

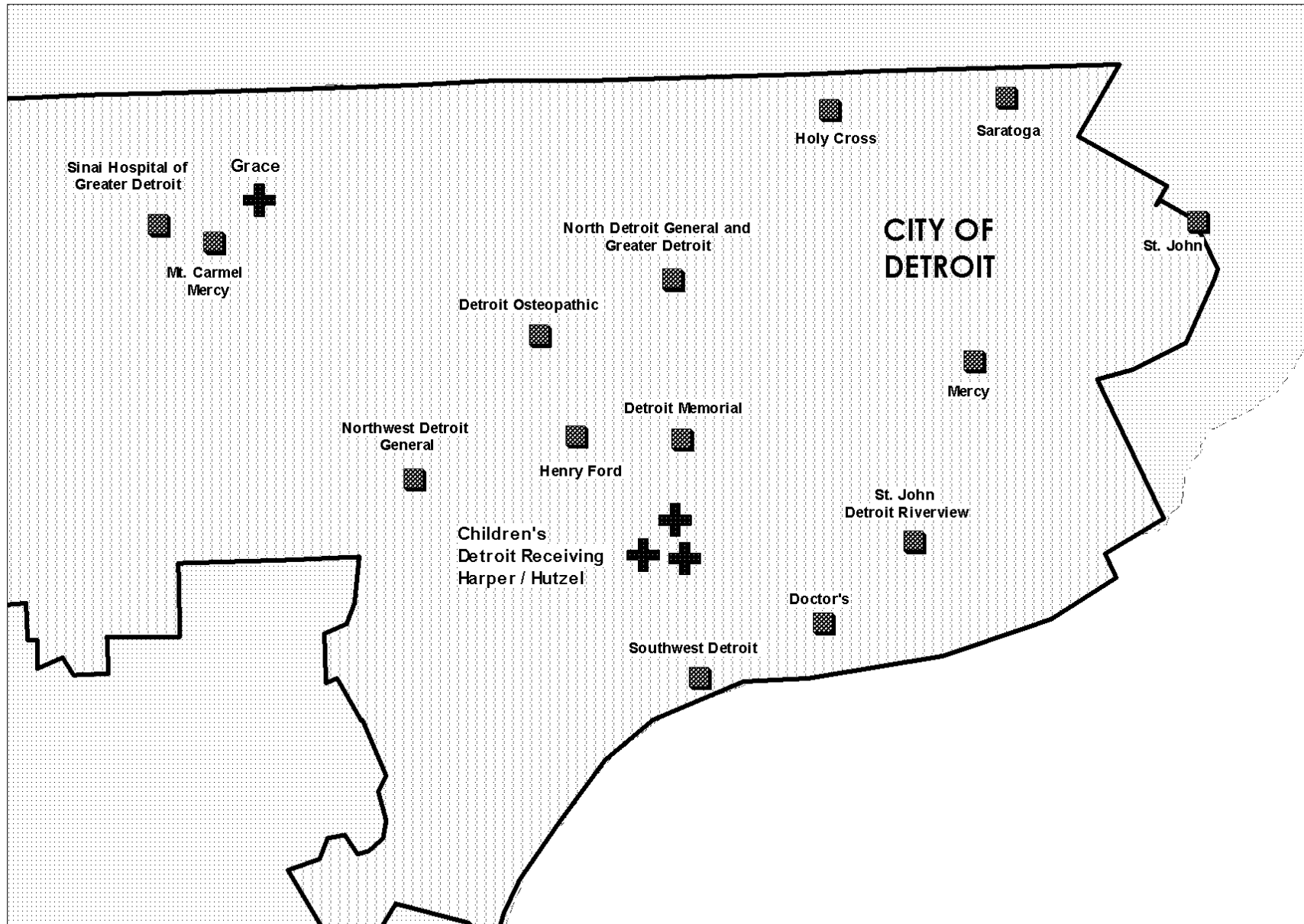
A New Partnership For Detroit

DMC
DETROIT MEDICAL CENTER

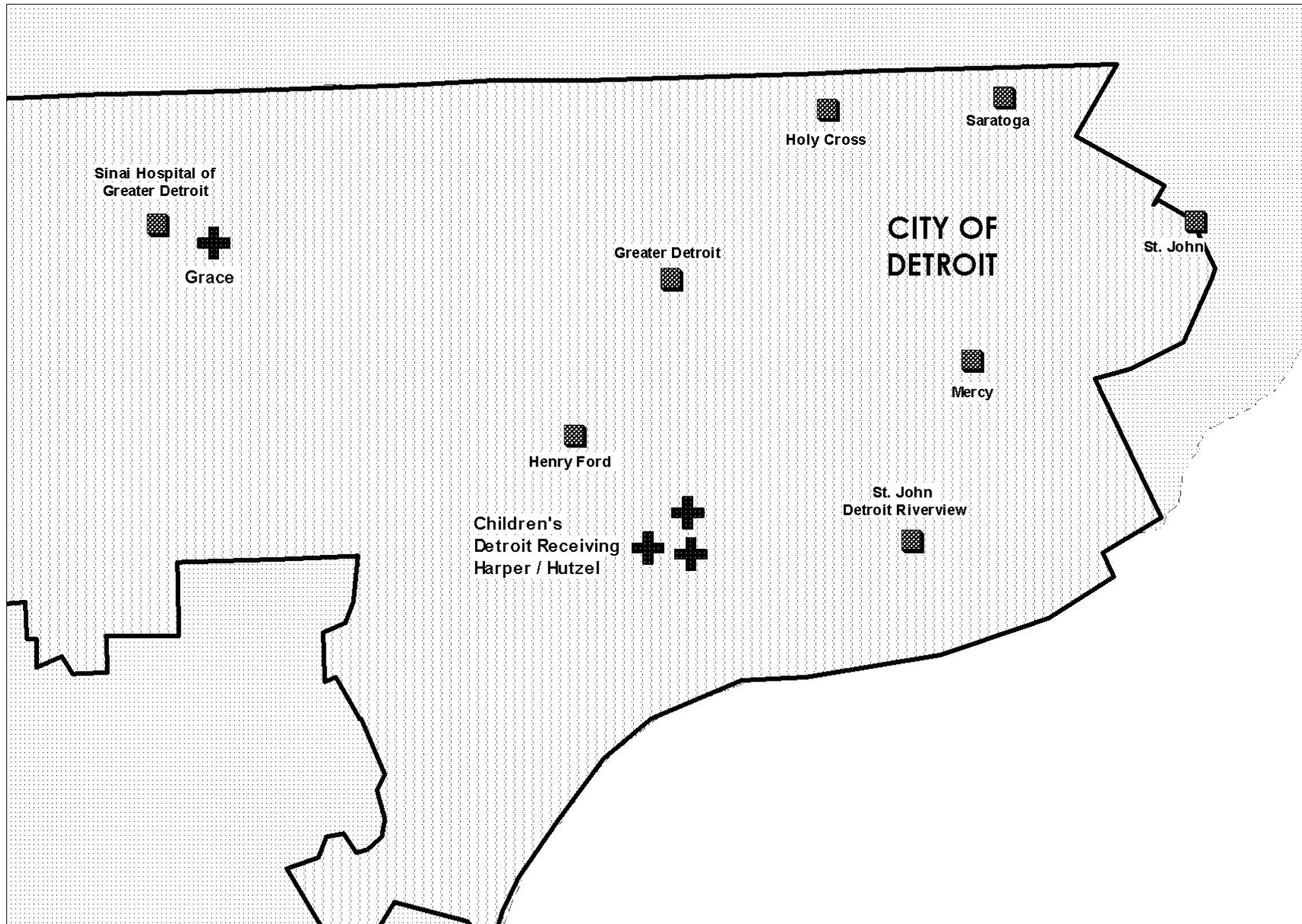
VANGUARD
HEALTH SYSTEMS

How the non-profit hospital model has failed the city of Detroit

1987: 19 Hospitals in City Safety Net



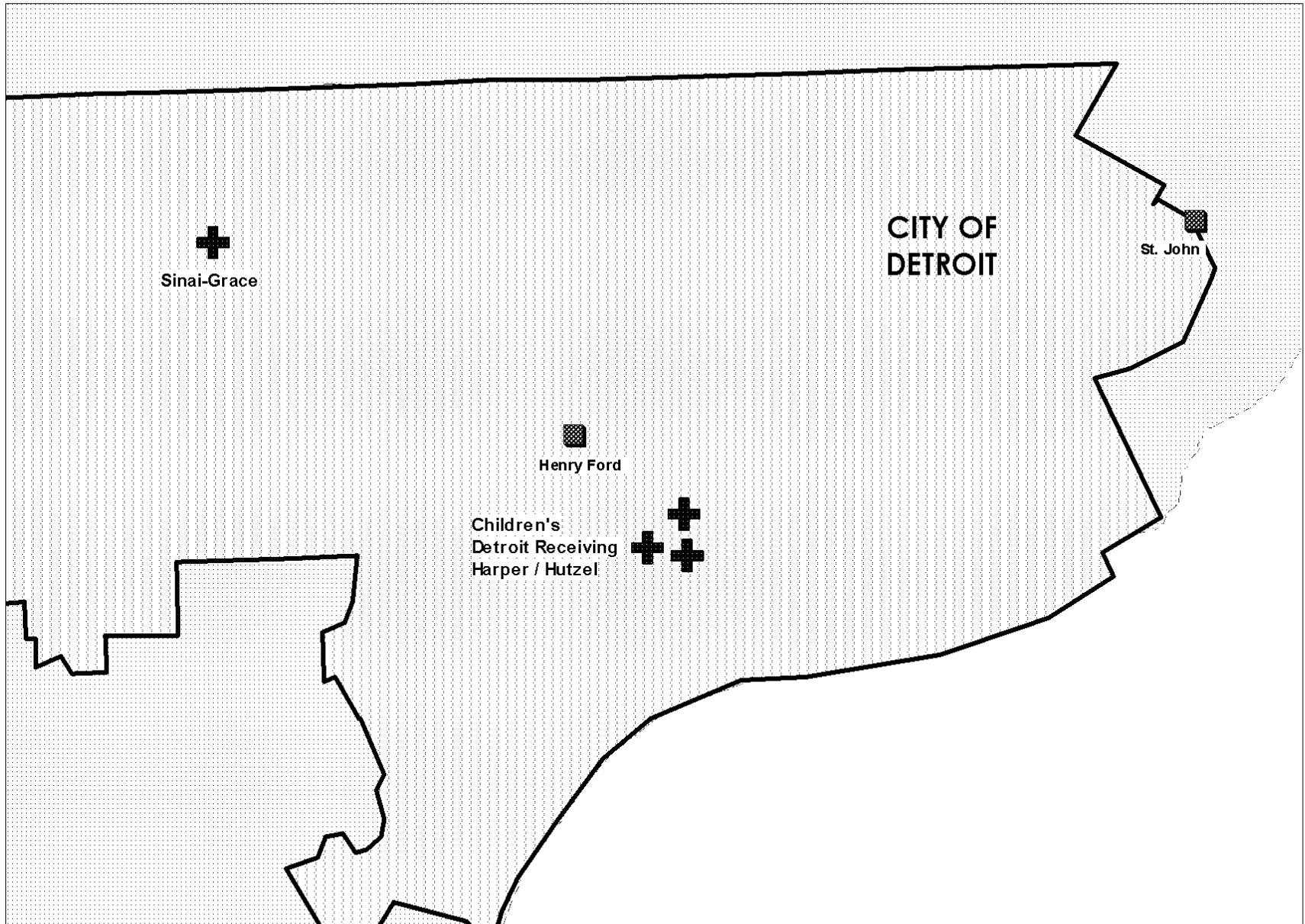
1995 12 Safety Net Hospitals in Detroit 4 Run by DMC



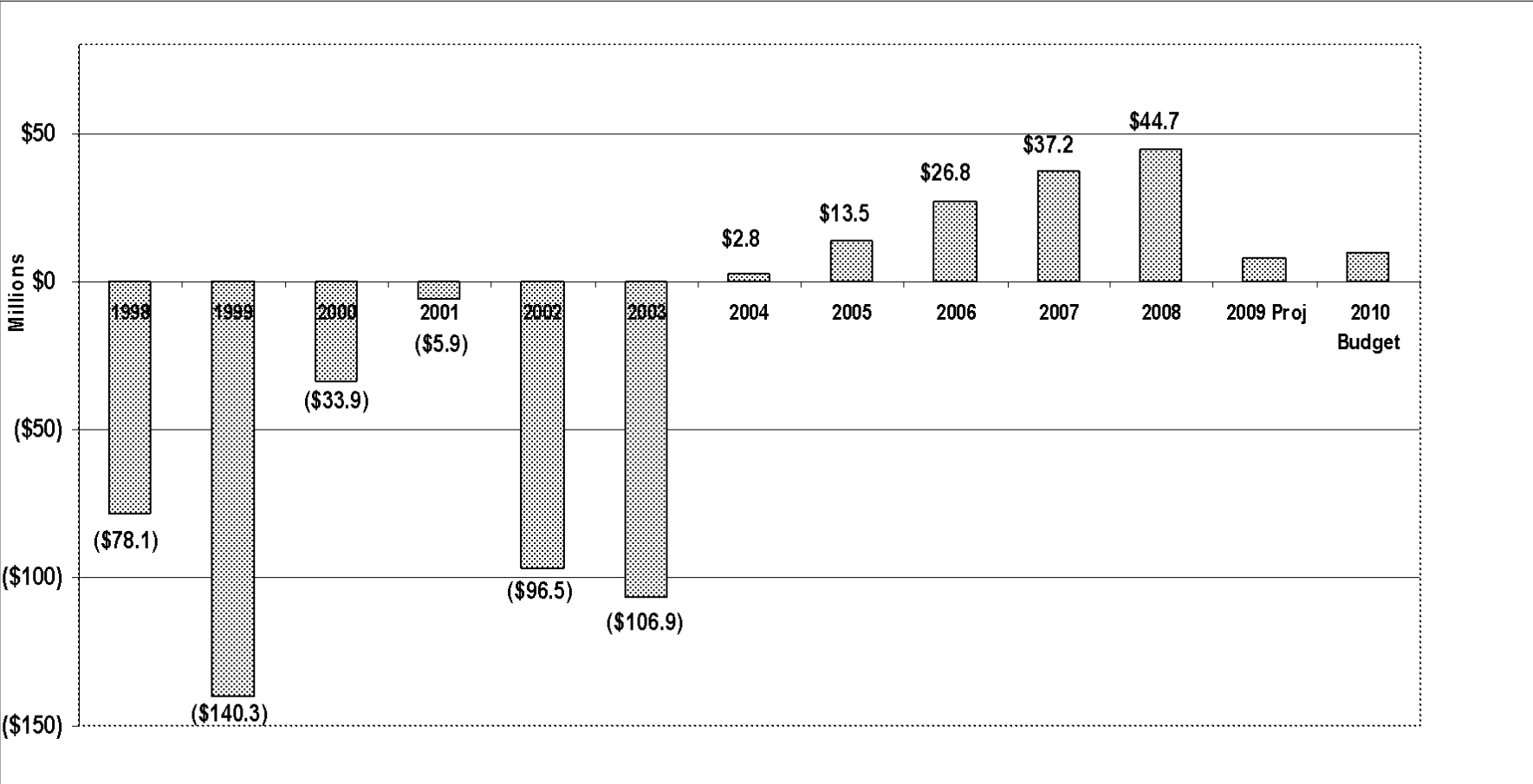
2009

6 Safety Net Hospitals in Detroit

4 Run by DMC



A non-profit like DMC can't get capital even after 6 straight years in the black



DMC looked to break out of the
failing non-profit model
and found that nearly 20% of all
US hospitals are investor owned

Non-Profit	2,500
Government Owned	1,000
Investor Owned	<u>800</u>
	4,300

In 2008-2009, there were 20 deals for hospital mergers/acquisitions in which a non-profit hospital was converted to for-profit status.

These occurred in 14 different states:

Arkansas

California

Florida

Georgia

Idaho

Illinois

New Jersey

New York

Ohio

Massachusetts

Michigan

Pennsylvania

Texas

Washington

Vanguard Health Systems

Currently 8th largest investor-owned hospital system in US
(will be 5th largest with DMC).

\$3 Billion in annual revenue; 20,000 Employees

Urban based hospital system with 17 facilities in 5 states:

5 San Antonio

2 Chicago (2 others in acquisition process)

3 Massachusetts

5 Arizona (3 in Phoenix)

2 So. Cal. (Surgery Centers)

Structure of DMC/Vanguard Partnership

- Vanguard will acquire the DMC system, which will become Vanguard's Michigan subsidiary (Vanguard currently operates subsidiaries in Arizona, Illinois, Texas, California, and Massachusetts).
- DMC operations will be overseen by a Michigan subsidiary advisory board made up of 4 members appointed by Vanguard and 3 members appointed by DMC Board.
- DMC will continue to operate under our historic names. The current management team will remain in place.

Vanguard's Investment in DMC hospitals over next 5 years will be the largest private investment in Detroit's history

Major Capital Projects	\$500 Million
Routine Capital and Equipment	<u>\$350 Million</u>
Total	\$850 Million

**More than \$800 Million will be spent in the City of
Detroit.**

What About our Employees?

All employees remain DMC employees, with
DMC ID Badges

Pay, seniority, and benefits are fully
protected.

All labor union contracts will be fully
honored.

The Heart of the Deal: Vanguard's Commitment to DMC's Mission

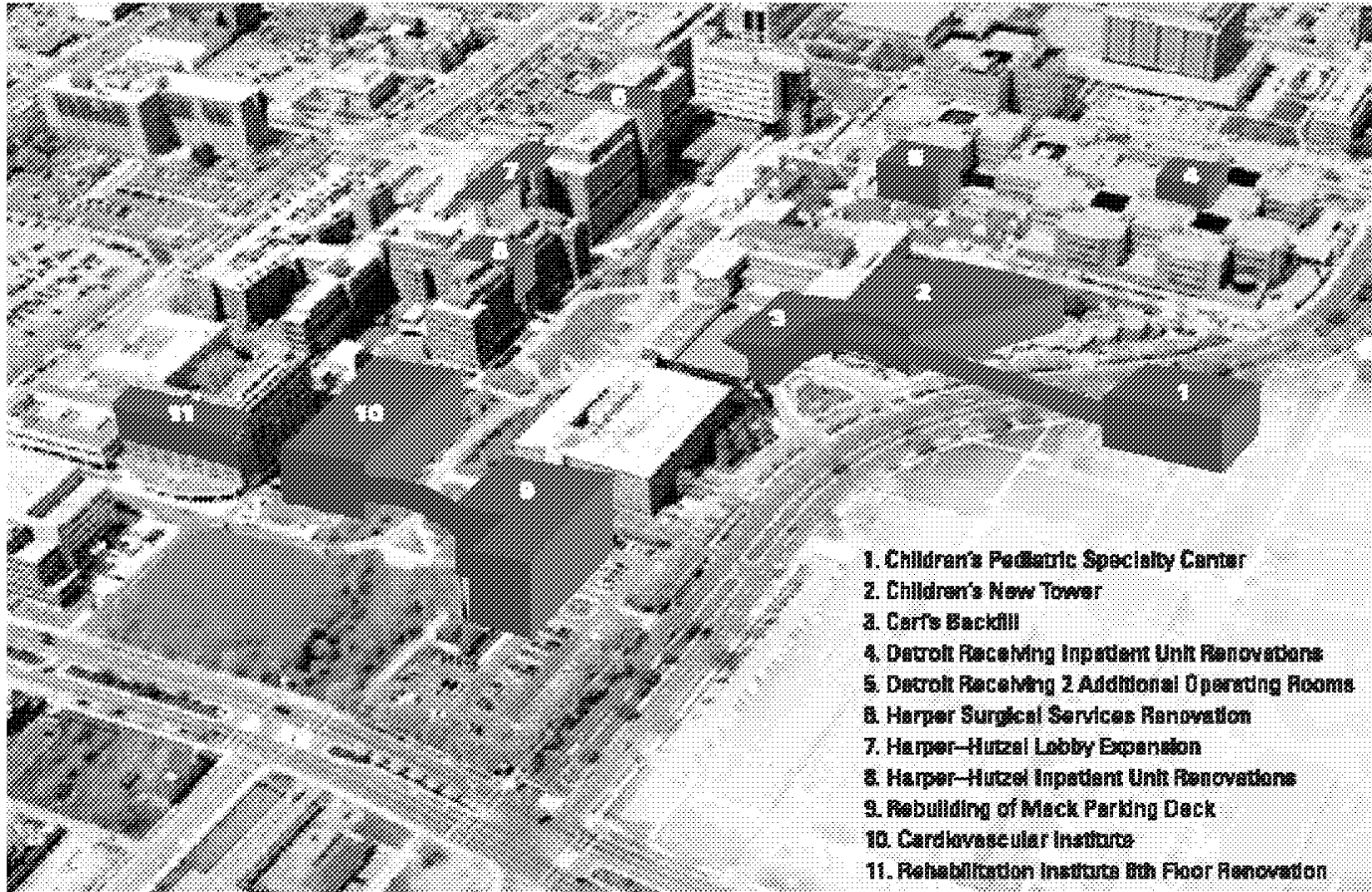
Keep all DMC hospitals open for minimum of 10 years.

Keep DMC's charity care policy for minimum of 10 years.

Fully support the Wayne State partnership and DMC's education mission.

Keep DMC as a Detroit-based hospital system.

5 Years of Construction will transform DMC's Central Campus and spur redevelopment of all of Midtown Detroit



1. Children's Pediatric Specialty Center
2. Children's New Tower
3. Car's Backfill
4. Detroit Receiving Inpatient Unit Renovations
5. Detroit Receiving 2 Additional Operating Rooms
6. Harper Surgical Services Renovation
7. Harper-Hutzel Lobby Expansion
8. Harper-Hutzel Inpatient Unit Renovations
9. Rebuilding of Mack Parking Deck
10. Cardiovascular Institute
11. Rehabilitation Institute 8th Floor Renovation