporting requirements (Art. 12.17)*

Although the 2019 VHS Report discusses each of VHS's Post-Closing Commitments for which VHS is required to provide an annual report under Article 12.17 of the PSA, the 2019 VHS Report is insufficient, in Legacy DMC's opinion, to meet the requirements of the PSA.

Article 12.17(b) of the PSA requires that VHS provide "a written report that describes in reasonable detail and demonstrates [VHS's] performance under and compliance with the covenants of [VHS] 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."

To the extent that Article 12.17(b) of the PSA merely required VHS to describe actions that it has taken with regard to each of its Post-Closing Covenants, the 2019 VHS Report certainly would meet that requirement. Indeed, Legacy DMC appreciates and applauds VHS for the numerous accomplishments and accolades referenced by VHS in the 2019 VHS Report.

However, because the PSA requires VHS's report to "demonstrate" its compliance with its Post-Closing Covenants, Legacy DMC cannot conclude that the 2019 VHS Report actually "demonstrates" VHS's compliance with all of the relevant Post-Closing Covenants based upon its review of that Report.

For example, with regard to "demonstrating" the VHS's commitment to The Detroit Medical Center's historic research mission (Art. 12.9), the 2019 VHS Report provides a list of active research projects and related publications (2019 VHS Report at 11). However, VHS fails to document the amount of its actual financial investment in support of these efforts or provide a comparison to the amounts spent on research prior to the Vanguard purchase.

Without these details, Legacy DMC does not believe that VHS has demonstrated its compliance with the DMC's historic research commitments.

Legacy DMC has been requesting specific research spending information from VHS for years. Moreover, after receiving the initial draft of the 2019 VHS Report, Legacy DMC again requested that VHS supplement its report to address Legacy DMC's concerns regarding the insufficiency of VHS's reporting. Legacy DMC has included with this Report as Attachment 4, the list of documents and information requested from VHS. However, VHS failed to supplement its report, except with regard to indigent care, and VHS rebuffed Legacy DMC's request for additional information, suggesting that it was outside the scope of Legacy DMC's monitoring obligations.



### **SECTION III: CONCERNS WITH VHS'S PERFORMANCE**

In this section of the Report, Legacy DMC details its concerns with VHS's performance of those Post-Closing Covenants that are not included in the Required Reporting Commitments. Legacy DMC details these concerns separately here because VHS has maintained that Legacy DMC's discussion of VHS's Post-Closing Covenants, other than with regard to the Required Reporting Commitments, falls outside Legacy DMC's role under the Monitoring Agreement. Therefore, to be clear, Legacy DMC expresses these concerns based solely upon its role as: (i) a party to the PSA; (ii) the surviving entity that represents the corporate continuation of DMC; and (iii) a member of the Detroit community.

#### **Concerns Regarding Indigent Care**

Legacy DMC supports VHS's commitment to indigent care; as noted earlier, it believes that this is its most important mission in this community. However, Legacy DMC remains concerned about the impact on the indigent of VHS's continuing staff reductions, diminished investment levels, and questions about its support of education and research discussed below, including and especially its recent decision to bar certain WSU physicians from seeing patients at CHM.

#### **Concerns Regarding VHS's Commitment to Education and Research**

##### **Loss of Neurosurgery Residency Program/Cancellation of Resident Physicians Increase**

VHS's assertion in the 2019 VHS Report that "DMC's historic commitment to graduate medical education (GME) has never wavered" (2019 VHS Report at 8) appears inconsistent with actual practice.

The 2019 VHS Report fails to note that the American College of Graduate Medical Education ("ACGME") actually terminated the accreditation of the DMC neurosurgery residence program as of June 30, 2020, and that this program apparently cannot be re-established for two years. Legacy DMC is concerned that the 2019 VHS Report fails to note and provide an explanation for this termination, instead referencing the ACGME's commendation of DMC's programs from 2018 and simply stating that it believed that its neurosurgery program was "strong."

Similarly, the 2019 VHS Report does not mention VHS's apparent decision not to fill 79 residency spaces. In March 2019, VHS executives made a presentation to the Legacy DMC board in which they announced an increase of 79 resident positions as well as a much needed increase to resident salaries. VHS's 2018 annual report discussed these actions, leading Legacy DMC to report that there were "several positive education developments" at that time. Legacy DMC now has learned that the announced increase of 79 residency positions – the basis for last year's positive report – has been reversed. VHS's failure to even mention, let alone provide an explanation for, this fundamental change in its 2019 VHS Report, raises additional questions about its commitment to the education mission.

##### **Medical Staffing Changes at Children's Hospital of Michigan**

Since issuance of the 2019 VHS Report, it has come to our Board's attention that VHS will be restricting certain Wayne State University physicians' access to Children's Hospital of Michigan ("CHM"). Specifically, email correspondence we have obtained and multiple news articles

indicate that VHS will no longer allow pediatricians affiliated with the Wayne State University School of Medicine Pediatric Department (Wayne Pediatrics) the ability to admit or treat even their own patients at CHM.

Legacy DMC is concerned that VHS's action, in apparently enforcing an exclusivity agreement that restricts the ability of certain physicians to practice pediatric medicine at CHM, calls into question VHS's continuing compliance with several of its Post-Closing Covenants. The restriction of privileges to WSU pediatric faculty may have educational implications, as it could reduce the learning opportunities of WSU students in medicine and clinical research.

As this issue has only recently arisen, Legacy DMC intends to continue to monitor and report upon this development and its impact upon VHS's contractual performance under the PSA.

### **Research Funding and Support**

As noted in Section II, Legacy DMC has repeatedly sought information and documentation from VHS quantifying its research spending levels so that Legacy DMC can compare them to historic levels of support. Despite these requests, VHS has failed to provide the requested information, instead suggesting that it is irrelevant.

According to the 2019 VHS Report, VHS complies with its commitment to support DMC's historic research mission by, among other things, serving as the "clinical site for the performance of services" and incurring "unfunded expense approaching \$1 million for the provision of administrative support to the clinical research effort." (2019 VHS Report at 10-11.)

However, without documentation confirming VHS's actual funding commitments, Legacy DMC cannot confirm that VHS actually has met its commitment to research, as opposed to simply taking advantage of an increase in research-oriented activities predominantly done by WSU academic physicians practicing at the Hospitals. Moreover, Legacy DMC has received numerous complaints from stakeholders, reporting that VHS's support for the research mission has declined significantly. As a result of VHS's refusal to provide requested information, Legacy DMC is unable to verify the accuracy of these complaints, but considers them to be concerning.

While Legacy DMC applauds the apparent increase in research studies undertaken by Hospital-affiliated physicians and staff, Legacy DMC does not agree that data concerning this increase provides a satisfactory substitute for documentation of VHS's actual research expenditures. VHS's refusal to provide this documentation thus is of continuing concern to Legacy DMC.

### **Status as an Academic Medical Center**

Another issue closely aligned with Legacy DMC's concern about both education and research is the absence of discussion in the 2019 VHS Report of the DMC's ranking as an academic medical center. Several previous VHS annual reports stated that it was VHS's goal to be ranked as a "top 15 academic medical center" in response to Legacy DMC requests for information regarding VHS's commitment to supporting the historical education and research missions. While "Top 15" was perhaps unrealistically ambitious, this type of goal is widely recognized as a foundation for improving healthcare organizations. No meaningful information or plans to achieve this objective have been provided in the 2019 VHS Report, and recent developments, including the

cancellation of the planned increase in resident physician positions and the realignment of CHM's academic faculty to Central Michigan University's medical campus (CMU) - which is 100 miles from Midtown Detroit, are not consistent with VHS attaining this previously-stated objective.

The PSA included the education and research covenants to ensure that the DMC would continue its role in maintaining the academic character of medical care provided by its Hospitals and benefit from that reputation as it recruits a high-quality staff to serve the citizens of Detroit. Legacy DMC is concerned that VHS's silence on this admirable objective reflects a de-emphasis that will eventually affect its reputation and performance adversely.

In summary, the four issues listed above raise serious questions regarding VHS's commitment to the DMC's historic educational and medical research missions. This is especially concerning as Legacy DMC believes there to be an inextricable link between the quality of medical education and the level of active research. Indeed, VHS recognizes this link, noting with approval that its increase in research studies "is particularly meaningful in light of the decline in the number of faculty members at WSU who hold medical staff membership at Detroit Medical Center hospitals." (2019 VHS Report at 10.)

#### **Concerns Regarding VHS's Capital Expenditures**

Legacy DMC acknowledges that VHS has exceeded the minimum capital expenditure commitment required under the PSA. However, Legacy DMC has repeatedly noted in its prior reports that VHS's routine capital expenditures have, since 2016, fallen below \$50 million annually.

The parties to the PSA agreed that annual routine capital expenditures should average \$70 million for the first five years following the closing of the PSA. Legacy DMC believes that the parties understood that this amount was necessary to maintain high quality health care services, to preserve the significant improvements to the Hospitals secured as part of the 2010 sale, and to maintain the Hospitals' competitive position in the Detroit market, and they further understood that this level of capital expenditures would be necessary to attract the best physicians to work and do research at the Hospitals.

Moreover, Legacy DMC believes that any decrease in VHS's continuing routine capital expenditures below \$70 million is especially significant, because, in prior periods, approximately \$40 million in routine capital expenditures was diverted from the six-Hospital system to build a new Children's Hospital facility in Troy. Therefore, Legacy DMC believes that VHS should be increasing routine capital expenditures to meet any deficit resulting from that prior expenditure rather than decreasing those expenditures over time.

In addition, while the 2019 VHS Report suggests that VHS's routine capital expenditures are sufficient, based upon the provision of a list of hospital equipment purchases (2019 VHS Report, Exh. C), VHS does not provide data showing the amount spent on this equipment. Without this information, which was requested by Legacy DMC, it is not feasible to compare VHS's spending to hospital industry benchmarks.



## CONCLUSION

Legacy DMC believes, based on the 2019 VHS Report (Attachment 5) and Legacy DMC's monitoring activities, that VHS is in compliance with most of its Post-Closing Covenants. However, Legacy DMC's concerns regarding VHS's continued future success have grown since prior years' reports. Recent media coverage of the DMC on many of the issues addressed in this Report has been negative. In addition, the pandemic has severely affected Detroit and Wayne County. Although its effect on VHS and its facilities and operations will be unclear for some time, several nurses at Sinai Grace Hospital have recently filed a lawsuit alleging inadequate staffing and equipment, which Legacy DMC will monitor closely. Legacy DMC is concerned that VHS's focus on compliance with its commitments may be lessening as we approach the end of Legacy DMC's monitoring and reporting obligations.

Legacy DMC is concerned with VHS's recent record with respect to the level of its capital expenditures, which Legacy DMC believes is inextricably tied to VHS's ability to both provide quality care for the indigent and meet its education and research commitments. Indeed, as noted here and in previous reports, Legacy DMC continues to believe that VHS's annual capital investment since 2015 remains at or below the low end of the acceptable range for the existing Hospitals, which also jeopardizes the Hospitals' ability to sustain the initial facility and equipment improvements.

Moreover, Legacy DMC is concerned that the loss of the robust affiliation between VHS and the Hospitals and Wayne State University Medical School may diminish the Hospitals' status as a vibrant academic medical center in Detroit, which is necessary to bring the best doctors to Detroit and to educate the clinical professions so critical to this area's prosperity. Indeed, even if CMU provides as strong an academic educational system as WSU, its Saginaw medical campus is still located far from the City of Detroit. Both the fact that VHS is now restricting WSU faculty from access to CHM and Tenet's recent sales of urban hospital systems, support Legacy DMC's concern about the depth and longevity of Tenet's and VHS's ability to serve properly the people of Detroit,

As Legacy DMC enters into its final contractual monitoring and reporting period, it will continue to work with Tenet's and VHS's executives to support high quality health care services at the Hospitals, to preserve the significant improvements to the Hospitals secured as part of the 2010 sale, and to improve the Hospitals' competitive position in the Detroit market, which is necessary to attract the best physicians to work and do research at the Hospitals. It will also continue its efforts to obtain detailed information from VHS necessary to complete its oversight role.

  
Joe Walsh  
President

  
Richard Widgren  
Chairman

Cc. Attorney General Dana Nessel  
Mr. Ronald Rittenmeyer  
Dr. Audrey Gregory

## 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. DMC 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.

**12.2 Indigent and Low Income Care.** 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-care 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.

**12.3 Commitments to Maintain the Hospitals and Provide Core Services.**

(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 rehabilitation 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 ceasing 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).

#### **12.4 Capital Expenditures.**

(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 Projects 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 costs 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 Appraiser 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 DMC 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.

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

**12.14 Detroit Based Systems.** 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.

**12.1 National Support Centers.** 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.

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

**12.17 Annual Reporting Requirements.**

(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.

# Legacy DMC

## TRUSTEE ROSTER

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**Richard Widgren (Chair)**

President  
Life Beyond Barriers  
(Subsidiary of Urban Science)

**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

**Kelly Keenan**

Deputy Attorney General

**Patti Kukula**

City of Detroit

**Yale Levin**

Executive Vice President  
Soave Enterprises

**David Nicholson**

PVS Chemicals

**Gloria Robinson (currently not a trustee)**

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

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**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**

Retired - Dickinson Wright PLLC

## Legacy DMC

### HOSPITAL CORE SERVICES

	Detroit Receiving	Harper Hutzel	Sinai- Grace	Huron Valley Sinai	Rehabilitation Institute of Michigan	Children's Hospital of Michigan
<b>SERVICE</b>						
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	



# Legacy DMC

April 15, 2020

Dr. Audrey Gregory  
Detroit Market CEO  
Executive Offices  
3390 John R  
Detroit, MI 48201

Dear Dr. Gregory

Thank you for calling-in to the recent Legacy DMC Board of Trustees meeting. As I mentioned then, it would have been better for all of us if you could have met the Trustees face-to-face. The Trustees did appreciate your responses to their comments and questions, and it was clear to them that you understand the covenants in the Purchase and Sale Agreement.

In addition to your presentation, we have reviewed the VHS of Michigan Report submitted on March 13<sup>th</sup> which will accompany Legacy DMC's report to the Department of the Attorney General later this month. As we develop our report, I thought it would be worthwhile to provide you with initial thoughts and reactions to the various issues.

1. Capital Expenditures Section (12.4)

The commitment to invest \$850 million in capital improvements and replacements was met and essentially within the prescribed timeframe. This level of commitment was necessary to return the DMC system to stable operating levels due principally to the underinvestment that existed for several years before the sale. This was due to years of financial losses and inadequate cash as a result. Typically the system needed annual expenditures of \$50 million to \$100 million to sustain necessary plant and equipment. This was not done as needed creating a dire need for new investment.

After achieving this very important goal of capital investment that restored the "muscle" of the system, Legacy has continued to monitor annual capital investment so these gains can be retained. Legacy believes that spending less than at least \$50 million annually will not be adequate to maintain good quality properties and equipment to serve the community as was observed back before the sale, and in fact an annual investment of at least \$70 million is needed. On average, the DMC's investment since 2016 has been below the \$50 million level.

2. Educational Mission Section (12.8)

The 2019 Report declares that the DMC has never wavered from its historic commitment to graduate medical education. However, during 2019 the ACGME terminated the accreditation of the neurosurgery residency program that apparently cannot be re-established for two years and the DMC elected not to fill 78 residencies. The loss of this prestigious program and the decline in residents obviously raise a question of non-compliance.

3. Research Mission Section (12.9)

The 2019 Report states that the DMC has fully complied with its commitment to support the system's historic research mission. Legacy is unable to verify this statement. This Board has received numerous complaints from various stakeholders reporting that the support for the research mission has declined significantly. Legacy has asked the DMC to provide support for its position by quantifying its spending levels and comparing them to historic levels of support. DMC has provided no information. This is a matter of non-compliance with this covenant which states the DMC will continue the historic research mission of the pre-sale DMC.

4. Indigent Care Section (12.2)

Legacy supports the DMC's commitment to indigent care; this is its most important mission in this community. Legacy remains concerned about the impact on the indigent of DMC's continuing staff reductions, diminished investment levels, and changes to its support of education and research.

5. No Sale of Hospitals Section (12.7)

Legacy noted the DMC's carefully worded response to this section in its report and noted your response at the meeting about your discussions about this subject with Tenet executives. The trustees shared with you why the outcomes of Tenet's ownership of other academic medical centers provide cause for their concern.

Legacy provided you with a written list of its specific areas of concern prior to our meeting on February 26th. While we discussed a number of them when we met, we still have not received information about many of them. I again invite you to provide the additional information Legacy requested, including as a supplement to DMC's Report. As you know, regardless of Legacy's right, including as a party to the PSA, to monitor all aspects of DMC's continuing compliance, Legacy contractually is obligated to monitor and report on specifically whether DMC's Report adequately describes in reasonable detail DMC's performance under, and compliance with, all of its commitments under the PSA. Legacy's report will reflect the contents of the DMC's Report and your comments at the meeting; it will also reflect Legacy's concerns as it did last year.

In the interest of filing the most accurate report possible, I am willing to meet with you again, if you or your staff can improve my understanding.

Yours truly,

/s/

Richard Widgren  
Chair



## **VHS OF MICHIGAN, INC**

### **2019 ANNUAL REPORT TO LEGACY DMC**

April 10, 2020



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My Dear Friends:

Greetings. Thank you for this wonderful opportunity to introduce myself to some and re-acquaint myself with others. I am Dr. Audrey Gregory and I was recently named the Detroit Medical Center's Chief Executive Officer (DMC/CEO). I am excited by this opportunity and profoundly respectful of the DMC's mission and importance to this great community. Families for more than 150 years have turned to the DMC when loved ones needed experienced, safe and compassionate health care. I am pleased to lead this team of visionary leaders, skilled nurses and physicians and high quality support team members.

Our continued drive to excellence over the course of the next decade has been facilitated by our hard work over the last nine years. Coupled with investments made by Tenet Healthcare, the DMC is well positioned to continue leading healthcare's transformation. The Tenet/DMC Pillars of Quality, Safety, Experience, Cost and Growth provide a solid foundation assuring our ability to deliver the innovative, high quality healthcare this community needs and deserves. Great things will continue happening at the DMC because all of us are passionate about the work we do. It is our honor to provide great care to this wonderful community as evidenced by the contents of this report. We are proud of our service and grateful to this community for decades of support and partnerships.

Sincerely,

A handwritten signature in blue ink that reads "Audrey Gregory". The signature is written in a cursive, flowing style.

Dr. Audrey Gregory, Ph.D.  
Group Chief Executive Officer  
Detroit Medical Center

## Legacy Report Management Overview

The Detroit Medical Center (DMC) is pleased to present its 2019 annual report. This report marks the ninth annual report filed by the DMC since the DMC Legacy board was formed following the sale of DMC. We are extremely proud of the contributions our organization has made over the last nine years to City of Detroit and the Southeast Michigan region. To fully understand the impact of these contributions, it is important to look back.

In the early 2000s, facing the most challenging time in its history, Mike Duggan was brought in to lead the DMC. Despite financial improvement and a state grant of \$50,000,000 to stave off bankruptcy, it was clear the DMC would not be able to generate the income necessary to be competitive and fund desperately needed major capital costs and program and facility expansion. Ultimately, the difficult decision was made to seek a buyer for the DMC. According to a report by then Michigan Attorney General Michael Cox, "As of December 31, 2009 Detroit Medical Center's net working capital was a negative \$45 million."

In 2010 Vanguard Health System, purchased the DMC. The purchase agreement ("Agreement") included significant post-closing obligations ensuring the preservation of the DMC. Vanguard Health System was purchased by Tenet Healthcare Corporation in 2013, and Tenet assumed the responsibility to comply with the post-closing obligations made to the people of the State of Michigan.

Vanguard's decision to purchase DMC was in the words of Cox, "[m]ade against the backdrop of Detroit Medical Center's inability to generate cash flow sufficient to fund necessary levels of capital expenditure and make crucial infrastructure investments." According to Cox, the \$1.5 billion payment, including \$391,000,000 to retire DMC bonds, approximately \$335,000,000 in unfunded employee pension and physician medical malpractice liability and a commitment to invest \$850,000,000 in capital at the DMC, exceeded the Detroit Medical Center's highest estimated value in the judgment of independent experts. In addition, the new owners committed to exceeding the DMC's charity care policy for 10 years as well as keeping open all DMC hospitals and funding the operation of Legacy DMC allowing that entity to monitor the contractual commitment.



Today, the DMC, one of the nation's most important health systems and leading academic medical institution, stands as a strong and stable pillar of health care in our community.

Over the years, extensive capital improvements, a continued investment in a full spectrum of health care services designed to expand access, a renewed focus on regulatory compliance, enhancements to our graduate medical education program, and a vibrant clinical research program, have combined to transform the DMC.

The health system is now consistently recognized nationally for its leadership and clinical excellence, while staying true to our mission of providing the highest quality, most compassionate and safest health care to the people in the communities we serve.

As we look toward the future, our community can rest assured we will not waiver in our commitment to that mission and our goal of building an even stronger DMC for the future.

The DMC Annual Report as in prior years, is organized by section of the Agreement relating to each specific covenant assumed by DMC. The sections are:

- Indigent and Low Income Care(12.2);
- Commitments to Maintain the Hospitals and Provide Core Services(12.3);
- Capital Expenditures(12.4);
- The Warrant (12.5);
- Retention of Medical Staff(12.6);
- No Sale of Hospitals(12.7);
- Commitment to Education Mission(12.8);
- Commitment to Research Mission(12.9);
- Karmanos Cancer Center(12.10);
- Health and Wellness Initiatives(12.11);
- Supplier Diversity Program(12.12);
- Project Genesis(12.13);
- Detroit Based Systems(12.14);
- National Support Centers (12.15);and
- Naming Conventions(12.16).

Article 12.17 of the Agreement identifies the DMC's "Annual Reporting Requirements" as to the covenants listed above. Generally speaking, the DMC is obligated to report on covenants (with the exception of 12.6) "to the extent any such covenants continue in effect during" a ten-year period. The DMC's reporting requirement regarding its \$850M Capital Expenditures covenant, which it met unequivocally years ago, has expired.

The DMC voluntarily has provided information regarding certain additional expenditures, but this is not in response to any continued reporting obligation.

Having submitted this Report and other information to Legacy DMC, the DMC looks forward to receiving Legacy DMC's own report in due course. Legacy DMC's reporting role is more limited than the DMC's. Pursuant to the parties' respective Monitoring and Enforcement Agreements, Legacy DMC was given the mandate to report on eight (8) of DMC's "Post-Closing Covenants."

These are as follows:

- Indigent and Low Income Care(12.2);
- Commitments to Maintain the Hospitals and Provide Core Services(12.3);
- Capital Expenditures(12.4);
- Warrant (12.5, per the Enforcement Agreement);
- No Sale of Hospitals(12.7);
- Detroit Based Systems(12.14);
- National Support Centers (12.15);and
- Annual Reporting Requirements (12.17). *Id.*

Dovetailing with the DMC's reporting obligations, Legacy DMC's own reporting obligation in regard to Capital Expenditures has ended, which makes sense given that Legacy DMC agrees that that covenant has been met. The DMC presumes that Legacy DMC will report on the remainder of the seven "Post-Closing Covenants" based on its review of substantiated, factual information.

The DMC is pleased to be able to assist Legacy DMC in regard to this important task.

### **2019 DMC Recognition and Awards**

- DMC Harper University Hospital has been nationally recognized by U.S. News & World Report as a 2019-20 Best Hospital in Diabetes & Endocrinology, Neurology & Neurosurgery, Geriatrics and Nephrology. The hospital was ranked in the top six in both the state and metro Detroit rankings. Harper was also recognized as high performing in COPD and Heart Failure.
- DMC Harper-Hutzel Hospital, and DMC Rehabilitation Institute of Michigan have received Magnet recognition for Nursing. RIM is one of only five rehab hospitals to be designated as a Magnet hospital. This program recognizes health care organizations for quality patient care, nursing excellence and innovations in professional nursing practice.
- Most Wired Hospital by Hospitals & Health Networks magazine (since 2008).
- DMC Harper University Hospital and Huron Valley-Sinai Hospital are also designated as a Blue Distinction Center+ for Bariatric Surgery (for Gastric Banding) and a Blue Distinction Center for Bariatric Surgery (for Gastric stapling) by Blue Cross Blue Shield of Michigan and Blue Care network, an independent licensee of Blue Cross Blue Shield Association.
- DMC Hutzel Women's Hospital is the only hospital in Michigan certified as a Center of Excellence in Minimally Invasive Gynecologic Surgery by the Surgical Review Corporation.
- DMC Harper University Hospital is recognized as a Cigna 3-Star Quality Center of Excellence Bariatric Surgery Center.
- DMC Harper University Hospital and Huron Valley-Sinai Hospital Bariatric Surgical Center are accredited under the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program (MBSAQIP®), a joint program of the American College of Surgeons (ACS) and the American Society for Metabolic and Bariatric Surgery (ASMBS).
- DMC Heart Hospital earned an additional 3-year Carotid Stenting Accreditation by Intersocietal Accreditation Commission (IAC) in Carotid Stenting. It is the second consecutive accreditation for DMC Heart Hospital, one of only eight hospitals in the nation and two hospitals in the state currently accredited.
- DMC Detroit Receiving Hospital is an Energy Star certified building (since 2016).
- DMC Huron Valley-Sinai Hospital four years in a row was awarded the Economic Alliance for Michigan (EAM) for Patient Safety.
- DMC Huron Valley-Sinai Hospital was recognized by the Joint Commission with disease-specific certifications for stroke, hip and knee.



- DMC Harper University Hospital is the first hospital in Michigan to earn the Joint Commission Gold Seal of Approval, DSC Morbid OBESITY (6th consecutive re-certification).
- DMC Sinai-Grace Hospital was recognized by Joint Commission's Gold Seal of Approval® as an Advanced Primary Stroke Center.
- DMC Huron-Valley is part of an elite group of hospitals in Michigan and across the country to earn Leapfrog's top A score. Huron Valley-Sinai Hospital is 1 of 42 hospitals in the U.S. to receive straight A's since the inception of the Safety Grades (15 consecutive reporting periods).
- In 2019, Rehabilitation Institute of Michigan's (RIM) Cardiac Rehab program became certified by the American Association of Cardiovascular and Pulmonary Rehabilitation (AACVPR). Certification through AACVPR guarantees RIM's Cardiac Rehab program is providing the highest level of patient care, by implementing research-based practice and ensuring we follow the most up-to-date government-regulated guidelines.
- RIM received CARF (Commission on Accreditation of Rehabilitation Facilities) accreditation for Brain Injury Specialty Program, Spinal Cord System of Care, Stroke Specialty Program, Comprehensive Integrated Inpatient Rehabilitation Program and Amputation Specialty Program.
- DMC Sinai-Grace Hospital and DMC Detroit Receiving Hospital were recognized as high performing in COPD and Heart Failure.
- DMC Sinai-Grace Hospital Stroke Team (SGH), DMC Harper- Hutzell and DMC Detroit Receiving (DRH) have all received the American Heart Association/American Stroke Association Get With The Guidelines-Stroke Gold Plus Quality Achievement Award. SGH was also awarded with Target: Stroke Honor Roll, and DRH earned the Target: Stroke Honor Roll Elite Award.
- DMC Sinai-Grace Hospital was named to Becker's 44 hospitals with the lowest stroke death rates list. Hospitals on this list have a stroke death rate of less than 11.7 percent, compared to the national rate of 14.9 percent, based on Hospital Compare data from July 2012 through June 2015.
- DMC Children's Hospital of Michigan is a freestanding Level 1 Pediatric Trauma Center Certified by the American College of Surgeons (ACS).
- DMC Children's Hospital of Michigan and DMC Detroit Receiving Hospital were Verified Pediatric and Adult Burn Centers by the American Burn Association and the American College of Surgeons.

- DMC Children's Hospital of Michigan is ranked as one of America's best pediatric hospitals by U.S. News & World Report in Urology, Gastroenterology/GI Surgery, Nephrology, Neurology and Neurosurgery, and Orthopedic Surgery.
- The Pediatric Epilepsy and Pediatric Epilepsy Surgery Program at the DMC Children's Hospital of Michigan is recognized as a Level 4 Epilepsy Center by the National Association of Epilepsy Centers (NAEC). Level 4 epilepsy centers have the professional expertise and facilities to provide the highest-level medical and surgical evaluation and treatment for patients with complex epilepsy.
- DMC Children's Hospital of Michigan achieved ACR gold seal of accreditation representing the highest level of image quality and patient safety.
- DMC Children's Hospital of Michigan earned the prestigious 2018 Eisenberg Award for Patient Safety and Quality.
- DMC Children's Hospital of Michigan's has Metro-Detroit's only dedicated 6-bed pediatric bone marrow transplant unit, which is accredited by the Foundation for the Accreditation of Cellular Therapy (FACT).
- DMC Children's Hospital of Michigan is Metro-Detroit's only center for pediatric heart, kidney and liver transplantation at a freestanding children's hospital.
- DMC Children's Hospital of Michigan's 14-bed inpatient rehabilitation program certified by the Commission on Accreditation of Rehabilitation Facilities (CARF), demonstrating dedication to accountability and compliance with internationally accepted standards of excellence.
- DMC Children's Hospital of Michigan is the only hospital in Metro Detroit designated as an accredited center of care for providing high-quality cardiac care to children with cardiomyopathy. The designation is made by the Children's Cardiomyopathy Foundation (CCF), a national nonprofit committed to improving the health outcomes and quality of life for children with cardiomyopathy.
- DMC Children's Hospital of Michigan Tuberous Sclerosis Complex (TSC) clinic is one of only a few in the state to be recognized as a TSC Clinic in good standing by the Tuberous Sclerosis (TS) Alliance.
- DMC Detroit Receiving Hospital and DMC Huron Valley Sinai Hospital were among hospitals across the country that had in 2019 no findings, in the Immediate Threat to Life or High Risk Categories, during their unannounced Joint Commission Surveys.

## **Post-Closing Matters**

### **Indigent and Low Income Care (Section 12.2)**

**The DMC has fully complied with Section 12.2 of the Agreement by continuing to adhere to the Vanguard Health System charity policy in place on June, 2010.**

The elected leadership of the State of Michigan, County of Wayne and the City of Detroit and the Vanguard management team all recognized that the DMC's historic and ongoing provision of indigent and low income patient care was an intrinsic part of its culture. Attorney General Cox recognized that "The Vanguard policy for the provision of charity care, Reference # 11 – 0801 as revised January 23, 2000 was more patient friendly than the Detroit Medical Center policy". (See Attorney General Report 1/13/2010, page 19)

Exhibit A as noted in prior year Annual Reports to Legacy DMC the expansion of Medicaid and healthcare exchange enrollments in Michigan have had a direct effect upon levels of charity care and uncompensated care at the DMC.

Medicaid expansion began in Michigan in the second quarter of 2014 with charity care and uncompensated care both exhibiting immediate corresponding reductions. Those reductions accelerated as the year progressed and greater numbers of persons enrolled and were assigned to a Medicaid managed care plan.

Prior to Medicaid expansion, in years 2011 through 2013, charity and uncompensated care averaged \$258M per year. Upon inception of Medicaid expansion in 2014, the total decreased to \$127M.

2015 was the first full year of Medicaid expansion and for that year and subsequent years, total charity and uncompensated care has been stable, averaging \$101M per year. The total for 2018 was \$121M.

The DMC Continues to monitor legislative initiatives and activity that could impact Medicaid coverage in the State of Michigan. The DMC participates in advocacy efforts through the Michigan Hospital Association and along with Tenet Healthcare Corporation at both the State and along with Tenet Healthcare Corporation at both the State and Federal Level, ensuring that our voice is heard in these debates. See Exhibit A.

### **Commitment to Maintain Hospitals and Provide Core Services (Section 12.3)**

**The DMC has fully complied with the requirements of Section 12.3 by maintaining each of the hospitals as a general acute care hospital or in the case of the Rehabilitation Institute of Michigan as a rehabilitation hospital, all licensed by the State of Michigan. Additionally, the DMC has continued to deliver high quality Core Services at each hospital. See Exhibit B.**



DMC management is proud of the fact that the hospital system continues to be financially stable while delivering excellent medical service. Despite the loss of the DMC's neuro-surgery residency program, the DMC continues to provide high quality Trauma Level One emergency services at Detroit Receiving Hospital and Trauma Level Two emergency services at Sinai Grace Hospital. Utilizing the skills of dedicated private and Tenet Physician Resource Group employed neuro-surgeons, physicians on call provide coverage at both emergency rooms 24 hours a day seven days a week.

As is ordinary for all licensed healthcare facilities, the DMC was reviewed by local municipal inspectors, state fire marshal inspectors, accreditation authority personnel, state occupational safety and health inspectors, licensing and regulatory affairs inspectors and Joint Commission surveyors in 2019. None of these surveys resulted in findings of material non-compliance with regulation or accreditation standards, and the facilities remain in good standing with all relevant authorities. In fact DRH and Huron Valley Sinai Hospital were among only 15% of the hospitals in the country that in 2019 had no findings of immediate threat to life or high risk categories.

#### **No Sale of Hospitals (Section 12.7)**

**The DMC has fully complied with the requirement that none of its hospital may be sold.**

The Legacy Board has specifically requested comment regarding speculation that the DMC may be sold at the end of its monitoring period in light of the sale of other facilities involved in academic medicine. DMC's parent company, Tenet Healthcare Corporation, continually assesses each of its assets in an effort to best serve the communities in which it operates and its obligations to its shareholders. The circumstances giving rise to recent transactions are unique to those situations and should not give rise to any inference regarding the future of the DMC or Tenet's commitment to the DMC, its missions or the Detroit community.

#### **Capital Expenditures (Section 12.4)**

**As acknowledged by the DMC Legacy Board 2018 Board Report to the Attorney General of the State of Michigan, the DMC has fully satisfied the obligations of Section 12.4. Pursuant to Section 12.7(a) of the Agreement, the DMC's reporting obligation related to Section 12.4 has terminated.**

Notwithstanding its capital investments in excess of the contractual requirements, DMC continues to make capital expenditures appropriate to the needs of its facilities and programs. While the DMC is not required to report on these investments, we are pleased to provide supplemental information related to capital items in 2019. See Exhibit C.

#### **Commitment to Educational Mission (Section 12.8)**

**The DMC has fully complied with its obligation to support the system's historic mission of undergraduate and graduate medical education, nursing education and allied services education.**

The DMC's historic commitment to graduate medical education (GME) has never wavered. At the time of the sale to Vanguard in 2010, the DMC in 2010 trained 1,010 residents at an annual cost of \$63,392,931. In 2019, the DMC trained 1,058 residents at an annual cost of \$76,704,511. The DMC is proud of the additional investments and commitments made to the residency program in 2019 which included a 12% resident salary increase and a fully restructured resident educational stipend benefit of \$2500. These additions account for an incremental \$7.5 million dollar increase in the DMC/GME program investment and have been helpful to attracting new participants in DMC programs. It is anticipated that DMC will have 1,036 residents in its programs for academic year 2020-21.

In 2018 the DMC GME Institution received continued accreditation with commendations which is the highest accreditation issued by the American College of Graduate Medical Education. As noted in the 2018 DMC-Legacy report this accreditation demonstrates excellent overall oversight of all accredited programs within the DMC system.

DMC regrets that accreditation for its neurosurgery residency program will terminate June 30, 2020. DMC believes that the program was strong, and the new leadership of Dr. Steve Ham provided a bright future. As Wayne State University recruits a new Chair of Neurosurgery, a position that has been vacant for more than twelve months, DMC and Wayne State are working to initiate a new residency in Neurosurgery and will seek accreditation from ACGME in the next two years.

The DMC is also proud of its commitment to train this states nurses and other allied clinical professionals. Registered nurses are the largest group of licensed 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 of Michigan. The DMC has a nursing work force of approximately 3,200 registered nurses providing direct patient care. The DMC, with over 75 academic partners and access to numerous specialty areas, provides a wide range of clinical experience for nursing students. These clinical rotations are provided to students pursuing degrees from an Associate through Doctorate level of study. The DMC also employs advanced practice nurses who serve as clinical preceptors, adjunct faculty and guest lecturers for the graduate nursing program of nine colleges and universities.

DMC staff nurses are encouraged to pursue opportunities for professional and academic development, which is facilitated through financial support provided by tuition reimbursement. This represents an important organizational effort to comply with the Institute of Medicine's 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 candidates the DMC continues its very successful referral bonus program to nurses who successfully recruit experienced nurses into the DMC. In addition the Tenet Nursing On Boarding Program is available for both new graduate and experienced nurses joining the DMC 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 improve the overall experience of new staff nurses.

The DMC continues to offer training programs for program directors and program coordinators to increase their knowledge and skills in the management of medical education programs. The DMC continues to utilize a multidisciplinary institutional wellness committee that is dedicated to the assessment and development of wellness programs that address wellness for residents, fellows, faculty and staff. There were over 15 various wellness activities for residents and fellows in 2018 – 2019. The GME office remains aligned with the DMC's commitment to quality and safety improvement and is committed to the optimization of the sign-out process among residents to ensure a high level of care continuity during shift changes in coverage.

The DMC remains affiliated for undergraduate medical education with the Wayne State University School of Medicine and Michigan State University College of Osteopathic Medicine as well as Meharry Medical College in Nashville, Tennessee which is aligned with the DMC's commitment to increase the number of primary care providers that serve Southeast Michigan citizens. In 2014 the year for which we have electronically stored and verifiable data, 740 students rotated across DMC hospitals over 2500 rotations. In 2019, 1002 students rotated across DMC hospitals over 3827 rotations. Since 2017 191 Meharry Medical School students rotated across DMC hospitals over 251 rotations. The DMC GME staff and leadership are especially proud of the fact annual QUEST research competition participants grow from 33 in 2012 to over 130 residents, fellow and medical students showcasing their research and quality improvement projects in 2019. The DMC management team appreciates the commitment and quality of the medical education provided by the University Physicians Group; University Pediatricians; the Huron Valley Teaching Physicians Group; the Medical Center Emergency Services Group; the Grace Medical Education Group and all of the private physicians who support the Detroit Medical Center's education mission.

#### **Commitment to Research Mission (Section 12.9)**

**The DMC has fully complied with its commitment to support the health system's historic research mission by assuming fully the obligation pertaining to the National Institute of Health's Perinatal Research Branch Operations. The DMC's commitment to the research done at the Perinatal Research Branch is unquestioned. The program is housed at Hutzel Women's Hospital and in addition to conducting ground breaking research is an important focus for the DMC's effort to reduce premature birth and infant mortality.**

The DMC serves two primary and important roles in clinical research. At the DMC, as at most academic medical centers, research is engaged and approved through the universities affiliated with the center and funded by grants and research sponsor payments. Research studies require the performance of specific healthcare services on a schedule dictated by the study sponsor and the collection of data from these services. DMC is the clinical site for the performance of services required by studies conducted by its medical staff members, employees and trainees. Through a staff well-trained in research procedures, systems that support the research activities and defined clinical research pricing, the DMC is able to support and foster research. DMC does not fund these clinical research services directly. They are reimbursed by each sponsor, either directly or through the study investigators.



Over the past nine years, research studies have grown from over 900 studies annually to now over 1,100. The increase in research studies is particularly meaningful in light of the decline in the number of faculty members at WSU who hold medical staff membership at Detroit Medical Center hospitals. Additionally, since 2009, the DMC has contributed to more than 7,387 publications. Publications of DMC research between 2008 and 2018 have been cited over 80,000 times by researchers world-wide, highlighting the value of the DMC's research program, and the most heavily cited articles from the last decade were published since Tenet acquired the system.

As an adjunct to these clinical activities directed by research investigators, the DMC also maintains a robust department that administratively supports all DMC and WSU clinical studies.

Discussions are underway to define the DMC's administrative role in research programs performed by the faculty and students of Central Michigan University, including physicians associated with University Pediatrics. Today, the DMC incurs unfunded expense approaching \$1 million for the provision of administrative support to the clinical research effort.

In addition to the administrative support provided, the DMC continues to support research through payments to fund research carried out by physicians associated with University Physician Group and University Pediatricians, as well as payments to WSU for medical education of which research is an integral part. Its Clinical and Administrative Services Agreement with the University Physicians Group (UPG) requires UPG to continue to participate in clinical and basic science research through the WSU and creates new funding available for WSU research through the Department Support Funds and a Strategic Investment Pool. This pool could total up to \$5 million dollars annually.

The DMC's Children's Hospital of Michigan services agreement with University Pediatricians establishes a \$1.5 million dollar annual payment to support the group's unfunded research. All physicians employed by the DMC are encouraged to perform research as part of their employment duties and financial support is provided for these programs. As an example, the DMC continues to provide support to the Orthopedics and Sports Medicine Service Lines. An analyst/researcher is employed to support the 12 fellowship physicians and 20 orthopedic program residents fulfill the research component of their respective programs. See Exhibit D for further information regarding current and historical research DMC activities.

#### **Commitment to Karmanos Cancer Center (Section 12.10)**

The DMC has fully satisfied its obligations under Section 12.10 by maintaining an ongoing relationship with Karmanos Cancer Center.

#### **Health and Wellness Community Initiatives (Section 12.11)**

The DMC has fully complied with its obligations to enhance its health and wellness initiatives, community outreach, prevention and quality improvement programs.

The DMC management team remains proud of the insurance enrollment work done in partnership with the State of Michigan, City of Detroit, Southeastern Michigan ministerial leadership and health plan leadership. The management team would also like to take this opportunity to again thank all of the DMC employees who worked diligently with DMC partners to enroll in 2014/2015 more than 88,000 persons into the "Healthy Michigan Medicaid Insurance Program.

Some of that 2016-2017 work was repeated in 2018 supplementing the important ongoing insurance program enrollment work done every day by the DMC's sister organization, Conifer. To date the DMC/Conifer insurance enrollment effort has netted a total of 101,808 Healthy Michigan Insurance Plan enrollees. This important work helps the DMC improve the health of the patient population served. See Exhibit F.

#### **Supplier Diversity Program (Section 12.12)**

**The DMC has fully complied with its obligation in Section 12.12 to support the Supplier Diversity Program.**

The DMC has for more than thirty years been a supplier diversity corporate program leader. In 2010 the DMC convened at Ford Field one of the largest gathering of majority, minority and women owned suppliers ever held in the City of Detroit. Approximately 300 diverse suppliers from across Southeastern Michigan came to the gathering and learned about the DMC's commitment to insure that 30% of the \$850 million dollars to be spent over the course of 5 years would be spent with diverse suppliers. Meeting attendees heard again that 25% of all hours worked on specified construction projects would be supplied by City of Detroit residents. The assembly understood that 50% of all hours worked on specified construction projects would be performed by County of Wayne residents. The DMC reiterated its commitment that 25% of all hours worked on specified construction projects would be supplied by minority workers and 25% of all hours worked by apprentices on specified construction projects would be performed by minority apprentices. The chart below shows the DMC, in each category, exceeded the corporate commitment and the community's expectation.

The DMC continues to support its Supplier Diversity Program. There have been no amendments or changes made to the program policy over the course of the last nine years. FY 2019 overall direct diversity supplier spend was \$14,005,648 which is down \$1,358,890 from FY2018. This net change is attributable to a reduction in general supply spend of \$957,440 and \$401,448 reduction in construction spend.

**Over the course of nine years the DMC is proud to report our Supplier Diversity spend totals \$248.21 million dollars.**

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

### **Project Genesis (Section 12.13)**

**The DMC has fully complied with its obligation to support the Project Genesis summer employment/internship program for Detroit Public High School Students.**

Established in 2005 the DMC's Project Genesis Summer Youth Employment program has been an important part of the City of Detroit's drive to employ 8,000 young people each summer. The DMC takes great pride in the fact that our summer youth employment program was one of the first participants in the City of Detroit's Grow Our Young Talent program.

Project Genesis, under new leadership, provides valuable summer employment for young people incorporating the core elements of successful youth development and real world job expectations. Project Genesis also provides a greater awareness of various healthcare careers and opportunities. Students receive an employee physical, attend a special new employee orientation and complete a set of required health stream education modules. Those assigned to work in patient care attend a three-day clinical orientation. The clinical orientation program is led by DMC nurse educators. Within the eight consecutive weeks of paid employment, students receive training in career development, leadership and work readiness. An important program part includes mentorship from DMC healthcare professionals. The DMC is proud of the fact that over the last 14 years several former Project Genesis students are currently DMC employees serving as registered nurses, physical therapists, emergency and pharmacy technicians, transporters and other valuable support occupations.

### **National Support Centers; Naming Conventions (Sections 12.5, 12.14, 12.15, 12.16)**

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. 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.



The DMC continues to operate as a hospital system maintaining its regional/market office headquarters within the City of Detroit. Management recognizes the importance of the DMC's 150 year history and continues to honor all naming conventions as required in existing donor agreements. DMC is proud to be a part of the Tenet Health constellation of hospitals and other health related enterprises.

Tenet Health senior leadership is regularly present in the City of Detroit and has helped guide the DMC to operational excellence and financial success. DMC is recognized as a superlative provider of overall enterprise success so opportunities to explore City of Detroit based opportunities for growth and strategic investment are regularly reviewed.

# 2019 Annual Report to Legacy DMC

## Exhibits Referenced in Report

Exhibit A: Indigent and Low Income Care (Confidential).....	Page 7
Exhibit B: Commitment to Maintain Hospital & Provide Core Services....	Page 7-8
Exhibit C: Capital Expenditures .....	Page 8
Exhibit D: Commitment to Educational Mission.....	Page 8-10
Exhibit E: Commitment to Research Mission.....	Page 10-11
Exhibit F: Health, Wellness & Insurance Initiatives.....	Page 11-12

# **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 A

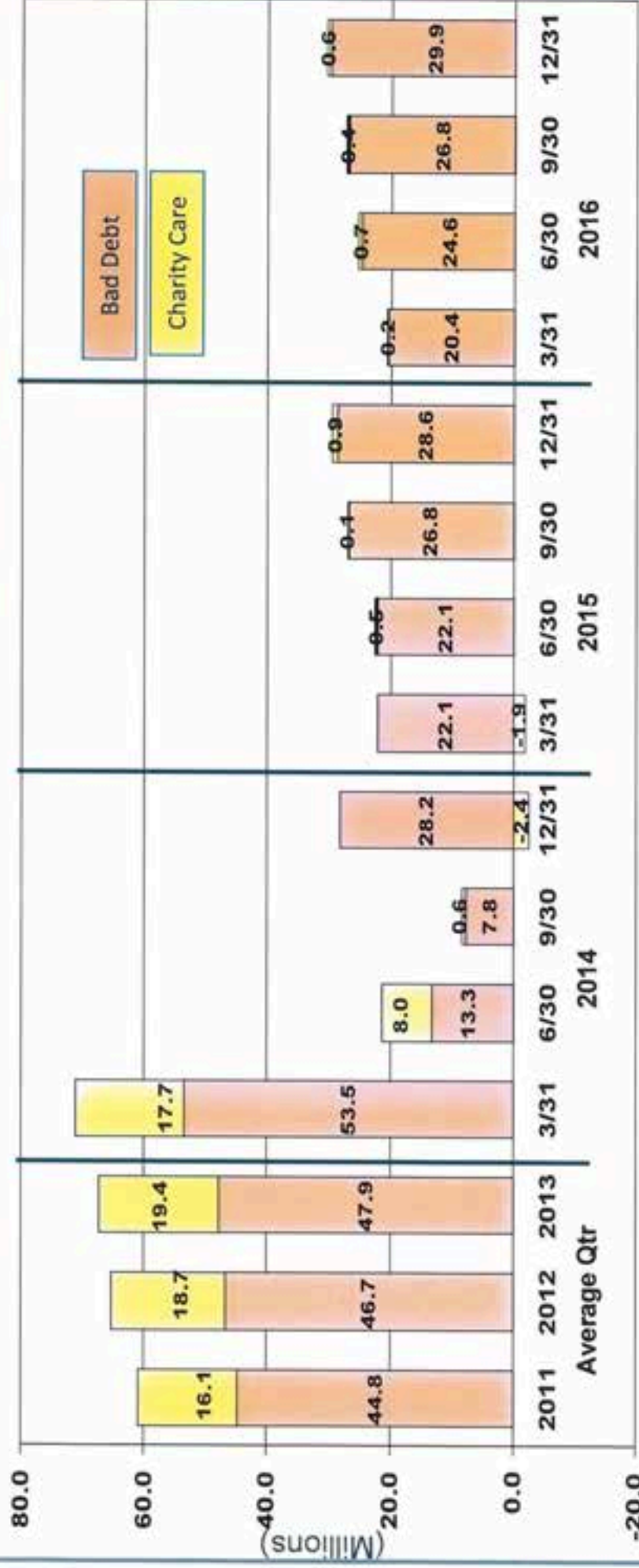
### Uncompensated Care



\* Healthy Michigan, Michigan's Medicaid Expansion Program, began in April, 2014.



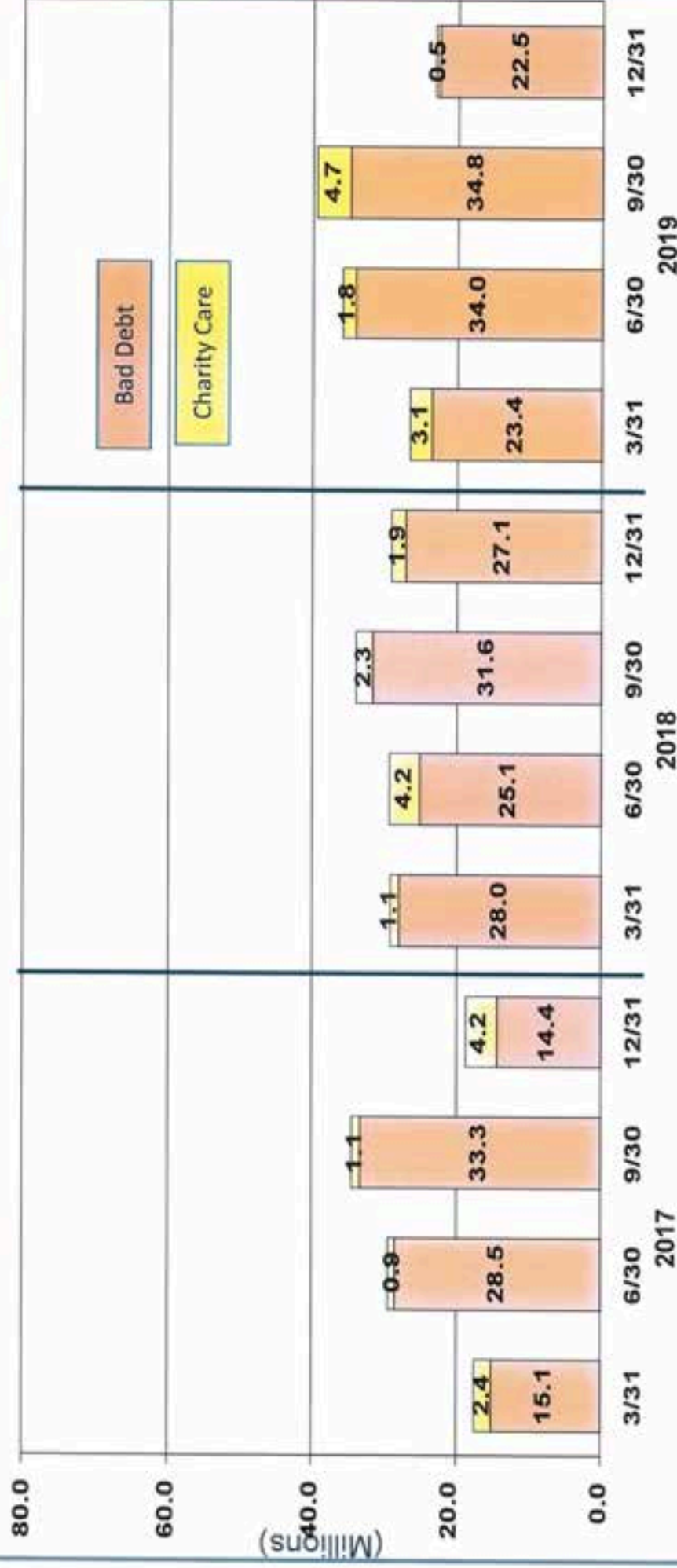
# Uncompensated Care – Bad Debt & Charity Care by Quarter- (\$ Mills.)



No. of Cases	1,042	1,071	1,189	1,484	810	390	138	73	97	105	95	55	79	62	68
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Year and Quarter Ending

# Uncompensated Care – Bad Debt & Charity Care by Quarter- (\$ Mills.)



No. of  
Cases

155 100 87 158 127 165 166 80 153 149 83 28

Year and Quarter Ending

# **EXHIBIT B**

## **Commitment to Maintain Hospital & Provide Core Services**

## Core Services by DMC Facility

Service	Children's Hospital of Michigan	DMC Adult Central Campus			Rehabilitation Institute of Michigan	Huron Valley-Sinai Hospital	Sinai-Grace Hospital
		Detroit Receiving Hospital	Harper/Hutzel Hospital				
Emergency Department	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Trauma Designated ED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>
General Medical Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Inpatient and Outpatient Surgery	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Radiology and Diagnostic	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Obstetrics			<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Neonatal Intensive Care Unit (NICU)	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				
Comprehensive Cardiology	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Intensive Care Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Inpatient Rehab Services					<input checked="" type="checkbox"/>		
Outpatient Rehab Services					<input checked="" type="checkbox"/>		



# **EXHIBIT C**

## **Capital Expenditures**

# DMC Routine Capital Expenditures

CY 2019

Detroit Market	Children's Hospital of Michigan
<ul style="list-style-type: none"> <li>HIS DMCTELECOM</li> <li>HIS DMC INFRASTRUCTURE</li> <li>DMC REV CYCLE - LB REIMBURSEMENT REPLACEMENT</li> <li>DEMI - HIE COMMON KEY INTERFACE</li> <li>DMC - WOW/LAPTOP/DESKTOP REPLACEMENTS</li> <li>DMC - EOL SECURITY APPLIANCE REPLACEMENTS</li> <li>DMC - HARPER WOW CARTS</li> <li>DMC - PHYSICIAN PORTAL IMPLEMENTATION</li> <li>DEMI-NETWORK SECURITY &amp; ACCESS CONTROL</li> <li>NUANCE DRAGON DICTATION PROJECT</li> </ul>	<ul style="list-style-type: none"> <li>Sterile Processing Unit</li> <li>Bluewater - Interactive Wall Add-on -CHM Lobby</li> <li>CHM Hugs Patient Security System</li> <li>CHM OR EEG Machines</li> <li>CHM Portable EEG Machines</li> <li>CHM Cardiac Cath Lab Replacement</li> <li>CHM Neuro NICU Strategy</li> <li>CHM Hospital Fire Alarm</li> <li>Medtronic Stealth Visual Aid</li> <li>CABLING</li> <li>CHILLER</li> <li>GAS GRIDDLE</li> <li>Generator fee Exchange - CHM Cardiology</li> <li>LAB REFRIDGERATORS</li> <li>MONITORS</li> <li>Aeronox INO Delivery System - CHMPANDA</li> <li>RECLINERS</li> <li>SCOPE CABINETS</li> <li>Sonesta UDS Table</li> <li>Endocam - CHMOR</li> <li>Telehealth Svcs - Television equipment - CHM MRI</li> <li>UROSTYM PELVIC REHAB SYS (3)</li> <li>VISOSONIC ABR SYSTEM</li> </ul>

## Detroit Receiving Hospital

- DRH IP Behavioral Health Expansion
- DRH Adult Central Campus Sterile Processing
- DRH Centralized Registration
- CSP Upgrades
- DRH Heart and Lung Machine
- DRH 5T Neuro ICU Equipment
- DRH ER CT Room Replacement
- ACC Allscripts Upgrade
- GMAP Clinic
- B40117814 DRH C&D Pharmacy Upgrade-Equipment
- DMC Lab Pneumatic Tube System Upgrade
- CSP Instrument Containers
- DRH ER EKG Units
- Adult Central Campus ER Ultrasound Probes
- DRH ER CT Room Replacement
- DRH Acute Care Med-Surg Mattress Replacement
- DMC/DRH Parking and Badges Matrix Upgrade
- DRH Lab Under counter Refrigerator
- DRH OR Steris Surgical Tables
- DRH OR Surgical Tables
- DRH ER Plasma Thawer

## Detroit Receiving Hospital

- DRH ER EKG Units
- DRH OR Neptune 3 System (9)
- Eye Wash Fixer
- Insolation Room
- Mobile Ultima CCM System
- Ultrasound System
- Carts
- Kitchen Equipment
- Wieland Perk Chairs
- Envoy Sani-wipe
- Endo Verifeye Camera Control Unit
- Signage
- Camera Equipment
- Treatment Recliner
- Robotic Rack For Davinci
- Midmark Patient Dental Chair
- Glidescope Core VB
- LEICIA NEUROSURGERY MICROSCOPE
- ARROW TELEPHONE SYSTEM
- VARIOUS HARDWARE/SERVERS
- ROOF REPLACEMENT
- NEXT GENERATION THREAT PROTECTION
- DISK SHELVES
- FAC015 ON TAP ADD ON LICENSES



## Harner University Hosnital

- HUH Infant SecuritySystem
- HUH Kitchen Renovations
- HUH/CHM Visualase
- HUH ALCM Nuclear Medicine
- HUH Operating Room Lights
- HUH ALCM Telemetry
- HUH Neuroscience Equipment
- Cardio Heart/Lung Machine
- HUH Sports Med Scopes
- Adult Central Campus R & FRoom Replacement
- HUH ER CT Room Replacement
- NO B# Avail Yet/Siemens EVAExcel Imaging
- HUH OR Steris Surgical Tables
- HUH Infusion Clinic Pumps
- HUH OR Da Vinci simulator
- HUH Telemetry Project
- HUH Endoscopy Equipment
- HUH OR Adult/PediatricGlide-Scopes
- HUH OR Steris Surgical Tables
- HUH Neptune 3 System
- DMC HUH OR Insufflators
- HUH Bilimeters Hutzal Neonatal
- APLIO 1700 US Imaging SystemBED WARMERS
- BLADDER SCAN
- Bundle IPCSystem
- CARTS
- CATH LAB CAMERA & CABLING
- CHAIRS
- CRIBS

## Harner University Hosnital

- DIETARY DELIVERY CARTS
- Digital Directory
- DOSE CLAIBRATOR
- DRX Revolution Xray Sys Mobile
- ENDOSCOPIC TOWER
- Envirco Hospi-gardisoclean
- EYE WASH SYSTEM
- FREEZERS & COOLERS
- GAS FLOW ANALYZER
- GS AVL Video baton
- ICU BED
- INF SEC CLEANSHIELD CABINETUL
- IntelliguideSystem
- INTERCOM
- KITCHEN EQUIPMENT (FROM SODEXO)
- MODULAR COOLER HEATER
- MONITORS
- MOTOROLA CONTROL STATION
- NEXSEAL CARRIER
- PANIC BUTTONS
- PhototherapySystem
- PILLOW SPEAKERS
- PORTABLE HEAT DISINFECT UNITS
- Portable Roll Stands
- SANI-WIPE DISPENSERS
- SCOPES
- STRECHERS

## Harner University Hosnital

- SURFACE PRO TABLET
- SURGICAL EQUIPMENT
- TABLES
- TEG 6S ThromblastSystem
- Thyroid UptakeSystem
- TransportIncubator
- ULTRASOUND SYSTEM
- Video Fluoroscopy Chair
- WATER JETTER
- WAVELINQRF GENERATOR W ARMBRD
- WHEELCHAIRS
- WORKSTATION
- XRAY ACCESSORIES
- MISC FURNITURE
- ARROW PHONE SYSTEM
- MAKO ROBOTIC EQUIPMWNT
- CARDIAC CATH SPACELABS EQUIPMENT
- SKYTRON ANESTHESIA BOOM
- HPE 3PAR 8000 STORAGE
- HP BL460C SERVER
- INTEG LIGHTS OUT
- VARIOUS CISCO HARDWARE
- VARIOUS CISCO HARDWARE
- WLAN UPGRADE
- Install Wirelss Access Pts 172
- Install Wireless Access Points
- CENTREX MIGRATION CABLING



## Huron Valley-Sinai Hospital

- VSH CPD Renovation
- HVSH ALCM Canon Ultrasounds - CapLease
- Perinatology Ultrasound
- CT - Equip & Construction
- Da Vinci Dual Console - Cap Lease
- OR Tables
- C-Mount Hip AR Scope
- Hip Arthroscope Case
- DaVinci Intuitive 8mm Cannulas
- ICP Express
- WelchAllyn Dinemap
- Treadmill
- Controller Boiler Sensor
- Apple I-Pads
- Bariatric Laparoscopic Set
- GE Mac Lab Interface
- Arrhythmia Simulator Box & Veni/Inject Demo
- ECG Machine
- Affinity 4 Birthing Bed
- e-Bridge & WorkFLOW
- Refrigerator
- Single Use Bronchoscope
- Borescope Inspection Unit
- Nanosonic Trophon EPR
- Biopsy
- Uplift Surgery
- Anesthesia Block Cart
- Bilirubin Lights
- Grasper

## Rehabilitation Institute of Michigan

- IM Pain Mgmt Expansion FluoroSte
- IM Cerner Upgrade Project
- XOS Ultimate Soccer
- Nurse Call System
- Omnicell Pyxis Unit
- Telerehab Monitoring System
- VIA Window Server Licenses-24
- Wireless Alarm Pool System
- Tourniquet Instrument
- Wireless Hand Rehab System
- Security Network Video System
- Pool Heater
- Standing Glider
- Shower Commode Chairs
- EMG System
- Ice maker
- All Others

## Sinai-Grace Hospital

- Behavioral Health Mitigate
- Berry/Lasher A&E
- Air Compressor
- ALCM - Telemetry
- BiPap Equipment
- Nurse Call System
- Alaris Pumps
- Heart & Lung
- Morgue Equipment
- Security System
- ALCM Nuclear Medicine
- B67517330/SGH LINAC CT Project
- B40117817/SGH C&D Pharmacy Upgrade-Equipment
- EEG Equipment
- Asset Life Cycle Management -CT
- Berry-ASC
- Handle with Mini Quick Coupling Equipment
- Wingback Recliner Chairs
- Radiology Staff Terminal Additions
- Installation
- LCD TV's
- Computer Hardware
- Vortex Breaker
- Jackson Scissors
- Integra Lifesciences Equipment

## Sinai-Grace Hospital

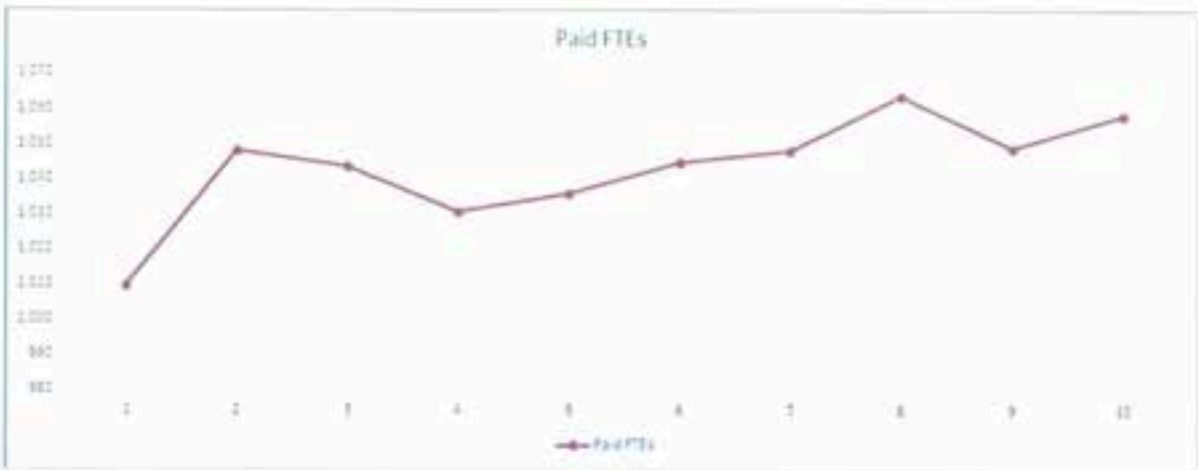
- Stryker Equipment
- Stentofon Intercom System
- Xhibit Central Station
- Bilisoft System
- Instrument Table
- Computer Hardware
- Computer Hardware
- Bladder Scan
- Instrument Table
- ICart
- Electric Flatbed
- Computer Hardware
- Surgical Instruments
- Wire Driver
- Hinge Door
- Sprinkler Fitter
- Laryngoscope Holder
- Elite Hysteroscope Plus
- Magistripe Readers
- Endoscopes
- Cabinet Pass Thru
- Fire Notifier Equipment
- Surgical Instruments
- Surgical Retractor
- Truclear Handpiece
- Bariatric Scale

## Sinai-Grace Hospital

- Powered Wheeled Stand
- Narcotics Cabinet
- Tray Top Rail
- Ardmore Clinic labor, material, equipment
- Portable Fiber Rhinolaryngoscope
- 28 Modules
- Ultrasound Probe
- Analyzer
- Shelving
- Soundcom Equipment
- Equipment
- Computer Hardware
- MAC 5500 HD
- LED Headlight
- Soundcom Equipment
- Tono Pen XL w/ Starter Pack
- Camera Room Construction
- Cerner Professional Services
- CT Scanner Professional Services
- CT Scanner Professional Services

# **EXHIBIT D**

## **Commitment to Educational Mission**



GME FTEs (only residents and fellows are reported under this entity).



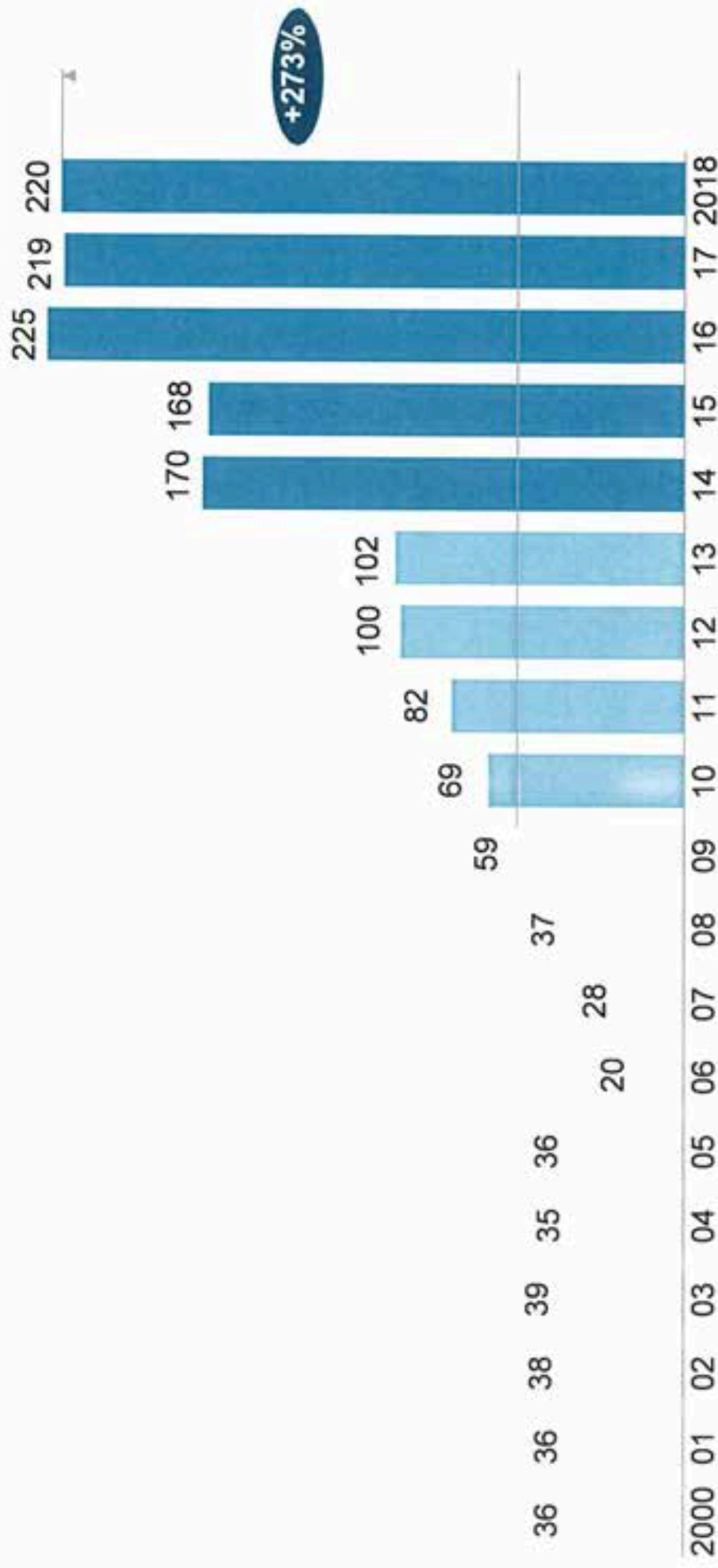
# **EXHIBIT E**

## **Commitment to Research Mission**

# Research publications affiliated with the DMC have increased significantly since 2010

Legacy DMC  
Vanguard  
Tenet

Publications per PubMed search, 2000-2018 (as of June '19)<sup>1</sup>

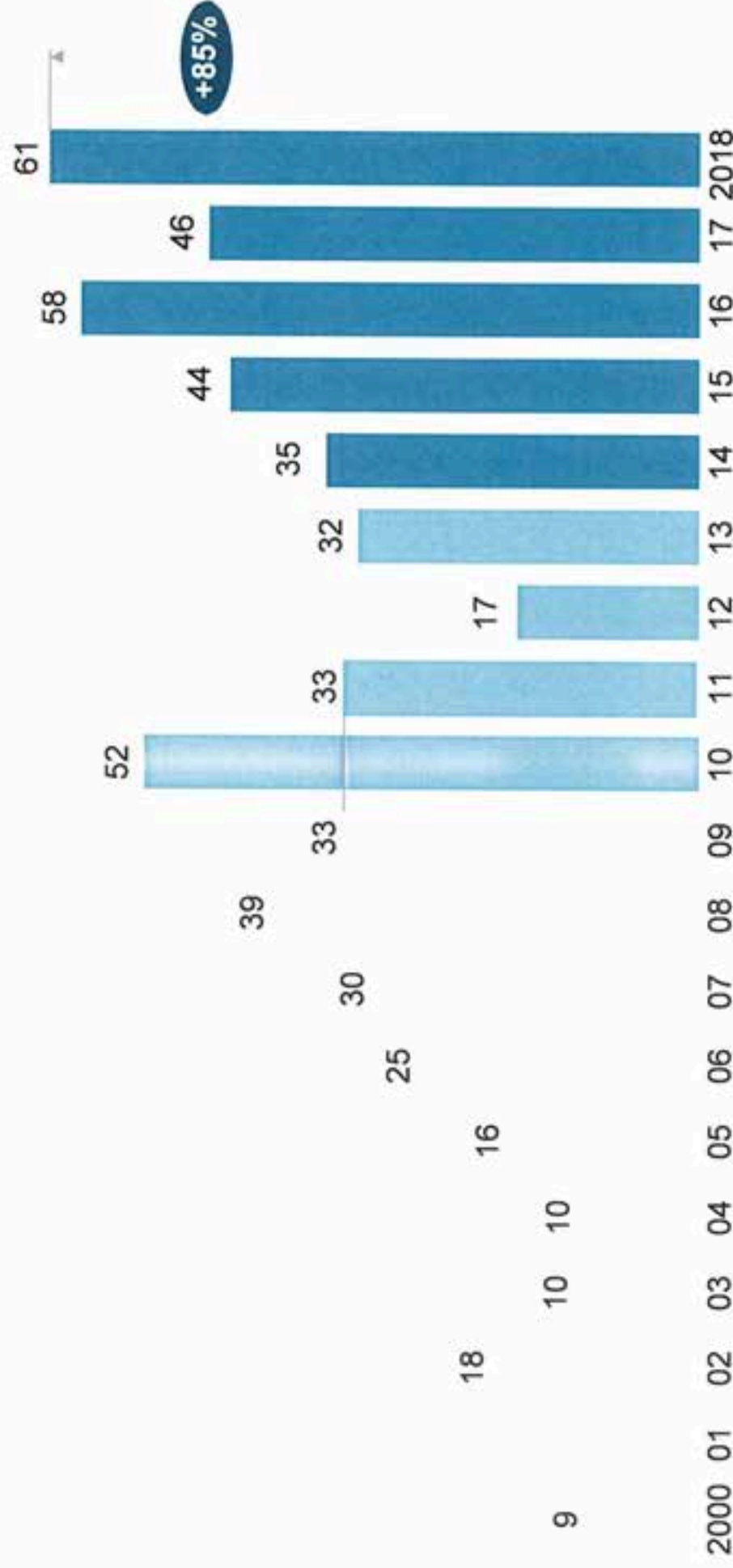


<sup>1</sup> Based on PubMed criteria "Detroit Medical Center [Affiliation]"

# Key programs, such as the Perinatology Research Breach (PRB), have seen similar publication trends

Legacy DMC  
Vanguard  
Tenet

Publications for PRB per PubMed search, 2000-2018 (as of June '19)<sup>1</sup>



<sup>1</sup> Based on PubMed criteria: "Perinatology Research Branch [Affiliation]."

# **EXHIBIT F**

## **Health, Wellness & Insurance Initiatives**



# DMC Health Insurance Operation

## *What We Achieved - 2019*

### Campaign Summary

	2015	2016	2017	2018	2019
Total	25,272	20,873	18,974	23,247	21,443
Conifer On-Site Enrollments	17,244	17,866	18,782	23,054	21,272
Church Enrollments	1,548	0	0	0	25
In-Hospital Enrollments	1,072	261	192	167	140
Retail/Franchise Enrollments	897	48	0	0	0
Community Enrollments	3,812	1,960	0	0	6
Ambassador Enrollments	698	738	0	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, 2017 thru December 31, 2017  
2019 analysis based on January 1, 2018 thru December 31, 2018

# DMC Health Insurance Operation

## *What We Achieved - 2019*

### 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	2019
Total Enrolled	17,234	17,866	18,782	23,247	21,443
Children's Hospital of Michigan	2,707	2,880	2,277	1,698	1,782
Detroit Receiving Hospital	3,657	3,733	4,170	5,890	5,767
Harper University Hospital	5,659	5,547	6,097	6,095	6,094
Huron Valley-Sinai Hospital	792	1,040	1,130	1,223	1,144
Rehab Institute of Michigan	55	88	200	310	435
Sinai Grace Hospital	4,364	4,578	4,908	6,051	6,221

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, 2017 thru December 31, 2017  
 2019 analysis based on January 1, 2018 thru December 31, 2018