

March 8, 2010 Court presentation

# Detroit Medical Center



ALL-STATE LEGAL

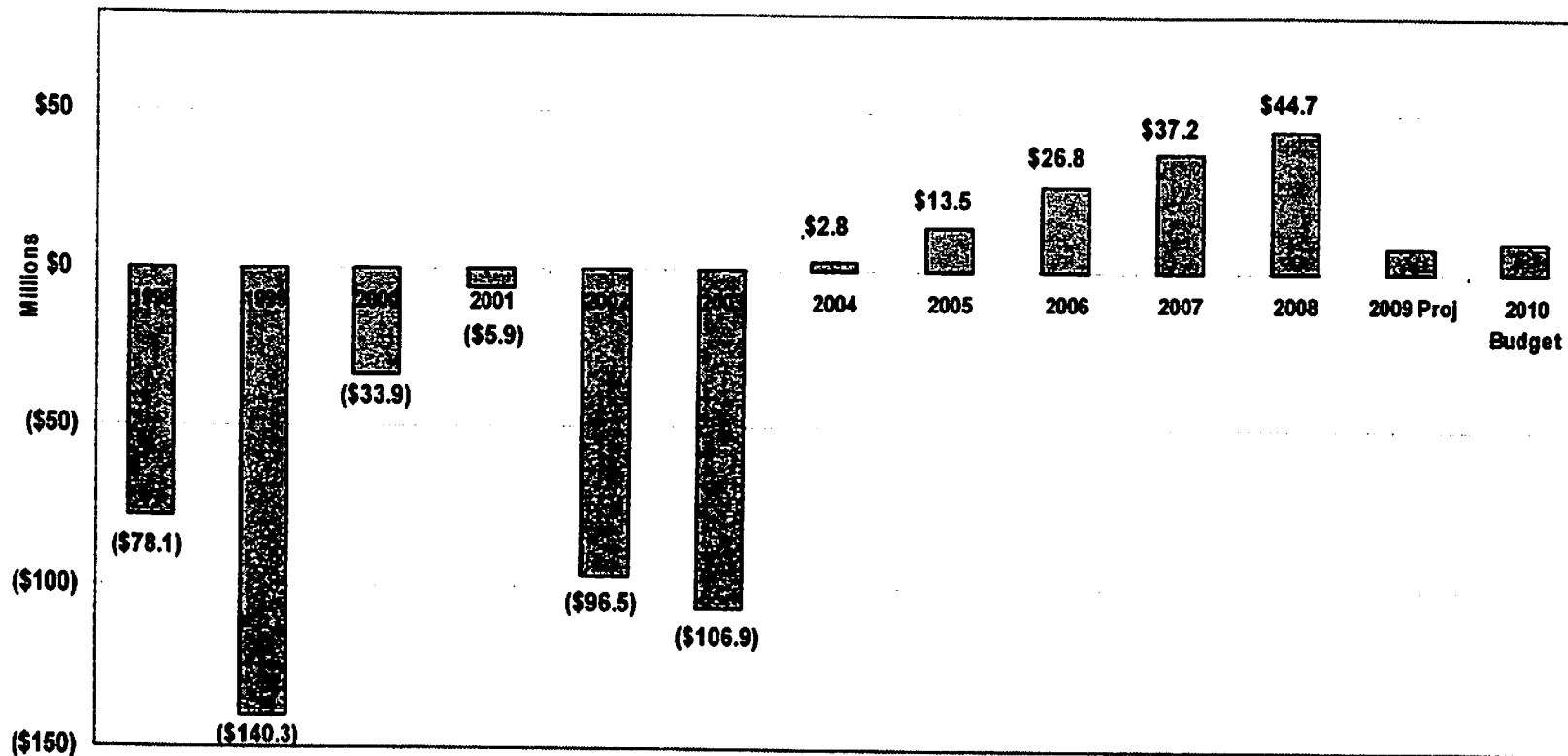
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EXHIBIT

# Days of Cash on Hand

UM	240
Ford	140
Oakwood	121
Trinity	115
St John	104
Beaumont	89
DMC	30

# DMC's Operating Income currently running at 0.5% margin



# What are the prospects for 2011?

- Federal stimulus money ends
- State facing \$2 billion deficit/Medicaid cuts
- Blue Cross suffering huge membership and underwriting losses
- DMC has to make additional \$30-40 million pension fund contribution
- DMC Employees coming off 1 year wage freeze
- Upside: Potential for federal health reform or Michigan Medicaid waiver

# The Structure of a Vanguard Acquisition of DMC

1. DMC Board and DMC non-profit corporation remains in place.
2. Vanguard purchases all hospitals and other assets except donor-restricted philanthropy accounts (approx \$140 million) which remain at DMC Board.
3. Vanguard takes virtually all liabilities.

# Vanguard Overview

15 hospitals in San Antonio, Chicago, Phoenix, and Massachusetts.

2 Surgery Centers in California

3 Health Plans

19,000 Employees

\$3.4 Billion in revenue

\$313 Million in EBITDA

# In a combined Vanguard system, DMC will be:

- 38% of employees
- 37% of revenue
- 33% of licensed beds
- 32% of EBITDA

# Vanguard Mission Support Commitment

**Vanguard Commits to Terms of Mission  
Support Agreement**



# Vanguard Purchase Price Approximately \$725 Million

Pay enough to retire all outstanding DMC bonds and debt (approximately \$450 million)

Assume DMC employee pension fund deficit (approximately \$189 million)

Assume DMC working capital deficit (approximately \$90 million)

# Governance Structure

DMC/Vanguard will be under a Vanguard corporate subsidiary with 7 member board:

4 appointed by Vanguard

3 Appointed by DMC

Individual hospital board structures remain in place.

DMC Board continues in place to administer donor-restricted accounts and to enforce terms of Vanguard contract.

# Other Provisions

Commit to honor all DMC contracts and all collective bargaining agreements.

All Donor Facility and Program naming agreements will be honored.

Wayne County Renaissance Zone approval for central campus is a condition of closing.

**In addition Vanguard commits to spend  
in capital DMC hospitals over 5 years**

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

**\$500 Million Capital will be spent on  
Project List approved by DMC Board.**

Project list can only be changed with  
consent of DMC board.

\$500 Million will be secured by warrants for  
Vanguard stock.

Vanguard must escrow capital funds if fall  
behind capital projects schedule

# Proposed Project List

<u>Project</u>	<u>Hospital</u>	<u>Estimated Cost</u>	<u>Total Cost</u>
Emergency Dept Expansion	Sinai Grace	\$ 33,000,000	
ICU Renovations	Sinai Grace	\$ 5,000,000	
Façade Improvement	Sinai Grace	\$ 10,000,000	
Radiology Move to Ground Floor	Sinai Grace	\$ 4,200,000	
Outpatient Ambulatory Building	Sinai Grace	\$ 28,000,000	\$ 80,200,000
7th Floor Renovation	RIM	\$ 2,850,000	\$ 2,850,000
Private Room Renovation	Huron Valley	\$ 6,800,000	
Additional ICU Beds	Huron Valley	\$ 4,000,000	\$ 10,800,000
Patient Care Unit Renovations	Detroit Receiving	\$ 10,000,000	
Increase pre/post operative space	Detroit Receiving	\$ 2,400,000	
2 additional OR's	Detroit Receiving	\$ 6,400,000	\$ 18,800,000
Pediatric Specialty Center	Childrens	\$ 33,000,000	
Carls Backfill	Childrens	\$ 5,200,000	
CHM Tower Project	Childrens	\$ 170,000,000	
Angiogram Suite Replacement	Childrens	\$ 3,000,000	\$ 211,200,000
Surigical Services Renovation	Harper/Hutzel	\$ 20,000,000	
Lobby Expansion/First Floor Redo	Harper/Hutzel	\$ 10,000,000	
Ground Floor Master Plan	Harper/Hutzel	\$ 20,000,000	
Cardiovascular Institute and Outpatient Specialty Services Bldg	Harper/Hutzel	\$ 77,640,000	
Inpatient Unit Renovations	Harper/Hutzel	\$ 11,250,000	\$ 138,890,000
Relocation of Mack Parking Deck	Central Campus	\$ 37,300,000	\$ 37,300,000

**\$ 500,040,000**

# **DMC**

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## **Sinai-Grace Hospital**

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## **SGH ED Expansion**

- DMC Sinai-Grace is a Level II Trauma Center that treats more than 87,000 patients annually in an ED that was built in 1980's to serve 50,000 patients. Emergency Department visits have increased 45% in the past 5 years.
- DMC Sinai-Grace Hospital's current Emergency Department has 46 patient beds and 2 resuscitation rooms, yet sees on average 1,600 patients per week.
- In summary, the outcomes achieved by the major expansion of our emergency department include:
  - **More space to treat the increasing volume of trauma cases and patients with medically complex conditions.**
  - **A significantly improved patient care environment that will be safer, more private, and more accessible and comfortable for patients and their families;**
  - **More space to accommodate the new medical technology in emergency medicine;**
  - **Compliance with all Michigan Department of Community Health and JC regulations, and**
  - **Greatly improved educational and training space for students and residents.**
- Project Budget \$33,000,000
- Project A/E Bowers-Rein/URS

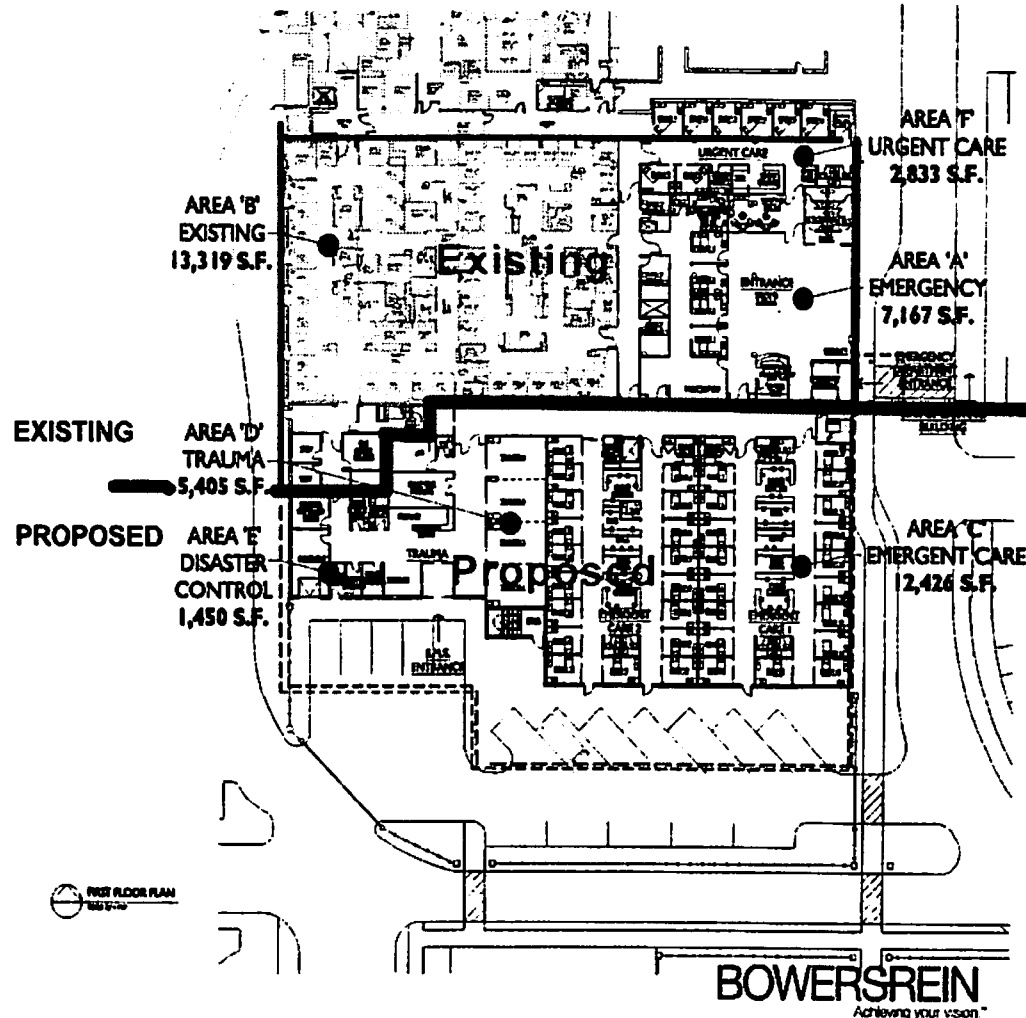
# **Sinai-Grace's Emergency Department Patient volume often requires double- and triple-bunking**



**8-10 doctors share a single,  
small room**

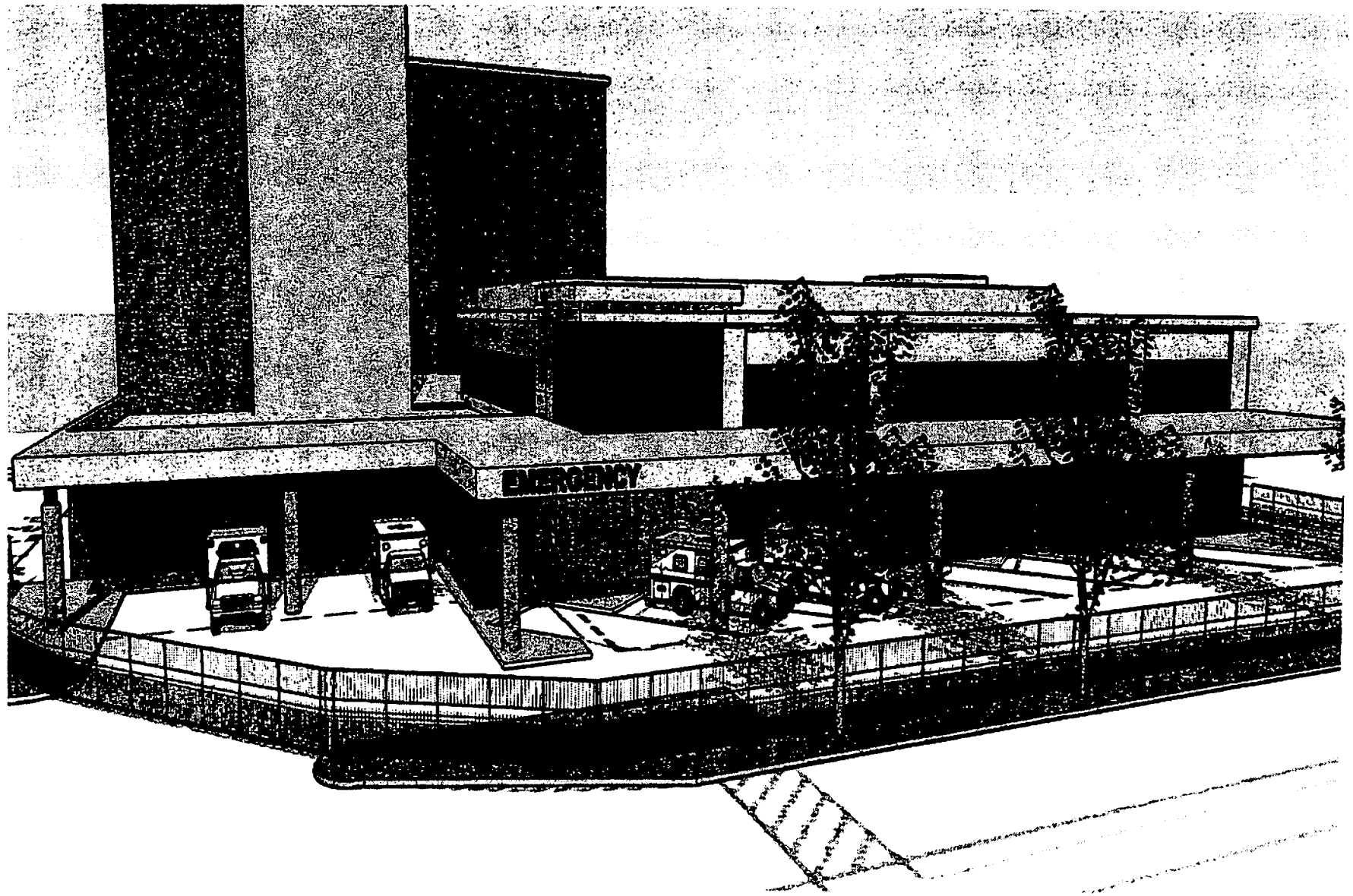


# DMC Sinai-Grace Hospital

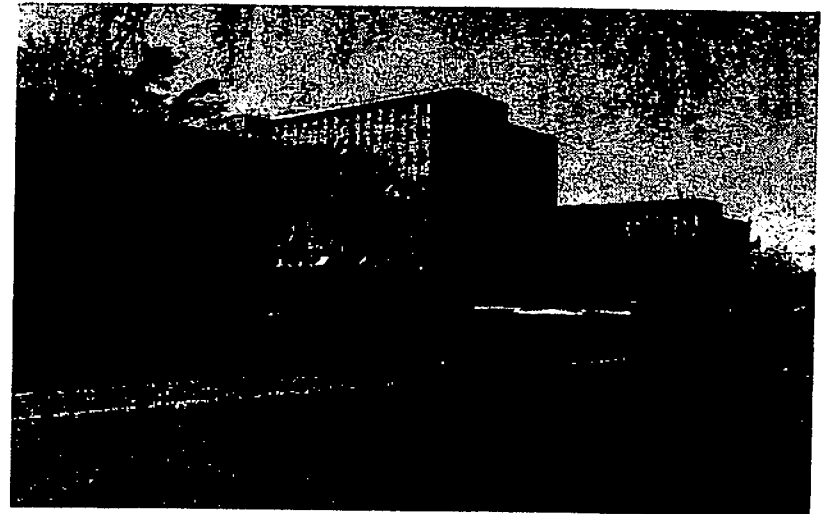
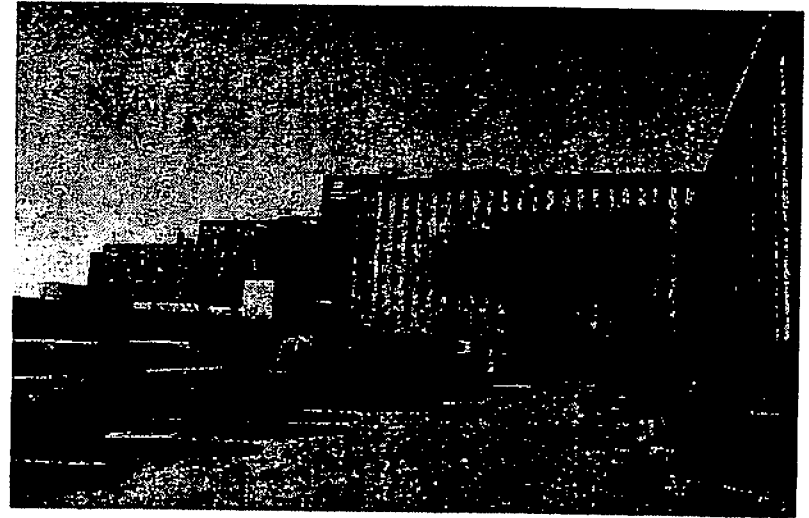
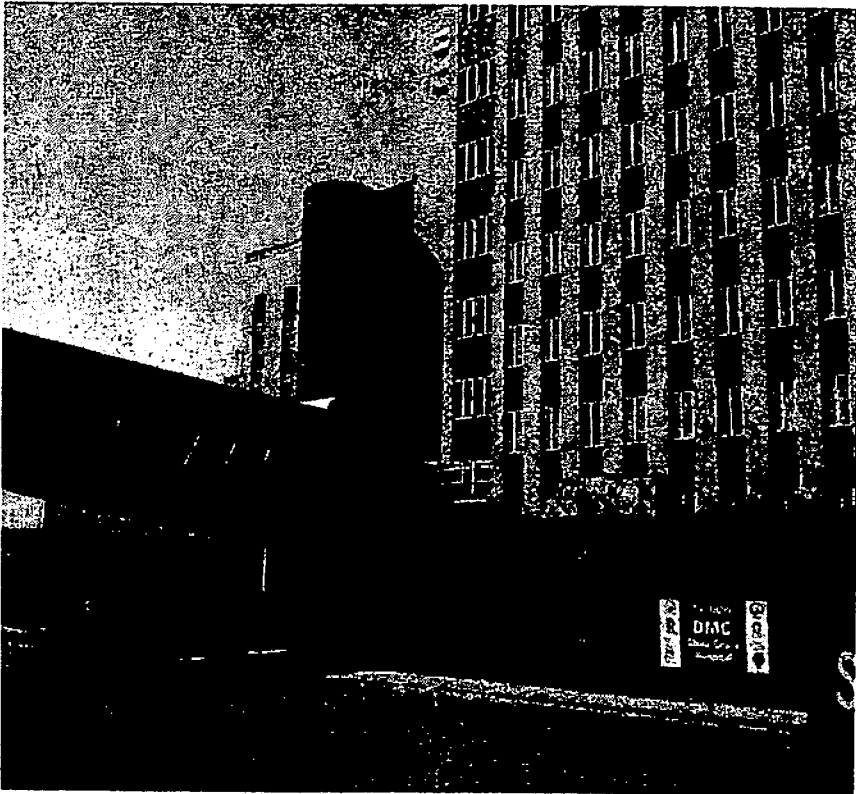


## Improvements include:

- More than double ED size from 26,000 to 57,000 square feet
- Increase number of beds from 46 to 82
- Increase trauma bays from 2 to 4
- Double the waiting room area



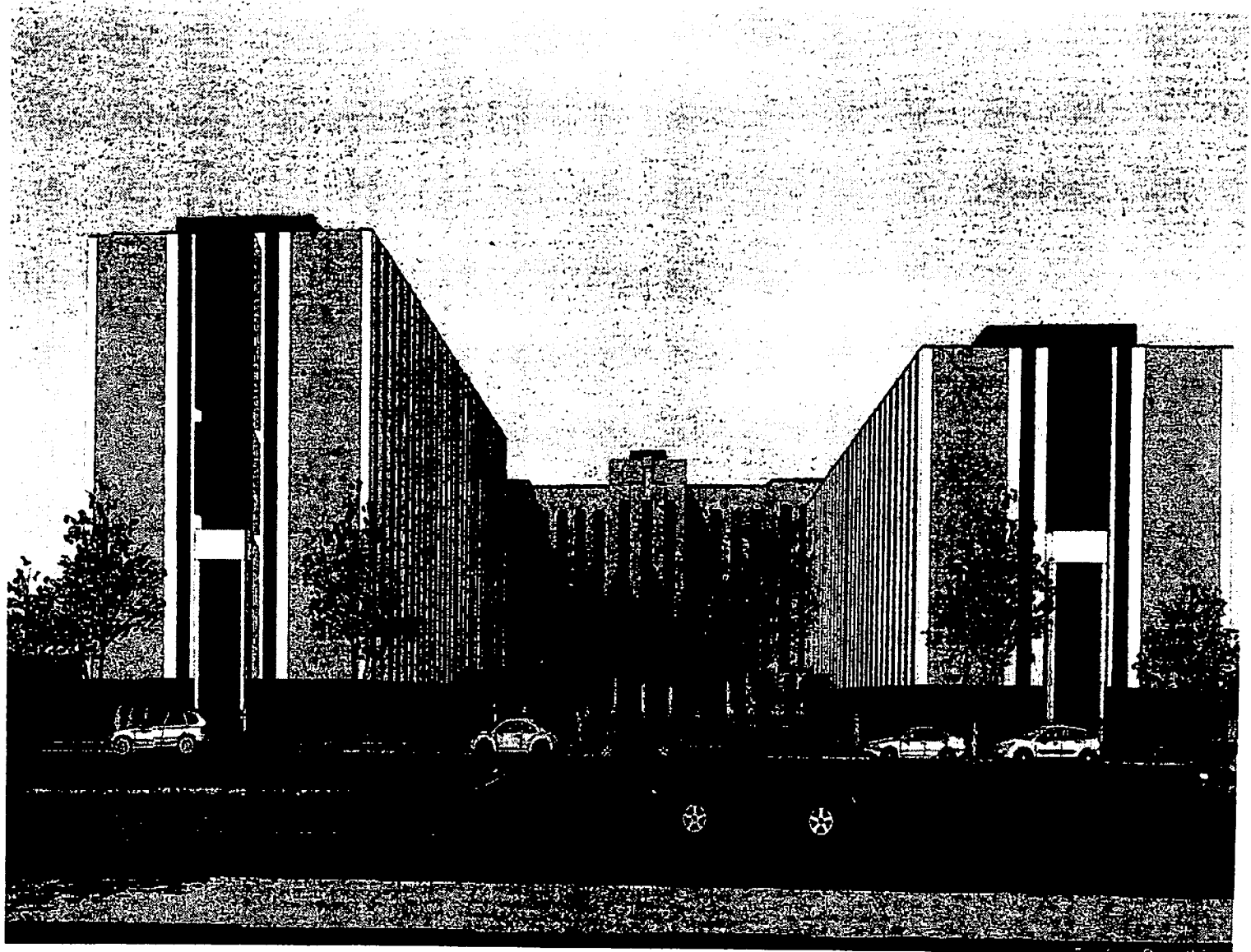
# Sinai Grace's Exterior Image is Dated and the Hospital Lacks an Inviting Front Entrance



# SGH Facade Improvements

New Glazing System installed on both Patient Towers and Main Building

Refinished Pre-Cast Panel System on both Patient Towers

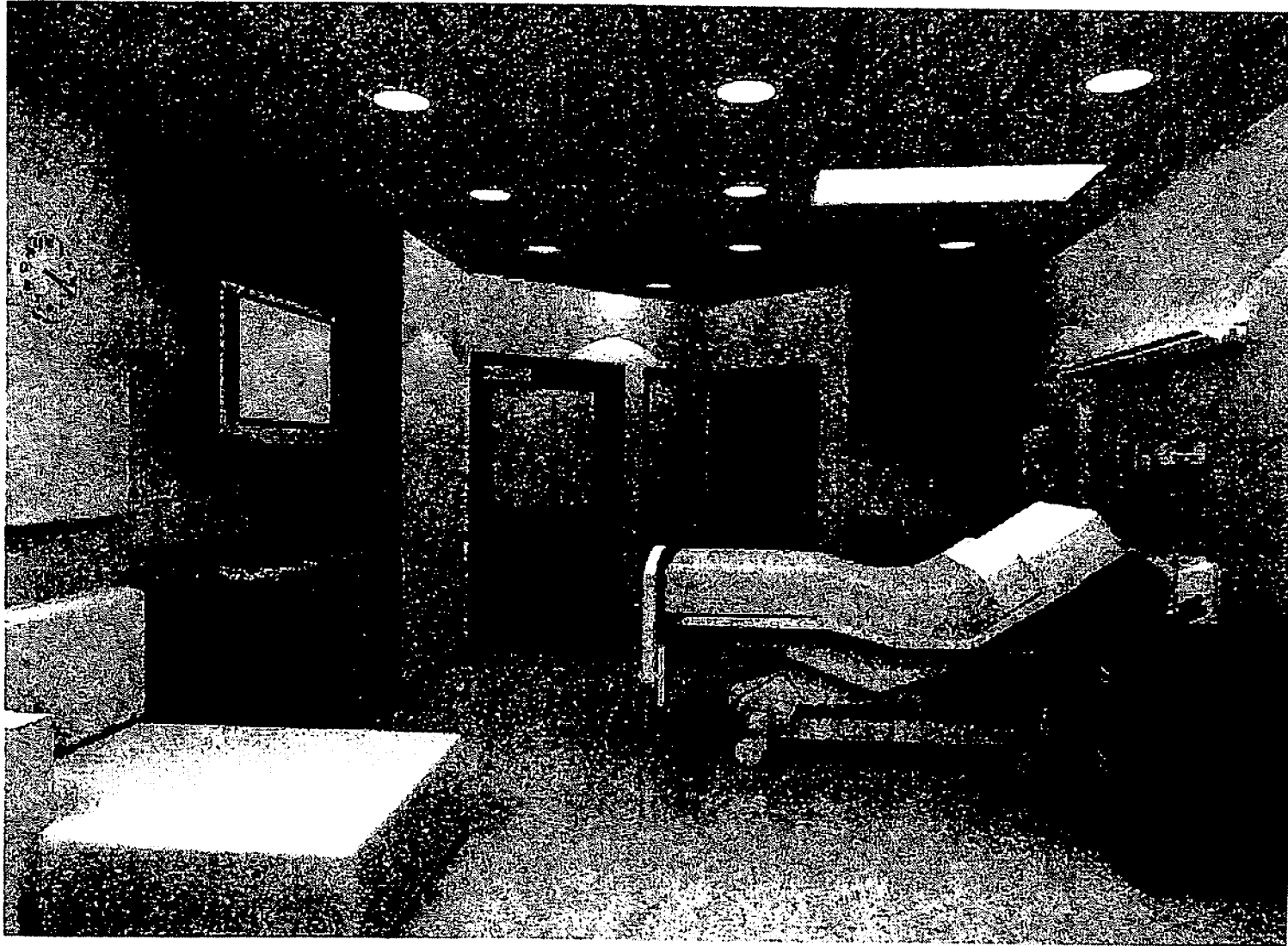


# **DMC**

## **Huron Valley-Sinai Hospital**

### **Private Patient Room Expansion**

- In 2008, the DMC Board approved the construction of a new medical office building (MOB) on the campus of HVSH. The intent in constructing the building was to relocate the tenants of the Regional Specialty Center (RSC) to create space for the construction of additional private rooms.
- In 2008 and 2009, two new hospitals opened in the HVSH market, both of which are 100% private rooms.
- The Project would create 28 New Private Rooms on the 2<sup>nd</sup> Floor of the Regional Specialty Center.
- Project Budget \$6,800,000
- Project A/E Stuckey Vitale



Huron Valley - Sinai Hospital  
2nd Floor Private Bed Expansion  
Commerce Twp, Michigan  
© 2009 Study Vitale Architects, Inc.

# **DMC**

## **Detroit Receiving Hospital**

### **Patient Care Unit Renovations**

- Current acute care patients rooms share a bathroom between two rooms, leading to patient dissatisfaction.
- The renovation would provide for one bathroom per room. This will require an increase in the number of square feet per floor from the existing footprint.
- Because the current floors are built around an open courtyard area, the renovation will involve building into the courtyard.
- The pricing includes build out of two floors and the creation of shell space for two additional floors.
- Project Estimate \$10,000,000

# **DMC**

## **Harper University Hospital**

## **Surgical Services Renovation**

- **The Surgical Suite at Harper University Hospital was constructed in 1975 when the Weber Memorial Building was constructed on the Harper-Grace Campus.**
- **Surgical Services at this time consisted mostly of in-patient Surgical Services where 90% of patients required a post operative stay in the Hospital.**
- **Current Surgical Services practices result in 40% of patients requiring post operative stay in the Hospital.**
- **Pre-op and Post-op are undersized in square footage and in number to meet current needs**
- **Current equipment and supply storage spaces do not exist to hold current operating room needs**
- **Project Budget \$20,000,000**

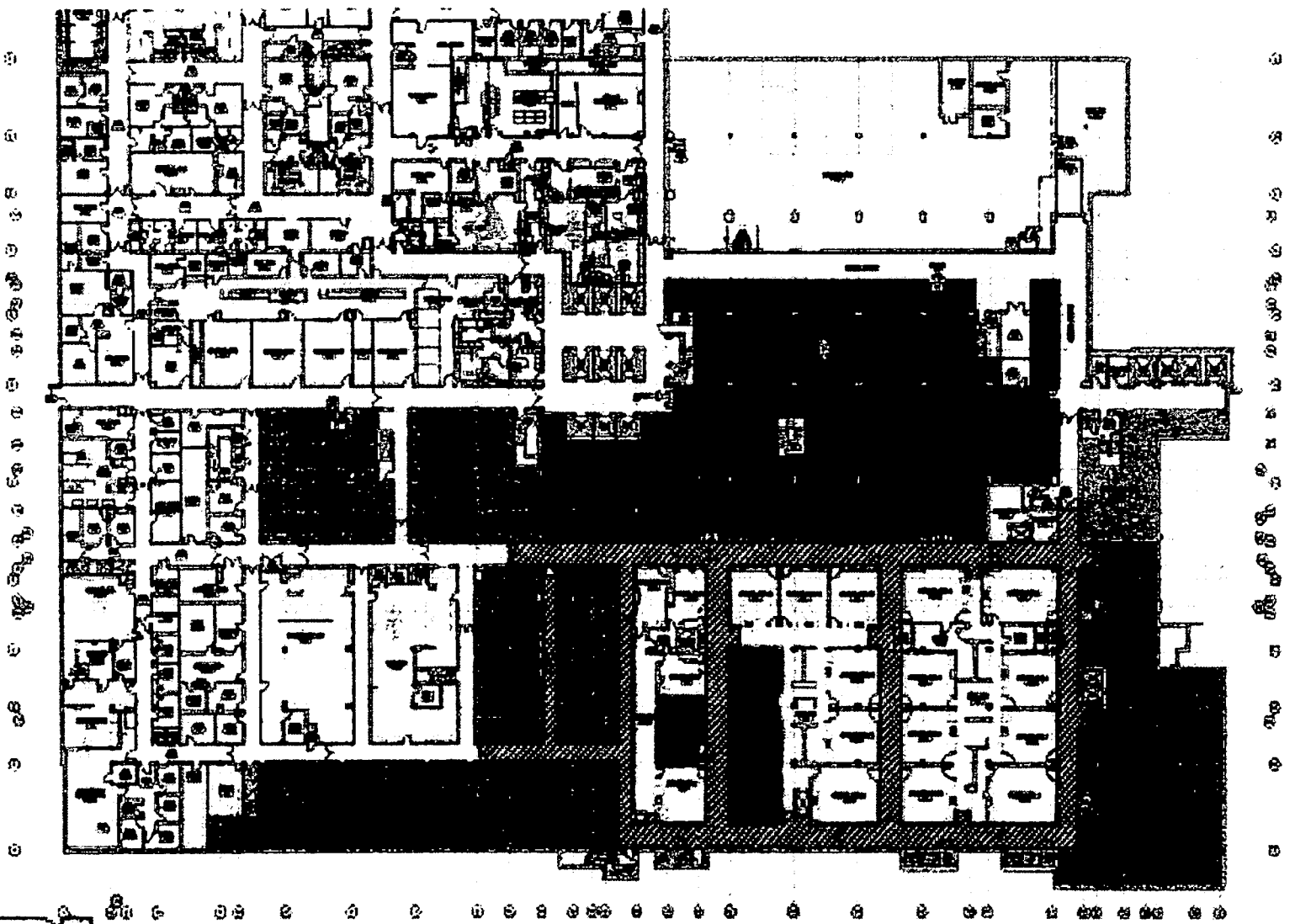




**Storage is a  
major  
problem in  
the Harper OR**

**The Pre-Op and Post-  
Op areas are  
crowded  
beyond any planned  
capacity**



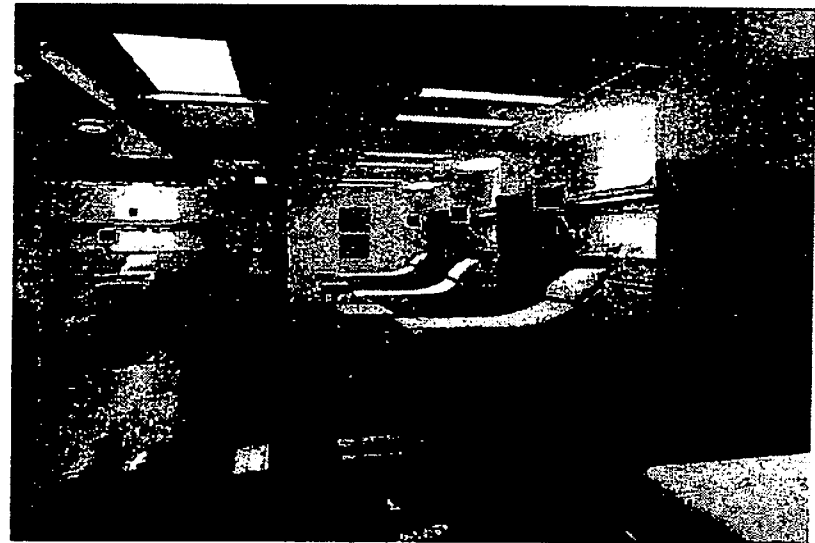
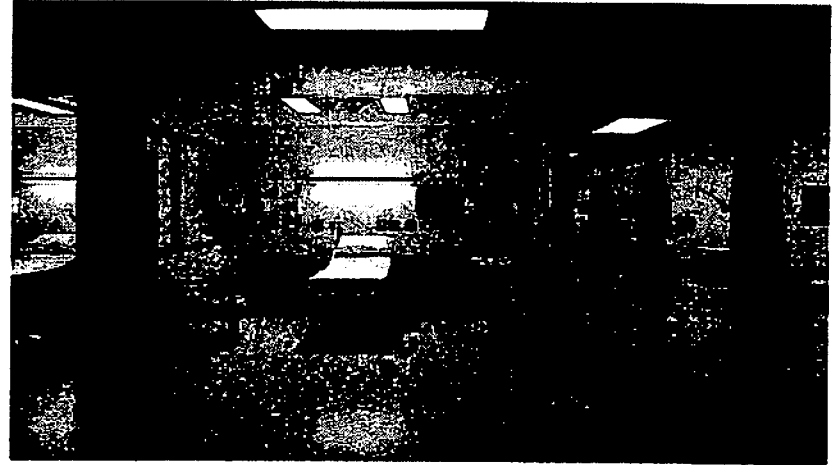


**URS**

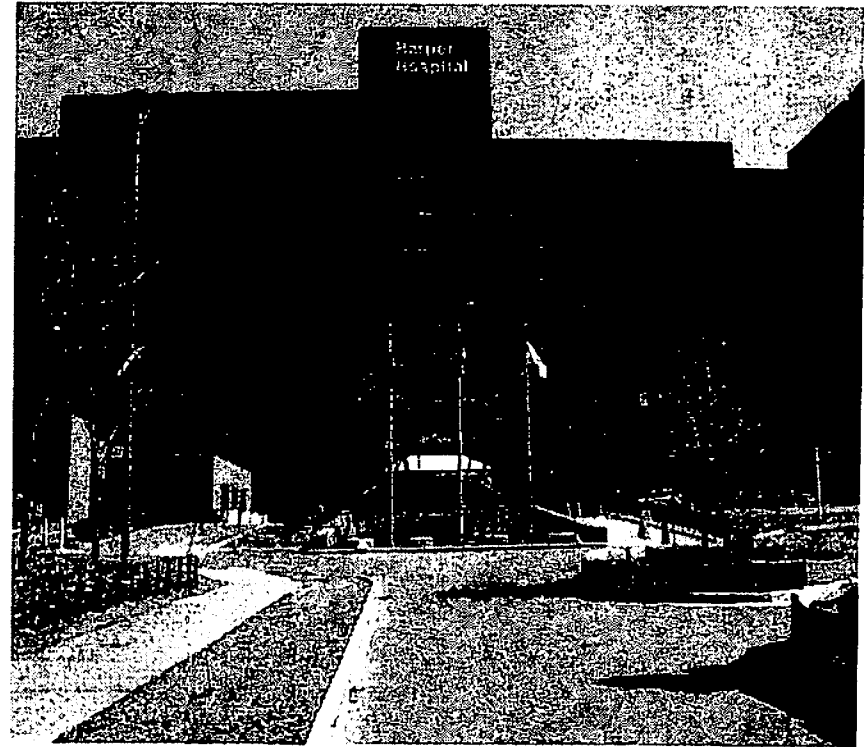
HARPER UNIVERSITY HOSPITAL OPERATING ROOM STUDY  
 OPTION 2A  
 11/15/07

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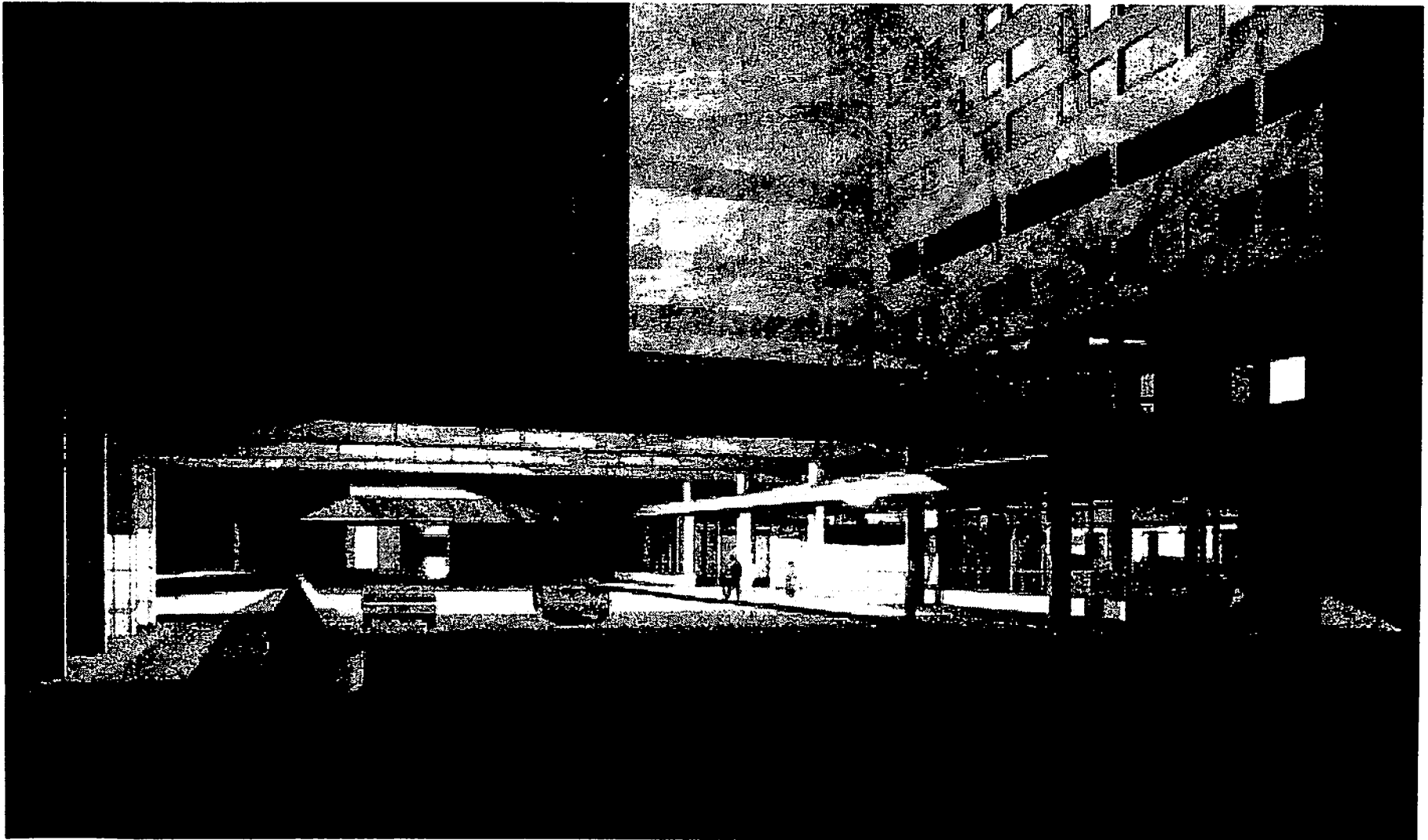
# Sample Pre and Post Op Spaces



There are multiple entrances at Harper/Hutzel. The front lobbies are congested and confusing for visitors.



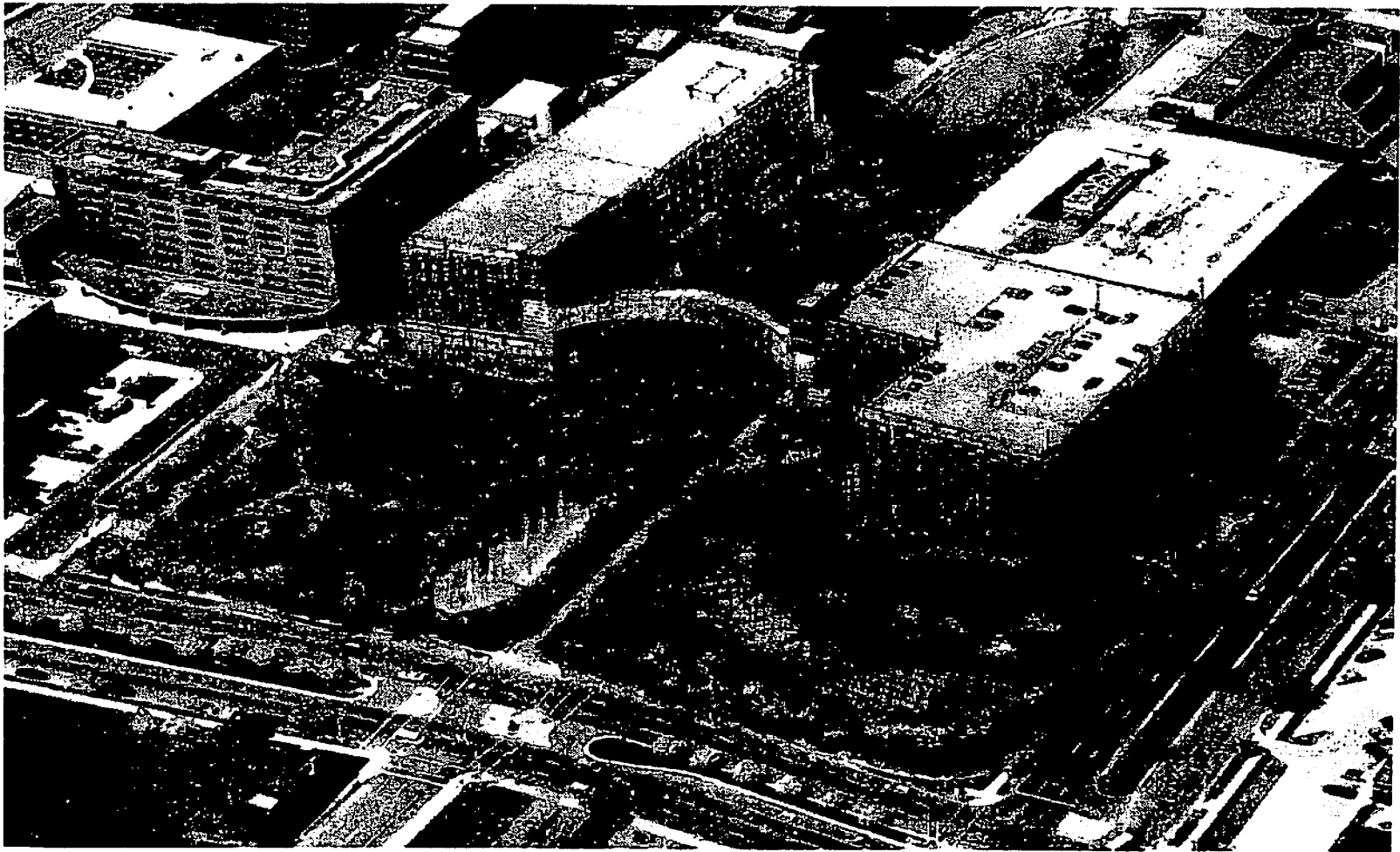
# Harper/Hutzel Lobby Expansion Project



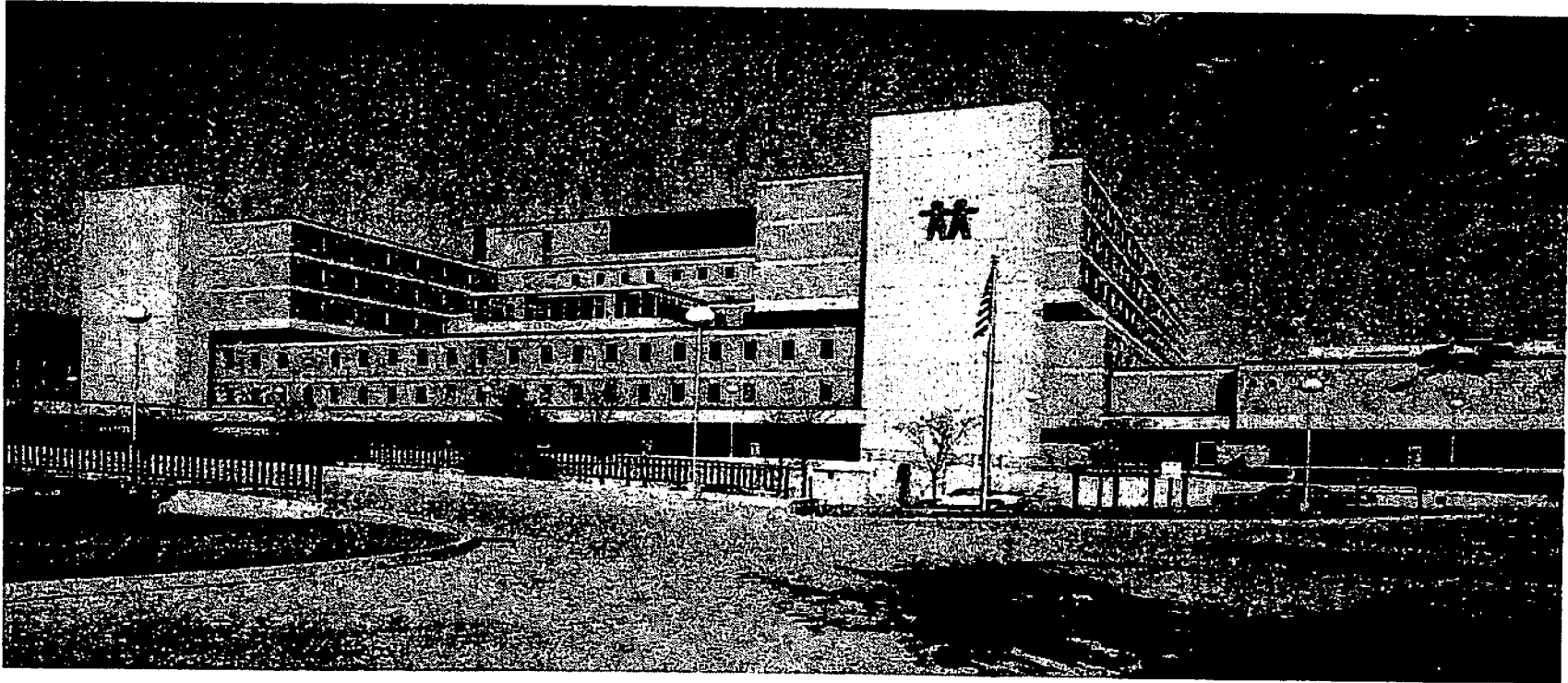
The South end of the Main Campus is not inviting to visitors. The International Center and the Mack Parking Deck block the view of the campus



# CVI/HUH Outpatient Center with New Parking Deck



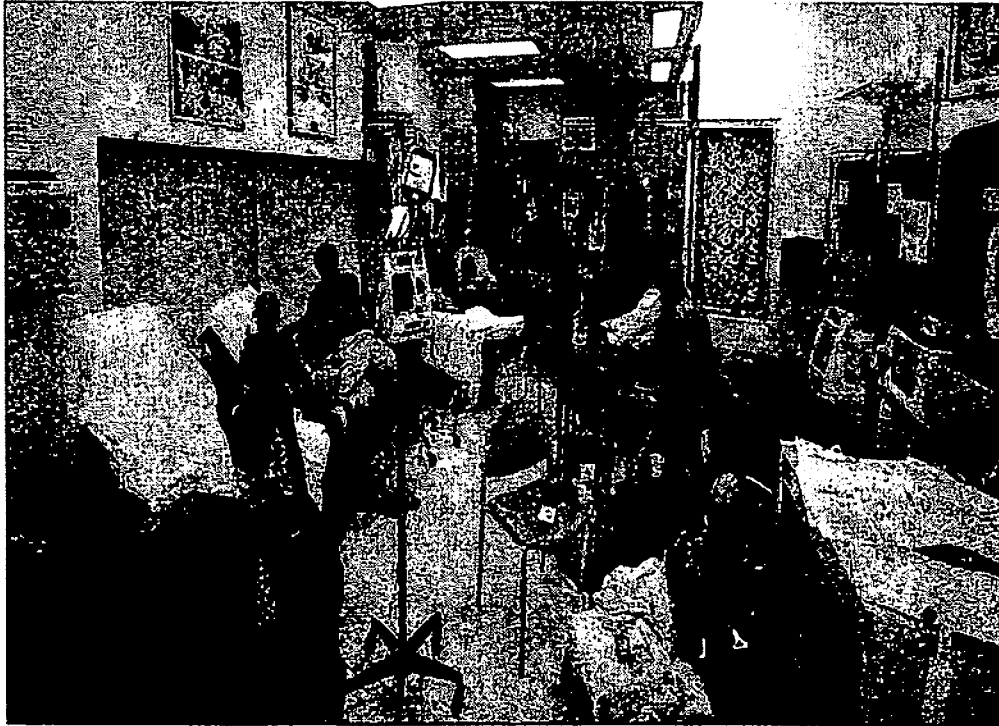
# Children's Hospital was modern when it opened in 1971



But since then the number of children provided services at the hospital has grown substantially.



# Patient Care Areas and Family Support Space Have Become Overcrowded

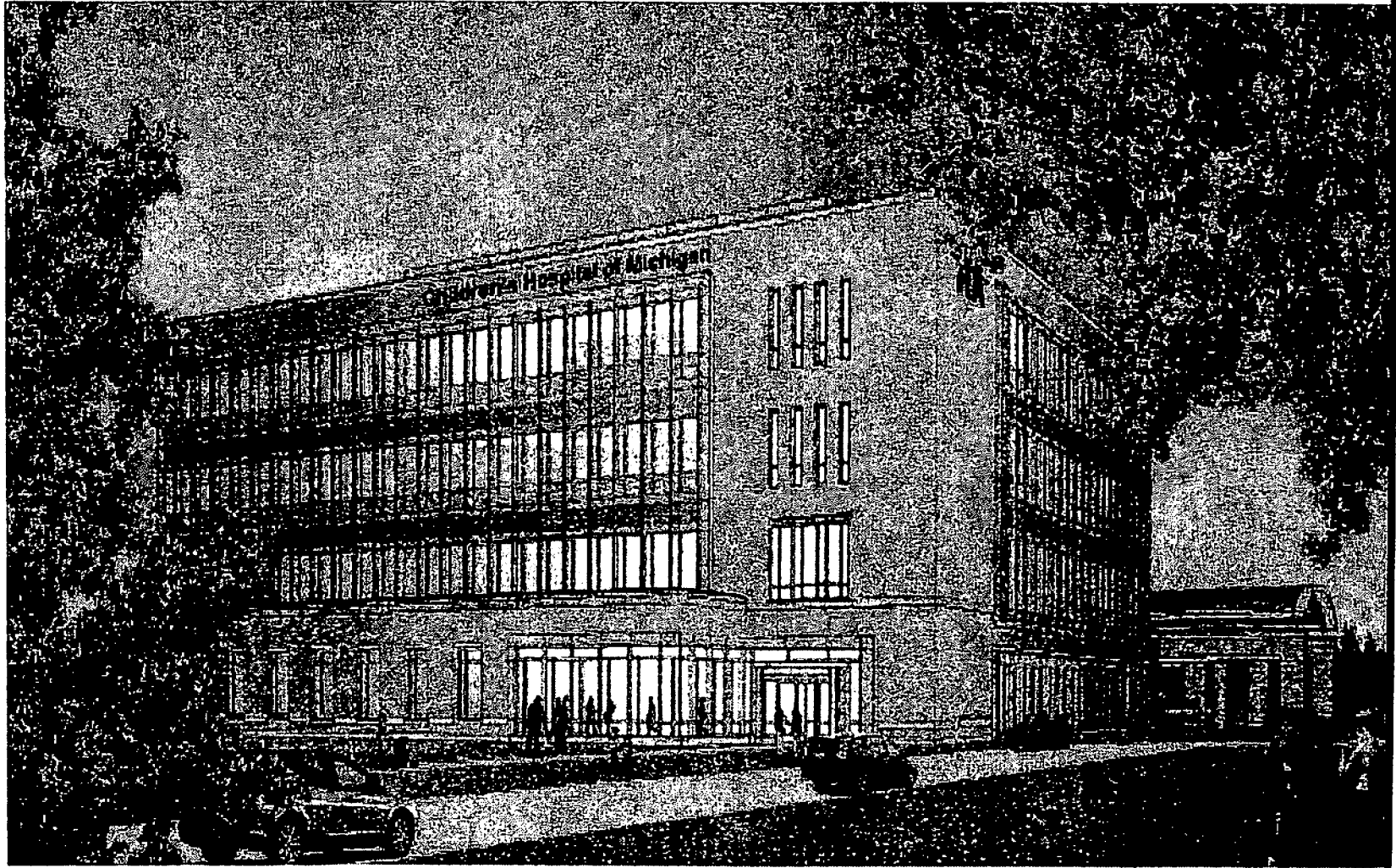




**Children's Hospital  
of Michigan**

**Pediatric Specialty Center – Phase 1**

- To better meet the health care needs of Michigan's children we will create the Pediatric Specialty Center to increase inpatient and outpatient capacity to meet extraordinary patient demand.
- The Pediatric Specialty Center consolidates outpatient services in a flexible facility that emphasizes primary and preventative care for Children's Hospital. By facilitating patient access to services, including labs, X-ray and immunization facilities, specialty clinics, and physicians' offices, the Center's design fosters a culture of wellness.
- A general pediatric clinic, comprehensive outpatient rehabilitation clinic, and specialty clinics occupy three floors of the Center while a fourth floor houses physician office suites. The design of the glass-walled Center, built on a previously developed site, enhances and complements the existing campus. The Center frees up space for future medical program expansion in the Main Hospital
- Project Budget \$33,000,000
- Project A/E Firm Shepley Bulfinch/IDS





## **Children's Hospital of Michigan**

### **Carls Building Backfill – Phase 2**

- Renovation of Carls building areas being vacated by functions moving to ambulatory building
- Expansion of existing clinics (Surgical, cardiology, Hem/Onc to align outpatient functions for Centers of Excellence to inpatient units in the new tower.
- Project Budget \$5,200,000

### **New Inpatient Tower Addition – Phase 3**

- The New Hospital Addition will comprise five floors and 272 beds and will be designed with larger inpatient rooms that will accommodate new medical technology and expanded family-centered care services.
- New construction will total 298,000 square feet and 132,000 square feet of existing space will be renovated. Floor space will increase by about 30 percent overall. Support space for more family-centered care, increased operating room capacity, expanded intensive care space, new technologies, and expanded space for pre- and post-operative surgical activities will be included.
- Project Budget \$170,000,000

