Mike Cox
Attorney General

Report on the Proposed Sale of the Detroit Medical Center Hospital Businesses to Vanguard Health Systems, Inc.
November 13, 2010

EXHIBITS

Exhibit 1

Amendment No. 2 to Purchase and Sale Agreement

AMENDMENT NO. 2 TO PURCHASE AND SALE AGREEMENT

This Amendment No. 2 to Purchase and Sale Agreement (the "Amendment") is made and entered into as of November __, 2010 by and between **THE DETROIT MEDICAL CENTER**, a Michigan nonprofit corporation ("DMC") and **VANGUARD HEALTH SYSTEMS, INC.**, a Delaware corporation ("Vanguard").

RECITALS

A. DMC, Vanguard and certain Affiliates of each of DMC and Vanguard have entered into that certain Purchase and Sale Agreement dated as of June 10, 2010, as amended by that certain Amendment No. 1 to Purchase and Sale Agreement dated October __, 2010 (collectively, the "Agreement") pursuant to which Buyer has agreed to acquire from Seller the Assets, and to assume from Seller the Assumed Liabilities.

B. Sections 16.17 and 16.22 of the Agreement grant DMC and Vanguard the authority to amend the Agreement on behalf of the other applicable Parties thereto.

C. Seller and Buyer desire to amend the Agreement to address certain matters that have arisen since the Effective Date of the Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Amendment, and for their mutual reliance, the parties hereto agree as follows:

1. Defined Terms. Except to the extent it is specifically indicated to the contrary in this Amendment, defined terms used in this Amendment shall have the same meanings as in the Agreement.

Development Agreement: Agreement between the Michigan Strategic Fund, ("MSF"), a Michigan public body corporate and politic, DMC, and VHS of Michigan, memorializing MSF's approval of the Midtown Hospital Campus Subzone designation as a Renaissance subzone and the mutual covenants between the parties therein.

2. Non-Competition. Schedule 11.2 is hereby deleted in its entirety, and Section 11.2(b)(i) of the Agreement is hereby deleted in its entirety and shall read in its entirety as follows:

> "(i) Seller, or any successor to Seller, shall be permitted at any time and from time to time to make grants and contributions to fund any health care related activity;"

3. Change of Corporate Names. Section 11.3 of the Agreement is hereby deleted in its entirety and shall read in its entirety as follows:

"11.3 **Change of Corporate Names**. Promptly after Closing, Seller shall change its corporate and other legal entity names to names not including "DMC," "The Detroit Medical Center," the commonly known names of any of the Hospitals or any of the Hospital Businesses, or any variation of the foregoing; provided that DMC may change its name to "The Detroit Medical Center Foundation," "DMC Foundation" or another name substantially similar thereto. Buyer understands and acknowledges that a tax-exempt organization that is not an Affiliate of Seller currently uses the name "Children's Hospital of Michigan Foundation" and will continue to use such name after Closing. Buyer further understands and acknowledges that to facilitate the seamless transfer of charitable donations intended for pre-Closing Seller hospitals to DMC, shell charitable corporations will continue to exist in name only; provided, however, to the extent any shell charitable corporation's use of a name would prohibit Buyer's use of a name which is among the Assets, the shell charitable corporation will be required to change its name promptly after Buyer provides written notice to Seller thereof."

4. Renaissance Subzone. A new Section 11.5 of the Agreement is hereby added to the Agreement as follows:

"11.5 Renaissance Subzone. 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."

5. Renaissance Subzone. A new Section 12.19 of the Agreement is hereby added to the Agreement as follows:

"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."

6. Indigent and Low Income Care. Section 12.2 of the Agreement is hereby deleted in its entirety and shall read in its entirety as follows:

"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."

7. Annual Reporting Requirements. Section 12.17 of the Agreement is hereby deleted in its entirety and shall read in its entirety as follows:

"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.

8. Third Party Beneficiary. The following sentences are hereby added to the end of Section 16.11 of the Agreement:

"Notwithstanding any provision to the contrary contained in this Agreement, the Attorney General shall be a third party beneficiary of, and shall have the right to enforce, the provisions contained in Sections 11.5 (Renaissance Zone), 12.2 (Indigent and Low Income Care), 12.3 (Commitments to Maintain the Hospitals and Provide Core Services), 12.4 (Capital Expenditures), 12.5 (Warrants), 12.7 (No Sale of Hospitals), 12.14 (Detroit Based Systems), 12.15 (National Support Centers), 12.17 (Annual Reporting Requirements), 16.11 (Third Party Beneficiary) and 16.17 (Entire

Agreement; Amendment) of this Agreement (collectively, the "AG Enforceable Agreements"), in each case in accordance with the terms and conditions of this Agreement. In the event Buyer or Vanguard, as applicable, fails to abide by the terms and conditions of Sections 12.2, 12.3, 12.4, 12.7, 12.14, 12.15 or 12.17 of this Agreement, Buyer or Vanguard defaults on its capital expenditure commitment, or any Party to this Agreement fails to abide by the terms and conditions of Section 16.17, the Attorney General shall be entitled to pursue all available remedies as a third-party beneficiary under generally-applicable law, except that, notwithstanding any provision to the contrary contained in this agreement, any action brought by the Attorney General to enforce any of the AG Enforceable Provisions must allege in good faith either: 1) that the DMC Board of Trustees, in determining not to pursue enforcement remedies for breach of any of the AG Enforceable Provisions, has violated its applicable fiduciary obligations; or 2) that Buyer or Vanguard has violated in any material respect one of the AG Enforceable Provisions and DMC has failed to pursue curative action within a reasonable period of time after the violation was, or should have been, identified by DMC. Nothing in the preceding sentence shall limit the right or ability of the Attorney General's Office to exercise its authority under Michigan law and the Parties shall not take a position that the Attorney General's authority is so limited."

9. Entire Agreement; Amendment. The following sentences are hereby added to the end of Section 16.17 of the Agreement:

"Notwithstanding any provision to the contrary contained in this Agreement, in no event shall the terms of (a) this Agreement be amended in any material manner on or prior to the Closing without obtaining the prior written consent of the Attorney General, which shall not be unreasonably withheld and (b) Sections 12.2, 12.3, 12.4, 12.5, 12.7, 12.14, 12.15, 12.17, 16.11 or 16.17 of this Agreement be amended in any material manner after the Closing without obtaining the prior written consent of the Attorney General, which shall not be unreasonably withheld.

In no event shall the immediately preceding sentence prohibit Seller, Buyer or Vanguard from waiving the performance of the terms of this Agreement by any other Party hereto, except as may otherwise be specifically set forth in a written agreement among Seller, Buyer, Vanguard and the Attorney General.

Any amendment requiring the prior written consent of the Attorney General will be provided to the Attorney General not less than 48 hours prior to execution by the Parties (or such shorter period as is acceptable to the Attorney General in his sole discretion), and a complete, current version of the Purchase and Sale Agreement will be provided to the Attorney General not less than 48 hours prior to Closing."

10. Effect on Agreement; General Provisions. Except as set forth in this Amendment, the terms and provisions of the Agreement are hereby ratified and declared to be in full force and effect. This Amendment shall become effective upon its execution, which may occur in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Captions and paragraph headings are used herein for convenience only, are not a part of this Amendment or the Agreement as amended by this Amendment and shall not be used in construing either document. Other than the reference to the Agreement contained in the first recital of this Amendment, each reference to the Agreement and any agreement contemplated thereby or executed in connection therewith, whether or not accompanied by reference to this Amendment, shall be deemed a reference to the Agreement as amended by this Amendment.

[REMAINDER OF PAGE IS BLANK]

IN WITNESS THEREOF, DMC and Vanguard have caused this Amendment to be executed in multiple originals by their duly authorized officers as of the date set forth above.

DMC:	**VANGUARD:**
THE DETROIT MEDICAL CENTER	**VANGUARD HEALTH SYSTEMS, INC.**
By: _____	By: _____
Stephen R. D'Arcy, Chair of the Board of Trustees	Keith B. Pitts Vice Chairman

Exhibit 2

Enforcement Agreement
between the Attorney General, DMC, Legacy DMC, Buyer, and Vanguard

ENFORCEMENT AGREEMENT AMONG
THE DEPARTMENT OF ATTORNEY GENERAL,
THE DETROIT MEDICAL CENTER, VHS OF MICHIGAN, INC.
AND VANGUARD HEALTH SYSTEMS, INC.

The Michigan Department of Attorney General ("Attorney General"), The Detroit Medical Center ("DMC", pre-Closing or "Legacy DMC," post-Closing), VHS of Michigan, Inc. ("Buyer") and Vanguard Health Systems, Inc. ("Vanguard"), as Guarantor of Buyer's performance, agree as follows:

RECITALS

DMC, certain Affiliates of DMC, Buyer, certain Affiliates of Buyer, and Vanguard are parties to a Purchase and Sale Agreement pursuant to which DMC is selling substantially all assets used in the operation of its health care system to Buyer and certain of its Affiliates.

The Purchase and Sale Agreement requires the Attorney General to approve or not object to the transaction. In the course of his review, the Attorney General has identified certain commitments of Buyer that are of importance to the public and require special protection.

The Attorney General therefore requires the Parties to acknowledge the Attorney General's right to enforce certain provisions of the Purchase and Sale Agreement as a third-party beneficiary.

For consideration, the receipt and sufficiency of which is acknowledged, the parties enter into this contract.

TERMS

1. Defined Terms

All capitalized terms used in this contract and not otherwise defined herein shall have the meanings as defined in the Purchase and Sale Agreement.

AG Enforceable Provisions: Sections 12.2 (Indigent and Low Income Care), 12.3 (Commitments to Maintain the Hospitals and Provide Core Services), 12.4 (Capital Expenditures), 12.5 (Warrants), 12.7 (No Sale of Hospitals), 12.14 (Detroit Based Systems), 12.15 (National Support Centers), 12.17 (Annual Reporting Requirements), 16.11 (Third Party Beneficiary) and 16.17 (Entire Agreement; Amendment) of the Purchase and Sale Agreement.

DMC: The Detroit Medical Center, a Michigan non-profit corporation, as it exists prior to Closing.

Legacy DMC: While the precise name of this entity has not yet been finalized, this term refers to the continuation of DMC as a charitable entity after Closing. Legacy DMC and

its successors and assigns will have primary responsibility for monitoring Buyer's compliance with the covenants in Article 12 of the Purchase and Sale Agreement. Legacy DMC is designated to hold the Excluded Assets and Excluded Liabilities and is responsible for preserving and protecting DMC charitable assets.

Purchase and Sale Agreement: Purchase and Sale Agreement dated June 10, 2010, as amended, between DMC and certain of its Affiliates as Seller, Buyer and certain of its Affiliates as Buyer, and Vanguard Health Systems, Inc., a Delaware corporation, as Guarantor.

2. Attorney General as Third-Party Beneficiary

Notwithstanding any provision to the contrary contained in the Purchase and Sale Agreement, the parties agree:

a. The Attorney General has standing as an intended third-party beneficiary of the AG Enforceable Provisions, with express authority to independently enforce the AG Enforceable Provisions, in accordance with the applicable terms and conditions of the Purchase and Sale Agreement;

b. Not to contest the Attorney General's authority or standing to initiate an appropriate action in any state court of competent jurisdiction to enforce any of the AG Enforceable Provisions;

c. Procedural terms of the Purchase and Sale Agreement, including but not limited to the Alternative Dispute Resolution process detailed in Article 15, do not apply to the Attorney General's exercise of his rights as third-party beneficiary. The procedure governing an action by the Attorney General as third-party beneficiary shall be governed by generally-applicable laws and court rules; and

d. Any action brought by the Attorney General to enforce any of the AG Enforceable Provisions must allege in good faith either: 1) that the Legacy DMC Board of Trustees, in determining not to pursue enforcement remedies for breach of any of the AG Enforceable Provisions, has violated its applicable fiduciary obligations; or 2) that Buyer or Vanguard has violated in any material respect one of the AG Enforceable Provisions and Legacy DMC has failed to pursue curative action within a reasonable period of time after the violation was, or should have been, identified by Legacy DMC.

3. Attorney General Written Consent Required to Materially Amend Purchase and Sale Agreement

Notwithstanding any provision to the contrary contained in the Purchase and Sale Agreement, the parties agree that in no event shall the terms of:

a. the Purchase and Sale Agreement be amended in any material manner on or prior to the Closing without obtaining the prior written consent of the Attorney General, which shall not be unreasonably withheld; and

b. any of the AG Enforceable Provisions be amended in any material manner after the Closing without obtaining the prior written consent of the Attorney General, which shall not be unreasonably withheld.

DMC and Buyer shall provide the Attorney General with a copy of each amendment of the Purchase and Sale Agreement not described in paragraph a or b above promptly after the execution of such amendment. Any amendment requiring the prior written consent of the Attorney General will be provided to the Attorney General not less than 48 hours prior to its execution by the parties thereto (or such shorter period as is acceptable to the Attorney General in his sole discretion), and a complete, current version of the Purchase and Sale Agreement shall be provided not less than 48 hours prior to Closing.

4. Remedies

DMC, Legacy DMC, Buyer and Vanguard recognize that monetary damages will be inadequate for breach of the obligations contained in this contract. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court of competent jurisdiction may deem appropriate for breach of the obligations contained in this contract, without the requirement to post any bond in connection therewith.

5. Severability

If any provision of this contract is held or determined to be illegal, invalid, or unenforceable and if the rights or obligations of any party under this contract will not be materially and adversely affected thereby: (a) such provisions will be fully severable; (b) this contract will be construed and enforced as if such illegal, invalid, or unenforceable provision has never comprised part of this contract; (c) the remaining provisions of this contract will remain in full force and effect and will not be affected by the severance of the illegal, invalid, or unenforceable provision; and (d) in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as part of this contract a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.

6. Amendment

This contract may be amended only by a writing executed by each of the parties.

7. Waiver

Any waiver by any party of any breach by another party of this contract shall not be deemed to be waiver against a different party or waiver of any subsequent or continuing breach of this contract.

8. Execution

This contract may be executed in any number of counterparts, all of which taken together constitute one contract, and any of the parties may execute this Agreement by signing any one counterpart.

9. Governing Law and Jurisdiction

This contract shall be subject to, applied, and interpreted according to the laws of the State of Michigan. No action shall be commenced against the Department of Attorney General or the Attorney General, his designee, agents or employees, or against any other party to this contract for any matter whatsoever arising out of the contract, in any courts other than a court of competent jurisdiction of the State of Michigan. In addition to each party consenting to the jurisdiction of Michigan courts, each party waives any objection to venue laid therein and any defense or inconvenient forum regarding the maintenance of any action or proceeding so brought.

10. Entire Agreement

This contract, together with other contracts relating to the Purchase and Sale Agreement to which the Attorney General is a party, represent the entire agreement among the parties and supersede all proposals or other prior agreements, oral or written, and all other communications among the parties relating to the matters described herein.

11. No Effect on Authority of Attorney General or Court Jurisdiction.

The Attorney General's rights and privileges provided in this contract are in addition to the Attorney General's existing powers and authority. Nothing in this contract shall be construed to impair or restrict the authority of the Attorney General or the jurisdiction of any court with respect to any matter.

[REMAINDER OF PAGE IS BLANK]

12. <u>Authority to Bind Principal</u>

Each individual who signs this contract covenants that he has power to bind the principal.

Dated: _____ _____
Michael E. Duggan, DMC Chief Executive Officer and as Authorized Representative for each Seller party to the Purchase and Sale Agreement

Dated: _____ _____
Keith B. Pitts, Vanguard Health Systems, Inc. Vice Chairman and as Executive Vice President for VHS of Michigan, Inc. and each other Buyer party to the Purchase and Sale Agreement

Dated: _____ _____
Stephen R. D'Arcy, DMC Chair of the Board of Trustees

Dated: _____ _____
Michael A. Cox, Attorney General

Exhibit 3

Monitoring and Compliance Agreement between the Attorney General, DMC, Legacy DMC, Buyer, and Vanguard

MONITORING AND COMPLIANCE AGREEMENT AMONG THE DEPARTMENT OF ATTORNEY GENERAL, THE DETROIT MEDICAL CENTER, VHS OF MICHIGAN, INC. AND VANGUARD HEALTH SYSTEMS, INC.

The Michigan Department of Attorney General ("Attorney General"), The Detroit Medical Center ("DMC," pre-Closing or "Legacy DMC," post-Closing), VHS of Michigan, Inc. ("Buyer") and Vanguard Health Systems, Inc. ("Vanguard"), as Guarantor of Buyer's performance, agree as follows:

RECITALS

DMC, certain Affiliates of DMC, Buyer, certain Affiliates of Buyer, and Vanguard are parties to a Purchase and Sale Agreement pursuant to which DMC is selling substantially all assets used in the operation of its health care system to Buyer and certain of its Affiliates.

The Purchase and Sale Agreement requires the Attorney General to approve or not object to the transaction. In the course of his review, the Attorney General has identified certain commitments of Buyer that are of importance to the public and require special protection.

The Attorney General finds that Legacy DMC must have the appropriate and necessary resources to monitor, evaluate, and, if necessary, enforce Buyer's compliance with certain Post-Closing Covenants for a period of not less than ten years.

For consideration, the receipt and sufficiency of which is acknowledged, the parties enter into this contract.

TERMS

1. Defined Terms

All capitalized terms used in this contract and not otherwise defined herein shall have the meanings as defined in the Purchase and Sale Agreement.

Complaint: Any complaint brought by a third party not affiliated with DMC or Legacy DMC that alleges that Buyer or any Affiliate of Buyer has failed to comply with the terms and conditions of any Post-Closing Covenant.

DMC: The Detroit Medical Center, a Michigan non-profit corporation, as it exists prior to Closing.

Key Employee: An employee other than an officer, director, or trustee, who serves at the level of Senior Vice President or above. A list of Key Employees is attached to this contract as Exhibit 1.

Legacy DMC: While the precise name of this entity has not yet been finalized, this term refers to the continuation of DMC as a charitable entity after Closing. Legacy DMC and its successors and assigns will have primary responsibility for monitoring Buyer's compliance with the covenants in Article 12 of the Purchase and Sale Agreement. Legacy DMC is designated to hold the Excluded Assets and Excluded Liabilities and is responsible for preserving and protecting DMC charitable assets.

Post-Closing Covenants: Sections 12.2 (Indigent and Low Income Care), 12.3 (Commitments to Maintain the Hospitals and Provide Core Services), 12.4 (Capital Expenditures), 12.7 (No Sale of Hospitals), 12.14 (Detroit Based Systems), 12.15 (National Support Centers) and 12.17 (Annual Reporting Requirements) of the Purchase and Sale Agreement.

Purchase and Sale Agreement: Purchase and Sale Agreement dated June 10, 2010, as amended, between DMC and certain of its Affiliates as Seller, Buyer. and certain of its Affiliates as Buyer, and Vanguard, as Guarantor.

2. Update to Ensure No Conflict of Interest

A. Within 10 business days before Closing, all members of DMC's Board of Trustees, officers, and other Key Employees will complete and execute standard DMC conflict of interest statements covering all times up through the date of execution. DMC shall provide those statements to the Attorney General within 5 business days before Closing.

B. Within 5 business days before Closing, Buyer and DMC senior management and Key Employees must do the following:

   i. Attest in writing that no member of DMC's Board of Trustees, officers, and other Key Employees will receive any increase in salary, incentive payment or bonus, or other form of compensation from Buyer or any of its Affiliates in return for negotiating, supporting, or entering into the Purchase and Sale Agreement or any related agreement, promise or offer; and

   ii. Agree in writing that any incentive compensation, increase in salary, bonus or other form of compensation Buyer and its Affiliates may award after Closing to members of DMC's senior management or Key Employees, or that such persons may accept, will reward individuals solely on the basis of post-Closing performance.

   Notwithstanding other provisions of this section, Buyer shall be permitted to make incentive payments in accordance with DMC's 2010 incentive compensation plan.

C. Within 90 days after Closing, persons, and Parties employing persons, who served pre-Closing as DMC Trustees, officers, or other Key Employees, shall be responsible for providing written disclosures to the Attorney General of all agreements with Buyer or any of its Affiliates regarding future employment or other compensation that are not disclosed in the Purchase and Sale Agreement. If such agreements have not

been completed within 90 days after Closing, then disclosure must be provided within 10 business days after the agreement is completed.

3. **Legacy DMC Monitoring Responsibilities**

A. Legacy DMC shall diligently monitor compliance by Buyer with the Post-Closing Covenants.

B. In order to carry out its monitoring obligation, Legacy DMC will receive information prepared by Buyer in the ordinary course of business as follows:

i. Buyer will provide copies of reports to governmental agencies and other periodic reports to Legacy DMC, as specifically set forth in Schedule 12.17(c) of the Purchase and Sale Agreement. The list of reports is attached as Exhibit 2 to this contract;

ii. Buyer shall promptly provide Legacy DMC with such additional information prepared by Buyer in the ordinary course of business that DMC reasonably requests;

iii. If requested by Buyer, Legacy DMC shall keep confidential information that is proprietary or commercially sensitive to Buyer or any of its Affiliates, but only in accordance with the terms of a written confidentiality agreement between Legacy DMC and Buyer.

C. Legacy DMC shall establish public Complaint-intake procedures at no or minimal cost. Such procedures shall include a telephone hotline and a permanent email address. Legacy DMC shall review, follow-up, and, if appropriate, investigate every Complaint filed with Legacy DMC.

D. Legacy DMC staff will report monthly to the Legacy DMC Board regarding Buyer's compliance with the Post-Closing Covenants.

E. Legacy DMC staff will produce written reports at least annually for use by the Legacy DMC Board in evaluating Buyer's compliance with the Post-Closing Covenants. Such reports shall include summaries of Complaints filed with Legacy DMC and the current status of such Complaints.

i. Subject to the terms and conditions of the confidentiality agreement described in paragraph B(iii) above, such written reports shall be made available to the public through the Legacy DMC's website within 30 days after approval by the Legacy DMC Board;

ii. The first written report shall be brought to the Legacy DMC Board no later than 180 days after Closing, and then annually, with a total of at least 10 annual reports. The reports shall be published to the public no later

than the 15th day of the fourth month following the close of the year reported on.

4. Legacy DMC Corporate Structure

A. The Articles of Incorporation and Bylaws of Legacy DMC shall be revised as necessary and submitted for approval to the Attorney General promptly and before Closing, to remain consistent with this contract.

B. Legacy DMC shall adopt an appropriate conflict of interest policy.

C. Before Closing, the Attorney General must review and approve any changes to the Articles of Incorporation and Bylaws of Legacy DMC. Legacy DMC agrees to make changes to the Articles of Incorporation and the Bylaws in accordance with its obligations under this contract and its new purposes, including but not limited to oversight, monitoring, and enforcement of the Post-Closing Covenants.

D. For 10 years after Closing, the Attorney General must approve all changes in Legacy DMC's Articles of Incorporation or Bylaws. Approval will be deemed to have been given if the Attorney General does not object to the proposed change within 45 days after receiving notice of the proposed change.

E. The Legacy DMC Board of Trustees will be composed at all times of at least 11 and not more than 20 Trustees. The terms of the initial board members will begin immediately following Closing and expire on December 31, 2016, except as appointed in (i) below.

   i. The City of Detroit Mayor, Wayne County Executive, and Attorney General may each appoint one member (collectively "Designees"), whose terms shall begin immediately following Closing and continue until such time as they may be replaced by the sitting City of Detroit Mayor, Wayne County Executive, or Attorney General (as applicable). In the event of a vacancy in any Designee position, the vacancy shall not be filled except by appointment of the sitting City of Detroit Mayor, Wayne County Executive, or Attorney General (as applicable);

   ii. The Legacy DMC Board shall appoint the remaining Trustees who are not Designees ("Other Trustees") from nominees selected by the Nominating Committee. In choosing nominees, the Nominating Committee shall focus on 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 the Legacy DMC. At least one of the members of the Board's Nominating Committee will have hospital administration, charity care advocacy, or public health experience; and

iii. For terms beginning on or after January 1, 2017, the Board shall appoint approximately one-third of the Other Trustees for a one-year term, approximately one-third of the Other Trustees for a two-year term, and approximately one-third of the Other Trustees for a three-year term. Thereafter, Other Trustees shall be elected for a three-year term, so as to maintain a staggered term arrangement. Other Trustees shall hold office until the later of the expiration of their terms or until successors have been duly appointed by the Board. In selecting Other Trustees, the Board shall apply the criteria set forth in subsection (ii) above.

F. The President and Chair of the Legacy DMC Board will oversee Vanguard's capital expenditure commitments and hospital care oversight (for example, compliance with charity care and core services requirements).

G. DMC is currently registered as a charitable trust under the Supervision of Trustees for Charitable Purposes Act and licensed to solicit contributions under the Charitable Organizations and Solicitations Act with the Attorney General's Charitable Trust Section. After the Closing, Legacy DMC shall continuously comply with all charitable trust registration requirements. If Legacy DMC intends to solicit contributions, it shall also timely renew and maintain its solicitation license.

H. Legacy DMC representation on other boards.

i. As provided in the Purchase and Sale Agreement or other agreement, Legacy DMC may nominate representatives to serve on the VHS of Michigan Advisory Board, each of the Hospital Advisory Boards, and on Vanguard's corporate board.

ii. Any members of Legacy DMC's Board of Trustees serving on other such boards shall agree to recuse themselves in the event of a conflict between the interest of Legacy DMC and such other entities.

iii. A Legacy DMC representative may, while serving on such board, receive reasonable reimbursement for expenses, including a reasonable per diem allowance, but shall not accept compensation for services, stock options, or other remuneration from any Affiliate of Buyer or Vanguard while acting as a representative of Legacy DMC, unless any such compensation is donated to a Michigan charity selected by Legacy DMC.

5. Notice

All written notices to the Attorney General required under this contract must be addressed to:

Overnight:

Attorney General
525 W. Ottawa – 7th Floor
Lansing, MI 48933

and

Consumer Protection Division
Attn: Division Chief – Time Sensitive
525 W. Ottawa, -- 1st Floor
Lansing, MI 48933

OR

US Mail:

Attorney General
P.O. Box 30212
Lansing, MI 48909

and

Consumer Protection Division
Attn: Division Chief– Time Sensitive
P.O. Box 30213
Lansing, MI 48909

6. **Remedies**

DMC, Legacy DMC, Buyer and Vanguard recognize that monetary damages will be inadequate for breach of the obligations contained in this contract. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court of competent jurisdiction may deem appropriate for breach of the obligations contained in this contract, without the requirement to post any bond in connection therewith.

7. **Severability**

If any provision of this contract is held or determined to be illegal, invalid, or unenforceable and if the rights or obligations of any party under this contract will not be materially and adversely affected thereby; (a) such provisions will be fully severable; (b) this contract will be construed and enforced as if such illegal, invalid, or unenforceable provision has never comprised part of this contract; (c) the remaining provisions of this contract will remain in full force and effect and will not be affected by the severance of the illegal, invalid, or unenforceable provision; and (d) in lieu of such illegal, invalid, or

unenforceable provision, there will be added automatically as part of this contract a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.

8. Amendment

This contract may be amended only by a writing executed by each of the parties.

9. Waiver

Any waiver by any party of any breach by another party shall not be deemed to be waiver against a different party or waiver of any subsequent or continuing breach.

10. Execution

This contract may be executed in any number of counterparts, all of which taken together constitute one contract, and any of the parties may execute this contract by signing any one counterpart.

11. Governing Law and Jurisdiction

This contract shall be subject to, applied, and interpreted according to the laws of the State of Michigan. No action shall be commenced against the Department of Attorney General or the Attorney General, his designee, agents or employees, or against any other party to this contract for any matter whatsoever arising out of the contract, in any courts other than a court of competent jurisdiction of the State of Michigan. In addition to each party consenting to the jurisdiction of Michigan courts, each party waives any objection to venue laid therein and any defense or inconvenient forum regarding the maintenance of any action or proceeding so brought.

12. Entire Agreement

This contract, together with other written contracts relating to the Purchase and Sale Agreement to which the Attorney General is a party, represent the entire agreement among the parties and supersede all proposals or other prior agreements, oral or written, and all other communications among the parties relating to the matters described herein.

13. No Effect on Authority of Attorney General or Court Jurisdiction.

The Attorney General's rights and privileges provided in this contract are in addition to the Attorney General's existing powers. Nothing in this contract shall be construed to impair or restrict the authority of the Attorney General or the jurisdiction of any court with respect to any matter.

14. <u>Authority to Bind Principal</u>

Each individual who signs this contract covenants that he has power to bind the principal.

Dated: _____ _____
Michael E. Duggan, DMC Chief Executive Officer and as Authorized Representative for each Seller party to the Purchase and Sale Agreement

Dated: _____ _____
Keith B. Pitts, Vanguard Health Systems, Inc. Vice Chairman and as Executive Vice President for VHS of Michigan, Inc. and each other Buyer party to the Purchase and Sale Agreement

Dated: _____ _____
Stephen R. D'Arcy, DMC Chair of the Board of Trustees

Dated: _____ _____
Michael A. Cox, Attorney General

EXHIBIT 1
TO
MONITORING AND COMPLIANCE AGREEMENT
LIST OF "KEY EMPLOYEES"

SVP & Above Employee List
10/25/10

Employee Full Name	Job Title
Gray, Herman B	DMC SVP/President CHM
Schreiber, Theodore L	DMC SVP/President CV Institute
Eadie, Reginald J	DMC SVP/President DRH
Malone, Thomas	DMC SVP/President HUH/HWH
Torossian, Lynn M	DMC SVP/President HVSH
Restum, William H	DMC SVP/President RIM
Mallett, Conrad	DMC SVP/President SGH
Lacusta, Michael P	DMC SVP/Pres Ortho & Spine Institute
Ryan, Timothy J	SVP Chief Business Dev Officer
Manardo, David C	SVP Chief Fac Eng/Cons Officer
Hunt, Deloris	SVP Chief Human Resources Officer
LeRoy, Michael R	SVP Chief Information Officer
Babitch, Leland	SVP Chief Medical Information Officer
Natale, Patricia E	SVP Chief Nursing Officer
Schreiber, Michelle B	SVP Chief Quality/Safety Offcr
Lockman, Stuart	SVP Chief Strategic Initiatives
Katz, David M	SVP Development
Pontes, Jose E	SVP International Svcs
Lee, Reginald	SVP Physician Dev/Recruitment
Rising, Jay B	EVP Chief Financial Officer
Taylor, Iris A	EVP Chief of Business Operns
Badr, Safwan	EVP Chief Medical Officer
Zuckerman, Mary L	EVP Chief Operating Officer
Grant, Steven D	EVP Physician Partnerships
Duggan, Michael E	President/CEO

Total SVPs	19
Total EVPs	5
President/CEO	1
Total Number of Employees:	**25**

EXHIBIT 2
TO
MONITORING AND COMPLIANCE AGREEMENT

LIST OF GOVERNMENT AND OTHER REPORTS TO BE FURNISHED BY VHS OF MICHIGAN TO LEGACY DMC PURSUANT TO SECTION 3 OF THE MONITORING AND COMPLIANCE AGREEMENT

1. Medicare Cost Report - CMS Form 2552-96 (Annual)

2. Medicaid Cost Report - Michigan Medicaid Filed Data Report (Annual)

3. Medicaid - MIP Quarterly Report

4. Medicare - Interim Rate Review (Annual)

5. Michigan Inpatient Database and Michigan Outpatient Database – MHA (Patient case level data for inpatient and outpatient surgery cases)

6. Annual MHA Community Benefits Survey - A listing of all programs and services that address identified community health-related needs.

7. Annual AHA Survey

8. Michigan Certificate of Need Annual Survey - Annual summary of all surgical, open heart, PET, CT, MRI, Litho, cardiac catheterization and MRT procedures plus licensed beds, and emergency department visits and admissions

9. PSO (Patient Safety Organization) events – MHA

10. NHSN - CDC Infectious disease data reported to CDC in a national data base)

11. HCAHPS – Patient satisfaction data

12. MHA Keystone - Surgery, ICU, Cath UTI, VAP, BSI, Hand hygiene, HAI - We participate in, and send data to, MHA via the Keystone initiatives. Data may include hand hygiene rates, catheter related blood stream infections, ventilator associated pneumonia, catheter associated urinary tract infections.

13. NDNQI - Falls, Pressure Ulcers, Nurse staffing (This is the national nursing data base which we send falls, pressure ulcers and others)

14. Readmissions - IHI, State of Michigan (Readmission data sent to MHA/MPRO as part of the IHI STAAR project)

15. CDAC - This is the CMS audit of our Core Measures submissions

16. Medpar data - finance data; state and feds

17. New Hires Report - Monthly – State

18. Job Openings and Labor Turnover Report – US Dept of Labor

Exhibit 4

Protection of Charitable Assets Agreement between the Attorney General and Legacy DMC

PROTECTION OF CHARITABLE ASSETS AGREEMENT BETWEEN THE DEPARTMENT OF ATTORNEY GENERAL AND THE DETROIT MEDICAL CENTER

The Michigan Department of Attorney General ("Attorney General") and The Detroit Medical Center ("DMC," pre-Closing or "Legacy DMC," post-Closing) agree as follows:

RECITALS

DMC, and Affiliates of DMC, ("Seller"), VHS of Michigan, Inc. and Affiliates of VHS of Michigan, ("Buyer"), and Vanguard Health Systems, Inc. ("Vanguard"), as Guarantor of Buyer's performance, are parties to a Purchase and Sale Agreement pursuant to which DMC is selling substantially all assets used in the operation of its health care system to Buyer.

The Purchase and Sale Agreement requires the Attorney General to approve or not object to the transaction. In order to protect and ensure proper disposition of the substantial charitable assets held by DMC, the Attorney General requires special assurances from DMC.

The Attorney General believes the conditional approval of the sale can be issued with the assurances provided in this contract, because they do not directly involve promissory actions by Buyer or Vanguard and the resolution of these matters does not result in any condition that is materially burdensome to the operation of the Hospital Businesses.

For consideration, the receipt and sufficiency of which is acknowledged, the parties enter into this contract.

TERMS

1. Defined Terms

All capitalized terms used in this contract and not otherwise defined herein shall have their meanings as defined in the Purchase and Sale Agreement.

DMC: The Detroit Medical Center, a Michigan non-profit corporation, as it exists prior to Closing.

Legacy DMC: While the precise name of this entity has not yet been finalized, this term refers to the continuation of DMC as a charitable entity after Closing. Legacy DMC and its successors and assigns will have primary responsibility for monitoring Buyer's compliance with the covenants in Article 12 of the Purchase and Sale Agreement. Legacy DMC is designated to hold the Excluded Assets and Excluded Liabilities and is responsible for preserving and protecting DMC charitable assets.

Purchase and Sale Agreement: Purchase and Sale Agreement dated June 10, 2010, as amended, between Seller, and Buyer, and Vanguard Health Systems, Inc., a Delaware corporation, as Guarantor.

2. **Attorney General Written Approval of All Charity and Foundation Articles of Organization and Bylaws**

In order to ensure proper administration of the approximately $140 million in donor-restricted charitable assets excluded from the Purchase and Sale Agreement, Legacy DMC agrees to obtain the Attorney General's review and written approval, which shall not be unreasonably withheld, for:

a. Any amendments to, or restatements of, Legacy DMC's articles of incorporation and bylaws; and

b. Any future changes to such articles of incorporation or bylaws that could in any way affect the administration or disposition of such donor-restricted charitable assets.

3. **Charity and Foundation Initial Items of Concern, Resolution Subject to Attorney General Approval**

A. Legacy DMC will make a proposed budget through at least January of 2021, including all known accounts receivable and accounts payable necessary for carrying out the oversight, monitoring, and enforcement obligations prescribed in the Purchase and Sale Agreement;

B. Legacy DMC will establish a conflict of interest policy governing its trustees, officers, or otherwise dedicated representatives;

C. Prior to transferring assets to other charitable organizations, Legacy DMC shall enter into transfer agreements with all such organizations (including, but not limited to Children's Hospital of Michigan Foundation; Del Harder Rehabilitation Fund; and Detroit Community Health Foundation). Such transfer agreements shall require the recipient or recipients to provide necessary funding to Legacy DMC, if needed, to enable Legacy DMC to carry out its oversight, monitoring, and enforcement obligations prescribed in the Purchase and Sale agreement and other agreements with the Attorney General;

D. Legacy DMC will not enter into a transfer agreement with any charitable organization whose articles of incorporation and bylaws:

i. describe a non-charitable purpose;

ii. direct that organization to provide a benefit to any non-charitable entity; or

iii. describe a purpose inconsistent with the purposes of any donor-restricted assets considered for transfer to that organization.

E. Prior to execution, all transfer agreements are subject to review and written approval by the Attorney General, which shall not be unreasonably withheld.

4. <u>Attorney General Written Approval of Significant Increase in Transfer of Assets</u>

Prior to the execution of transfer agreements described in section 3 above, Legacy DMC shall not distribute or transfer assets it holds after Closing (including but not limited to donor-restricted assets excluded from the Purchase and Sale Agreement, the $4.5 million Legacy DMC will receive at Closing for operating expenses, and assets held by the Del Harder Rehabilitation Fund), except as follows:

a. Legacy DMC may make grants, for expenditure during calendar year 2011 only, for charitable programs and projects consistent with donor restrictions, with the understanding and agreement that such grants shall not be used to accomplish asset transfers to other organizations, in contravention of sections 3.c – 3.e., above. This exception does not permit the award of grants to the Childrens Hospital of Michigan Foundation, Del Harder Rehabilitation Fund, or Detroit Community Health Foundation.

b. Legacy DMC may continue to make payments in the ordinary course of business in order to satisfy the reasonable operating expenses of Legacy DMC, including reasonable amounts for the following:

   i. payroll and benefits

   ii. office and occupancy expenses

   iii. insurance

   iv. information technology expenses

   v. fundraising expenses

   vi. professional services

   Legacy DMC shall provide the Attorney General with contemporaneous written notice regarding any transfer of assets described in subsection (b) in excess of $50,000.

c. Notwithstanding any provision to the contrary contained in this contract, in no event shall the terms of this contract be interpreted to restrict Legacy DMC from making any payments to Buyer, Vanguard or any Affiliate thereof, that are required under the Purchase and Sale Agreement, including, without limitation, forwarding to Buyer or its Affiliates any funds due pursuant to the terms of sections 13.3 or 13.4 of the Purchase and Sale Agreement.

d. Legacy DMC may transfer assets not otherwise covered under this section if the Attorney General first provides his specific written approval.

5. **Order of Michigan Court Replaces Unreasonably Withheld Attorney General Written Approval**

If Legacy DMC believes in good faith that the Attorney General has unreasonably withheld written approval of an action under sections 2 or 3, above, Legacy DMC may seek an order from a Michigan court of competent jurisdiction permitting the action. Legacy DMC shall provide the Attorney General with 21 days written notice prior to hearing and must provide the court with a copy of this contract with its pleadings.

6. **Written Notice to Attorney General Necessary for Payments to Governmental Entities**

Notwithstanding the terms of section 3 above, the parties acknowledge that Legacy DMC may make necessary payments to the State and Federal government upon demand in the normal course of business, and Legacy DMC agrees to provide the Attorney General with contemporaneous written notice of such payments.

7. **Legacy DMC's Post-Closing Report on Donor-Restricted and Endowment Funds**

Within 30 days after Closing, or as soon as practicable thereafter using reasonable efforts, Legacy DMC will provide the Attorney General a listing of all donor-restricted and endowment funds held by Legacy DMC and each charitable entity controlled by Legacy DMC, together with the name of the fund, the purpose, restriction or other limitations on the fund, the value of the fund at the last date of determination, and the location of information regarding the fund, including donor, use and financial history, are maintained.

8. **Notice**

All written notices to the Attorney General required under this contract must be addressed to:

Overnight:

Attorney General
525 W. Ottawa – 7th Floor
Lansing, MI 48933

and

Consumer Protection Division
Attn: Division Chief – Time Sensitive
525 W. Ottawa, -- 1st Floor
Lansing, MI 48933

OR

US Mail:

Attorney General
P.O. Box 30212
Lansing, MI 48909

and

Consumer Protection Division
Attn: Division Chief– Time Sensitive
P.O. Box 30213
Lansing, MI 48909

9. Remedies

Legacy DMC recognizes that monetary damages will be inadequate for breach of the obligations contained in this contract. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court of competent jurisdiction may deem appropriate for breach of the obligations contained in this contract, without the requirement to post any bond in connection therewith.

10. **Severability**

If any provision of this contract is held or determined to be illegal, invalid, or unenforceable and if the rights or obligations of any party under this contract will not be materially and adversely affected thereby: (a) such provisions will be fully severable; (b) this contract will be construed and enforced as if such illegal, invalid, or unenforceable provision has never comprised part of this contract; (c) the remaining provisions of this contract will remain in full force and effect and will not be affected by the severance of the illegal, invalid, or unenforceable provision; and (d) in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as part of this contract a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.

11. Amendment

This contract may be amended only by a writing executed by each of the parties.

12. Waiver

Any waiver by any party of any breach by another party shall not be deemed to be waiver against a different party or waiver of any prior, subsequent, or continuing breach.

13. Execution

This contract may be executed in any number of counterparts, all of which taken together constitute one contract, and any of the parties may execute this contract by signing any one counterpart.

14. Governing Law and Jurisdiction

This contract shall be subject to, applied, and interpreted according to the laws of the State of Michigan. No action shall be commenced against the Department of Attorney General or the Attorney General, his designee, agents or employees, or against any other party to this contract for any matter whatsoever arising out of the contract, in any courts other than a court of competent jurisdiction of the State of Michigan. In addition to each party consenting to the jurisdiction of Michigan courts, each party waives any objection to venue laid therein and any defense or inconvenient forum regarding the maintenance of any action or proceeding so brought.

15. Entire Agreement

This contract, together with other contracts relating to the Purchase and Sale Agreement to which the Attorney General is a party, represent the entire agreement between the parties and supersede all proposals or other prior agreements, oral or written, and all other communications between the parties relating to the matters described herein.

16. No Effect on Authority of Attorney General or Court Jurisdiction.

The Attorney General's rights and privileges provided in this contract are in addition to the Attorney General's existing powers. Nothing in this contract shall be construed to impair or restrict the authority of the Attorney General or the jurisdiction of any court with respect to any matter.

17. Authority to Bind Principal

Each individual who signs this contract covenants that he has power to bind the principal.

Dated: _____ _____
Stephen R. D'Arcy, DMC Chair of the Board of Trustees

Dated: _____ _____
Michael A. Cox, Attorney General

Exhibit 5

AlixPartners, LLP Report
November 11, 2010

November 11, 2010

Tracy Sonneborn, Esq.
Assistant Attorney General
Michigan Attorney General
Consumer Protection Division and Charitable Trust Section
P.O. Box 30213
Lansing, MI 48909

Dear Mr. Sonneborn:

Healthcare Valuation and Financial Advisory Services in Connection with the Proposed Sale of the Detroit Medical Center

This report presents our conclusions with respect to our assistance to the Michigan Office of the Attorney General (the "AG") in connection with your review of the proposed sale of the Detroit Medical Center ("DMC" or the "System") to Vanguard Health Systems, Inc. and its affiliates ("VHS") (hereafter referred to as the "Proposed Transaction").

ALIXPARTNERS QUALIFICATIONS

We have more than 25 years of healthcare valuation experience including significant experience valuing hospitals and hospital systems for a variety of purposes. We have significant experience with respect to providing reviews of transactions involving the conversion of not-for-profit hospitals, managed care and other health care entities on behalf of a number of states Attorneys General. We have reviewed the specific terms of these transactions and have also analyzed the financial condition of the parties involved. In addition, we have determined the Fair Market Value, consistent with states statutes, of many of these entities. We have analyzed healthcare entities throughout the country and have worked directly with the Office of the Attorneys General of a number of states. Many of these reviews have involved distressed hospitals or systems.

SOURCES OF INFORMATION

The following is a general summary of the primary documentation that has been provided to us with respect to the referenced matter. In performing our analysis, we relied upon financial and other information, including prospective financial information, obtained from DMC management ("Management"), DMC's advisors and VHS and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects. However, as is customary in the business valuation profession, the scope of our work will not enable us to accept responsibility for the accuracy and completeness of such provided information.

The following are some of the key documents that we relied upon for our analysis:

- Purchase and Sale Agreement by and among the Detroit Medical Center, et al., VHS of Michigan, Inc., et al., and VHS and related Schedules;
- Audited financial statements for DMC for the fiscal years ended December 31, 2009, 2008, 2007, 2006 and 2005;
- Unaudited internal financial statements for DMC for the fiscal years ended 2005 – 2009 and year to date periods ended August 31, 2010 and 2009;
- Historical operating statistics for DMC;
- DMC pension liability information provided by Aon Hewitt;
- Additional financial data related to pension obligations and other costs;
- SEC filings for VHS;
- VHS Confidential Offering Memorandum for $225 million Senior Notes due 2018;
- Projections for DMC prepared by Management;
- Financial projections and model for DMC and VHS pro forma for the Proposed Transaction, prepared by VHS;
- Information provided by Management regarding the history, outlook, and operations of the business;
- Presentations and other materials prepared by Management for prospective buyers of the System;

- Due diligence documentation including a report prepared by Ernst & Young on the financial condition of VHS;
- Information provided by VHS regarding the history, outlook, and operations of VHS' business;
- Third-party credit analyst and ratings agency reports regarding VHS;
- Information regarding the development of the Renaissance Zone;
- Other publicly available financial, economic and industry data.

PROCEDURES

During the course of our analysis, we undertook the following procedures among others:

- Discussions with Management and Board Members regarding the historical operations and future prospects of DMC;
- On-site meetings with Management;
- Tours of DMC facilities;
- Discussions with VHS regarding the historical operations and future prospects of DMC and VHS;
- Meeting with VHS at VHS headquarters;
- Discussions with DMC's advisors, Kaufman Hall;
- Discussions with representatives of the Attorney General's office as part of assisting the Attorney General in its review process;
- Reviewed relevant corporate material of DMC (including transaction documents, board presentations, financial statements, projections, etc);
- Analyzed the terms of the Proposed Transaction, including the price to be paid and consideration offered, based on a review of the transaction documents and discussions with representatives of DMC and its advisors;
- Reviewed historical financial and operating results for DMC and VHS;
- Analyzed projected financial statements for DMC and VHS;
- Conducted valuation analyses related to DMC, including an Income Approach and Market Approach;

- Conducted valuation analyses related to VHS, including an Income Approach and Market Approach, and the contemplated consideration as part of the review of the Proposed Transaction;
- Assessment of the financial condition of VHS;
- Industry research;
- Such other procedures we deemed relevant during the course of our work.

DESCRIPTION OF VANGUARD HEALTH SYSTEMS

VHS owns and operates acute care hospitals, complementary outpatient facilities and related health plans principally located in urban and suburban markets.[1] VHS currently operates 15 acute care hospitals in four locations:

- San Antonio, Texas;
- Metropolitan Phoenix, Arizona;
- Metropolitan Chicago, IL; and,
- Worcester and metropolitan Boston, Massachusetts.[2]

VHS's general acute care hospitals offer a variety of medical and surgical services including emergency services, general surgery, internal medicine, cardiology, obstetrics, orthopedics and neurology. In addition, certain facilities provide outpatient surgery, physical therapy, radiation therapy, diagnostic imaging and laboratory services. VHS also owns three managed care plans. During its fiscal year ended June 30, 2010, VHS generated total revenue of $3.4 billion. During this period, approximately 75% of total revenues were derived from acute care hospitals and complementary outpatient facilities.[3]

[1] Vanguard Health Systems, Inc. Form 10-K for the fiscal year ended June 30, 2010.
[2] Vanguard Health Systems, Inc. Form 10-K for the fiscal year ended June 30, 2010.
[3] Vanguard Health Systems, Inc. Form 10-K for the fiscal year ended June 30, 2010.

TRANSACTION OVERVIEW

DMC and VHS have entered into a purchase agreement pursuant to which VHS will pay $417.2 million in cash when the transaction is consummated.[4,5] In addition to the cash payment, VHS will assume the obligation of nearly all of the financial liabilities of the DMC, which total $710.2 million. Further, VHS has committed to spend $850 million in capital expenditures during the first five years following the transaction.[6] Of the $850 million commitment, $500 million will be dedicated to special capital projects, which are in addition to capital expenditures required for routine maintenance. The $500 million capital expenditure commitment is also secured by collateral, in the form of warrants for the equity of VHS.[7]

At Closing, a subsidiary of VHS will acquire substantially all of the DMC operating assets, including but not limited to buildings, equipment, personal property, tangible assets and intangible assets used in connection with the operation of the DMC hospitals.[8] Assets not included in the transaction (the "Excluded Assets"), are primarily board designated funds, endowment funds, and funds held in trust under bond agreements.[9] VHS will also assume, or take over the financial obligation for, nearly all the liabilities of DMC. Certain liabilities are incurred in the normal course of operations of DMC. Such liabilities include, but are not limited to accounts payable, accrued payroll expense and capital lease obligations. In addition to operating liabilities, DMC has significantly underfunded pension liabilities and net professional liability (malpractice) obligations which VHS will also assume as part of the transaction.[10] In fact, these assumed liabilities are actually greater than the net cash portion of the deal consideration.[11]

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[4] Purchase and Sale Agreement, Schedule 2.5.
[5] Amount based on amounts cited in the Purchase and Sale Agreement dated June 10, 2010. As of November 8, 2010, VHS estimates that the cash purchase price will be $391.0 million.
[6] Purchase and Sale Agreement, Section 12.4.
[7] Purchase and Sale Agreement, Section 12.5.
[8] Purchase and Sale Agreement, Recitals and Section 1.1.
[9] Purchase and Sale Agreement, Section 2.2.
[10] DMC's actuary, Aon Hewitt, expects that the pension liability will increase to $293 million by December 31, 2010.
[11] Purchase and Sale Agreement, Schedules 2.3(a) and 2.3(b).

Total Assumed Liabilities ($ in millions)[12]	
Current Liabilities	$262.6
Long Term Liabilities	$447.6
Total Assumed Liabilities	**$710.2**

At Closing, in addition to the assumption of liabilities, VHS will pay DMC a purchase price equal to DMC's total debt (approximately $516.8 million as of April 30, 2010), plus working capital for the surviving DMC non-profit charitable organization ($4.5 million), plus estimated expenses ($2.5 million) – a subtotal of $523.8 million (the "Total Obligation"). This amount is reduced by an amount equal to certain of the Excluded Assets, specifically Funds Held in Trust Under Bond Agreements, Board Designated Funds for Capital Improvements, and Board Designated Funds for Endowments and Other Purposes which total approximately $117.5 million as of April 30, 2010. The Total Obligation is increased by Net Cost Reports Receivable from Medicare which total approximately $10.8 million as of April 30, 2010.[13] The total proceeds due at closing, which DMC will use to retire the Total Obligation and the Net Cost Reports Receivable from Medicare are summarized below.[14]

Example Calculation of the Purchase Price ($ in millions)[15]	
Total Obligation	$523.8
Less: Total Funds	($117.5)
Plus: Net Cost Reports Receivable	$10.8
Total Proceeds Due at Closing	**$417.2**

As a Post-Closing Covenant of the Purchase and Sale Agreement, VHS agrees to make routine capital expenditures in an average amount of at least $70 million per year during the five-year period immediately following the Closing Date ($350 million in the aggregate).[16] In addition, during the five-year period immediately following the Closing Date, VHS will expend funds for Specified Capital Projects in the aggregate amount of at least $500 million (the "CapEx Commitment").[17] VHS will commit to spend an annual

[12] Purchase and Sale Agreement, Schedules 2.3(a) and 2.3(b).
[13] Purchase and Sale Agreement, Schedule 2.5.
[14] The transaction is anticipated to close by December 31, 2010 and these balance sheet items could vary at the time of closing based on DMC's operations.
[15] Purchase and Sale Agreement, Schedule 2.5.
[16] Purchase and Sale Agreement, Section 12.4(a).
[17] Purchase and Sale Agreement, Section 12.4(b).

minimum of $80 million during each of the first four years following the Closing Date, with the balance spent during the fifth year (the "Anniversary Date CapEx Commitment").[18] The Specified Capital Projects, which were determined by existing DMC personnel,[19] are summarized below.

Specified Capital Projects ($ in millions)[20]		
Entity	**Project Description**	**Project Cost**
Children's Hospital	Pediatric Specialty Center	$33.1
Children's Hospital	CHM Tower Project	$174.4
Corporate Offices	Relocation of Parking Deck	$34.2
Detroit Receiving Hospital	Patient Care Unit Renovations	$20.7
Detroit Receiving Hospital	1 Additional OR	$8.4
Harper University Hospital	Surgical Services Renovation	$22.9
Harper University Hospital	Unified Lobby	$10.7
Harper University Hospital	Ground Floor Master Plan	$13.9
Harper University Hospital	Cardiovascular Institute	$77.6
Harper University Hospital	Harper Unit Renovations	$6.7
Harper University Hospital	ED Expansion	$3.4
Huron Valley Sinai Hospital	Private Room Renovation	$7.0
Huron Valley Sinai Hospital	Additional ICU Beds	$3.7
Rehabilitation Institute	6th Floor Renovation	$5.6
Sinai Grace Hospital	ED/ICU/Façade/Radiology upgrades	$77.7
Total		**$500.0**

[18] Purchase and Sale Agreement, Section 1.1.
[19] Based on discussions with DMC senior management.
[20] Purchase and Sale Agreement, Sections 12.4(a) and 12.4(b), and Schedule 12.4.

In total, as a Post-Closing Covenant to the Purchase and Sale Agreement, VHS shall make capital expenditures of at least $850 million over the five-year period following the Closing Date.

As discussed above, as a Post-Closing Covenant to the Purchase and Sale Agreement, VHS has made a CapEx Commitment of $500 million over five years after the Closing Date (the "CapEx Years"). The cumulative Anniversary Date CapEx Commitment is summarized below.

Anniversary Date CapEx Commitment ($ in millions)[21]	
First	$80
Second	$160
Third	$240
Fourth	$320
Fifth	$500

At Closing and as collateral to secure the CapEx Commitment discussed above, VHS will deliver a Warrant Certificate to an escrow agent providing for warrants issuable to DMC to purchase shares of common stock of VHS (the "Warrant Shares"), having an aggregate value (as of the date of the most recent valuation prepared by an independent appraiser) of $500 million, with an exercise price of $.01 per share.[22]

At the end of each of the first five years after the Closing Date, the parties will determine the amount by which VHS has either exceeded or fallen short of fulfilling its CapEx Commitment. The parties will calculate the Remaining CapEx Commitment, which is equal to the original CapEx Commitment ($500 million) less any CapEx Commitment amounts expended by VHS (or deposited into an escrow account). This amount is used to calculate the Remaining CapEx Ratio, which is the percentage of the $500 million CapEx Commitment yet to be completed.[23]

Within 30 business days of the end of each CapEx Year, VHS may deliver a new Warrant Certificate to the escrow agent, in exchange for the return of any Warrant Certificate previously delivered, for warrants issued to DMC to

[21] Purchase and Sale Agreement, Section 1.1.
[22] Purchase and Sale Agreement, Section 12.4(h).
[23] Purchase and Sale Agreement, Section 1.1.

purchase a reduced number of shares based on the Remaining CapEx Ratio, with an exercise price of $.01 per share (the "Adjusted Warrant Shares"). At such time as the amount of the Adjusted Warrant Shares equals zero, VHS shall provide notice to the escrow agent and any Warrant Certificate previously delivered to the escrow agent shall be returned to VHS.[24]

In addition, if VHS chooses to consummate an initial public offering ("IPO") of its common stock while the Warrant Certificate remains outstanding, it may deliver a subordinated unsecured promissory note (the "Note") in a principal amount equal to the Remaining CapEx Commitment, in exchange for the cancellation of the Warrant Certificate.[25] In the event VHS does not comply with the CapEx Commitment and VHS has consummated an IPO and elected to convert the warrants to a subordinated note, the Note will accrue interest at a market rate.[26] An IPO may be beneficial to the collateral and VHS's ability to fund its capital expenditure and other commitments related to DMC as VHS would have greater access to liquidity via the equity markets and the Note would be in a more secure position relative to the Warrant Certificate.

VALUATION OF THE DETROIT MEDICAL CENTER

Fair Market Value

Fair Market Value is defined as the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. For purposes of this engagement, we assumed that the System's business would be ongoing.

In order to determine whether DMC will receive Fair Market Value for its assets, we applied two standard valuation methodologies: the Income Approach and the Market Approach.

Income Approach

The Income Approach indicates the Fair Market Value of a business or the assets of a business based on the value of the cash flows that the business or

[24] Purchase and Sale Agreement, Section 12.5(a).
[25] Purchase and Sale Agreement, Section 12.5(c).
[26] Purchase and Sale Agreement, Section 12.5(d).

the assets could be expected to generate in the future. The Income Approach, also known as the Discounted Cash Flow Method ("DCF"), is generally comprised of four steps: 1) Estimation of future cash flows for a certain discrete projection period; 2) Estimation of the present value of the cash flows using a rate of return that considers the relative risk of achieving the cash flows and the time value of money; 3) Estimation of the residual value of cash flows subsequent to the discrete projection period; and 4) Combination of the present value of the residual cash flows with the discrete projection period cash flows.

In performing our DCF analyses of DMC, we utilized Management's projections for DMC (the "Management Case"). We also considered projections for DMC prepared by VHS which reflect the synergies and increased profitability that VHS expects to realize as the buyer of the System (the "Synergistic Case"). We determined a range of value for DMC under the Income Approach based upon the Management Case and utilized the Synergistic Case to measure a potential "upside case" for DMC assuming it was provided with the capital needed to upgrade its aged facilities and continue its turnaround. Given that there are synergies that VHS will bring to the transaction, this Synergistic Case would result in a value premise that is greater than Fair Market Value.

Management Projections

Management prepared projections for fiscal years 2010 through 2015. After reviewing Management's projections and discussing them with Management, we understand that the Management Case projects a continuation of the existing DMC operations. Management projected modest growth in patient volume and pricing throughout the projection period while expenses are generally projected to increase at inflationary rates. In addition, the Management Case does not project any significant capital investment in DMC's facilities beyond levels required for routine business needs.

Discounted Cash Flow Method – Management Case

Under our first DCF scenario, we used Management's projections for DMC's performance for 2010 – 2015. To calculate DMC's projected free cash flow, we started with operating income and added back non-cash charges for depreciation and amortization while subtracting increases in capital expenditures and adjusting for changes in working capital. As discussed in more detail below, we did not deduct income taxes as DMC is a non-profit

entity and historically has not had to pay income taxes. This was a conservative assumption, as deducting taxes would result in lower projected cash flows, and therefore a lower value.

Using a discount rate of 13%, we then brought the projected future cash flows back to their present value equivalent. The discount rate was calculated using the generally accepted methodology, the Weighted Average Cost of Capital ("WACC").

As noted above, Management prepared projections for the time period 2010 – 2015. In order to determine the value of the cash flows that the System will generate beyond 2015, we calculated the residual value. The residual value is an estimate of the present value of the System's future cash flows subsequent to the discrete projection period. The calculation of the residual is necessary in order to capture the cash flows (and resulting value) that would likely be generated in the period beyond Management's projections.

We calculated the residual values using two generally accepted methodologies, the Gordon Growth method and the Exit Multiple method. Under the Gordon Growth method, a residual cash flow was calculated based on growing 2015 cash flows at a long-term growth rate. We utilized a long term growth rate of 2.5% reflecting a steady state for DMC. Given the need for potentially significant capital expenditures and DMC's current inability to fund these, it is possible that DMC would not even achieve this level of growth. Under the Exit Multiple method, we estimated the residual value based on projected 2015 Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). In order to determine the residual terminal value of DMC, we applied an EBITDA multiple, reflective of industry conditions and DMC's prospects, to DMC's projected 2015 EBITDA. This residual cash flow was capitalized and brought back to its present value equivalent using a 13% discount rate. The sum of the present value of the discrete cash flows and the present value of the residual yielded an estimate of the Fair Market Value of DMC's total capital.

As part of the proposed transaction, VHS is also assuming certain liabilities of DMC. These liabilities include an unfunded pension obligation and an unfunded malpractice liability. We deducted these non-operating liabilities from the value of DMC's total capital.[27]

[27] Our analysis reflects values from DMC's August 31, 2010 balance sheet, the most recent financial data available at the time of our analysis.

The Discounted Cash Flow Method Management Case results in an estimated range of the Fair Market Value of DMC as of October 15, 2010 of $72 million to $164 million.

As noted above, DMC is a not-for-profit entity and historically has not had to pay income taxes. However, given the size, scope, and financial condition of the System, it is likely that a purchaser of the System would be a for-profit company that would be subject to taxes. Had we deducted income taxes and other taxes, such as sales tax, from projected cash flows, it would lower our estimated range of Fair Market Value for DMC.[28]

Discounted Cash Flow Method – Synergistic Case

Under our second DCF scenario, we used projections for DMC which were prepared by VHS that reflect both the projected capital investment and the synergies VHS expects to realize as the buyer of DMC.

As part of the Proposed Transaction, VHS has committed to invest $500 million over a five-year period in special capital improvement projects at DMC, covering approximately 15 projects. Such improvements include emergency department expansions, inpatient unit renovations, and a new children's hospital patient tower.[29] As a result of the significant capital investment in DMC and synergies that VHS expects to achieve, VHS projects greater revenue growth and increased profitability relative to the Management Case.

We used VHS's projections for DMC's performance for fiscal years ended June 30, 2011 through 2015. To calculate projected free cash flow, we started with net income and added back non-cash charges for depreciation and amortization while subtracting capital expenditures and adjusting for changes in working capital. We also deducted income taxes from projected free cash flows as VHS is a for-profit entity and any income associated with DMC would be taxable, however, our analysis does account for certain tax benefits DMC (VHS) will receive in connection with its designation of its

[28] In connection with the Proposed Transaction, the main DMC campus has been designated a "Renaissance Zone" by the City of Detroit, Wayne County and the State of Michigan. The Renaissance Zone designation allows DMC exemptions from certain state and local taxes for a 15-year time period for facilities located on the main DMC campus.
[29] "DMC Capital Building Program" presentation.

main campus as a Renaissance Zone. Using a discount rate of 13%, we brought these future cash flows back to their present value equivalent. In calculating the residual value, we assumed a long-term growth rate of 3% under the Gordon Growth Method and an Exit Multiple, both of which reflect the improved prospects of DMC relative to the Management Case due to the significant capital investment in DMC's facilities being made by VHS.

The Discounted Cash Flow Method Synergistic Case results in a value of DMC as of October 15, 2010 of approximately $296 million to $324 million. As previously discussed, the Synergistic Case results in a value that is higher than Fair Market Value as it includes the synergies VHS expects to realize as the buyer of DMC.

Market Approach

The Market Transaction Approach indicates the Fair Market Value of a business or the assets of a business by comparing it to other similar companies recently purchased. The applicable transactions would be individual hospital purchases as well as the purchase of hospital systems.

Over the past several years, we observed numerous transactions involving hospitals. These transactions involved the purchase of both for-profit and not-for-profit hospitals. These hospitals were located throughout the United States and included both urban and rural hospitals. In addition, the financial performance of each hospital varied from troubled to healthy. We reviewed the observed transactions and incorporated those we deemed relevant to the value of DMC into our analysis.

Investors often value hospitals based on a Market Value of Invested Capital ("MVIC") to revenue multiple or a MVIC to EBITDA multiple. Based on the confidentiality of most transactions, it is very difficult to collect meaningful EBITDA multiple data. However, many transactions did provide revenue figures for the acquired hospitals.

Given DMC's current financial state, we primarily considered hospitals and hospital systems that were financially stressed or operated at lower levels of profitability.

Based on the confidentiality of transaction data, it was also often difficult to determine the various components of the reported purchase prices for the transactions. For example, in some cases, we were able to determine that a

capital commitment, like the $500 million special project capital commitment in the Proposed Transaction, was included in the purchase price and therefore reflected in the MVIC to revenue multiple. In this case, when applying the MVIC to revenue multiple to DMC's operating results to calculate Fair Market Value, it would be necessary to adjust the result to account for the capital commitment in the Proposed Transaction, as it would have already been reflected in the MVIC to revenue multiple. Given that we were unable to determine whether or not a capital commitment was reflected in most of the transaction multiples, we considered both scenarios in determining our range of Fair Market Value.

The average revenue multiple for the transactions we considered was approximately 0.30x.[30] This multiple was then applied to DMC's revenue for the twelve month period ended August 31, 2010. As noted above, in determining our range of Fair Market Value, we considered scenarios where the capital commitment was included and excluded in the observed revenue multiple.

The Market Transaction approach results in a Fair Market Value of the System ranging from approximately $35 million to $416 million. In determining the low end of the concluded value range under this approach, we applied the average revenue multiple to DMC's revenue for the twelve month period ended August 31, 2010. We then deducted certain non-operating liabilities VHS will assume as part of the transaction, specifically the pension liability and malpractice liability. In addition, we deducted the present value of the CapEx Commitment. To arrive at the high end of the valuation range under the Market Transaction Approach, we did not adjust for the present value of the CapEx Commitment. This is conservative because of the large capital investment that VHS is committing to making above and beyond DMC's projected baseline capital expenditures.

We did not utilize another market based valuation approach, the Market Guideline Approach, which compares a subject company to publicly traded companies. The publicly traded hospital management companies are geographically diversified, have stronger growth prospects as a result of acquisitions, better access to capital and benefit from economies of scale. Due to the differences between DMC and the publicly traded hospital

[30] If transactions involving smaller hospitals, or those with revenue less than $100 million, are excluded from the analysis, the multiple would be lower.

companies, we did not utilize the Market Guideline Approach in determining a Fair Market Value of DMC.

DETROIT MEDICAL CENTER VALUE CONCLUSION

To calculate the range of Fair Market Value for DMC, we applied a 75% weighting to the Management Case Income Approach and a 25% weighting to the Market Transaction Approach. Given that the Income Approach reflects the actual expectations for DMC and that significant differences exist between DMC and the observed hospital transactions, we placed more weight on the Income Approach relative to the Market Transaction Approach in determining our range of Fair Market Value of DMC. Based on our analysis using these standard methodologies, we determined the Fair Market Value of the Detroit Medical Center as of October 15, 2010 to be within the range of:

$63 million to $227 million

Accordingly, under the Proposed Transaction, DMC is not receiving less than Fair Market Value for its assets. As previously discussed, the Synergistic Case reflects a value higher than Fair Market Value, but does not exceed the purchase price.

FINANCIAL CONDITION OF VANGUARD HEALTH SYSTEMS

In order to evaluate the financial condition of VHS, we analyzed 1) VHS' ability to fund the Proposed Transaction at Closing, 2) ability to fund the $850 million in committed capital expenditures, and 3) ability to raise additional capital.

Funds Due at Closing

As previously discussed, VHS will pay DMC a purchase price equal to DMC's total debt (approximately $516.8 million as of April 30, 2010), plus working capital for the surviving DMC non-profit charitable organization ($4.5 million), plus estimated expenses ($2.5 million) – a subtotal of $523.8 million (the "Total Obligation"). This amount is reduced by an amount equal to DMC's Funds Held in Trust Under Bond Agreements, Board Designated Funds for Capital Improvements, and Board Designated Funds for

Endowments and Other Purposes which total approximately $117.5 million as of April 30, 2010. The Total Obligation is increased by Net Cost Reports Receivable from Medicare which total approximately $10.8 million as of April 30, 2010.[31] The total proceeds due at closing, which DMC will use to retire the Total Obligation and the Net Cost Reports Receivable from Medicare, equal approximately $417.2 million as of April 30, 2010.[32]

VHS intends to fund the Purchase Price with 1) cash available on hand and, 2) proceeds from a $225 million senior note offering which closed on July 14, 2010.[33,34]

In addition to the funding sources described above, on January 29, 2010, VHS completed a refinancing plan. Under the refinancing plan, VHS issued $950.0 million of new 8.0% Senior Unsecured Notes, entered into a $815.0 million senior secured term loan maturing in January 2016 and a $260.0 million revolver expiring in January 2015.[35] VHS' borrowing capacity under the revolver, net of letters of credit outstanding, was approximately $232 million as of August 15, 2010.[36] In addition to the approximately $232 million in revolver availability, VHS may increase the amount of available financing under both the revolver and the term loan via an incremental capital commitment (provided that its lenders are willing to fund such a commitment).[37]

Future Capital Expenditures

As part of the Proposed Transaction, VHS has committed to spend at least $350 million for the routine capital needs of the DMC facilities during the first five years after the Closing. VHS has also agreed during the same five-year period to spend at least $500 million in special project capital expenditures on projects which are detailed in a specific project list that has been agreed to between DMC and VHS. VHS has agreed to spend the

[31] Purchase and Sale Agreement, Schedule 2.5.
[32] Amount based on amounts cited in the Purchase and Sale Agreement dated June 10, 2010. As of November 8, 2010, VHS estimates that the cash purchase price will be $391.0 million.
[33] Vanguard Health Systems press release dated July 14, 2010.
[34] We spoke with VHS management on October 22, 2010 and were informed that VHS has adequate cash on hand to fund the transaction at Closing and fully expects to fund the transaction with cash on hand.
[35] VHS Form 8-K dated May 10, 2010.
[36] Vanguard Health Systems, Inc. Form 10-K for the fiscal year ended June 30, 2010.
[37] Vanguard Health Systems Credit Agreement dated January 29, 2010.

following amounts by the first, second, third, fourth and fifth anniversaries of the closing date: $80 million, $160 million, $240 million, $320 million, and $500 million, respectively, and, to the extent such expenditures are not made, to place any shortfalls into escrow in cash.[38]

In order to evaluate VHS's ability to fund the future capital commitments described above, we analyzed VHS's projected cash flows, its ability to draw on its revolving credit facility, and the financial covenants associated with VHS's credit agreement.

VHS prepared a five-year quarterly financial projection model which includes the acquisition of DMC and the associated $850 million of capital expenditure commitments. VHS' projections demonstrate that VHS will generate enough cash flow and/or have adequate availability under its revolving credit facility to fund the projected capital commitments in each quarter beginning in its fiscal year ended June 30, 2011 through 2015. In addition, per its credit agreement, VHS is subject to certain financial covenants, specifically a Consolidated Interest Coverage Ratio and Consolidated Leverage Ratio. VHS' projections demonstrate that VHS will be in compliance with these covenants in each quarter from June 30, 2011 through 2015. In addition, VHS' ability to raise additional debt is subject to a maximum debt incurrence covenant. In each quarter through 2015, VHS projects that it will have significant capacity to increase debt under this covenant.

In addition to reviewing VHS's projections, we prepared two downside projection scenarios which contemplated worsened VHS financial performance.

Our first downside scenario contemplates a phased-in reduction, relative to the base projections prepared by VHS, in VHS' total projected EBITDA (including DMC's results) beginning in the second quarter of VHS' fiscal year 2011 (October – December 2010). Specifically, EBITDA is reduced by 5% in each quarter through the third quarter of fiscal year 2011, 10% in the fourth quarter of fiscal year 2011, 15% in the first quarter of fiscal year 2012 and 20% for each of the remaining years relative to the VHS base case. Our analyses under this scenario indicated that, based on a comparison of the projected capital commitments as compared with the lower EBITDA estimates, VHS will be able to fund the capital commitments per the Purchase

[38] Purchase and Sale Agreement, Sections 1.1 and 12.4.

Agreement with DMC, and be in compliance with the covenants under its credit agreement.

Our second downside scenario also contemplates a phased-in reduction, relative to the base projections prepared by VHS, in EBITDA throughout the projection period. Specifically, we assumed that the projected DMC EBITDA would be reduced by 25% while all other VHS operations would see a 10% reduction in projected EBITDA relative to the base case. Like our first downside scenario, our analysis indicated that VHS will be able to fund the capital commitments per the Purchase Agreement with DMC, and be in compliance with the covenants under its credit agreement.

Access to Capital Markets

During calendar year 2010 alone, VHS has successfully raised significant capital in two separate transactions. On January 14, 2010 VHS announced a comprehensive re-financing plan where it issued $950.0 of senior notes in a private placement, entered into a new $815.0 million term loan and entered into a new $260 million revolving credit facility.[39] Two weeks later, on January 29, 2010, VHS announced the closing of the transaction.[40] Similarly, VHS was able to raise an additional $225 million of senior notes in a two-week time frame in July 2010.[41]

In addition to its demonstrated ability to raise debt capital, we understand that VHS might be able to raise additional equity from its existing equity sponsors. Further, Blackstone's managing directors have publicly stated their support for the Proposed Transaction and their intent to be a VHS shareholder for many years.[42]

VALUE OF VANGUARD HEALTH SYSTEMS, INC.

As discussed above, as part of the proposed transaction, VHS has made a commitment to spend $500 million on special capital projects during the first five years after the closing of the Proposed Transaction. The timing of the

[39] Vanguard Health Systems Press Release dated January 14, 2010. Vanguard Health Systems Form 8-K dated May 10, 2010.
[40] Vanguard Health Systems Press Release dated January 29, 2010.
[41] Vanguard Health Systems Press Release dated July 14, 2010.
[42] "Vanguard owner has positive view", Detroit Free Press, April 12, 2010.

cumulative capital expenditures commitment is summarized in the table below.

Anniversary Date CapEx Commitment ($ in millions)[43]	
First	$80
Second	$160
Third	$240
Fourth	$320
Fifth	$500

At closing and as collateral to secure the capital expenditure commitment discussed above, VHS will deliver a Warrant Certificate to an escrow agent providing for warrants issuable to DMC to purchase shares of common stock of VHS (the "Warrant Shares"), having an aggregate value of $500 million. [44] Over time, as VHS spends the $500 million on special projects, the aggregate value of the Warrant Shares is decreased commensurate with the amount of special project capital expenditures VHS has made to date.

In order to determine that there is adequate equity value to secure the warrants and associated Warrant Shares offered as part of the Proposed Transaction, it was necessary to determine the Fair Market Value of VHS. In estimating the value of VHS, we applied two standard valuation methodologies: the Income Approach and the Market Approach.

Income Approach

Similar to our valuation of DMC, we utilized a DCF, a variation of the Income Approach, to determine a value for VHS. The management of VHS prepared projections for the fiscal years 2011 through 2015 reflecting results both prior to and after the acquisition of DMC. In determining the value of VHS equity, we considered the value of VHS after the transaction. After reviewing VHS Management's projections for VHS assuming the acquisition of DMC, we incorporated them into our analysis.

[43] Purchase and Sale Agreement, Section 1.1.
[44] Purchase and Sale Agreement, Section 12.4(h).

VHS projects revenues to increase significantly in 2011, mostly due to the acquisition of DMC, and to continue to grow throughout the projection period. VHS Management expects the combined entity's EBITDA margin to increase through the projection period. Using the VHS projections as a base, we were able to determine the expected free cash flows of VHS through 2015.

Using the same generally accepted methodology that we used to calculate the discount rate for DMC, we calculated a discount rate of 10% for VHS. The difference between the two discount rates can be attributed to differences in the relative size and associated levels of risk between DMC and VHS.

The Residual value is an estimate of the present value of VHS' cash flows subsequent to the discrete projection period, or 2011-2015 in this case. We calculated the residual values using the two generally accepted methodologies discussed earlier, the Gordon Growth method and the Exit Multiple method. Under the Gordon Growth method, a residual cash flow was calculated based on growing 2015 cash flows at a long-term growth rate of 3%. Under the Exit Multiple method, we estimated the residual value based on projected 2015 EBITDA. In order to determine the residual value of VHS, we applied an EBITDA multiple which is reflective of industry conditions and VHS' growth prospects. The residual cash flow was then capitalized and brought back to its present value equivalent using a 10% discount rate.

We arrived at a Fair Market Value of VHS' total capital of $3.2 billion. We then subtracted the debt (net of excess cash) of the combined entity to arrive at a Fair Market Value of VHS' total equity of $1.4 billion under the DCF approach.

Market Approach

The Guideline Company Approach indicates the Fair Market Value of VHS by comparing it to publicly traded companies in similar lines of business. The nature and prospects of companies in similar lines of business depend on common factors such as overall demand for their products and services and opportunities and risks directly associated with the industry or sector. An analysis of the market multiples of companies in the hospital management company industry indicates investors' valuations of companies in this industry and, therefore, an estimate of the Fair Market Value of VHS. We

did not utilize the Market Transaction Approach due to the lack of comparable transactions of hospital management companies in recent years.

The companies we selected as guidelines for VHS are primarily engaged in managing and operating hospitals across wide geographical areas. The companies selected were: Community Health Systems, Inc., Health Management Associates, Inc., LifePoint Hospitals, Inc., Tenet Healthcare Corporation and Universal Health Services, Inc.

After identifying and selecting the publicly traded guideline companies, market multiples of these publicly traded companies were calculated. We utilized multiples of MVIC to EBITDA in our analysis. We applied these multiples to the combined entity's historical operating results to estimate a value of total capital of VHS equal to $3.0 billion. The combined entity's debt (net of excess cash) was then subtracted from the total capital figure to arrive at an estimate of the Fair Market Value of total equity of $1.2 billion.

In addition, we considered forward-looking multiples of MVIC to EBITDA, which incorporate the expected growth in EBITDA of the combined entity. We applied a multiple based on projected 2012 EBITDA to VHS' projected 2012 results to estimate a value of VHS equal to $3.0 billion. The combined entity's debt (net of excess cash) was then subtracted from the total capital figure to arrive at an estimate of the Fair Market Value of total equity of $1.2 billion.

CONCLUDED VALUE OF VANGUARD HEALTH SYSTEMS, INC.

We relied equally on the Income Approach and Market Guideline Approach in determining the Fair Market Value of the Vanguard Health Systems, Inc. These approaches, when combined, yield a value of the equity of VHS as of October 15, 2010 of:

$1.2 billion to $1.4 billion

Given this value of the total equity, there is sufficient equity as of October 15, 2010 to cover the $500 million of warrants and associated Warrant Shares.

CONCLUSION

Based on our analyses, we conclude that the consideration offered for DMC exceeds the Fair Market Value of DMC. In addition, the equity value of VHS exceeds the value of the warrants and associated Warrant Shares offered as part of the Proposed Transaction.

SUBSEQUENT REVIEW AND ANALYSIS

We completed our original analysis on or about August 12, 2010. After we completed our work, two pieces of information became available that we deemed relevant to review.

The Purchase Agreement called for a third party valuation of VHS for purposes of determining the number of Warrants to be delivered as collateral to secure the capital expenditure commitment. The valuation firm Murray Devine & Company, Inc. ("Murray Devine") opined on the value of the common stock of VHS as of June 30, 2010. We had the opportunity to review the valuation prepared by Murray Devine subsequent to the completion of our analysis. We observed that the valuation methodologies used in Murray Devine's analysis were generally similar to those used in our updated analysis and our analysis is based on a later valuation date than that of Murray Devine (October 15, 2010 versus June 30, 2010). We found that the results of Murray Devine's analysis are generally confirmatory of our conclusion of the total equity value of VHS.

In addition, VHS' financial results for the fiscal quarter ended September 30, 2010 were released subsequent to the conclusion of our analysis. We compared the actual financial results contained in VHS' press release to VHS's projected results and found that the actual results were not materially different that the projected results. Accordingly, our analysis and conclusions would not change in light of the new financial information.[45]

LIMITING CONDITIONS

This report is intended solely for the use of the Attorney General for the purpose stated herein and may not be used, in whole or in part, for any other purpose without our written consent. Our report is not intended to be an opinion as to the solvency of VHS after the consummation of the Proposed Transaction, nor is it intended to be an opinion as to the fairness of the consideration offered as part of the Proposed Transaction. Our report has been prepared in accordance with and is subject to the conditions as agreed to in our engagement letter.

Yours very truly,

ALIXPARTNERS, LLP

[45] In addition, AlixPartners had conversations with VHS on October 15, 2010 and October 22, 2010 to discuss operating results and any material changes to VHS' business or strategies. As part of our discussion we understood that there were no significant updates to VHS' projected performance or strategic plans and that VHS was performing well.

Exhibit 6

Example Calculation of the Purchase Price as of April 30, 2010. Purchase and Sale Agreement Schedule 2.5

Schedule 2.5
Example Calculation of the Purchase Price

DETROIT MEDICAL CENTER

Based on April 30, 2010
Adjusted for reclassifications of certain Board Designated Funds

Obligations

2.5(a)(i)(A)	Long Term Debt (per Schedule 2.5(a)(i))				$ 510,861,577
	Accrued Interest (per Schedule 2.5(a)(i))				5,986,324
	Total Debt				516,847,901
2.5(a)(i)(B)	Working capital for seller				4,500,000
2.5(a)(i)(C)	Expenses (estimated)				2,500,000
	Total Obligation				523,847,901

Reduced by:

2.5(a)(ii)(A)	Funds held in trust under Bond Agreements (current portion)				(5,508,673)
	Funds held in trust under Bond Agreements (long term portion)				(32,337,959)
	Board Designated Funds for Capital Improvements				(37,314,980)
	Board Designated Funds for Endowments and Other Purposes				(42,319,283)
	Funds total				(117,480,895)

Increased by:

2.5(a)(ii)(B)	(I)(a)	$ 16,154,404			
	(I)(b) Through April 30,2010	$ 1,728,780	$ 17,883,184		
	(II) Net Cost Reports Receivable from Medicare - 2008 (as of 12/31/09)	$ (7,060,597)			
	Net Cost Reports Receivable from Medicare - 2009	tbd	$ (7,060,597)		10,822,587

Total Proceeds due at closing		$ 417,189,593

Exhibit 7

Detroit Medical Center
Charity Care Policy

THE DETROIT MEDICAL CENTER
PATIENT FINANCIAL SERVICES
OPERATIONAL POLICY

SUBJECT: Uncompensated Care Program **REF#: PFS00.1001**

EFFECTIVE DATE: 11/01/04 **Page: 1 of 2**
REPLACES: Policy #PFS00.1120
REVISED: 03/23/2009

I. Objective: To assign responsibilities and identify patients eligible for uncompensated care and to determine the portion of charges if any to be designated as such**.**

II. Scope: All operating units of the Detroit Medical Center. Applies to facility charges only. Professional charges are excluded. All services must be medically necessary as determined by the patient's physician.

III. Policy

The Detroit Medical Center (DMC) will provide medically necessary services without payment or at reduced payment to those unable to pay or underinsured without regard to race, religion, age, or gender.

Patient Financial Services will apply uniform guidelines to all patients to determine the portion of charges to be forgiven and designated as uncompensated care.

The Detroit Medical Center reserves the right at any time, in its discretion, to revise or modify this policy.

IV. Provisions

A). **Financial Responsibility Guidelines** – The Corporate Chief Financial Officer in conjunction with the Corporate Vice President, Patient Financial Services, are responsible for preparation and revision of financial responsibility guidelines and any policy or procedure necessary for the implementation of this policy.

B). Registration – Individuals responsible for registration should refer all patients without insurance or underinsured and unable to pay (financially indigent) to a financial counselor to determine eligibility for uncompensated care.

C). Application of Guidelines - The guidelines attached as **Appendix I** should be applied to determine what portion, if any, of a patients' account should be designated as uncompensated care. Questions or situations not covered by the guidelines should be referred to the Vice President, Patient Financial Services. Amounts previously designated as uncompensated care may be revised if third-party resources are identified or if the financial circumstances of the responsible party change at any time prior to payment of the current balance of an outstanding account.

SUBJECT: Uncompensated Care **REF#: PFS00.1001**

EFFECTIVE DATE: 11/01/04 **Page: 2 of 2**
REVISED: 03/23/2009

D). Uncompensated Care Transaction Allowance Codes - The Patient Financial Services Department will use the Uncompensated Care transaction code to ensure all accounts forgiven through the guidelines defined by **Appendix I** are appropriately written off from accounts receivable.

E). Medicare Coinsurance/Deductibles – Medicare coinsurance and/or deductibles amounts maybe waived in consideration of a patient's financial hardship. A good faith determination must be made to determine the individual is in financial need and reasonable collection efforts have failed. Hospitals must take reasonable measures to document their determination of Medicare beneficiaries financial need. Refer to Policy PFS.1050. Medicare patients will be assessed using the same criteria as all other patients outlined in Appendix I

F). Patient Accounting - In the event a State of Michigan Family Independence Assistance application (FIA-1171) was NOT taken prior to bill production, Patient Accounting Customer Service will ensure all patients requesting uncompensated care retrospectively are provided with an Uncompensated Care application. **(Exhibit I)**

Approved by: _____
Corporate Senior Vice President/Chief Financial Officer

Approved by: _____
Vice President, Patient Financial Services

APPENDIX I

Uncompensated Care Discount - Category I

- Uncompensated Care category I discounts are based on 2009 Poverty Guidelines. The applicant must be a United States citizen to qualify for uncompensated care at the Detroit Medical Center.

Uninsured – Financially Indigent
Poverty Guidelines From
Federal Register

Monthly Gross Income

					Column I		Column II	
Family Size		Yearly	Monthly		Income 200% Poverty Guidelines		Income 300% Poverty Guidelines	
					Monthly	Annual	Monthly	Annual
1		10,830	903		1,805	21,660	2,708	32,490
2		14,570	1,214		2,428	29,140	3,688	44,250
3		18,310	1,526		3,052	36,620	4,576	54,930
4		22,050	1,838		3,675	44,100	5,513	66,150
5		25,790	2,149		4,298	51,580	6,448	77,370
6		29,530	2,461		4,922	59,060	7,383	88,590
7		33,270	2,773		5,545	66,540	8,318	99,810
8		37,010	3,084		6,168	74,020	9,253	111,030
9		40,750	3,396		6,792	81,500	10,188	122,250
10		44,490	3,708		7,415	88,980	11,123	133,470

Column I – Guarantor Annual Income within 200% of Poverty Guidelines

Refer to financial counselor for Medicaid Application. The patient's account will be screened for Medicaid Eligibility. If it is determined that a Medicaid application will not be completed, because the patient is not eligible for Medicaid the financial counselor will complete an Uncompensated Care Application. If it is determined that a Medicaid Application should be completed and the patient is denied, 100% Uncompensated care discount will be issued. No statements will be sent to the guarantor or subsequent collection agency referral.

Column II – Guarantor Annual Income Between 200% - 300% of Poverty Guidelines

Refer to financial counselor for Medicaid application. If denied, the following discounts will be issued based upon 2003 BC cost to charge ratio.

	Discount Charges	Patient Responsibility Charges
▪ **Children's Hospital of Michigan**	**60%**	**40%**
▪ **Detroit Receiving Hospital**	**60%**	**40%**
▪ **Harper/Hutzel/Karmanos/MIOSHI**	**55%**	**45%**
▪ **Huron Valley Sinai Hospital**	**60%**	**40%**
▪ **RIM**	**40%**	**60%**
▪ **Sinai/Grace Hospital**	**55%**	**45%**

Statements will be mailed to the patients at the reduced rates. Every attempt will be made to establish a payment arrangement in keeping with policy PFS.1490. Collection activity will be initiated if the terms of the payment arrangements are breeched.

Uncompensated Care Discount – Category II

Under Insured – Medically Indigent

1) Underinsured patients are eligible for uncompensated care discount if the remaining account balance after all Third Party payments is greater than 20% of guarantor's annual gross income plus any liquid assets. The uncompensated care discount is not to exceed individual operating units cost.

Liquid Assets: cash, life insurance, saving account, checking account, stocks or bonds, saving certificate, trust funds, and money held by another person in a nursing home.

2). Guidelines apply to balances remaining after consideration of all insurances, third party liability and other available resources.

ELIGIBILITY DETERMINATION

Forms and instructions to complete the final determination will be furnished to the guarantor when uncompensated care is being requested; when need is indicated; or when financial screening indicates potential need. The Department of Human Services application (FIA-1171) MAY be given to all patients who demonstrate the potential of non-payment due to lack of insurance. A DMC Uncompensated Care application (Exhibit A) will be taken for under-insured patients requesting financial assistance.

Income documentation to verify information indicated on the application form will be requested. The verification documentation requested shall include payroll checks (last six months). Responsible parties may be requested to submit one or more of the following items in lieu of or in addition to payroll information.

1). IRS tax return (most recent year)
2). W-2 withholding statement
3). Form approving or denying eligibility for medical and/or state funded assistance.
4). Form approving or denying eligibility for unemployment compensation.
5). Written statements from employers or welfare agencies.
6). In the event the responsibility party is unable to provide any of the documentation listed above, a written and signed attestation of absence of income from the responsible party may be used.

The responsible party will be required to provide written verification of ineligibility for all other potentially pertinent sources of funding.

All information relating to the application will be kept confidential. Copies of documents that support the application will be kept on file. Determination of eligibility will be made by the DMC Admitting – financial counselors or the Patient Accounting customer services representative.

- Families NOT providing all requested financial information are NOT eligible for uncompensated care discounts.
- Determination is subject to change if the DMC discovers that information was withheld, if additional information is received, at any time, or if circumstances change at any time prior to payment of current account.
- Family size refers to patient's household, including parents (natural and adoptive or step) or guardians and their dependents. Incomes refer to income of all persons in household legally responsible for patient's medical care, together with income of adoptive or step parents. Other persons may be considered in determining family size and income if warranted by special circumstances.

Hospital Name:_____

APPLICATION FORM FOR UNCOMPENSATED CARE

In order for us to assist you financially, it is important that you provide us with the following information regarding your income and assets. This questionnaire is designed to assess your needs and remains confidential. If you have any questions with this form, please contact us at _____ _____.

PATIENT NAME _____**DATE** _____

RESPONSIBLE PARTY_____ **SSN/ACCOUNT#**_____

DATE OF BIRTH_____

DATE OF SERVICE_____

PLEASE ANSWER ALL THE FOLLOWING QUESTIONS

1. Are you a U.S. Citizen? _____
2. What is the total number of members in your family?_____.
3. Is anyone in the family currently employed or has been employed in the last 12 months?

   Yes _____ or No _____. If yes, please list below (list the most recent job first).

Employee Name	Name & City of Employment	Monthly Earned Income (before taxes)	Dates Employed From – To

If employed, please verify income by sending copies of paycheck stubs or obtain a signed statement from your employer regarding earnings. If you are self-employed, please verify business income and expenses from last 6 months.

4. Total monthly child support/guardian fees paid: $_____ (if child support is paid, include proof of support payment).
5. Have you ever applied for social security? Yes _____ No_____. If yes, when? _____

   What was outcome?_____.
6. Does any family member receive any other income listed below? (If yes, please send a copy of the check stub, award letter and or statement, etc).

TYPE OF INCOME	**CIRCLE ONE**	**AMOUNT**
Social Security	Yes or No	$_____
Veteran's Benefits	Yes or No	$_____
Supplemental Social Security	Yes or No	$_____
Railroad Benefits	Yes or No	$_____
Retirement/Pension Benefits	Yes or No	$_____
Child Support or Alimony	Yes or No	$_____
Unemployment Compensation	Yes or No	$_____
Income from Rent	Yes or No	$_____
Income from Roomers or Boarders	Yes or No	$_____
Income from Land Contract	Yes or No	$_____
Income from Relatives or Friends	Yes or No	$_____
Crops or other Farm Income	Yes or No	$_____
Worker's Compensation	Yes or No	$_____

7. If you have no source or income, who is supporting you?_____. How do you pay your bills?_____.

8. Does any family member have any assets listed below:

ASSETS:	**CIRCLE ONE**	**VALUE**
Cash	Yes or No	$_____
Life Insurance	Yes or No	$_____
Savings Accounts	Yes or No	$_____
Checking Account	Yes or No	$_____
Stocks or Bonds	Yes or No	$_____
Savings Certificate	Yes or No	$_____
Trust Fund	Yes or No	$_____
Money held by another person or nursing home	Yes or No	$_____

9. Does any family member have one or more vehicles, motorcycle or recreational vehicles? Yes or No, if yes please list below.

Name or Owner Year & Model Amount Owed Re-sale Value

_____

_____

10. Are you currently paying for any health insurance coverage? Yes or No.

If yes, $_____ per month. Begin Date: _____

11. When was the last time you had health insurance? _____.

12. Do you feel you are disabled, unable to work for the next 12 months? Yes or No.

If yes, explain why:

_____

_____

COMMENTS: (PLEASE PROVIDE ANY ADDITIONAL INFORMATION OR COMMENTS REGARDING YOUR FINANCIAL SITUATION).

_____

_____

_____

_____

I certify that to the best of my knowledge, all answers on this form are true and complete.

Signature_____ Date_____

Exhibit 8

Vanguard Health Systems, Inc.
Charity Care Financial Assistance, and Billing & Collection Policies for Uninsured Patients
Reference No. 11-0801, as revised January 23, 2009

P O L I C I E S &
P R O C E D U R E S

DEPARTMENT: Business Office	**POLICY DESCRIPTION:** Charity Care, Financial Assistance and Billing & Collection Policies for Uninsured Patients
PAGE: 1 of 10	**REVISED January 23, 2009**
APPROVED:	**RETIRED:**
EFFECTIVE DATE: January 23, 2009	**REFERENCE NUMBER:** 11-0801

SCOPE:
All Company-affiliated hospitals.

PURPOSE:
This Policy and Procedure is established to provide the operational guidelines for the Company's hospitals (each a "Hospital" and, collectively, the "Hospitals") to identify uninsured patients who are Financially Indigent or Medically Indigent that may qualify for charity care (free care) or financial assistance, to process patient applications for charity care or financial assistance and to bill and collect from uninsured patients, including those who qualify as Financially Indigent or Medically Indigent under this Policy.

POLICY:
1. Charity Care or Financial Assistance. The Company's Hospitals shall provide charity care (free care) or financial assistance to uninsured patients for their emergency, non-elective care who qualify for classification as Financially Indigent or Medically Indigent in accordance with the Charity Care Financial Assistance Process set forth below. The Company's Hospitals shall adopt a written policy in conformity with the Company's Policy and Procedure set forth herein. Charity Care (100% discounts) under this Policy shall be available for uninsured patients with incomes below 200% of the Federal Poverty Level (the "Financially Indigent"). 40 to 80% discounts shall be available for uninsured patients either (1) with income below 500% FPL or (2) with balances due for hospital services in excess of 50% of their annual income (the "Medially Indigent"). See attached Financial Assistance Eligibility Guidelines.

2. Billing and Collection Processes for Uninsured Patients. All uninsured patients receiving care at the Company's Hospitals will be treated with respect and in a professional manner before, during and after receiving care. Each of the Company's Hospitals should adopt a written policy in conformity with the Company's Policy and Procedure set forth herein for its billing and collection practices in respect of all uninsured patients, including those uninsured patients who qualify for classification as Financially Indigent or Medically Indigent under this Policy.

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PROCEDURE:

A. CHARITY CARE AND FINANCIAL ASSISTANCE PROCESS

1. **Application.** Each Company Hospital will request that each patient applying for charity care financial assistance complete a Financial Assistance Application Form (Assistance Application). An example Financial Assistance Application Form is attached hereto. The Assistance Application allows for the collection of needed information to determine eligibility for financial assistance.

A. Calculation of Immediate Family Members. Each Hospital will request that patients requesting charity care verify the number of people in the patient's household.

1. *Adults*. In calculating the number of people in an adult patient's household, Hospital will include the patient, the patient's spouse and any dependents of the patient or the patient's spouse.

2. *Minors*. For persons under the age of 18. In calculating the number of people in a minor patient's household, Hospital will include the patient, the patient's mother, dependents of the patient's mother, the patient's father, and dependents of the patient's father.

B. Calculation of Income.

1. *Adults*. For adults, determine the sum of the total yearly gross income of the patient and the patient's spouse (the "Income"). Hospital may consider other financial assets of the patient and the patient's family (members of family are as defined in section "Calculation of Immediate Family Members") and the patient's or the patient's family's ability to pay.

2. *Minors*. If the patient is a minor, determine the Income from the patient, the patient's mother and the patient's father. Hospital may consider other financial assets of the patient and the patient's family (members of family are as defined in section "Calculation of Immediate Family Members") and the patient's or the patient's family's ability to pay.

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2. **Income Verification.** Hospital shall request that the patient verify the Income and provide the documentation requested as set forth in the Assistance Application. NOTE: Tax Returns and W-2's should be collected for year prior to date of admission.

A. Documentation Verifying Income. Income may be verified through any of the following mechanisms:

- Tax Returns (Hospital preferred income verification document)
- IRS Form W-2
- Wage and Earnings Statement
- Pay Check Remittance
- Social Security
- Worker's Compensation or Unemployment Compensation Determination Letters
- Qualification within the preceding 6 months for governmental assistance program (including food stamps, CDIC, Medicaid and AFDC)
- Telephone verification by the patient's employer of the patient's Income
- Bank statements, which indicate payroll deposits.

B. Documentation Unavailable. In cases where the patient is unable to provide documentation verifying Income, the Hospital may at it's sole discretion verify the patient's Income in either of the following two ways:

1. By having the patient sign the Assistance Application attesting to the veracity of the Income information provided or

2. Through the written attestation of the Hospital personnel completing the Assistance Application that the patient verbally verified Hospital's calculation of Income.

Note: In all instances where the patient is unable to provide the requested documentation to verify Income, Hospital will require that a satisfactory explanation of the reason the patient is unable to provide the requested documentation be noted on the Financial Assistance Assessment Form.

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C. Expired Patients. Expired patients may be deemed to have no Income for purposes of the Hospital's calculation of Income. Documentation of Income is not required for expired patients. Income verification is still required for any other family members (members of family are as defined in section "Calculation of Immediate Family Members").

D. Homeless Patients. Homeless patients may be deemed to have no Income for purposes of the Hospital's calculation of Income. Documentation of Income is not required for homeless patients. Income verification is still required for any other family members (members of family are as defined in section "Calculation of Immediate Family Members") only if other family information is available.

E. Incarcerated Patients. Incarcerated patients (incarceration verification should be attempted by Hospital personnel) may be deemed to have no Income for purposes of the Hospital's calculation of Income, *but only if their medical expenses are not covered by the governmental entity incarcerating them (ie the Federal Government, the State or a County is responsible for the care) since in such event they are not uninsured patients.* Income verification is still required for any other family members (members of family are as defined in section "Calculation of Immediate Family Members").

F. International Patients. International patients who are uninsured and whose visit to the Hospital was unscheduled will be deemed to have no Income for purposes of the Hospital's calculation of Income. Income verification is, moreover, still required for any other family members (members of family are as defined in section "Calculation of Immediate Family Members") only if other family are United States citizens.

G. Eligibility Cannot be Determined. If and when Hospital personnel cannot clearly determine eligibility, the Hospital personnel will use best judgment and submit a memorandum (such memorandum should be the first sheet in the documentation packet) listing reasons for judgment along with Financial Assistance documentation to appropriate supervisor. The Hospital Supervisor will then review the memorandum and documentation. If the Supervisor agrees to approve the eligibility, they will sign Eligibility Determination form and continue with normal Approval process. If the Supervisor does not approve eligibility of the patient under this Policy, the Supervisor should sign the submitted memorandum and return all documentation to Hospital personnel who will note account and

send documentation to the Hospital's Business Office for filing. If Supervisor disagrees with hospital personnel's judgment, Supervisor should state reasons for new judgment and will return documentation to hospital personnel who will follow either denial process or approval process as determined by Supervisor.

H. Classification Pending Income Verification. During the Income Verification process, while Hospital is collecting the information necessary to determine a patient's Income, the patient may be treated as a self-pay patient in accordance with Hospital policies.

3. **Information Falsification.** Falsification of information may result in denial of the Assistance Application. If, after a patient is granted financial assistance as either Financially Indigent or Medically Indigent, and Hospital finds material provision(s) of the Assistance Application to be untrue, the financial assistance may be withdrawn.

4. **Request for Additional Information.** If adequate documents are not provided, Hospital will contact the patient and request additional information. If the patient does not comply with the request within 14 calendar days from the date of the request, such non-compliance will be considered an automatic denial for financial assistance. A note will be input into Hospital computer system and any and all paperwork that was completed will be filed according to the date of the denial note. No further actions will be taken by Hospital personnel. If requested documentation is later obtained, all filed documentation will be pulled and patient will be reconsidered for Financial Assistance.

5. **Automatic Classification as Financially Indigent.** The following is a listing of types of accounts where Financial Assistance is considered to be automatic and documentation of Income or a Financial Assistance application is not needed:

- Medicaid accounts-Exhausted Days/Benefits
- Medicaid spend down accounts
- Medicaid or Medicare Dental denials
- Medicare Replacement accounts with Medicaid as secondary-where Medicare Replacement plan left patient with responsibility

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6. **Classification as Financially Indigent.** Financially Indigent means an uninsured person who is accepted for care with no obligation (charity care) or with a discounted obligation to pay for the services rendered, based on the Hospital Eligibility Criteria.

A. Classification. The Hospital may classify as Financially Indigent all uninsured patients whose income, as determined in accordance with the Assistance Application, is less than or equal to 200% of the poverty guidelines updated annually in the Federal Register by the U.S. Department of Health and Human Services (Federal Poverty Guidelines).

B. Acceptance. If Hospital accepts the patient as Financially Indigent, the patient may be granted charity care or financial assistance discounts in accordance with the attached Financial Assistance Eligibility Guidelines.

7. **Classification as Medically Indigent.** Medically Indigent means *an uninsured patient* who does not qualify as Financially Indigent under this policy because the patient's Income exceeds 500% of Federal Poverty Guidelines, but whose medical or hospital bills exceed a specified percentage of the person's Income, and who is unable to pay the remaining bill.

A. Initial Assessment. To be considered for classification as a Medically Indigent patient, the amount owed by the patient on all outstanding accounts after all payments by the patient must exceed 10% of the patient's Income and the patient must be unable to pay the remaining bill. If the patient does not meet the Initial Assessment criteria, the patient may not be classified as Medically Indigent.

B. Acceptance. The Hospital may also accept a patient as Medically Indigent when they meet the acceptance criteria set forth below.

(1) The patient's bill is greater than 50% of the patient's Income, calculated in accordance with the Hospital's income verification procedures, and the patient's Income is greater than 500% of the Federal Poverty Guidelines. The Hospital will determine the amount of financial assistance granted to these patient's in accordance with the attached Financial Assistance Eligibility Guidelines.

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(2) NOTE: TO QUALIFY AS MEDICALLY INDIGENT, THE PATIENT MUST BE UNINSURED.

8. **Approval Procedures.** Hospital will complete a Financial Assistance Eligibility Determination Form for each patient granted status as Financially Indigent or Medically Indigent. The approval signature process is as following:

$1 - $2,000	Director
$2,001 - $10,000	Director and CFO
$10,001 and above	Director, CFO and CEO

A. The accounts will be filed according to the date the Financial Assistance adjustment was entered onto the account.

B. The Eligibility Determination Form allows for the documentation of the administrative review and approval process utilized by the Hospital to grant financial assistance. Any change in the Eligibility Determination Form must be approved by the Director of Patient Financial Services. **NOTE: If application is approved, approval is automatic for all admissions for calendar year on balances that can be considered for Financial Assistance.**

9. **Denial for Financial Assistance.** If the Hospital determines that the patient is not Financially Indigent or Medically Independent under this policy, it shall notify the patient of this denial in writing. A suggested denial of coverage letter is attached to this policy.

10. **Document Retention Procedures.** Hospital will maintain documentation sufficient to identify for each patient qualified as Financially Indigent or Medically Indigent, the patient's Income, the method used to verify the patient's Income, the amount owed by the patient, and the person who approved granting the patient status as Financially Indigent or Medically Indigent. All documentation will be forwarded and filed within the Hospital's Business Office for audit purposes. Financial Assistance applications and all documentation will be retained within the Hospital's Business Office for 1 calendar year. After which, the documents will be boxed and marked as: Charity Docs**,** JANUARY YYYY-DECEMBER YYYY and forwarded to the Hospital Warehouse,

where it will then be retained for an additional 6 years before shredding.

11. **Reservation of Rights.** It is the policy of the Company and its Hospitals to reserve the right to limit or deny financial assistance at the sole discretion of each of its Hospitals.

12. **Non-covered Services.** Elective and non-emergency services are not covered by this policy.

B. <u>BILLING AND COLLECTION PRACTICES FOR ALL UNINSURED PATIENTS, INCLUDING THOSE WHO QUALIFY AS FINANICALLY INDIGENT OR MEDICALLY INDIGENT UNDER THIS POLICY</u>

1. **Fair and Respectful Treatment.** Uninsured patients will be treated fairly and with respect during and after treatment, regardless of their ability to pay.

2. **Trained Financial Counselors.** All uninsured patients at the Company's hospitals will be provided with financial counseling, including assistance applying for state and federal health care programs such as Medicare and Medicaid. If not eligible for governmental assistance, uninsured patients will be informed of and assisted in applying for charity care and financial assistance under the hospital's charity care and financial assistance policy. Financial counselors will attempt to meet with all uninsured patients prior to discharge from the Company's hospital. Hospitals should ensure that appropriate staff members are knowledgeable about the existence of the hospital's financial assistance policies. Training should be provided to staff members (i.e., billing office, financial department, etc.) who directly interact with patients regarding their hospital bills.

3. **Additional Invoice Statements or Enclosures.** When sending a bill to uninsured patients, the Hospital should include (a) a statement on the bill or in an enclosure to the bill that indicates that if the patient meets certain income requirements, the patient may be eligible for a government-sponsored program or for financial assistance from the Hospital under its charity care or financial assistance policy; and (b) a statement on the bill or in an enclosure to the bill that provides the patient a telephone number of a hospital employee or office from whom or which the patient may obtain information about such financial assistance policy for patients and how to apply for such assistance. The following statement on the bill or in an enclosure to the bill complies with the above requirements of this Section B.3.:

"Please note, based on your household income, you may be eligible for Medicaid *[Note: please refer to MediCal for California patients and Arizona's AHCCCS program for Arizona patients]* or financial assistance from the Hospital. For further information, please contact our customer service department at (XXX) XXX-XXXX."

4. **Notices.** Each of the Company's hospitals should post notices regarding the availability of financial assistance to uninsured patients. These notices should be posted in visible locations throughout the hospital such as admitting/registration, billing office and emergency department. The notices also should include a contact telephone number that a patient or family member can call for more information. The following specific language complies the above notice requirements of this Section B.4.: "For help with your Hospital bill or Financial Assistance, please call or ask to see our Financial Counselor or call (XXX) XXX-XXXX (M-F 8:30 am to 4:30 pm)."

5. **Liens on Primary Residences.** The Company's hospitals shall not, in dealing with patients who quality as Financially Indigent or Medically Indigent under this Policy, place or foreclose liens on primary residences as a means of collecting unpaid hospital bills. However, as to those patients who qualify as Medically Indigent but have income in excess of 500% of the Federal Poverty Guidelines, the Company may place liens on primary residences as a means of collecting discounted hospital bills, but the Company's hospitals may not pursue foreclosure actions in respect of such liens.

6. **Garnishments.** The Company's hospitals shall only use garnishments on Medically Indigent Patients where clearly legal under state law and only where it has evidence that the Medically Indigent Patient has sufficient income or assets to pay his discounted bill.

7. **Collection Actions Against Uninsured Patients.** Each of the Company's hospitals should have written policies outlining when and under whose authority an unpaid balance of any uninsured patient is advanced to collection, and hospitals should use their best efforts to ensure that patient accounts for all uninsured patients are processed fairly and consistently.

8. **Interest Free, Extended Payment Plans**. All uninsured patients shall be offered extended payment plans by the Company's hospitals to assist the patients in settling

past due outstanding hospital bills. The Company's hospitals will not charge uninsured patients any interest under such extended payment plans.

9. **Body Attachments.** The Company's hospitals shall not use body attachment to require that its uninsured patients or responsible party appear in court.

10. **Collection Agencies Follow Hospital Collection Policies.** The Company's hospitals should define the standards and scope of practices to be used by their outside (non-hospital) collection agencies, and should obtain written agreements from such agencies that they will adhere to such standards and scope of practices. These standards and practices should not be inconsistent with the Company's collection practices for its hospitals set forth in this Policy.

C. <u>RESERVATION OF RIGHTS AGAINST THIRD PARTIES.</u>

Nothing in this Policy shall preclude the Company's hospitals from pursuing reimbursement from third party payors, third party liability settlements or tortfeasors or other legally responsible third parties.

REFERENCES

HHS, Office of Inspector General, Guidance dated February 2, 2004, entitled " Hospital Discounts Offered to Patients Who Cannot Afford To Pay Their Hospital Bills".

Letter dated February 19, 2004, from Tommy G. Thompson, HHS Secretary, to Richard J. Davidson, President, American Hospital Association, including Questions and Answers attached thereto entitled "Questions On Charges For The Uninsured".

Federal Poverty Guidelines published by US Department of Health and Human Services from time to time. (Most recent publication at effective date of this Policy is *Federal Register*, (74 FR 4199-4201) January 23, 2009.

FINANCIAL ASSISTANCE ELIGIBILITY GUIDELINES

Based on Federal Poverty Guidelines Effective January 23, 2009

Schedule A (shaded)
Financially Indigent

Schedule B (unshaded)
Medically Indigent

Number In Household	100%	200%	300%	400%	500%
1	10,830	21,660	32,490	43,320	54,150
2	14,570	29,140	43,710	58,280	72,850
3	18,310	36,620	54,930	73,240	91,550
4	22,050	44,100	66,150	88,200	110,250
5	25,790	51,580	77,370	103,160	128,950
6	29,530	59,060	88,590	118,120	147,650
7	33,270	66,540	99,810	133,080	166,350
8	37,010	74,020	111,030	148,040	185,050
Discount	100%		80%	60%	40%
Financially Indigent Classification					

Schedule C
Catastrophic Eligibility as Medically Indigent -

Only applicable if patients income exceeds 500% of Federal Poverty Guidelines

Balance Due	Discount
Balance Due is equal to or greater than 90% patients annual income	80%
Balance Due is equal to or greater than 70% and less than 90% patients annual income	60%
Balance Due is equal to or greater than 50% and less than 70% patients annual income	40%

[HOSPITAL LETTERHEAD]

«GUARANTOR»
«ADDRESS»
«CITY», «State» «zip»

[DATE]

Re: «PATIENT»
Admission: «ACCOUNT»
Balance Due: $«TOTAL_CHARGES»

Dear «GUARANTOR»,

Thank you for choosing _____ Hospital the [system] [Hospital] of choice in _____. We appreciate you taking the time to complete and return the Application for Assistance. _____ Hospital uses this information to determine your eligibility for a reduce fee under the _____ Hospital Financial Assistance program.

In reviewing your Application for Assistance, we are happy to inform you that you have been approved for a «DISCOUNT»% discount your new balance has been reduced to $«REMAINING_BAL». Our determination was based upon your income, household size and Federal Poverty Guidelines.

If you have any questions about our decision, please call the Hospital's [Customer Service] at (___)-_____.

Sincerely,

[Customer Service Representative]

FINANCIAL ASSISTANCE ELIGIBILITY DETERMINATION
OFFICE USE ONLY

Patient Name: _____

Account Number(s): _____ Total Yearly Income: $_____ Total Charges:$_____

Balance Due: $_____ Income Verification Code: _____ Number in Household: _____ Financial Class:_____

1. **Is Total Yearly Income equal to or less than 200% of the Federal Poverty Guidelines?** (See Financial Assistance Eligibility Guidelines - Schedule A) **Circle One**

   YES Approved for 100% financial assistance as Financially Indigent.

   NO Does not qualify for assistance as Financially Indigent. Continue to Step 2.

2. **Is this balance due greater than 10% of Total Yearly Income? Circle One**

   YES Continue to Step 3.

   NO Patient does not qualify for Financial Assistance.

3. **Is Total Yearly Income equal to or less than 500% of the Federal Poverty Guidelines?** See Financial Assistance Eligibility Guidelines - Schedule B. **Circle One**

   YES Total Yearly Income is greater than _____% and less than _____ % of the Federal Poverty Guidelines. Patient qualifies for _____% discount as Medically Indigent pursuant to Financial Assistance Eligibility Guidelines - Schedule B .

   NO: Continue to Step 4.

4. **Is this balance due greater than 50% of Total Yearly Income? Circle One**

   YES Balance due is _____% of the total yearly income. Eligible for_____% discount as Medically Indigent pursuant to Financial Assistance Eligibility Guidelines - Schedule C. Continue to Step 5.

   NO: Patient does not qualify for Financial Assistance.

5. $_____ *Balance Due Before Discount* Multiply by _____% = $_____ *Discount Amount* $_____ *Remaining Balance Due After Discount*

Employee Name (Print)_____

Employee Signature_____ Approved By _____

Date_____ Approved By _____

$1 - $2,000	Director	Approved By_____
$2,001 - $10,000	Director and CFO	
$10,001 & above	Director, CFO and CEO	

Income Verification Codes

1	IRS Form W-2, Wage and Earnings Statement	7	Written attestation of patient
2	Pay Check Remittance	8	Verbal attestation of patient
3	Tax Returns	9	Patient deceased, no estate
4	Social Security, Work Comp or Unempl Comp letter	10	Government Program
5	Telephone verification by employer	11	Other
6	Bank Statements		

FINANCIAL ASSISTANCE APPLICATION INSTRUCTIONS

Instructions:
As part of its commitment to serve the community, _____ Hospital elects to provide financial assistance to individuals who are financially indigent or medically indigent and satisfy certain requirements.

To determine if a person qualifies for financial assistance, we need to obtain certain financial information. Your cooperation will allow us to give all due consideration to your request for financial assistance.

Please provide the information requested and mail to the following address:

_____ Hospital
_____
_____
_____

***Income Verification*:**

IN ORDER TO CONSIDER YOUR REQUEST FOR FINANCIAL ASSISTANCE, VERIFICATION OF INCOME IS REQUIRED. PLEASE PROVIDE A COPY OF THE FOLLOWING DOCUMENTS:

- Governmental Assistance, Social Security, Workers Compensation, or Unemployment Compensation Determination Letter
- Income Tax Return for previous year

PLEASE ALSO INCLUDE ONE OR MORE OF THE FOLLOWING:

- IRS Form W-2, Wage and Earnings Statement for all household earnings
- Last 2 pay check stubs for all household earnings
- Bank Statement that contains income information

In the event income verification is unavailable, please contact our office for further instructions. Applications without verification are considered incomplete and **WILL NOT BE PROCESSED**. Please return the application and verification of income within 7 days to the above address.

Notification of Determination:
We will notify you of your eligibility following receipt and review of all necessary information. The notification will be mailed to the mailing address you have provided on the Financial Assistance Application.

Physician Services:
The physicians providing services at this Hospital are not employees of _____ Hospital. You will receive separate bills from your private physician and from other physicians whose services you required (pathologist, radiologist, surgeon, etc.). The Financial Assistance Application does not apply to any amounts due by you for physician services. For questions regarding their bills, or to make payment arrangements for physician services, please contact the individual physician's office.

For assistance in completing this application, please contact _____ Hospital [Customer Service] at (___) _____ or Toll Free: 1-_____, Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m.

GRNTOR #: _____

HOSP CODE: _____

PATIENT INFORMATION/INFORMACION DEL PACIENTE

Patient Name/Nombre del Paciente	Account Balance/Balancia de Cuenta	Patient Number/Numero del Paciente	Date of Birth/Fetch del Nacimiento
Admission Date/Fecha De Entrada	Discharge Date/Fecha De Despedida	Social Security No/Num de Seguro Social	Marital Status/Estado Civil
Home Address/Direccion De Residencia			
City/Ciudad		State/Estado	Zip
Name of Medical Provider/Nombre Del Proveedor De Sercisios Medicos		Beginning Coverage Date/Fecha del Comienzo	
Name of Doctor/Nombre Del Medico			
Employer Name/Nombre		Occupation/Ocupacion	Telephone/Telefono

GUARANTOR INFORMATION/PERSONA RESPONSABLE

Name/Nombre		Social Security No/Num de Seguro Social	Age/Edad
Realationship to Applicant Relacion con el Paciente	Address/Direccion		Telephone/Telefono
City/Ciudad		State/Estado	Zip
Employer/Empleador		Employer Phone/Number De Empleador	Occupation/Ocupacion
Address/Direccion			
City/Ciudad		State/Estado	ZIP:

FINANCIAL INFORMATION/INFORMACION FINANCIAL

Total Monthly Income/Ingresos Mensuales	No. of Dependents Cuantos Dependientes	Residence(Own/Rent) Casa Propia o Renta	Car (Model/Year)/Carro (Modelo/Ano)

RESOURCES/RECURSOS

Name of Bank/Nombre del Banco	Checking Account/Cueta de Cheques	Savings Account/Cuentas de Ahorros
	$	$

MONTHLY EXPENSES/GASTOS MENSUALES

Rent/Mortgage/ Payment Payment/Renta o Pago Hipotecario	Water Bill/Pago de Agua	Gas Bill/Pago de Gas	Phone Bill/Cuenta De Telefono
$	$	$	$
Electric Bill/Pago de Electricidad	Car Payment/Pago de Carro	Insurance Premium/Pago de Prima	Other Bills/Otro Gastos
$	$	$	$

HOUSEHOLD COMPOSITION/INFORMACION DE LA CASA

Name/Nombre	Relationship/Relacion con el Paciente	Date of Birth/Fecha de Nacimiento	Social Security No. Num de Seguro Social

If unable to provide requested documents, please explain below/

Por favor de dar una explicacion si no es posible proveer los documentos.

COMMENTS/COMETARIOS:

AFFIDAVIT/DECLARACION JURADA

I declare under penalty of perjury that the answers I have given are true and correct to the best of my knowledge. I agree to tell the provider of service within ten (10) days if there are any changes in my (or the persons on whose behalf I am acting) income, property, expenses or in the persons household or any change of address. I understand that I may be asked to prove my statements and my eligibility statements will be subject to verification by contact with my employer, bank credit verification and property searches. I understand the county is required by law to keep any information I provide confidential. I further agree, that in consideration for receiving health care services as a result of an accident or injury, to reimburse the county from the proceeds of litigation or settlement resulting from such an act.	Declaro bajo pena de perjuria que las respuestas que he dado son verdaderas y correctas al mejor de mi conocimiento. Acuerdo decirle al abastecedor del servicio en el plazo de diez dias si hay algunos cambios en mi (o personas en el favor que yo este actuando) renta, propiedad, gastos o en la casa de las personas o cualquier cambio de direccion. Entiendo que puedo ser pedido probar mis declaraciones de la elegibilidad estaran conforme a la verificacion al lado de contacto con mi patron, verification del credito de banco y busquedas de propiedad. Entiendo que el condado es requerido por ley de protejer cualquier informacion que yo proporcione confidencial. Tambien convengo, en la consideracion de recibir servicios del cuidado medico como resultado de un accidente o lesion, de tener que reembolsarle al condado de los ingresos de la demanda o cualquier resultado de tal acto.

_____ _____

Signature/Firma Date/Fecha

For Hospital Use Only/Uso Solamente Para el Hospital

Facility/Facilidad: _____ **Accepted/Aceptar: _____** **Denied/Negacion: _____**

COMMENTS/COMETARIOS:

_____ _____

Signature Approval **Date**

[Hospital Logo]

_____

_____

Date:

Re:
Admission #
Balance Due:

Dear ,

Thank you for choosing _____ Hospital. We appreciate you taking the time to complete and return the Application for Assistance. _____ Hospital uses this information to determine your eligibility for a reduced fee under the _____ Hospitals Charity Care Financial Assistance program.

In reviewing your Application for Financial Assistance, we have determined that you are not eligible for charity care or financial assistance under our policy. Our determination was based upon your income, household size and Federal Poverty Guidelines.

If you have any questions about our decision, please call Customer Service at (XXX)___-____.

Sincerely,

Customer Service Representative

Exhibit 9

Alix Partners Memorandum
Regarding Issues Raised by the SEIU

November 11, 2010

Memorandum to the Michigan Attorney General's Office Regarding Issues Raised by the Service Employees International Union in Connection with the Proposed Sale of the Detroit Medical Center

OVERVIEW

The Service Employees International Union ("SEIU") sent a series of letters to the Michigan Attorney General's office in which it raised several concerns regarding the proposed acquisition of the Detroit Medical Center ("DMC") by Vanguard Health Systems ("VHS"). The Michigan Attorney General's Office asked AlixPartners to review and comment on the SEIU letters.

The first letter, dated September 27, 2010 (the "September Letter"), focused on valuation issues, alleging that the purchase price for the DMC is too low[1], and the capital spending pledge by Vanguard is below average.[2] A follow-up letter, dated October 13, 2010 (the "October 13th Letter"), further elaborated on the SEIU's position that the purchase price for DMC is too low. Subsequently, the SEIU sent a letter dated October 21, 2010 (the "October 21st Letter") in which it proposed alternatives to DMC being acquired by Vanguard. The alternative scenarios presented in the October 21st Letter included the idea of a possible acquisition of DMC by other non-profit health systems and DMC accessing the bond markets for additional capital in lieu of a merger or sale transaction. We reviewed the issues raised by the SEIU in their aforementioned letters and present our comments below.

SEIU ALLEGATION THAT THE PURCHASE PRICE IS TOO LOW

In the September and October 13th Letters which are focused on valuation, the SEIU alleges that the purchase price for DMC is too low. To support its position, the SEIU relies solely upon market transaction data points. We note that the SEIU did not perform a discounted cash flow ("DCF") analysis, a generally accepted valuation methodology, to support its assertion. A DCF analysis indicates the fair market value of a business or assets of a business

[1] Letter to Attorney General Mike Cox dated September 27, 2010, p. 3.
[2] Letter to Attorney General Mike Cox dated September 27, 2010, pp. 7 – 8.

based on the value of the cash flows that the business or the assets could be expected to generate in the future. A DCF analysis would reflect the actual expectations and unique financial attributes of DMC. In addition, it does not appear that the SEIU has met with DMC management to discuss DMC's projected financial performance.

In its letters, SEIU focuses on four sources of information which it feels supports its position that the purchase price for DMC is too low: data from Avondale Partners, data from Irving Levin & Associates ("Irving Levin"), the Caritas transaction, and previous Vanguard acquisitions.

SEIU Does Not Consider the Assumption of Pension and Malpractice Liabilities

The SEIU has assumed that the total purchase price for the DMC is $417 million. However this calculation does not take into consideration the pension and net malpractice liabilities (approximately $220 million[3,4] as of August 31, 2010) that Vanguard is assuming as part of the transaction. If the assumed liabilities were considered as part of the purchase price, the total consideration paid by VHS is $637 million, which is approximately 30% of DMC revenue.[5]

Avondale Report Issues

In its September Letter, the SEIU argues that Vanguard's cash offer of $417 million for the DMC is "extremely" low at only 20 percent of revenue (as noted above, the revenue multiple being paid for DMC is actually approximately 30% of revenue).[6] To support this assertion, they state that "recent deals have been priced at approximately 60 percent of revenue,"[7] and

[3] The $220 million does not include the $12 million current portion of the malpractice liability. We conservatively treated the current portion of the malpractice liability as a working capital item as opposed to a long-term non-operating liability.
[4] The breakdown of the $220 million liability equals approximately $190 million in pension liability and $30 million in net malpractice liability per DMC financial statements as of August 31, 2010. DMC's actuary, Aon Hewitt estimates that the unfunded pension liability will increase to $293 million as of December 31, 2010. If this amount is added to the $30 million net malpractice liability, the total estimated pension and malpractice liabilities to be assumed by Vanguard as of December 31, 2010 equal approximately $323 million.
[5] The $637 million does not include the $500 million special project capital expenditure commitment that Vanguard is making as part of the transaction.
[6] Letter to Attorney General Mike Cox from the SEIU dated September 27, 2010, p. 3.
[7] Letter to Attorney General Mike Cox from the SEIU dated September 27, 2010, p. 3.

cite a January 2010 hospital industry report from Avondale Partners. We reviewed the Avondale report and observed the following:

- Avondale is an investment banking and sell-side equity research firm. The report cited by the SEIU is from a hospital sector analyst covering HMA, Tenet, Lifepoint, Community Health Systems and Universal Health Services. This focus appears to limit the scope of his report to hospital deals that are only relevant to the companies in his coverage universe versus a broader look at hospital M&A.

- The transaction multiple data by year is only based on three transactions in 2009 and two transactions in 2008. The multiples appear to be limited to acquisitions by large hospital systems in the Avondale coverage universe. Their analysis did not consider numerous private transactions that have occurred between 2007 and 2009.

- The methodologies used by Avondale to calculate the purchase prices for the various transactions are inconsistent. In some cases, the purchase price includes capital expenditure commitments (either the full value or the present value) and in some cases it does not.

Consideration of the Irving Levin Data

The October 13th Letter states that based on Irving Levin data, the average Price/Revenue multiple was 78% of revenue in 2009, which is almost four times the multiple of 20% of revenue in the proposed Vanguard – DMC transaction. According to the October 13th Letter, the median 2009 Price/Revenue multiple per Irving Levin is 77% of revenue. This median appears to be based on 13 transactions, with a range of revenue multiples of 27% of revenue to 130% of revenue.[8] Such a large range and limited data calls into question the appropriateness of relying on a median multiple for a single year as an indication of value. In addition, certain of the deals included in the 2009 median multiple are for the acquisition of hospitals that are substantially more profitable than the DMC, which would make them less comparable.

The October 13th Letter also suggests that the multiple of EBITDA that Vanguard plans to pay for DMC is too low based on a comparison to data

[8]Irving Levin database. Does not include transactions that occurred in bankruptcy, as Irving Levin indicates that such transactions are not included in the mean and median.

from Irving Levin. The median 2009 Price/EBITDA multiple as calculated by Irving Levin was 8.6x. However, as Irving Levin points out, it is challenging to use this multiple because of the lack of timely disclosure of financial information and the disinclination of buyers to reveal current EBITDA of their target hospitals.[9] Irving Levin also points out that because the buyer has more current financial data when making the offer, we have to assume that the Price/EBITDA multiples contained in its report are somewhat high as they are based on information that is one or two years old. In addition, historical performance is not necessarily indicative of future results. Buyers often price their acquisitions on pro forma EBITDA and will discount the historical performance if they believe it to be misleading.[10] In addition, the median multiple per Irving Levin appears to be based on only 8 transactions with a range of 4.4x to 19.5x. Such a large range and limited data further calls into question the reliability of the Price/EBITDA multiple data SEIU cites.

Caritas Transaction

The September Letter also discusses the pending transaction between Caritas Christi Healthcare and Cerberus Capital Management, stating that Cerberus will infuse "$430 - $450 million in cash immediately to extinguish Caritas debt, finance renovation, provide working capital and assume the system's pension liability. This amount translates into nearly 35 percent of Caritas' 2009 revenue.[11]" In order to make a more "apples to apples" comparison between the Caritas and DMC transactions, the liabilities that Vanguard will assume should be treated as deal consideration. If the $220 million[12] in assumed pension and malpractice liabilities are added to the purchase price, the revenue multiple would be 30% of DMC's historical revenue, which is comparable to the Caritas multiple.[13]

The October 13th Letter indicates that the EBITDA multiple being paid for Caritas is 14.5x. This is inconsistent with information contained within the

[9] The Hospital M&A Market: Five-Year Report & Outlook, Second Edition, 2010.
[10] The Hospital M&A Market: Five-Year Report & Outlook, Second Edition, 2010.
[11] Letter to Attorney General Mike Cox from the SEIU dated September 27, 2010, p. 3.
[12] DMC's actuary, Aon Hewitt estimates that the unfunded pension liability will increase to $293 million as of December 31, 2010. If this amount is added to the $30 million net malpractice liability, the total estimated pension and malpractice liabilities to be assumed by Vanguard as of December 31, 2010 equal approximately $323 million. Using the $323 million figure, the implied revenue multiple for DMC would be even higher.
[13] Further, Vanguard is committing to a significant capital expenditure commitment in the proposed DMC acquisition.

report of the Massachusetts Attorney General. According to the Massachusetts Attorney General's Report, Caritas' EBITDA is approximately $80 million to $85 million[14], which implies a Price/EBITDA multiple of approximately 6x. SEIU notes in the October 13th Letter that DMC's 2009 EBITDA was approximately $125 million; given this the implied multiple for the DMC transaction, taking into consideration the pension and malpractice liabilities being assumed by Vanguard, is approximately 5x. Accordingly, SEIU's statement that the median 2009 Price/EBITDA multiple of 8.6x based on Irving Levin data is "two and a half times the multiple Vanguard has offered for DMC" is inaccurate.

SEIU argues in the September Letter that DMC warrants a higher transaction value than Caritas because it is more financially stable. Specifically, it states "DMC has had a longer history of solid financial performance, whereas Caritas generated negative operating income in 2008…Surely DMC, a system that has "operated in the black since 2004" according to CEO Mike Duggan, warrants a higher transaction value."[15] Based on data contained in Medicare cost reports, we compared the historical financial performance of Caritas[16] and DMC and found that while Caritas performed poorly in 2008, its performance was only slightly below that of DMC between 2005 and 2007. In addition, Caritas' performance in 2009 is estimated to be higher than that of DMC. While DMC may have been "in the black" from a net income standpoint since 2004, it was not generating adequate cash flow to fund necessary capital expenditures. This is likely reflected in Moody's assessment of the two systems. Moody's rates Caritas as an investment grade health system, at a rating of Baa2 which is four notches higher than that of speculative-grade rated DMC.

Comparison to Other Vanguard Transactions

The SEIU's October 13th Letter also indicates that Vanguard has paid higher multiples for other transactions in 2010. Vanguard purchased two Chicago area hospitals for a multiple of 20% of revenue and the Arizona Heart Institute for a 40% of revenue multiple. The SEIU argues that a higher multiple should be paid for DMC as the hospitals in Chicago and Arizona had

[14] Statement of the Attorney General as to the Caritas Christi Transaction, p. 22.
[15] Letter to Attorney General Mike Cox from the SEIU dated September 27, 2010, p. 4.
[16] Our analysis of Caritas' historical financial performance is based on data for the individual hospitals contained in Medicare Cost Reports. Caritas' consolidated financial statements are not publicly available and therefore we estimated corporate expenses for the system.

experienced operating losses while DMC had not. The SEIU's comparison of these deals does not take into consideration 1) the assumption of $220 million[17] of non-operating liabilities to be assumed by Vanguard in the proposed transaction with DMC, and 2) Vanguard has committed to spend $850 million ($500 million in special project capital expenditures) over the next five years. In addition, our understanding is that a significant portion of the Chicago hospitals' underperformance was related to corporate overhead costs allocated from the prior parent. Furthermore, Vanguard's acquisition of the Arizona Heart Institute is expected to be synergistic for Vanguard given their other hospitals in the area, and Vanguard expects substantial improvements in margins and cash flow at the Arizona Heart Institute as a result of the acquisition.

ALLEGATION THAT THE CAPITAL SPENDING PLEDGE IS BELOW AVERAGE

In the September Letter, SEIU alleges that Vanguard's pledge to spend $850 million over five years is "below average."[18] To support this point, the SEIU calculates the average that Vanguard will spend per year ($170 million), and notes that this represents 8.1% of DMC's 2009 sales.[19] The SEIU alleges that this is lower than the weighted average of what Michigan's nonprofit hospitals spent as a % of revenue in 2009.[20]

The SEIU did not provide the underlying data to support its calculation, however there are issues with the data that is cited. First, the SEIU states that "Trinity Health System, based in Michigan spent $610.9 million in 2009 or 9.7% of its net revenue.[21]" Trinity Health System is a national health system with hospitals in California, Idaho, Indiana, Iowa, Maryland, Michigan and Ohio.[22] In addition, Trinity operates in both urban and non-urban areas. Accordingly, it is not necessarily an appropriate benchmark for the DMC. Also, the SEIU's use of data for only one year is misleading as Trinity spent

[17] DMC's actuary, Aon Hewitt estimates that the unfunded pension liability will increase to $293 million as of December 31, 2010. If this amount is added to the $30 million net malpractice liability, the total estimated pension and malpractice liabilities to be assumed by Vanguard as of December 31, 2010 equal approximately $323 million.
[18] Letter to Attorney General Mike Cox from the SEIU dated September 27, 2010, p. 7.
[19] Letter to Attorney General Mike Cox from the SEIU dated September 27, 2010, pp. 7 – 8.
[20] Letter to Attorney General Mike Cox from the SEIU dated September 27, 2010, pp. 7 – 8.
[21] Letter to Attorney General Mike Cox from the SEIU dated September 27, 2010, p. 8.
[22] Trinity Health Systems website.

only $446 million in capital expenditures (6.4% of revenue) for the fiscal year ended June 2010.[23] The SEIU should take this more recent data for Trinity into account or consider a longer period for its review. It is inappropriate to rely on only one year of data when conducting a benchmark analysis as spending levels can fluctuate significantly from year to year. The SEIU also cited Spectrum Health's 2009 capital spending level (8.3%), again only taking one year of data into account. In addition, the SEIU did not consider that Trinity and Spectrum are more profitable hospital systems than DMC and therefore have greater cash flow available for capital expenditures.

Failure to Consider DMC's Profitability in Connection with Capital Spending

The SEIU argues that even though Vanguard's planned capital spend of 8.1% of revenue is higher than what DMC spent in 2009, it is lower than the 9.2% weighted average for Michigan nonprofit hospitals. The SEIU does not perform any analysis of the profitability of the hospitals included in its benchmark relative to that of the DMC. Over the next five years, Vanguard plans to spend on average a greater percentage of revenue on capital expenditures than it projects it will earn in EBITDA (cash flow).

Failure to Consider DMC's Historical Levels of Capital Spending

In addition, the SEIU fails to point out that DMC spent only 3.1% of revenue on capital expenditures in 2009 and 3.3% on average between 2007 and 2009. Vanguard plans to spend substantially more than what DMC would be able to spend as a stand-alone entity.

SEIU'S ANALYSIS OF OTHER POTENTIAL ACQUIRERS

The SEIU's October 21st Letter states that in the Midwest region, there are "several examples of strong nonprofit systems with the necessary capital, capacity and infrastructure investments to acquire and operate DMC."[24] The SEIU further states that the nonprofit systems Ascension, Trinity and Catholic Health Initiatives ("CHI") have strong balance sheets, low leverage, and high liquidity, and therefore would be "well positioned" to acquire DMC.[25] The letter also states that "Ascension, CHI or Trinity would likely

[23] Trinity Health Systems financial statements for the fiscal year ended June 30, 2010.
[24] Letter from the SEIU dated October 21, 2010, p. 2.
[25] Letter from the SEIU dated October 21, 2010, p. 2.

welcome the opportunity to gain such a strong foothold in a new market by acquiring a market leader."[26]

Parties Analyzed by SEIU Have Not Expressed Interest in Acquiring DMC

It does not appear that the SEIU has had contact with any of the parties nor has it performed any due diligence to gauge the potential interest of these parties in acquiring DMC. Further, we understand that Mike Duggan met with the CEO of Ascension in 2009 to discuss the possibility of a DMC/Ascension partnership.[27] Mr. Duggan indicated that he was told that Ascension would not have an interest and it would be unlikely that any other non-profit could partner with DMC because of DMC's poor balance sheet. Ascension was later contacted by DMC's financial advisors and again declined to pursue a transaction.[28] Four other parties were contacted regarding the opportunity to partner with DMC, all of whom declined.[29] In addition, DMC and Vanguard signed a letter of intent in March 2010, but did not finalize the Purchase and Sale Agreement until June 2010. During this period, it was public knowledge that DMC was looking for a strategic partner. If any of the parties identified by the SEIU had an interest in acquiring DMC, they likely would have contacted DMC during the three-month period prior to the consummation of the Purchase and Sale Agreement between DMC and Vanguard. According to DMC management, they received no indications of interest from other potential acquirers during this period.

SEIU Presents Misleading Financial Statistics

The SEIU's October 21st Letter presents the following leverage and liquidity statistics to support its position that Ascension, CHI and Trinity are in a better position to acquire DMC than Vanguard.

Entity	Long-Term Debt / Assets	Interest Coverage	Days Cash on Hand
DMC	38.9%	3.9x	15.2
Ascension	23.5%	11.2x	218.0
CHI	32.8%	7.3x	210.1
Trinity	27.4%	8.7x	232.5
Vanguard	63.9%	1.8x	32.1

[26] Letter from the SEIU dated October 21, 2010, p. 3.
[27] Based on conversations with DMC senior management.
[28] Based on conversations with DMC senior management.
[29] Based on conversations with DMC senior management.

There are issues with the calculations of the days cash on hand and interest coverage statistics in the SEIU letter (which are reproduced above), therefore the information presented is misleading.

Days Cash on Hand

Days cash on hand is calculated as follows:

Cash / ([operating expense – depreciation expense]/365)

The days cash on hand presented in the table above for Ascension, CHI, and Trinity is calculated inconsistently with the calculations presented for DMC and Vanguard. Specifically, the "Cash" for Ascension, CHI and Trinity includes not only cash and cash equivalents, but also investments and assets limited as to use. These assets include, but are not limited to, board-designated investments, restricted assets, and funds held in trust under bond agreements. These assets were not included in the calculation of days cash on hand for DMC. Vanguard, as a for-profit, does not have many of these categories of assets. Because the assets are designated for specific purposes, they may not be available to use for general operating purposes and thus should not be included in a days cash on hand calculation.

The table below presents the calculations for all entities on a consistent basis:

Entity	Days Cash on Hand – Includes Investments and Assets Limited as to Use	Days Cash on Hand – Excludes Investments and Assets Limited as to Use[30]
DMC	97.2	13.8
Ascension	218.0	31.4
CHI	210.1	22.0
Trinity	232.5	31.6
Vanguard	32.1	29.6

[30] The amounts shown include only the line item "cash and cash equivalents" in the numerator of the calculation of days cash on hand.

As shown above, if the assets limited as to use and other investments are excluded from the calculation of days cash on hand, the results for Ascension, CHI and Trinity are more in line with Vanguard. In addition, the SEIU notes in their letter that days cash on hand is "not commonly applied to for-profits because investor owned operators tend to keep enough cash to fund working capital needs and can access the equity or debt markets for additional capital."[31]

Interest Coverage

Interest coverage ratios are often calculated using the following formulas:

EBITDA[32] / Interest Expense

EBIT / Interest Expense

The SEIU's letter states that interest coverage measures a hospital system's ability to pay the interest that is due on its debt with its earnings before interest and taxes ("EBIT"). However, it appears that the interest coverage ratio is calculated using EBITDA. It also appears that in the calculations of EBITDA, non-recurring items have not been excluded. Credit agreements typically allow for one-time items to be excluded from EBITDA in the calculation of interest coverage ratios. For example, if non-recurring items are excluded from EBITDA for Vanguard, the interest coverage ratio increases to 2.8x, as opposed to the 1.8x that SEIU calculates. Further, Vanguard's interest coverage ratio is expected to improve as a result of the additional EBITDA it will generate as a result of the acquisition of DMC.

<u>SEIU's Statement Regarding Pension "Investment" is Misleading</u>

The SEIU's letter states that DMC has made significant "investments" in its pension and infrastructure…These investments increase DMC's marketability to potential buyers.[33] This statement is misleading as DMC has a substantial unfunded pension liability, which potential buyers would view as a negative rather than a positive. DMC's pension liability was equal to

[31] Letter from SEIU dated October 21, 2010, p. 2.
[32] EBITDA is defined as earnings before interest, taxes, depreciation and amortization.
[33] Letter from the SEIU dated October 21, 2010, p. 3.

approximately $190 million[34] as of August 2010 and is being assumed by Vanguard as part of the proposed transaction.

SEIU ASSERTION THAT THE DMC SHOULD BE ABLE TO ISSUE BOND DEBT

The SEIU's October 21st Letter encourages the Attorney General to urge DMC to access the bond markets in order to raise capital to fund DMC's expansion needs.[35] Based on discussions with DMC management, this does not appear to be a feasible option for DMC. In addition, we looked at other indicators of DMC's ability to issue bonds, including what credit analysts are saying. We discuss our findings below.

Speculative Credit Ratings and Recent Outlook Change

DMC unsuccessfully attempted to raise debt capital in 2008. At that time, DMC's rating from Standard and Poor's was speculative (BB-). DMC's credit rating remains at this same speculative grade rating today. In early October Standard & Poor's issued a report titled "Volatile Times Continue for Speculative-Grade Health Care Providers." In this report, S&P states "We expect that instability will continue to prevail in this category [speculative grade] of credits as organizations contend with ongoing economic and industry-wide hurdles, including softer volumes, potential state Medicaid funding or eligibility changes, high bad debt and charity care, capital needs related to IT investment, and physical plant upkeep. In addition, we believe that the Centers for Medicare and Medicaid Services (CMS) fiscal 2011 Medicare rates will likely result in lower total inpatient payments to acute care hospitals compared with fiscal 2010, which in our view will further burden providers. Moreover, we remain uncertain as to how the Patient Protection and Affordable Care Act will ultimately affect providers as many rules have yet to written, though we do believe that certain aspects will present additional credit risks in the medium to long term."[36]

In addition, on September 28, 2010, Moody's, which also has a speculative grade rating for DMC, cut its outlook for DMC to "negative." Moody's release stated "the outlook revision is attributable to our concerns with the

[34] DMC's actuary, Aon Hewitt estimates that the unfunded pension liability will increase to $293 million as of December 31, 2010.
[35] Letter from the SEIU dated October 21, 2010, p. 4.
[36] "Volatile Times Continue for Speculative-Grade Health Care Providers", Standard & Poor's, October 4, 2010.

difficult operating environment that is contributing to an inability to improve liquidity with anticipated sizable cash contributions needed in the near term to fund the large underfunded defined benefit pension liability and to support needed capital investment. With the decline in the Michigan economy that has led to declines in the population, especially in the metro-Detroit area, along with increased competitive pressure on the fringes of the service area from newly opened hospitals in the last two years, we believe increased pressure will be placed on volume metrics and revenue growth."[37]

The ratings agencies' views demonstrate that DMC is in a difficult financial situation. If DMC were to take on more debt, it would be even more highly levered and therefore potentially in a more precarious financial situation.

Recent Nonprofit Bond Transactions

The SEIU letter states that "Wall Street may now have an appetite for tax-exempt debt, as evidenced by the success that DMC's nonprofit peers experienced in raising debt this year".[38] To support this statement, the SEIU points to three bond transactions consummated by Henry Ford Health in 2009, MidMichigan Health in 2009, and Trinity in 2010. As shown below, each of these entities have **investment** grade credit ratings, unlike the **speculative** grade rating of DMC.

S&P Rating	Grade
AAA AA A BBB	Investment Grade
BB B CCC CC C	Speculative Grade

Entity	S&P Rating
DMC	BB- Stable
Henry Ford	A Stable
Trinity	AA Stable
MidMichigan Health	A+ Stable

[37] Moody's Investor Service, September 28, 2010.
[38] Letter from the SEIU dated October 21, 2010, p. 4.

In contrast to Moody's placement of DMC on "negative" outlook, the credit ratings for Henry Ford and Trinity were re-affirmed in September 2010 and October 2010, respectively. In addition, S&P points out in a recent report that there is a notable distinction in credit quality between investment-grade and speculative grade credits. [39] S&P also points out that they "understand that it is difficult for many speculative-grade providers to access the traditional tax-exempt debt markets, so they are more likely to seek more expensive or restrictive financing, such as federally insured debt, capital leases and bank loans. [40]

Given DMC's speculative grade rating and the commentary above from the ratings agencies, it seems that it may be difficult for DMC to successfully access the tax-exempt bond market.

The limiting conditions contained in our report to the Michigan Attorney General dated November 11, 2010 would also apply to this memorandum.

Yours very truly,

ALIXPARTNERS, LLP

[39] Volatile Times Continue for Speculative-Grade Health Care Providers", Standard & Poor's, October 4, 2010.
[40] Volatile Times Continue for Speculative-Grade Health Care Providers", Standard & Poor's, October 4, 2010.

Exhibit 10

December 3, 2007, letter from Vanguard Executive Vice President and General Counsel Ronald P. Soltman to Joshua Kosman regarding "The Buyout of America: How Private Equity Will Cause the Next Great Credit Crisis"

VANGUARD
HEALTH SYSTEMS

December 3, 2007

Joshua Kosman
c/o The Penguin Group USA Inc.
375 Hudson Street
New York, NY 10014

Re: Book Manuscript

Dear Mr. Kosman:

As General Counsel of Vanguard Health Systems, I am contacting you regarding your draft book about the private equity sector. It is my understanding that you intend to cover Vanguard Health Systems and our company's majority interest holder, The Blackstone Group in your manuscript.

As we understand your thesis, you intend to posit that when private equity interests acquire health care concerns, investments in the health care system decline and patient care suffers. With regard to the Blackstone Group and Vanguard Health Systems, the reality differs quite markedly from your premise. We have concerns about your endeavor and encourage you to make sure that your manuscript accurately reflects facts, rather than unsubstantiated theories.

Certain comments and inquiries that you have made of Vanguard via personal interaction and email call into question the reliability of your research methods and your intention to present your research in a factually accurate manner. For instance, in your meeting with Keith Pitts, Vice Chairman of Vanguard Health Systems, you referenced a conversation you had with Dr. Fernando Guerra, Executive Director of San Antonio Metropolitan Health District. You stated that Dr. Guerra told you that, following the acquisition of Vanguard by Blackstone, quality at the San Antonio Baptist Health System hospitals had declined, and was only now beginning to improve. Dr. Guerra told us, however, that the opinion he shared with you was quite the opposite – he stated that quality declined *prior* to Vanguard's ownership, and that it is better today than it was under the hospital system's previous, non-profit management organization. This is a serious misrepresentation of Dr. Guerra's opinion and statements.

You further told Mr. Pitts your rationale for including The Blackstone Group in your book – the same rationale you have for including Bain Capital, a private equity firm linked with current presidential candidate, Mitt Romney: you stated that focusing on companies associated with high profile individuals will help you sell books. While this may be a practical way to approach your endeavor, it offends journalistic norms and possibly legal ones as well.

Your email following the meeting causes even greater concern about your lack of understanding of the complex nature of the health care industry. In messages dated 23 and 24 November, you reference your intent to relate "stories" of three individuals whom you allege were patients at a Vanguard affiliated hospital.

You then requested access to these individuals' medical records. Under the Health Insurance Portability & Accountability Act (HIPAA), health care professionals and facilities are absolutely prohibited from sharing personal medical information with third parties without written patient authorization. Your request for this information, therefore, indicates one of two things: either you are not aware of the privacy provisions contained within HIPAA – which is one of the most widely discussed health care policy acts of the last decade, or you are well aware of HIPAA's requirements and intentionally requested information, the disclosure of which would require us to violate the law. We are concerned that you will unfairly characterize our lack of "cooperation" with your inappropriate request. We are legally prohibited from doing so, and anyone with a rudimentary knowledge of the health care public policy landscape would understand that.

As to the nature of The Blackstone Group's involvement in hospital operations since its acquisition of Vanguard Health Systems, you overlook a number of facts that belie your premise. The Blackstone Group acquired a majority stake in Vanguard in September 2004. Since that time, capital investment has been significant, including upgrading and expanding out-dated facilities and purchase and installation of new technologies. Capital expenditure spending (CAPEX) has totaled 11 percent against acute revenues, roughly double the industry-wide average. This CAPEX metric – a well-accepted measure of a company's investment in the future of its assets – disproves your thesis.

Additionally, other metrics that reinforce the point, and refute your underlying premise:

- In October 2005, all Baptist facilities in San Antonio actively pursued and were granted accreditation through the Society of Chest Pain Centers, raising the bar for acute cardiac care in south Texas.
- In 2007, Chicago's MacNeal Hospital Cardiovascular Surgery Program received a five star rating in the area of coronary bypass surgery from Health Grades, the leading independent healthcare ratings firm, and was the only hospital in the area to receive the designation.
- Vanguard hospitals were two out of only 68 hospitals nationwide selected to participate in the Transforming Care at the Bedside (TCAB) program led by the Institute for Healthcare Improvement, the Robert Wood Johnson Foundation and the American Organization of Nurse Executives (AONE) – recognizing our role as a leader in designing quality and safety improvements on medical/surgical units.
- We offer our own educational institution for nurses and other medical staff positions – the School of Health Professions – which offers programs and coursework in professional and vocational nursing, surgical technology and medical imaging to prepare students for clinical roles in health care.
- We recently expanded our multi-million dollar nursing education facility in San Antonio so that we can provide more nurse accreditation, continuing education healthcare courses, and additional job training to educate our nurses on the latest medical technology.

These are hardly indications of declining investments in our health system.

What we do have, however, are indications of cavalier research methods on your part:

- In an email message, you requested Vanguard's response to a report that San Antonio Baptist hospitals experienced a 16 percent rise in pneumonia cases in 2005 as compared to 2002, during a time period when the rest of San Antonio saw pneumonia rates fall by one percent. An accurate analysis of the data reveals a 14.3 percent increase. That is a minor error; however, compared to the conclusion we suspect you intend to draw from this data given your thesis. We can only assume that you intend to state that this increase in pneumonia patients is a negative indicator of the quality of care. In fact, nothing could be further from the truth. In the San Antonio metropolitan area, Baptist hospitals treat a disproportionate percentage of elderly, low-income and chronically ill patients – precisely the populations that are most at risk for developing illnesses like pneumonia. We are, in fact, proud of the fact that we treat more pneumonia patients than our counterparts in San Antonio – we do so because we provide greater access to care, serving as a safety net for the city's most medically vulnerable populations. Deriving opinions about quality of care based on the conditions with which patients present themselves to the hospital simply defies logic.
- In this same email request, you sought confirmation that "Vanguard is now re-staffing in many of its hospitals." We do not understand what you mean by "re-staffing" as staffing levels across our network have increased consistently in recent years. Since Blackstone purchased a majority interest in Vanguard Health Systems in 2004 (prior to the acquisition of the Massachusetts facilities), staffing levels at our hospitals have increased 8.8 percent. Staffing levels in our Massachusetts facilities, which we have owned since January 2005, have increased by 6.7 percent.
- Your email also stated: "Vanguard fired hospital CEOs that were not hitting their financial targets." Again, we do not know to what facts you are referring. As with any hospital system, CEOs occasionally leave the company. Since 2004, CEO turnover in our hospitals has occurred for a variety of reasons, the majority of which are attributed to job offers at other hospitals or issues unrelated to financial or operational performance.
- You sought confirmation that: "A 2006 outbreak of Legionnaire's disease at the North Central Baptist San Antonio hospital caused by bacteria in the hot water system killed three patients." Tragically, three long-term, chronically ill patients at North Central did die from Legionella, commonly referred to as Legionnaire's disease, as you indicated. However, we trust that you will continue your research and recognize that the city of San Antonio as a whole has an unusually high susceptibility to Legionella due to its climate, which is aggravated by the fact that San Antonio's water system does not introduce monochloramine into its water supply. Other San Antonio hospitals had similar experiences and saw an increase in Legionella compared to the previous year. In fact, North Central worked hand-in-hand with local health authorities on efforts to combat the illness. When North Central discovered patients with Legionnaire's disease in 2006, the hospital was the only San Antonio facility to begin immediately testing high-risk patients as they came into the emergency department. Substantial investments were made to create a self-contained water treatment plant on the campus, including the use of a chlorine dioxide injector. According to San Antonio Metropolitan Health District epidemiologists, North Central Baptist Hospital was a model for all other San Antonio hospitals in dealing with the illness and, following the extreme measures taken, called North Central Baptist Hospital the safest hospital in San Antonio when it came to avoiding Legionella. Additionally, since Blackstone acquired a majority interest in

Vanguard in 2004, market share for the Baptist Health System has increased 2.8 percent. One other hospital in the San Antonio market saw a slight increase (0.6 percent) in market share in this time period, while all other area hospitals lost market share. Quite simply, more San Antonians choose Baptist Hospitals today than prior to Blackstone's acquisition.

Finally, you may note that Vanguard was born as a company, well before Blackstone was involved with our organization and has, since its inception been supported by private equity. In most cases, the hospitals we acquired were cash-starved and had suffered from deteriorating facilities and lack of clinical services and technology. As a result, these hospitals were experiencing a loss of medical staff, poor nursing and employee retention, and ultimately, diminished market share. In some cases, had we not stepped in, there was a risk these hospitals could close.

Mr. Kosman, it is our belief, based on personal, telephone and email conversations with you that you have made an effort to shatter the reputation of an organization that works very hard and very successfully to care for thousands of patients every day. Last year alone, we treated 166,873 inpatients and 1,894,722 outpatients in our four markets across the United States, and the overwhelming majority of these patients had a positive experience as indicated by our patient satisfaction scores. We do a good job, mostly thanks to the hard work and commitment of our 18,000 employees.

Your facts, when you employ them, are frequently wrong or taken out of context to support an inaccurate position or one favorable to your "case." Your other statements, about interviewing people in malls and neighborhoods, while impossible to refute, are statistically suspect given the thousands of individuals treated at Vanguard hospitals on a monthly basis.

I would strongly urge you to balance your financial desire to sell books with an understanding that facts matter; they impact people's lives, including our employees, patients, investors, partners and colleagues.

Please be certain that we will use all of the resources at our disposal to protect the reputation of Vanguard, our employees and our partners.

Sincerely,

Ronald P. Soltman /ST

Ronald P. Soltman
Executive Vice President and General Counsel

Cc: Mr. Glen Moreno, Chairman, Pearson Plc
Ms. Marjorie Scardino, Chief Executive, Pearson Plc
Mr. John Makinson, CEO & Chairman, The Penguin Group
Office of the General Counsel, Pearson Plc
Office of the General Counsel, The Penguin Group