Final Report

Review of Responsibilities and Activities (2011 -2020)

- **Attachments: 1) PSA Transaction Background**

  2) Post Closing Covenants

  3) VHS of Michigan 2020 Report

  4) Quantum Group Report

  5) Board Roster

Available on the Following Websites:

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

Legacy DMC

April 15, 2021

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

Dear Ms. Dale:

This letter is Legacy DMC's tenth and final report (the "Report") as the ten-year oversight period set forth in the Restated Purchase and Sale Agreement, dated December 31, 2010 (the "PSA") expired on December 31, 2020. (See Attachment 1 for background on the PSA transaction.)

Legacy's main responsibilities during the oversight period were to report annually to the Department of the Attorney General with respect to VHS of Michigan Inc.'s ("VHS", doing business as Detroit Medical Center) compliance with certain post-closing covenants of the PSA (see Attachment 2), to negotiate continuation of the DMC's charity care policies with its parent, Tenet HealthCare, Inc. ("Tenet") beyond the oversight period, and to distribute approximately $150 million in charitable assets that were excluded from the sale.

VHS has provided its annual report for 2020 as required (see Attachment 3) which is little changed from last year's report. It includes information on the impact of COVID on the hospitals and DMC's related actions. As noted in last year's report, VHS has challenged the scope of Legacy's permissible monitoring and reporting authority. After meeting with Tenet representatives, Legacy decided to provide its oversight comments in two sections to differentiate between the seven covenants covered in the Monitoring Agreement and other covenants of critical importance to the community. This year's Report continues this approach and includes relevant information from the entire oversight period.

Legacy DMC, with the approval of the Department of the Attorney General, contracted with Quantum Group to negotiate DMC's future charity care policies with Tenet. Negotiations were led by Mr. Stephen D'Arcy, former chair of the Detroit Medical Center. The report (see Attachment 4) documents an agreement to extend the DMC's current charity care policies. Importantly, it also provides recommendations for preserving Detroit's safety-net institutions

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Based on the above, this Report is divided into four sections:

- The first [Compliance with the Required Reporting Commitments] discusses VHS's compliance with the covenants Legacy DMC is required to report on under the Monitoring and Compliance Agreement (the "Monitoring Agreement") entered into between the Michigan Department of Attorney General (the "Attorney General"), Legacy DMC, VHS and Vanguard Health Systems, Inc. (Vanguard).

- The second [Concerns with VHS's Performance] addresses additional concerns of Legacy DMC that do not arise from its obligations as the contractual monitor under the Monitoring Agreement, but rather from its broader responsibilities as discussed below.

- The third [Charity Care Negotiation and the Future of the Safety-Net] discusses the outcomes of the charity care negotiations, contains Tenet's response to the Attorney General's recommendations on policy and implementation, and identifies matters requiring further attention to preserve the adequacy of the safety net in the face of the rapidly changing health care industry.

- The fourth [Compliance with the Charitable Asset Transfer Agreement] reports on the distribution of the charitable assets excluded from the sale, the collection of a $5 million oversight contribution, and the disposition of unused funds.

Compliance with the Required Reporting Commitments

Legacy DMC believes that VHS is in compliance with six of the Required Reporting Commitments. As noted in Legacy DMC's prior report however, Legacy DMC cannot report that VHS is in compliance with its general reporting obligations under Article 12.17 of the PSA, as Legacy DMC believes that the 2020 VHS Report is insufficient to meet the requirements of the PSA.

Indigent and Low Income Care (PSA Art. 12.2)

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

The 2020 VHS Report states that VHS has complied with its obligations under Section 12.2 of the PSA by continuing to adhere to the Vanguard charity policy. During 2020, Legacy DMC received no actionable complaints regarding denial of service on its hotline posted in 80 locations in the hospitals.

The 2020 VHS Report notes a slight decline in uncompensated care expense (combined charity care and bad debt expense) to $120 million. Legacy DMC monitors uncompensated care expense as a key metric in its review of costs incurred in treating low income and indigent patients. These costs have averaged about this amount for the last three years.

Legacy DMC also reviews reports of Medicaid patient visits and days and Medicaid billings as a percent of VHS revenue. These reports show expected volumes of activity.

In a previous report, Legacy DMC defended VHS against accusations that misrepresented the decline in uncompensated care expense resulting from the Affordable Care Act and the expansion of Healthy Michigan as evidence of a decline in critical services to indigent and low-income patients. It was, in fact, the predictable outcome of the expansion of government support coupled with VHS's strong process for qualifying patients for financial support.

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

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

The 2020 VHS Report confirms that it has met its contractual commitments to maintain the six hospitals and their lines of service, at least to the extent required in the PSA. The hospitals passed all regulatory examinations and audits last year and are in good standing with all relevant authorities.

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

Mandatory Capital Expenditures (Art. 12.4)

VHS's mandatory capital expenditure obligations under Article 12.4 of the PSA have expired. Legacy DMC will address its concerns with VHS's capital expenditures below.

In previous reports, Legacy supported the re-design of the Children's Hospital Tower and questioned the allocation of more than $40 million of the Routine Capital commitment to construction of the new Children's facility in Troy.

Legacy has also reported that VHS increased capital spending in 2016 by $2.4 million to settle a potential penalty for delayed funding of an escrow deposit requirement resulting from capital spending delays. The funds were used for new equipment for the emergency departments at Detroit Receiving Hospital and Sinai Grace Hospital as suggested by Legacy.

No Sale of Hospitals (Art. 12.7)

VHS is in compliance with its contractual commitment not to sell any DMC hospital.

Last year Legacy DMC expressed concern about a possible sale of all or part of the Detroit Medical Center after Legacy DMC's oversight ended in December 2020 based on Tenet's sales of hospitals in Chicago and Philadelphia. (A pending sale in Memphis was abandoned after a complaint by the Federal Trade Commission.) In response, the 2019 VHS Report included the following statement:

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

Although there is no statement in VHS's 2020 Report, Legacy DMC remains concerned about the potential sale of hospitals noting that in Tenet's latest earnings call, Tenet management stated "...so we're clear. We're not on a selling campaign, but we remain active in selection and decisions based on several attributes..." It further stated that it is always reviewing its "hospital portfolio". The potential impact of such sales on the safety-net is one of the risks discussed in the Quantum Group report below.

Operation of Detroit-based system (Art. 12.14)

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

National support centers (Art. 12.15)

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

Annual reporting requirements (Art. 12.17)

The 2020 VHS Report discusses each of VHS's Post-Closing Commitments for which VHS is required to provide an annual report under Article 12.17 of the PSA. The 2020 VHS Report is insufficient, in Legacy DMC's opinion, to meet the requirements of the PSA. This conclusion is based on DMC's response to repeated requests over the last several years to "demonstrate" - rather than list - actions taken related to capital investment, research and education. Legacy DMC limited its data requests after the 2019 report was published in June 2020, given VHS's consistent insufficient response to these requests over the last several years and in recognition that reacting to COVID was a higher priority. The 2020 VHS report included no new information affecting Legacy DMC's previous conclusion.

Concerns with VHS's Performance

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

Concerns Regarding Indigent Care

Legacy DMC supports VHS's commitment to charity care. As noted earlier, Legacy DMC believes that this is DMC's most important mission in this community. In previous reports, Legacy DMC has noted its concerns related to the impact on care for the indigent of VHS's continuing staff reductions, reduced capital spending, and the adequacy of its support of education and research. The Quantum Group report notes that VHS has agreed to extend its current charity care policy beyond the mandated period in the PSA. The Quantum Group report also cautions that generous policies will require capacity and specialized skills to be effective.

Concerns Regarding VHS's Capital Expenditures

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

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

Moreover, Legacy DMC believes that any decrease in VHS's continuing routine capital expenditures below $70 million is especially significant, because, as noted earlier, approximately $40 million of the Routine Capital expenditure commitment was diverted from the six-hospital system to build a new Children's Hospital facility in Troy. Therefore, Legacy DMC believes that VHS should be increasing routine capital expenditures to meet any deficit resulting from that prior expenditure rather than decreasing those expenditures over time. Legacy notes that Tenet management reported that it had reduced its capital spending by 20% from $670 million in 2019 to $540 million in 2020 and assumes that the DMC hospitals shared in this reduction.

The 2020 VHS Report includes a list of hospital equipment purchases (2020 VHS Report, Exh. C), but it does not provide the amount spent on this equipment. Without this information, which was requested by Legacy DMC, it is not possible to compare VHS's spending to hospital industry benchmarks.

Concerns Regarding Support for Other Covenants

Last year's Legacy DMC report included a discussion of several developments raising questions relating to research and education. These included the loss of the DMC's Neurosurgery Residency Program, cancellation of a substantial increase in resident physicians (reported in VHS's prior report) and decisions relating to changes to medical staffing at Children's Hospital of Michigan (CHM).

In addition, it noted that VHS has made significant changes to its academic and research partnerships, particularly the realignment of CHM's academic faculty from Wayne State University's School of Medicine to Central Michigan University's medical campus - which is 100 miles from Midtown Detroit.

The PSA included the education and research covenants to ensure that the DMC would continue its role in maintaining the academic character of medical care provided by its hospitals and benefit from that reputation as it recruits a high-quality staff to serve the citizens of Detroit. Previous Legacy DMC reports have questioned VHS's funding of and support for education and research activities notwithstanding that these covenants were not included in the Monitoring Agreement.

Similarly, previous Legacy DMC reports have raised issues relating to VHS's attention to patient care. These included widely-reported problems with instrument sterilization and failed safety inspections at several DMC hospitals. Legacy DMC's responsibilities include patient care issues that reflect potential adverse impacts on indigent and low income patients.

Charity Care Negotiation and the Future of the Safety-Net

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

Section 12.2 also required that, as the oversight period neared expiration, Tenet and Legacy DMC "shall negotiate in good faith…whether Buyer (Tenet) should extend its commitment to provide charity care at the Hospitals…"

The negotiations were conducted periodically between October 2020 and March 2021. As an outcome of the negotiations, Tenet agreed to continue the charitable care policies which have been in place at DMC since the effective date of the PSA. These policies are mostly consistent with the policies of the other Detroit safety-net providers.

Together, the charity care policies of the present providers form a sound basis for meeting the safety-net needs of the Detroit community. Importantly, the Quantum Group report identifies the potential for significant changes that could adversely affect the safety-net along with a challenge for these providers and other public and private institutions responsible for the safety-net to be alert to the risks of these potential changes and develop contingency plans that preserve its adequacy. During negotiations, Tenet, one of the key providers, agreed to participate in developing these plans.

Compliance with the Charitable Asset Transfer Agreement

After the sale to Vanguard, philanthropic and charitable funds of approximately $150 million remained with Legacy, which retained responsibility for these funds as described in the Charitable Asset Transfer Agreement (CATA). These assets were comprised of funds previously donated to the various DMC hospitals and were to be distributed to the Children's Hospital Foundation (CHMF), the DMC Foundation (DMCF) and the Rehabilitation Institute of Michigan Foundation (RIM Foundation).

Prior to distribution, Legacy DMC conducted due diligence to determine the readiness of each foundation to receive its share of the charitable assets and obtained the approval of the Department of the Attorney General. In June 2011, CHMF was approved to receive its share (about $92 million) of the charitable assets. This transfer was completed in 2012. In February 2012, DMCF was approved to receive its share of these assets (about $55 million). This transfer was completed in 2013. In December 2013, RIM Foundation was approved to receive its share of these assets (about $3 million). This transfer was completed in 2014. Prior to these distributions, Legacy provided oversight of the related investments and disbursed funds totaling about $4 million for grants related to these funds.

Upon receipt of their respective charitable assets, CHMF and DMCF each provided $2.5 million in funding for the operations of Legacy DMC in accordance with the CATA. The agreement requires that any portion of those funds that is not spent during the oversight period shall be returned to the foundations. Earlier this year, Legacy DMC returned $2 million to CHMF and to DMCF. Upon dissolution later this year, Legacy DMC expects the final distributions to exceed $500,000 each.

CONCLUSION

Legacy DMC believes, based on the 2020 VHS Report and Legacy DMC's monitoring activities that VHS is in compliance with most of its Post-Closing Covenants. Of particular note is the continuing effectiveness of its process to qualify patients for healthcare insurance. Legacy DMC notes Tenet's decision to extend the DMC's current charity care policy. The DMC hospitals remain essential to the Detroit safety-net and its citizens will benefit greatly as a result of this decision.

Unfortunately, Legacy DMC remains concerned with VHS's recent record with respect to the level of its capital expenditures. As noted again this year, Legacy DMC continues to believe that VHS's annual capital investment, since it reached its PSA commitment in 2015, remains at or below the low end of the acceptable range for the existing hospitals, which also jeopardizes the hospitals' ability to sustain the initial facility and equipment improvements from the expenditure of $500 million for the Specified Capital Projects.

Moreover, it is unclear whether the recent changes in the DMC's educational and professional partnerships and its effort to obtain re-accreditation of its neurosurgery residency program will be successful. Both need to succeed to improve Detroit's reputation as a vibrant academic medical center - bringing the best doctors to Detroit and educating the clinical professions so critical to patient care and the area's prosperity.

In addition to documenting the extension of the charity care policy, the Quantum Group report details, not only some of the risks associated with potential health care industry changes, but also outlines questions that will need to be answered. In the end, actions by the City's and the State's public and private institutions will be necessary to ensure that public health and patient care in 2030 will be better than they are today. Legacy DMC urges the responsible institutions to rise to this challenge with a particular focus on defining safety-net responsibilities.

Legacy DMC has completed its responsibilities as defined in the Purchase and Sale Agreement and the Charitable Asset Transfer Agreement. Its trustees (Attachment 5) thank the Department of the Attorney General, Tenet and the DMC, and the Foundations for their cooperation and support, particularly this year as all dealt with the challenges of the pandemic.

Joe Walsh
President

Richard Widgren
Chairman

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

Purchase and Sale Agreement (PSA) Transaction Background

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

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

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

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

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

POST CLOSING COVENANTS

(15 Vanguard Reporting Requirements Underlined)

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

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

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

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

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

ARTICLE 12

POST-CLOSING COVENANTS OF BUYER

12.1 Buyer Advisory Board; Hospital Advisory Board.

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

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

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

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-car e hotline, and other measures to facilitate resolution of billing and treatment issues, (iv) the patients' rights and all current publicly available survey results in accordance with state and federal regulations and (v) its debt-collection policy, which shall comport with all federal and state collection practices laws.

12.3 Commitments to Maintain the Hospitals and Provide Core Services.

(a) For at least ten years from and after the Closing Date and unless otherwise agreed by Seller, Buyer shall maintain each of the Hospitals as a general acute care hospital licensed in the State of Michigan, or as a re habilitation hospital licensed in the State of Michigan in the case of Rehabilitation Hospital of Michigan. The Parties acknowledge that the Hospitals provide a large share of the State of Michigan's graduate medical education and care to beneficiaries of the Medicaid program and to the uninsured. Reductions in state or federal funding and reimbursement that apply proportionately to the Hospitals and all other general acute care hospitals in the State of Michigan shall not constitute a basis for Buyer to request approval from Seller to close any Hospital. The Parties also acknowledge that this provision is not intended to preclude Buyer from requesting approval from Seller to close a Hospital in the event of discriminatory reductions in state or federal funding and reimbursement for graduate medical education or services provided to beneficiaries of the Medicaid program or to the uninsured. Reductions in state or federal funding and reimbursement to the Hospitals that are materially disproportionate to reductions in funding and reimbursement to all other general acute care hospitals in the State of Michigan and that cause one or more of the Hospitals to suffer material declines in EBITDA, shall constitute a basis for Buyer to request the approval of Seller to close such affected Hospitals, which approval shall not be unreasonably withheld. Upon such time as Buyer, if at all, is permitted to cease maintaining the operation of any Hospital prior to the date

which is ten years from and after the Closing Date, notwithstanding any provision to the contrary contained in this Agreement, once Buyer has initiated the process of c easing the operation of such Hospital, Buyer shall be relieved of its obligations under each of Sections 12.1, 12.2, 12.3, 12.4 and 12.7, but in each case only with respect to such Hospital.

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

12.4 Capital Expenditures.

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

(b) In addition to Buyer's obligations under Section 12.4(a), (i) during the five year period immediately following the Closing Date Buyer will Expend funds for the Specified Capital Projects in the aggregate amount of at least $500,000,000 (the "CapEx Commitment"), and (ii)

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

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

(d) Within 30 Business Days after the expiration of the fifth CapEx Year after Closing, subject to Force Majeure, Buyer will deliver to the Escrow Agent by wire transfer of immediately available funds an amount, if any, equal to (i) the CapEx Commitment minus (ii) the aggregate amount of capital Expended by Buyer pursuant to Section 12.4(b) during the five CapEx Years after Closing (including amounts disbursed by the Escrow Agent pursuant to the CapEx Shortfall Escrow Agreement to fund capital expenditures for Specified Capital Projects), minus (iii) any funds held by the Escrow Agent pursuant to the CapEx Shortfall Escrow Agreement (or otherwise held in an escrow account with an escrow agent and pursuant to an escrow agreement, each of which is reasonably satisfactory to Seller and Buyer, which escrow has been restricted for use only for the CapEx Commitment) as of the end of the fifth CapEx Year. Subject to Section 12.4(e), the Escrow Agent shall thereafter disburse such funds solely for the purpose of funding capital Expended by Buyer for the Specified Capital Projects, so long as Buyer is

diligently pursuing in good faith the construction and completion of any Specified Capital Projects which had not yet been completed as of the end of the fifth CapEx Year after Closing.

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

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

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

(h) At Closing and as collateral to secure Buyer's CapEx Commitment described in Section 12.4(b), Vanguard will deliver to the Escrow Agent (without any consideration from DMC) a warrant certificate in substantially the form of Exhibit A (the "Warrant Certificate") providing for a warrant issuable to DMC to purchase 400,000 shares of common stock of Vanguard. From and after the Closing Date and until such time as the Warrant has been exercised or the Warrant Certificate has been cancelled in accordance with the terms of this Agreement, Vanguard shall deliver to DMC all valuations of Vanguard prepared by the Independent Appraiser, or such other valuation expert as may be retained by Vanguard in place of the Independent Appraiser, within

ten Business Days after their delivery to Vanguard. The Escrow Agent shall hold and disburse the Warrant Certificate pursuant to the terms of Section 12.5 and an escrow agreement that is in form and substance satisfactory to each of DMC and Vanguard in its good faith reasonable discretion (the "Warrant Escrow Agreement").

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

12.5 The Warrant.

(a) At Closing, Vanguard shall deliver to the Escrow Agent an initial Warrant Certificate for the Warrant. Within 30 Business Days after the expiration of each CapEx Year after the Closing Date, up to and including the date which is 30 Business Days after the expiration of the fifth CapEx Year after the Closing, Vanguard may deliver to the Escrow Agent a new Warrant Certificate (in exchange for the return of any Warrant Certificate previously delivered to the Escrow Agent) for a warrant issued to DMC to purchase a number of shares of common stock of Vanguard equal to the product of the Warrant Shares and the Remaining CapEx Ratio as of the expiration of the applicable CapEx Year after the Closing (the "Adjusted Warrant Shares") with an exercise price of $.01 per share. At such time as the amount of the Adjusted Warrant Shares equals zero, Vanguard shall provide notice thereof to Escrow Agent and Escrow Agent shall

immediately return to Vanguard any Warrant Certificate previously delivered to the Escrow Agent. Upon DMC's receipt of the Warrant Certificate, Buyer shall be relieved of its obligations under Sections 12.4(b) through 12.4(f) to the extent of the then value of the shares understood that such determination shall be made as of the date of DMC's receipt of the Warrant Certificate, and shall not be subject to further adjustment, including as a result of any subsequent change in the valuation of Vanguard's common stock), based on the valuation of Vanguard's common stock prepared by the Independent Appraise r as of the date of the exercise of the Warrant, which appraisal shall be obtained by Vanguard, at its sole cost and expense, within a reasonable period of time after the date the Warrant is exercised. If such value of the shares of common stock upon exercise of the Warrant is greater than the Remaining CapEx Commitment, DMC shall surrender to Vanguard, after exercise, a number of shares of common stock of Vanguard having an aggregate value equal to the value of the common stock in excess of the Remaining CapEx Commitment (it being understood that such determination shall be made as of the date of DMC's receipt of the Warrant Certificate, and shall not be subject to further adjustment, including as a result of any subsequent change in the valuation of Vanguard's common stock).

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

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

amount equal to the Remaining CapEx Commitment at such time (the "Note"), and the principal amount of such Note shall be automatically reduced on a continuous basis by the amount of any reduction in the Remaining CapEx Commitment; or (ii) DMC and Vanguard shall enter into such other satisfactory arrangements in respect of cancellation of the Warrant Certificate as shall be agreed to by DM C and Vanguard, in their sole discretion.

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

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

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

12.7 No Sale of Hospitals. For at least ten years from and after the Closing Date and without the consent of Seller, Buyer shall not, directly or indirectly, sell or otherwise transfer all or substantially all of the assets constituting one or more of the Hospitals or all or substantially all of Buyer's equity interest in any Subsidiary of Buyer that owns one or more of the Hospitals to any Person, other than in connection with a transfer to a Permitted Transferee. Nothing in this Section shall limit or impair the ability of Buyer (a) to operate and conduct the business of the Hospitals as Buyer sees fit in its sole discretion, subject to its obligations in this Agreement or

(b) to sell any assets or property comprising any of the Hospitals so long as Buyer continues to maintain each Hospital as a general acute care hospital that provides the Core Services required to be provided by such Hospital, all as required by Section 12.3.

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

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

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

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

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

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

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

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

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

12.17 Annual Reporting Requirements.

(a) For at least the first six years from and after the Closing Date, on or before 60 days after each anniversary of the Closing Date, Buyer shall prepare and deliver to DMC a written report that describes in reasonable detail and demonstrates Buyer's performance under and compliance with the covenants of Buyer set forth in Section 12.4. Such report will be reviewed pursuant to

the agreed upon procedures set forth in Schedule 12.17 by an independent certified public accounting firm that is mutually acceptable to Seller and Buyer; provided, however, that such independent certified public accounting firm will only review Buyer's compliance with Section 12.4 . Seller (and its agents and others acting on behalf of Seller) and such independent certified public accounting firm shall have access to the books and records of Buyer and Vanguard for purposes of verifying the information contained in the annual report submitted by Vanguard.

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

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

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

12.18 Post Closing Assistance to Seller.

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

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

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

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

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

VHS OF MICHIGAN, INC

2020 ANNUAL REPORT TO LEGACY DMC

February 2021

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Introduction

DMC
DETROIT MEDICAL CENTER
A COMMUNITY BUILT ON CARE

Audrey Gregory, Ph.D., R.N
Group Chief Executive Officer

Greetings:

For more than 150 years the Detroit Medical Center has been a part of the fabric of the Detroit community. As one of the region's premier healthcare providers and a world-class academic medical center, we understand the important role we play in the lives of the people we serve.

As outlined in this report, a transformation has taken place at the DMC over the last ten years. This transformation has been powered by dedication to the community, hard work and a commitment of critical resources to ensure that the DMC, in partnership with Tenet Healthcare, is well positioned to continue its role as a leader.

The DMC/Tenet pillars of Quality, Safety, Experience, Cost and Growth provide a solid foundation and will help serve as a catalyst as we continue to live our mission of providing our community with the compassionate, high quality, innovative and safe health care they expect and deserve.

We are proud of our service and grateful to this community for decades of support and partnerships. It is an honor and privilege to be part of the Detroit community and care for those who depend on us.

As we move forward, rest assured we will not waiver in our commitment to this community and our goal of building an even stronger DMC.

Sincerely,

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

Legacy Report
Management Overview

The Detroit Medical Center (DMC) is pleased to present its final annual report to the DMC Legacy Board. This report marks the tenth annual report filed by the DMC since the DMC Legacy Board was formed following the sale of DMC. We are extremely proud of the contributions our organization has made over the last ten years to the City of Detroit and the Southeast Michigan region. To fully understand the impact of these contributions, we would like to again look back at where DMC stood at the time of sale.

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

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

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

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

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

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

By all accounts, the arrival of COVID-19 made 2020 an unprecedented year with healthcare systems at the epicenter. In very short order, we had to adjust to this "new normal" way of delivering healthcare. DMC staff, nurses and doctors proudly rose to the challenges brought about by this disease and lost no momentum, continuing to provide critical care to our patients in the hospitals while at the same time also keeping to our community commitment of disseminating timely health education updates related to COVID and various other health conditions. The DMC has had over 86,000 COVID patient encounters and participated in COVID screenings of over 40,000 members of the Detroit community in partnership with the City of Detroit.

Additionally, DMC CEO Dr. Audrey Gregory made personal outreach to the community on behalf of the DMC and worked to engage Detroit area's community groups and ministerial leaders in collaborative efforts and initiatives to improve health outcomes among Metropolitan Detroit citizens. At the beginning of 2020, Michigan Governor Gretchen Whitmer appointed Dr. Gregory to serve on the Michigan Coronavirus Task Force on Racial Disparities. This task force acts in an advisory capacity to the Governor. It studies the causes of racial disparities and recommends actions to address historical and systemic inequities in our region.

Looking forward, our community can be assured that the DMC will not waiver in our commitment to our mission and goal of building an even stronger DMC for the future.

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

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

Article 12.17 of the Agreement identifies the DMC's "Annual Reporting Requirements" as to the covenants listed above. Generally speaking, the DMC is obligated to report on covenants (with the exception of 12.6) "to the extent any such covenants continue in effect during" a ten-year period. The DMC's reporting requirement regarding its $850M Capital Expenditures covenant, which it met unequivocally years ago, has expired. The DMC voluntarily has provided information regarding certain additional expenditures, but this is not in response to any continued reporting obligation.

Having submitted this Report and other information to Legacy DMC, the DMC looks forward to receiving Legacy DMC's own report regarding those metrics upon which it is charged to report. Pursuant to the parties' respective Monitoring and Enforcement Agreements, Legacy DMC was given the mandate to report on eight (8) of DMC's "Post-Closing Covenants."

These are as follows:

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

Legacy DMC has submitted its last and final report regarding Capital Expenditures, indicating that this covenant has been satisfied. The DMC looks forward to receiving feedback on the remainder of the seven "Post-Closing Covenants" based on the Legacy Board's review of substantiated, factual information.

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

2020 DMC Recognition and Awards

- DMC Children's Hospital of Michigan is a freestanding Level 1 Pediatric Trauma Center Certified by the American College of Surgeons (ACS).

- DMC Children's Hospital of Michigan and DMC Detroit Receiving Hospital were Verified Pediatric and Adult Burn Centers by the American Burn Association and the American College of Surgeons. DMC is one of only two health systems in the state with both verified adult and pediatric burn center designations.

- DMC Children's Hospital of Michigan is ranked as one of America's best pediatric hospitals by U.S. News & World Report in six pediatric specialties; cardiology and heart surgery, Urology, Gastroenterology/GI Surgery, Nephrology, Neurology and Neurosurgery, and Orthopedic Surgery.

- The Pediatric Epilepsy and Pediatric Epilepsy Surgery Program at the DMC Children's Hospital of Michigan is recognized as a Level 4 Epilepsy Center by the National Association of Epilepsy Centers (NAEC). Level 4 epilepsy centers have the professional expertise and facilities to provide the highest-level medical and surgical evaluation and treatment for patients with complex epilepsy.

- In 2020, DMC Children's Hospital of Michigan was named a Top Children's Hospital nationally by the Leapfrog Group for quality and safety, the only children's hospital in the state of Michigan to earn this distinction.

- DMC Children's Hospital of Michigan's has Metro-Detroit's only dedicated 6-bed pediatric bone marrow transplant unit, which is accredited by the Foundation for the Accreditation of Cellular Therapy (FACT).

- DMC Children's Hospital of Michigan is Metro-Detroit's only center for pediatric heart, kidney and liver transplantation at a freestanding children's hospital.

- DMC Children's Hospital of Michigan is the only hospital in Metro Detroit designated as an accredited center of care for providing high-quality cardiac care to children with cardiomyopathy. The designation is made by the Children's Cardiomyopathy Foundation (CCF), a national nonprofit committed to improving the health outcomes and quality of life for children with cardiomyopathy.

- DMC Children's Hospital of Michigan Tuberous Sclerosis Complex (TSC) clinic is one of only a few in the state to be recognized as a TSC Clinic in good standing by the Tuberous Sclerosis (TS) Alliance.

- In 2020, DMC Detroit Receiving Hospital was re-verified as a Level I Trauma Center. Level I is the highest designation given by the American College of Surgeons Committee on Trauma. The verification was done virtually as a result of COVD-19, making DMC Detroit Receiving the first trauma center in the country to be re-verified virtually.

- DMC Detroit Receiving Hospital is an Energy Star certified building (since 2016).

- DMC Detroit Receiving Hospital and DMC Sinai-Grace Hospital were recognized by U.S. News and World Report at high performing in COPD and Heart Failure

- DMC Detroit Receiving Hospital received the American Heart Association/American Stroke Association's (AHA/ASA) Get With The Guidelines® Stroke Silver Plus achievement award.

- DMC Harper University Hospital has been nationally recognized by U.S. News and World Report as a 2020-2021 Best Hospital (top 50) in Geriatrics and Nephrology. In addition, the hospital was designated as high performing nationally in Gastroenterology and GI Surgery, Neurology & Neurosurgery, and Pulmonology and Lung Surgery in the Adult Specialties category. In the Common Adult Procedure and Condition ranking, DMC Harper University Hospital was also rated as High Performing in Chronic Obstructive Pulmonary Disease and Heart Failure.

- DMC Harper University Hospital is designated as a Blue Distinction Center for Bariatric Surgery (banding procedures) and a Blue Distinction Center for Bariatric Surgery (for gastric stapling) by Blue Cross Blue Shield of Michigan and Blue Care network, an independent licensee of Blue Cross Blue Shield Association.

- DMC Harper University Hospital is recognized as a Cigna 3-Star Quality Center of Excellence Bariatric Surgery Center.

- DMC Harper University Hospital is an accredited (since 2015) Comprehensive Bariatric Surgical Center by the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program (MBSAQIP), in partnership with the American Society for Metabolic and Bariatric Surgery (ASMBS) and the American College of Surgeons (ACS). MBSAQIP is a new national standard of accreditation. Previous designation held since 2006 as a Center of Excellence by the Surgical Review Corporation (SRC).

- DMC Harper University Hospital is recognized by the Joint Commission with disease-specific certification in Morbid Obesity. Also the first hospital in Michigan to earn the Joint Commission Gold Seal of Approval, DSC Morbid Obesity.

- DMC Heart Hospital and DMC Huron Valley-Sinai Hospital has Echocardiography Accreditation by the Intersocietal Accreditation Commission (IAC) in Adult Transesophageal, Adult Stress and Adult Transthoracic through May 2021.

- DMC Huron Valley-Sinai Hospital four years in a row was awarded the Economic Alliance for Michigan (EAM) for Patient Safety.

- DMC Huron Valley-Sinai Hospital was recognized by the Joint Commission with disease-specific certifications for stroke, hip and knee.

- DMC Huron Valley-Sinai Hospital, DMC Harper University Hospital and DMC Detroit Receiving are all designated as an Advanced Primary Stroke Center by the Joint Commission.

- DMC Huron Valley-Sinai Hospital is part of an elite group of hospitals in Michigan and across the country to earn Leapfrog's top A score. Huron Valley-Sinai is 1 of 42 hospitals in the U.S. to receive straight A's since the inception of the Safety Grades (15 consecutive reporting periods).

- DMC Hutzel Women's Hospital is the only hospital in Michigan certified as a Center of Excellence in Minimally Invasive Gynecologic Surgery by the Surgical Review Corporation.

- DMC Rehabilitation Institute of Michigan (RIM) has received Magnet recognition for Nursing. RIM is one of only four rehab hospitals to be designated as a Magnet hospital. This program recognizes health care organizations for quality patient care, nursing excellence and innovations in professional nursing practice.

- Rehabilitation Institute of Michigan's Neurologic Physical Therapy Residency program in the field of neurologic physical therapy was granted an initial 5-year accreditation from the American Board of Physical Therapy Residency and Fellowship Education (ABPTRFE).

- DMC Sinai-Grace Hospital was named to Becker's 44 hospitals with the lowest stroke death rates list. Hospitals on this list have a stroke death rate of less than 11.7 percent, compared to the national rate of 14.9 percent, based on Hospital Compare data from July 2012 through June 2015

- DMC Sinai-Grace Hospital was recognized by Joint Commission's Gold Seal of Approval® as an Advanced Primary Stroke Center.

- DMC Sinai-Grace Hospital Stroke Team received the American Heart Association/American Stroke Association Get With The Guidelines - Stroke Gold Plus Quality Achievement Award. SGH was also awarded with Target: Stroke Honor Roll, and DMC Detroit Receiving Hospital earned the Target: Stroke Honor Roll Elite Award.

- DMC Sinai-Grace Hospital was recognized by Joint Commission's Gold Seal of Approval® as an Advanced Primary Stroke Center.

- Most Wired Hospital by Hospitals & Health Networks magazine (since 2008)

- DMC has the most level one and level two trauma centers in Detroit

Post-Closing Matters

Indigent and Low Income Care (Section 12.2)

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

DMC's historic offering of care to indigent and low income patient care is an intrinsic part of its culture. The Purchase Agreement required DMC to comply with the more generous of DMC's historic charity care policy or Vanguard's counterpart corporate policy. Attorney General Cox recognized that "The Vanguard policy for the provision of charity care, Reference # 11 – 0801 as revised January 23, 2000, was more patient friendly than the Detroit Medical Center policy". (See Attorney General Report 1/13/2010, page 19) The Vanguard policy has been in place and honored by DMC for the entirety of the 10 year post-closing period.

Exhibit A reflects 2020 charity care and uncompensated care or bad debt, as well as report trends from prior years. The expansion of Medicaid and healthcare exchange enrollments in Michigan have had a direct effect upon levels of charity care and uncompensated care at the DMC.

Prior to Medicaid expansion, in years 2011 through 2013, charity and uncompensated care averaged $258M per year. Upon inception of Medicaid expansion in the second quarter of 2014, the total decreased to $127M. 2015 was the first full year of Medicaid expansion and for that year and subsequent years, total charity and uncompensated care has been stable, averaging $110M per year. Total charity and uncompensated care in 2020 was $120M.

The DMC continues to advocate for patients who may be eligible for coverage through Medicaid expansion or other assistance programs, assisting them in securing on-going coverage for their health care needs. Over the last 5 years, DMC has aided more than 123,000 people in finding this coverage. Additionally, DMC monitors legislative initiatives and activity that could impact Medicaid coverage in the State of Michigan. The DMC participates in advocacy efforts through the Michigan Hospital Association and along with Tenet Healthcare Corporation at both the State and Federal Level, ensuring coverage opportunities are optimized for our community. **See Exhibit A.**

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

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

DMC management is proud of the fact that the hospital system continues to be financially stable while delivering excellent medical service, maintaining all of the Core Services defined by the Purchase Agreement and continuing to develop highly specialized service offerings to meet the community's healthcare needs.

As is ordinary for all licensed healthcare facilities, the DMC was reviewed by local municipal inspectors, state fire marshal inspectors, accreditation authority personnel, state occupational safety and health inspectors, licensing and regulatory affairs inspectors and Joint Commission surveyors in 2020. None of these surveys resulted in findings of material non-compliance with regulation or accreditation standards, and the facilities remain in good standing with all relevant authorities.

Capital Expenditures (Section 12.4)

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

Notwithstanding its capital investments in excess of the contractual requirements, DMC continues to make capital expenditures appropriate to the needs of its facilities and programs. While the DMC is not required to report on these investments, we are pleased to provide supplemental information related to capital items in 2020. **See Exhibit C**

The report provided is consistent with the DMC's reporting practice since the satisfaction of our capital commitments in the Purchase Agreement by investment of over $1B, well beyond the requirements in the Purchase Agreement. The DMC remains committed to equipping our facilities for quality patient care and talent recruitment and retention. 2020 was an unusual year for the DMC as our focus was on caring for a significant number of patients and our community who were impacted by the pandemic. As you can imagine, similar to healthcare organizations across the country, the capital spend for COVID-related supplies and equipment was certainly unprecedented.

No Sale of Hospitals (Section 12.7)

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

Commitment to Educational Mission (Section 12.8)

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

The DMC's historic commitment to graduate medical education (GME) has not changed. At the time of the sale to Vanguard in 2010, the DMC in 2010 trained 1,010 residents at an annual cost of

$63,392,931. In 2019, the DMC trained 1,058 residents at an annual cost of $76,704,511. In 2020, the DMC trained 1,072 residents at an annual cost of $78,750,288.

In 2020, the DMC GME Institution (both DMC and CHM as sponsoring institutions) received continued accreditation from the American College of Graduate Medical Education.

The DMC is building the foundation to reestablish its neurosurgery residency program. Dr. Richard Fessler has joined the DMC as the new Specialist-in-Chief for the Department of Neurosurgery. Dr. Fessler is a board certified neurosurgeon with a long tenure in our community as a strong clinician, and leader, with vast experience as neurosurgery faculty. The DMC has also hired another board certified neurosurgeon, Dr. Sonia Eden, to ensure that we have adequate faculty for the program. In partnership with WSU, Dr. Eden now serves as the interim Chair for the Neurosurgery department at the University. With the GME office, the new SIC is working to establish a core faculty who are all board certified. We are also putting in place a framework for scholarly activities and research within the department. It is our goal to apply for ACGME accreditation in Mid-2022.

The DMC is also proud of its commitment to train this state's nurses and other allied clinical professionals**.** Registered nurses are the largest group of licensed health care professionals in the State of Michigan with nearly 170,000 licensed nurses providing the majority of healthcare services to the people of the State of Michigan. The DMC has a nursing work force of approximately 3,200 registered nurses providing direct patient care. The DMC, with over 50 academic partners and access to numerous specialty areas, provides a wide range of clinical experience for nursing students. These clinical rotations are provided to students pursuing degrees from an Associate through Doctorate level of study. The DMC also employs advanced practice nurses who serve as clinical preceptors, adjunct faculty and guest lecturers for the graduate nursing program of nine colleges and universities.

DMC staff nurses are encouraged to pursue opportunities for professional and academic development, which is facilitated through financial support provided by tuition reimbursement. In order to remain competitive in the dynamic healthcare market within Southeast Michigan and to recruit the highest caliber candidates, the DMC offers sign-on bonuses for difficult to fill positions and continues its very successful referral bonus program to nurses who successfully recruit experienced nurses into the DMC. In addition, the Tenet Nursing On-Boarding Program is available for both new graduate and experienced nurses joining the DMC team. The goal is to streamline the classroom and clinical competency validation processes in a way that makes the transition to the DMC more successful and improve the overall experience of new staff nurses.

The DMC continues to offer training programs for program directors and program coordinators to increase their knowledge and skills in the management of medical education programs. The DMC continues to utilize a multidisciplinary institutional wellness committee that is dedicated to the assessment and development of wellness programs that address wellness for residents, fellows, faculty and staff. There were over 15 various wellness activities for residents and fellows in 2019 – 2020. The GME office remains aligned with the DMC's commitment to quality and safety improvement and is committed to the optimization of the sign-out process among residents to ensure a high level of care continuity during shift changes in coverage.

The DMC remains affiliated for undergraduate medical education with the Wayne State University School of Medicine and Michigan State University College of Osteopathic Medicine as well as Meharry Medical College in Nashville, Tennessee which is aligned with the DMC's commitment to increase the number of primary care providers that serve Southeast Michigan citizens. In 2014, the first year for which we have electronically stored and verifiable data, 740 students rotated across DMC hospitals over 2,500 rotations. 2019/20 saw over 1,000 students rotating in over 4,000 rotations despite the changes to educational activities imposed for patient, student and staff safety during the pandemic.

Between 2017 and 2020, close to 300 Meharry Medical School students have rotated across DMC hospitals in over 360 rotations. The DMC GME staff and leadership are especially proud of the fact the annual QUEST research competition participants grew from 33 in 2012, to over 130 residents in 2020. This competition features fellow and medical students showcasing their research and quality improvement projects. The DMC management team appreciates the commitment and quality of the medical education provided by the University Physicians Group, University Pediatricians, the Huron Valley Teaching Physicians Group, the Medical Center Emergency Services Group, the Grace Medical Education Group and all of the private physicians who support the Detroit Medical Center's education mission.

Commitment to Research Mission (Section 12.9)

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

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

Over the past ten years, research studies have grown from over 900 studies annually to now over 1,421. The increase in research studies is particularly meaningful in light of the decline in the number of faculty members at Wayne State University (WSU) who hold medical staff membership at Detroit Medical Center hospitals. Additionally, since 2009, the DMC has contributed to more than 7,387 publications. Publications of DMC research between 2008 and 2018 have been cited over 80,000 times by researchers world-wide, highlighting the value of the DMC's research program, and the most heavily cited articles from the last decade were published since Tenet

acquired the system. In 2020, the total number of research studies reviewed was 229, as compared to the initial submissions of 135 in 2010.

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

In 2020, the DMC executed a research affiliation agreement with Central Michigan University (CMU) to expand research at its facilities to studies undertaken by CMU faculty and students. This arrangement supports continuity for the physicians associated with University Pediatrics. Today, the DMC incurs an unfunded expense approaching $1 million for the provision of administrative support to the clinical research effort.

In addition to the administrative support provided, the DMC continues to support research through payments to fund research carried out by physicians associated with University Physician Group and University Pediatricians, as well as payments to WSU for medical education of which research is an integral part. Its Clinical and Administrative Services Agreement with the University Physicians Group (UPG) requires UPG to continue to participate in clinical and basic science research through the WSU and creates new funding available for WSU research through the Department Support Funds and a Strategic Investment Pool. This pool could total up to $5 million dollars annually. UPG did not achieve the requirements to qualify for the additional funding in 2020.

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

For further clarification, the DMC supports these research activities by providing a clinical site for the research conducted by our medical staff members, including WSU and CMU faculty, at rates which are conducive to supporting research activities. Further, DMC operates robust department for administrative support of all the DMC and WSU clinical studies. This includes the analysis necessary to negotiate the study budget and to bill in accordance with law. The DMC incurs unfunded expense of over $1milion for this administrative support to the clinical research effort. Additionally, the DMC departments provide support for research activities that occurs based on the type of research. For example, the pharmacy team at DMC provides research support for all the DMC and WSU clinical studies. Today the pharmacy department within the DMC is supporting over 180 research studies. Finally, as noted, DMC makes available up to $5MM annually to UPG and pays $1.5MM annually to UP for their use in research arrangements.

Commitment to Karmanos Cancer Center (Section12.10)

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

Health and Wellness Community Initiatives (Section 12.11)

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

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

As noted above, since 2014, the DMC/Conifer insurance enrollment effort has netted a total of 123,057 Healthy Michigan Insurance Plan enrollees. This important work continues and helps the DMC improve the health of the patient population served. **See Exhibit E**

DMC COVID-19 Community Support and Education - DMC believes that health care and health education do not begin at the hospital bedside, it begins in the community – in our homes, our churches, and the places we frequently visit. This is why the work we do with our community partners and various affinity groups outside our hospital walls is so critical. Our commitment to outreach was put to the test in 2020 with the advent of COVID-19 – and the DMC responded:

- Partnering with the City of Detroit and fellow health systems in providing staff and medical resources to the City's drive-up COVID screening facility that was located in the Joe Dumars facility at the Michigan State Fair Grounds. For months, our employees administered thousands COVID-19 screens to metropolitan Detroiters.
- Providing of COVID-19 and Flu education through the use of virtual panels to community groups (Ministerial Advisory Council, Community Advisory Council and FQHC council).
- Serving as a Michigan vaccination site for COVID-19 vaccine.

Supplier Diversity Program (Section 12.12)

The DMC has fully complied with its obligation in Section 12.12 to support the Supplier Diversity Program. Over the course of ten years, the DMC is proud to report our Supplier Diversity spend totaled just over $256,750,000 dollars.

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

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

The DMC continues to support its Supplier Diversity Program. There have been no amendments or changes made to the program policy over the course of the last ten years. FY 2019 overall direct diversity supplier spend was $14,005,648 which is down $1,358,890 from FY2018. This net change is attributable to a reduction in general supply spend of $957,440 and $401,448 reduction in construction spend. FY 2020 overall direct diversity supplier spend was $8,531,385 which is down $5,474,263 from FY 2019. This net change is attributable mainly to the impact of COVID-19 a reduction in facility and construction spend, which accounted for only 30% of total minority spend last year. The impact of COVID-19 slowed down the use of some types of supplies and reduced the amount of planned construction projects.

Project Genesis (Section 12.13)

The DMC was unable to host the Project Genesis summer employment/internship program for Detroit Public High School Students due to COVID-19.

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

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

The DMC made preparations to host the 2020 Genesis program, working in partnership with Detroit Public Schools. Unfortunately, due to the COVID-19 public health crisis, resulting school closures and executive orders, we were not able to host this program in 2020.

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

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

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

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

2020 Annual Report to Legacy DMC Exhibits Referenced in Report

EXHIBIT A

Indigent and Low-Income Care

CONFIDENTIAL

EXHIBIT B

Commitment to Maintain Hospital & Provide Core Services

Core Services by DMC Facility

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

EXHIBIT C

Capital Expenditures

DMC Routine Capital Expenditures / CY 2020

Children's Hospital of Michigan
• Asset Life Cycle Management - NucMed
• Fetal ECHO
• Sterotactic Headframe
• EMG
• Additional Camera 3rd Floor Pharmacy
• Cardiac Cath Lab Replacement
• Cardiovascular ECHO machines
• Cardiovascular -Perfusion
• ED Psych Beds
• ENT Troy Scope Replacement
• Liver Transplant Transonic Flowmeter
• Mobile Recliner Replacement
• MRI Door Replacement
• EHR for Nursing Unit
• Neurosurgery CRW Frame
• OR Cardiovascular tablet
• PSC security camera replacement
• Respiratory ABG Refrigerator Replacement
• CHM Troy OR Dental Developer
• Water System Booster Pump Replacement
• Zebra Pod Locker Room Ligature
• Biosafety Cabinet
• ECMO Pump System Purchase
• HEPA Filter Installation
• Waiting Room Chairs

Harper University Hospital
• Ortho Large Power Drills
• DMC Adult Central Campus Heater-Cooler Equipment
• Cardiovascular Surgery Accelerated Expansion
• Ventilators (10)
• Adult ECMO Program
• Biologic Safety Cabinet
• Data Drop-Ambulatory Surgery Clinic
• HAZMAT Tent
• OB Equipment
• Plexiglass Dividers (26)
• Point Of Care Testing
• Waiting Room Chair
• Critical Care Nurse Call Light System
• Defibrillator Replacements
• Laparoscopic Equipment
• Micropace Stimulator
• Orthopedics Drills Small Power
• SDS Alcon Centurion Vision System
• SONOSITE (Anesthesia Ultrasound)
• Vascular Lab Treadmill
• Vital Sign Simulator
• Hutzel Cardiac Echo/Ultrasound NICU
• Hudson Murphy Elevator Installation

DMC Routine Capital Expenditures / CY 2020

Detroit Receiving Hospital
• Lab Biologic Safety Cabinet (2)
• EVS Equipment
• NDC Compliance Script For HUB 8
• University Laboratories Sunquest
• 3Q Washer and Dryer Replacement
• 5L Telemetry Monitoring
• Biologic Safety Cabinet
• Defibrillator Replacements
• Hazmat Tent
• Partition Walls In 3t Unit
• Plexiglass Dividers (22)
• Waiting Room Chairs
• Defibrillator Replacements
• Radiology Conf Room AV Upgrades
• GMAP Clinic iDOC
• NEXTGEN To Cerner Conversion
• Pneumatic Tube System Camera
• Unify HiPath Hardware and Software Upgrade
• EXELA Conversion
• Prisma Stain System

Huron Valley-Sinai Hospital
• 3W EKG Machine
• Biosafety Cabinets
• CCRT/Dialysis System-Tablo Console
• Covidien Sales Ventilators
• Hologic Mammography Unit
• Defibrillators Replacement
• Glidescope
• Security Server
• ICU Ultrasound
• Lab Incubator - Helmer
• MOB Suite 100 TI
• MOB Suite 230 TI
• Pharmacy Entrance Doors
• Pharmacy Entrance Matrix Card Reader
• Radiation Oncology Breast Boards
• Server Workstation
• Surgical Urology Head Camera
• Zoll Defibrillators
• New Ortho Drill Power System
• EC Sliding Door & Door Lights
• 48 Additional Telemetry Beds
• Neuro Expansion
• Rockers for Critical Care Nursery
• SmartMod Plumbing
• Mako Robotic Software
• Neuro Microscope

DMC Routine Capital Expenditures / CY 2020

Rehabilitation Institute of Michigan

- Biofeedback System for speech-EMG system
- Bioness L300 Go System
- Bladderscan Prime Plus (1) w/standard warranty
- Bladderscan Prime Plus (2) w/standard warranty
- Defibrillator Replacements
- Modular Walls
- Pulse Oximeters
- Vital Sign Tower BP-IP Therapy 4th floor
- Vital Sign Towers
- Housekeeping Equipment
- EMG
- Hill Rom P500 mattress & pump
- Medical Air System
- Prism Adaptation treatment kit (KF-PAT)
- RAZ-AP standard shower commode chairs (20) w/belt
- RAZ-AT HD tilt shower commode chair (1) 450lbs
- RAZ-AT tilt shower chairs (5)
- Symphony Plus - ice and water dispenser
- Welcome Center Furniture

Sinai-Grace Hospital

- Arm Surgery Board
- Battery Operated Pallet Jack
- Canon Ultrasound Systems 2 of 3
- Case Carts
- Construction - LINAC/CT Replacement
- Glidescopes
- Medical Air & Suction
- Related / Vital Sign Monitor
- Related Equipment
- Arctic Sun
- Humidifier (9)
- Pacers (2)
- Point of Care Testing
- SonoSite Ultrasound (1)
- Space Labs Monitors
- Suction Regulators (50)
- Ventilators
- Telemetry Wiring for E Tower for 5 Additional Nursing Units
- CSP Equipment
- CT/Simulator - Direct Laser Option
- Cysto Table
- Selenia Dimensions 3D performance System
- Defibrillator Replacement
- Endo Storage Cabinet
- Fire Fly - Laparoscope
- Johnson Controls Temperature Transmitter
- Med Refrigerator
- Medivator
- Meter and Calibration Station
- Ortho Drill/Saw Replacements

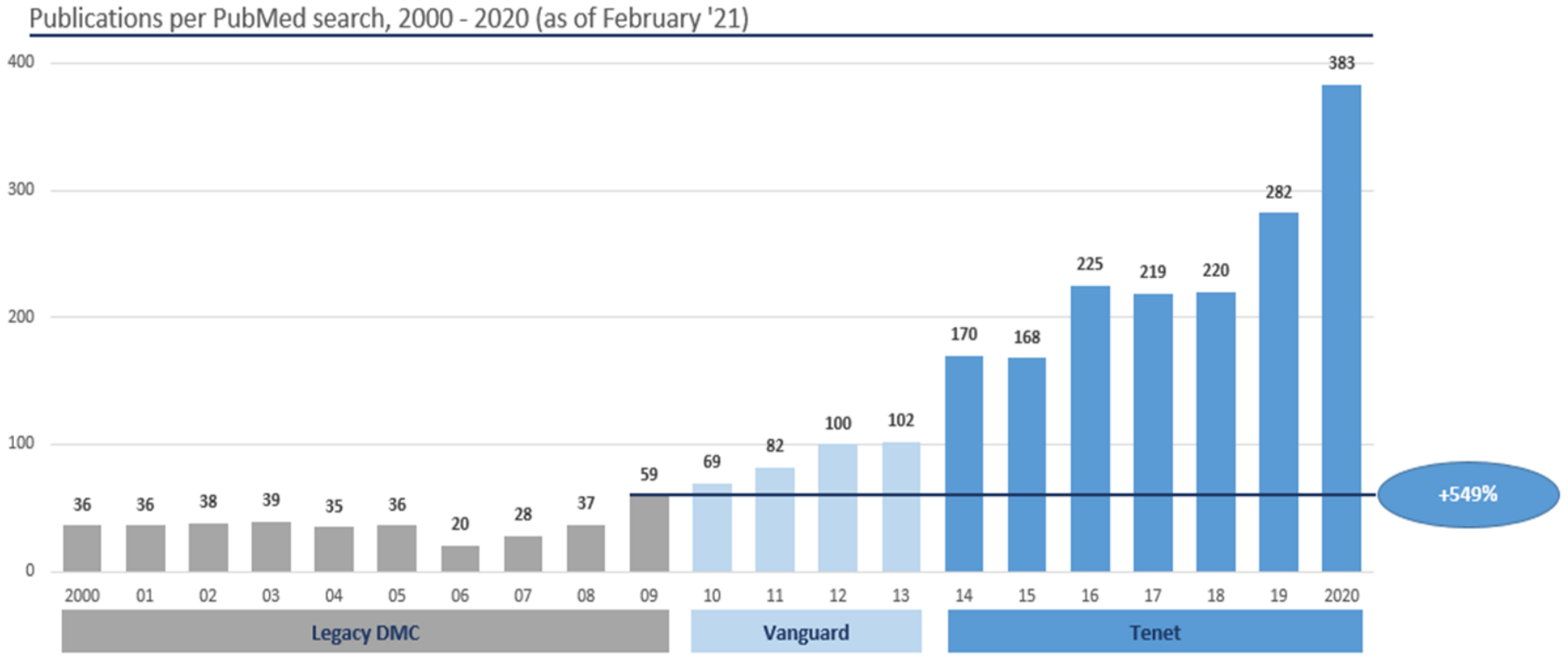
DMC Routine Capital Expenditures / CY 2020

Sinai-Grace Hospital *continued*
• Pharmacy Refrigerator • SGH NBS Norix Bed and Mattress
• Sleep Chair, Sofa and Recliner
• Surgical Scopes • Surgical Table

EXHIBIT D

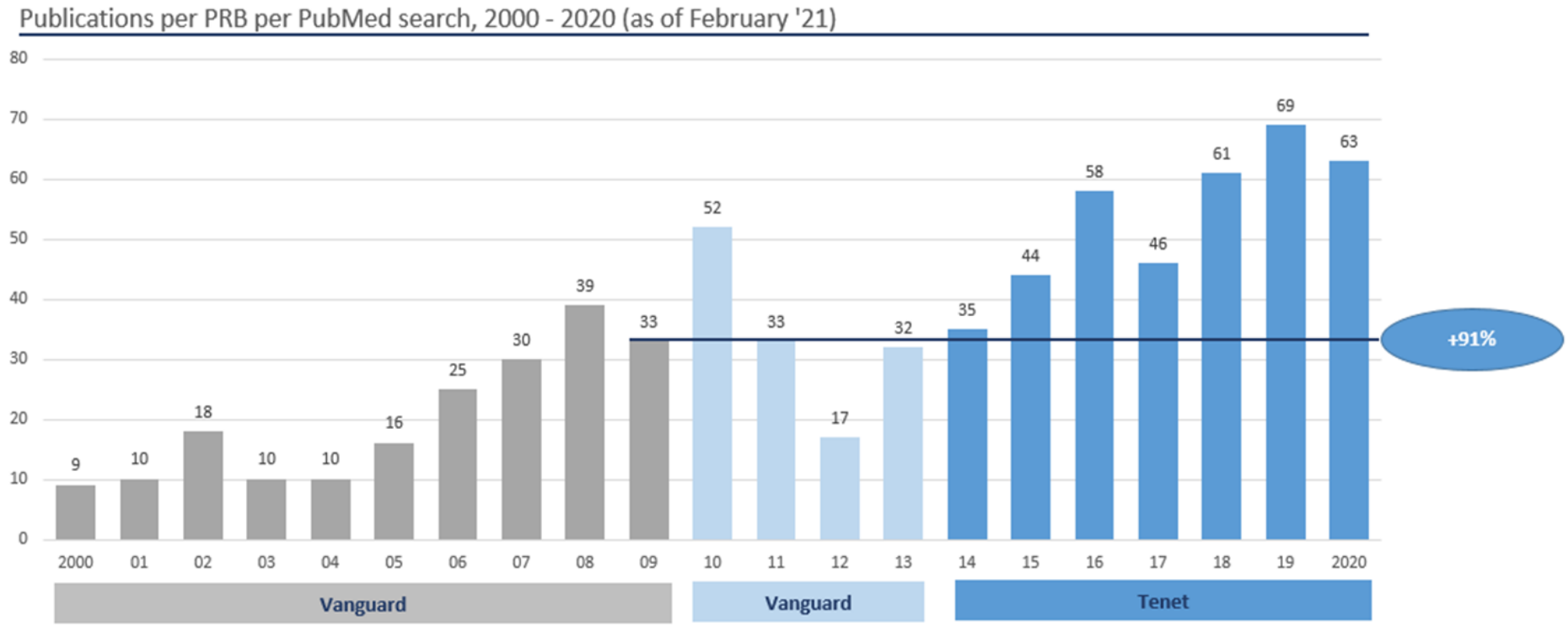
Commitment to Research Mission

Research publications affiliated with the DMC have increased significantly since 2010



Based on PubMed criteria "Detroit Medical Center [Affiliation]."

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



Based on PubMed criteria "Perinatology Research Branch [Affiliation]."

EXHIBIT E

Health, Wellness & Insurance Initiatives

DMC Health Insurance Operation

What We Achieved - 2020

Campaign Summary

	2015	2016	2017	2018	2019	2020
Total	25,272	20,873	18,974	23,247	21,443	21,249
Conifer On-Site Enrollments	17,244	17,866	18,782	23,054	21,272	21,249
Church Enrollments	1,548	0	0	0	25	0
In-Hospital Enrollments	1,072	261	192	167	140	0
Retail/Franchise Enrollments	897	48	0	0	0	0
Community Enrollments	3,812	1,960	0	0	6	0
Ambassador Enrollments	698	738	0	0	0	0

Please note: 2015 analysis based on October 1, 2014 through December 31, 2015
2016 analysis based on January 1, 2016 through December 31, 2016
2017 analysis based on January 1, 2017 through December 31, 2017
2018 analysis based on January 1, 2018 through December 31, 2018
2019 analysis based on January 1, 2019 through December 31, 2019
2020 analysis based on January 1, 2020 through December 31, 2020

DMC Health Insurance Operation

What We Achieved - 2020

Conifer On-Site Enrollment

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

	2015	2016	2017	2018	2019	2020
Total Enrolled	17,234	17,866	18,782	23,247	21,443	21,249
Children's Hospital of Michigan	2,707	2,880	2,277	1,698	1,782	868
Detroit Receiving Hospital	3,657	3,733	4,170	5,890	5,767	5,829
Harper University Hospital	5,659	5,547	6,097	6,095	6,094	6,780
Huron Valley-Sinai Hospital	792	1,040	1,130	1,223	1,144	1,194
Rehab Institute of Michigan	55	88	200	310	435	489
Sinai Grace Hospital	4,364	4,578	4,908	6,051	6,221	6,089

Please note: 2015 analysis based on January 1, 2015 through December 31, 2015
2016 analysis based on January 1, 2016 through December 31, 2016
2017 analysis based on January 1, 2017 through December 31, 2017
2018 analysis based on January 1, 2018 through December 31, 2018
2019 analysis based on January 1, 2019 through December 31, 2019
2020 analysis based on January 1, 2020 through December 31, 2020

April 6, 2021

The Board of Directors
Legacy DMC

Dear Board Members:

EXECUTIVE SUMMARY

Pursuant to section 12.2 of the Purchase and Sale Agreement (“PSA”) between Vanguard Health Systems (”Vanguard”) and the Detroit Medical Center (“DMC”), the board of Legacy DMC ("LDMC”) initiated negotiations with Vanguard’s owner, Tenet Healthcare Corporation (”Tenet”), to determine what charity care policies would prevail at DMC following the cessation of PSA based requirements on December 31, 2020.

The negotiations were conducted periodically between October 2020 and March 2021. From the outset of the discussions, Tenet affirmed its commitment to serving the Detroit community, including continuation of appropriate charity care policies. As an outcome of the negotiations, Tenet agreed to continue the charitable care policies which have been in place at DMC since the effective date of the PSA. These policies are generally consistent with the policies of the other Detroit safety-net providers and have been carefully monitored and analyzed by LDMC for the past 10 years. We believe they form a sound basis for meeting the charity care needs of the Detroit community.

Tenet also provided a written response to matters raised by the Michigan Attorney General and agreed to engage in future discussions along with the other Detroit providers regarding the Detroit healthcare safety-net system.

HISTORY AND MANDATE FOR NEGOTIATIONS

The safety-net health care system for the City of Detroit had historically been anchored by several not-for-profit and government owned institutions.

Prior to the formation of the DMC the Detroit safety-net was primarily comprised of: (a) Grace, Harper, Henry Ford, Providence, St John, and several other now-closed hospitals which provided general adult services; (b) Detroit General Hospital (renamed

Detroit Receiving Hospital in 1980) which dealt primarily with emergency and indigent care; (c) Children's' Hospital of Michigan which was the primary pediatric acute and ambulatory care facility; and (d) Hutzel Women's' Hospital which provided comprehensive obstetric, and other services for women, as well as neonatology. These facilities met most of the uninsured care needs of the community.

In 1985, the safety-net system was altered when Grace, Harper, Children's, and Hutzel came together to form DMC. Subsequently they were joined by Detroit Receiving Hospital, which was transferred to DMC by the City of Detroit. It is our understanding DMC paid nothing for the transfer of ownership but committed to maintaining a semi-autonomous board at Detroit Receiving Hospital and to preserving its safety-net mission. In addition to strengthening the safety-net for City residents, the creation of DMC was intended to consolidate the multi-faceted medical education relationship with the Wayne State School of Medicine.

During January 1996, DMC acquired the assets of Sinai Hospital and combined it with Grace Hospital forming what is now Sinai-Grace.

In 2002, The National Institute of Health, in conjunction with the Wayne State University School of Medicine, placed its only perinatology research center at DMC's Hutzel Hospital. The NIH Perinatology Research Center ("NIHPRC") remains a vital element of the nation's research into premature births and related women's and children's health issues.

On December 31, 2010, the non-charitable assets of DMC were acquired by Vanguard in one of the largest not-for-profit healthcare provider conversions ever to occur in the United States. The acquisition was executed pursuant to the PSA approved by the board of DMC and then Michigan Attorney General, Mike Cox. Among other requirements, the PSA prevented Vanguard from selling any DMC hospitals or curtailing designated services without the consent of the LDMC board for a period of 10 years. The PSA also required Vanguard to maintain a charitable care policy at DMC consistent with the more generous of Vanguard's and DMC's then policies for a period of 10 years. The Vanguard charity care policies, being the more generous, were adopted by DMC after the closing.

During October 2013, Vanguard was acquired by Tenet. As part of this transaction, Tenet succeeded to all Vanguard obligations in the PSA. Today the safety-net system is operated by Tenet (owner of DMC), HFHS (owner of Henry Ford Hospital), Ascension (owner of St. John and Providence hospitals) and McLaren Health (owner of Karmanos Cancer Center). All four are private corporations with Tenet being investor owned and the others being charitable not-for-profits. As private corporations, each is empowered to establish their own charity care polices and scope of services. While HFHS, McLaren and Ascension have obligations to maintain a charitable mission, Tenet, beginning in 2021, has no similar obligation.

In anticipation of the charity care policy requirements ending, the PSA provides for "good faith" negotiations to take place between Tenet and LDMC during the final 180 days of 2020 in order to establish charity care policies for the post 2020 period.

THE NEGOTIATION PROCESS

Quantum Group, LLC ("Quantum") and more specifically, Stephen D'Arcy (one of its partners), was engaged by LDMC on October 1, 2020 to conduct negotiations with Tenet on its behalf. Mr. D'Arcy had been the chairman of DMC at the time of the sale to Vanguard and subsequently became an uncompensated director of Vanguard until its sale to Tenet in 2013.

On October 4, 2020, LDMC notified Tenet of its intent to initiate negotiations (see *Exhibit L* at page E-52).

As part of preparation for negotiations with Tenet, Mr. D'Arcy and Joe Walsh (President of LDMC) conducted interviews with the following individuals:

- Wright Lassiter – President and CEO, Henry Ford Health System;
- Phil Incarnati – President and CEO, McLaren Health/Karmanos Cancer Center;
- John Fox – President and CEO, Beaumont Health;
- Kevin Grady – President, Ascension Health (St Johns and Providence Hospitals);
- Roy Wilson – President, Wayne State University;
- Charles Shanley – Vice Dean for Clinical Affairs, Wayne State School of Medicine;
- Michael Duggan – Mayor, City of Detroit; and
- Dana Nessel – Attorney General, State of Michigan.

During those interviews we received a strong message regarding the need for DMC to maintain charitable care policies at least as generous as those of the neighboring providers. We also noted concerns about the future of the Detroit healthcare safety-net, the maintenance of essential services and acute care and ICU bed capacity. The role of, and need for, graduate medical education was also of concern.

The initial negotiating session took place via Zoom on October 27, 2020. Representing LDMC were Mr. D'Arcy, Mr. Walsh, and Jason Abel (counsel to LDMC). Representing Tenet were Sue Monaco (Vice President and Assistant General Counsel) and Ben Jeffers (counsel to Tenet). At that session, LDMC's representatives proposed that the scope of negotiations include the terms of the future DMC charity care policy, the capacity of DMC to provide the required care and the survival of the medical education mission.

Tenet indicated that its reading of the PSA limited the discussion to whether the legacy charity policy would remain in effect[1].

Our view is that section 12.2 only makes sense when taken in context with other parts of the PSA which protected the level of care at each DMC institution. A commitment to maintain charity care is of little value without a commitment to maintain related capacity and skill. In order to move negotiations forward, it was agreed that we would provide a list of key matters as a proposed starting point.

On November 2, 2020, proposed parameters for the negotiations were sent to Tenet in an e-mail (see *Exhibit A* at page E-1). Broadly, those parameters were as follows:

- Charity care policies;
- Protection of the charity/safety-net missions of key DMC facilities;
- Special obligations owed to the City of Detroit and Wayne County with respect to Detroit Receiving Hospital;
- Preservation of DMC's commitment to medical education and its impact on future charity care; and
- Preservation of all aspects of charity/safety-net services in the event of changes in government support for Medicaid and associated programs.

Tenet responded, indicating its willingness to conduct negotiations, but also indicating that it believed the scope of the negotiations mandated by the PSA extended only to charity care policies and not to the other items listed above. Furthermore, Tenet indicated that, beginning on January 1, 2021, DMC would adopt the general charity care policies followed by Tenet's hospitals elsewhere in the United States (see *Exhibit B* at page E-2).

Quantum responded on December 3, 2020 (see *Exhibit C* at page E-5) requesting Tenet assist to clarify the changes the implementation of the Tenet policy at DMC would bring about. In particular we were interested in how the ability of Michigan residents to access health care would be affected and the level of certainty our citizens can have that Tenet's new policy will remain unchanged in the future.

[1] The operative language reads "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,..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) after the tenth anniversary of the Closing Date."

In addition, we reiterated the need for Tenet to discuss the future safety-net responsibilities of the DMC as follows:

> *"While we may have differing views of the scope of negotiations required by section 12.2 of the PSA, it is none-the-less essential that there be a clear understanding between Tenet/DMC and the State of Michigan as to how any future changes to safety-net capacity and scope of services can come about".*

Thereafter, in a letter to Mr. D'Arcy dated December 11, 2020, the Michigan Attorney General set forth her expectations for future charity care policies and practices at the DMC (see *Exhibit E* at page E-8). In her letter, the Attorney General made the following comment regarding responsibility for maintaining the healthcare safety-net for Michigan residents:

> *"Healthcare is an essential service. Hospitals must be committed to the communities they service and provide a critical safety net of care for low income patients. Although nonprofit hospitals have a special obligation to provide charity care, the lift is not theirs alone to bear."*

In addition, specific expectations for future DMC charity care policies were described under the following categories:

- Continuation of existing policies;
- Internal publication standards;
- External publication standards;
- Record keeping; and
- Reporting.

That letter was shared with Tenet, along with a request that it address each of the Attorney General's points.

A negotiating session took place via Zoom on December 17, 2020, and included Mr. D'Arcy, Mr. Walsh, Mr. Abel, Ms. Monaco, and Mr. Jeffers. During this session, the parties agreed that Tenet would provide details of the THC charity care policies and would also prepare a schedule showing the new and the old charity care policies side-by-side. In addition, due to the declining number of days until the end of 2020, and the 180-day negotiating period specified in the PSA, LDMC requested that Tenet agree to an extension of the negotiating period. Tenet agreed to an indefinite extension (see *Exhibit D* at page E-6).

On January 20, 2021, Tenet provided details of its corporate charity care policy and a schedule comparing the Tenet policy with the policies followed by DMC pursuant to the PSA (see *Exhibits F – I* beginning at page E-13).

With the help of Joe Walsh and Steve Lalka of LDMC, we prepared a detailed response asking for clarifications and explanations for various items listed in the policies and in the comparative schedule. We also set forth suggested subjects to be addressed in order to complete negotiations as follows:

- The Tenet charity care policies;
- The procedures identified in the Attorney General's letter; and
- The Detroit safety-net.

That correspondence dated February 1, 2021 is included as *Exhibit J* (at page E-47).

On February 19, 2021, the parties conducted a Zoom meeting to discuss the path forward. At that time Tenet offered to indefinitely extend the charity care policies that have been in place at DMC since the signing of the PSA. This eliminated the need to follow-up on the questions included in the February 1, 2021 correspondence pertaining to the Tenet charity care policies. Tenet was not prepared to address the matters described in the Attorney General's December 11, 2020 letter at that time but committed to providing a written response to the letter.

With respect to the safety-net matters, Tenet indicated it was prepared to discuss matters related to the Detroit safety-net, but only in the context of the collective responsibility it shares with the other providers.

On February 26, 2021, Tenet provided its response to the Attorney General's letter (see *Exhibit K* at page E-50).

MATTERS AGREED UPON AND MATTERS REQUIRING FURTHER ATTENTION

The most important matter agreed upon is the continuation of the charity care regime which has been in place at DMC since its sale to Vanguard. These policies are generally consistent with the policies of the other Detroit safety-net providers and have been carefully monitored and analyzed by LDMC for the past 10 years. We believe the policies form a sound basis for meeting the charity care needs of the Detroit community.

DMC's charity care polices exist in the context of a broader safety-net structure which must be preserved. Even generous policies, in the advent of a loss of capacity or skill, are meaningless. The structure of the safety-net system and the governance of the institutions supporting that system creates additional matters which were not dealt with during the current negotiations, but which need to be addressed. Further complicating the issues is a rapidly evolving healthcare sector which is characterized by uncertainty around federal government policies, restructuring and consolidation of acute care providers and technology driven changes to the manner in which healthcare services are delivered.

Matters which should be the subject of additional attention include the following:

- While, as previously stated, the charity care polices of Tenet/DMC (as proposed) and those of the other safety-net providers are suitable for present circumstances, those policies are subject to change at any time. ***Each institution or corporation has its own process for establishing and modifying its charity care procedures and is not subject to any direct public supervision or even comment.***

- The Detroit safety-net lacks a cornerstone publicly owned acute care hospital similar to what exists in some other major U.S. metropolitan areas *(e.g. Jackson Memorial – Miami; Grady Memorial – Atlanta; Bellevue Hospital – New York; Parkland Hospital – Dallas; Maricopa Medical Center – Phoenix).* In the absence of a publicly owned hospital, all other major metropolitan areas, except Detroit, rely primarily on not-for-profit institutions which are required to maintain a charitable mission. ***The unique composition of the Detroit safety-net suggests there should be a review of public policy as it relates to the preservation of essential healthcare services*.**

- We did not obtain a copy of the agreement whereby DMC acquired Detroit Receiving Hospital. That agreement should be obtained and reviewed for compliance.

- The survival and success of the NIH Perinatology Research Center and the Wayne State School of Medicine are both of vital interest to the City of Detroit and the State of Michigan. It would be desirable if there was an understanding among the interested parties as to how these institutions are to be preserved.

- Tenet's response to the Attorney General's December 11, 2020 letter is included as *Exhibit K* (at page E-50). This letter should be reviewed by the Attorney General's office to determine if the response is acceptable.

CONCLUSIONS AND RECOMMENDATIONS

The adequacy of the Detroit safety-net has been vulnerable for many years. A number of acute care facilities closed during the 1980's, 1990's, and 2000's and, as a result, acute care and ICU bed capacity declined precipitously. In 2005, only an emergency infusion of $50 million by the State of Michigan prevented the closure of several essential DMC institutions. As a result of a significant improvement in operations between 2005 and 2010, the DMC was stabilized. However, many prior years of inadequate capital investment and maintenance left it at a competitive disadvantage to other providers.

The sale of the DMC to Vanguard resulted in more than $850 million in capital investment, which was needed to make DMC a competitive institution. Furthermore, the sale provided for the protection of DMC employee's and retiree's health and pension benefits, as well as the satisfaction of DMC's bonded indebtedness. Both DMC and Vanguard understood that DMC would remain the primary safety-net institution for Detroit. The Affordable Care Act, and subsequently, the Healthy Michigan program significantly improved DMC's financial results and was part of the reason Vanguard leadership was able, in 2013, to sell Vanguard to Tenet at a substantial premium over its prior market valuation.

Since that time, DMC has been a valuable and successful subsidiary of Tenet. DMC's profit and cash flow contribution to Tenet have been significant and, to a great extent, built upon government-based programs such as Medicaid, Healthy Michigan, and Medicare. ***Implicitly, DMC's financial success and its safety-net mission are intertwined and inseparable.***

The continuation of the post 2010 charity care policies at the DMC is good for the Detroit community. Tenet's willingness to continue these policies is evidence of its commitment to the community it serves. While we believe Tenet's charity care commitment is sincere, it is also necessary to respect the fact Tenet has a primary responsibility to its shareholders.

It is likely that there will be changes at DMC, and at other Detroit area providers, in the future. These changes may very well include:

- The sale of all or parts of the DMC to other investors;
- The merger of not-for-profit providers;
- The curtailment of unprofitable service lines;
- A reduction in Detroit-based acute care and ICU beds that might be needed in a health emergency;
- Reduced capacity and preparedness at emergency centers such as Detroit Receiving and Sinai-Grace Hospitals;
- The loss of key medical education and research capacity; and
- A steady decline in charitable care commitment as government programs such as Medicaid and the Children's Health Insurance Program (CHIP) gradually erode.

Changes in the national healthcare industry make it less likely cornerstone not-for-profit providers such as HFHS, Beaumont, and McLaren will continue to be independent institutions. It is very possible, if not probable, that these institutions will, at some point, be governed by non-Michigan based entities as are DMC, St. John and Providence. ***The time when community-based governance and charitable mission alone can be relied upon to assure the care of low income and indigent residents has passed.***

We recommend that Tenet, along with the other safety-net providers, be invited to participate in discussions aimed at the preservation of essential services and creating protocols so that changes in charity care benefits and capacity can only come about in an orderly manner. It is a matter of public interest that steps be taken to ensure that there can be no abrupt or unilateral alteration to the safety-net system. In particular, the safety-net is vulnerable to any such changes at Tenet due to the fact that DMC operates the majority of the safety-net and offers services not available at the other providers. Some of the questions which need to be addressed include:

- What type of notice will the State require in order for one of the safety-net providers to alter its charity care policies or to curtail essential services? What transition period should be required?
- What are the essential services and what scope of services must each safety-net institution support?
- What, if any, financial penalties should be assessed for withdrawal from safety-net functions?
- Should minimum capacity standards be established for ICU beds, NICU, operating rooms, etc....
- What level of commitment, if any, to medical education and research is required to support the safety-net?

The State has a variety of alternatives with respect to establishing policies in these areas. A plan which is endorsed by Tenet and the other safety-net providers would be a preferable starting point. ***We suggest that the State establish a timetable for a review of policies related to protecting the safety-net and that LDMC, or another party selected by the State, facilitate the formation of working groups to develop proposals***.

In conclusion, I would like to thank Joe Walsh, Steve Lalka, and the board of LDMC for their support and assistance. I would also like to thank Sue Monaco. and others at Tenet, for their patience and cooperation. Without all of their efforts this report would not have been possible.

Very truly yours,

Stephen D'Arcy

Stephen R. D'Arcy

INDEX TO EXHIBITS

EXHIBIT A

TOPICS OF NEGOTIATION RELATED TO DMC'S CHARITY CARE POLICIES AND MISSION AS DETROIT'S PRIMARY SAFETY-NET INSTITUTION FOLLOWING DECEMBER 31, 2020

1) Charity care policies.
    a. Continuation of current policies for another 10 years.
    b. Maintenance of comparability to other major acute care facilities in the City of Detroit.
2) Protection of the charity/safety-net missions of key DMC facilities.
    a. Hutzel Hospital pre-natal care, obstetrics, neonatology, women's health.
    b. National Institute of Health Perinatology Research Branch.
    c. Detroit Receiving Hospital level I trauma center and emergency services.
    d. Harper Hospital safety-net adult care.
    e. Rehabilitation Institute of Michigan safety-net care for the injured and disabled.
    f. Children's Hospital of Michigan safety-net care for children.
    g. Sinai-Grace Hospital safety-net care for northwest Detroit.
3) Special obligations to the City of Detroit and Wayne County with respect to Detroit Receiving Hospital.
4) Preservation of DMC's commitment to medical education and its impact on future charity care.
    a. WSU and other institutions.
    b. Graduate medical education.
    c. Residency teaching.
    d. Medical student's and residency related services to the indigent population.
    e. National Institute of Health Perinatology Research Branch.
5) Preservation of all aspects of charity/safety-net services in the event of changes in government support for Medicaid and associated programs.
    a. What is DMC's "fair share" of community charity and indigent care?
    b. Is legislation needed to define safety-net obligations and assure a fair distribution of the related commitment?

EXHIBIT B

November 12, 2020

Stephen D' Arey
DMC Legacy Board representative
Via Email at sdarcyOOl@gmail.com

Re: Continuation of Charity Care Policy at the DMC

Dear Steve:

We are following up on our recent communications arising from the fact that the post-closing covenants in Article 12 of the 2010 Purchase Agreement, as well as the Legacy Board's monitory role, will expire at the end of this year. On behalf of the Legacy Board ("Legacy"), you requested that the parties discuss and negotiate the potential continuation of one particular covenant - use of a charity care policy that is more favorable than the DMC's historic, local policy. Article 12.2 of the Purchase Agreement contemplates these discussions, which are "limited in scope to the extension of the provision of charity care policy at the Hospitals [as discussed in Article 12.2]." We are pleased to engage in these discussions and to assure Legacy of Tenet's commitment to charity care at the DMC on a going forward basis.

As an initial comment, the Purchase Agreement required that the DMC commit to the more generous of the system's historical charity care policies or Vanguard's enterprise charity policies. Legacy agreed that Vanguard's policies were more "charitable and benevolent," This policy has governed the care offered to indigent and low-income patients throughout the post-transaction period. Legacy has never questioned the DMC's compliance with this enhanced charitable benefit nor its role in offering care to the Detroit community regardless of payor source.

Before identifying some specifics about Tenet's policies, we thought it useful to acknowledge where we were years ago and reflect on how much positive progress has been made since the sale of the DMC under the Purchase Agreement. As you no doubt recall, in the early 2000's DMC faced the most challenging time in its history. A state grant of $50 million initially helped the DMC avoid bankruptcy as well as the closure of key DMC hospitals. The next several years brought some financial improvement, but not enough to generate the income necessary to be competitive and to fund needed major capital improvements and program and facility expansion. According then Attorney General Cox, as of December 31, 2009, the DMC's net working capital was a negative $45 million. By 2010, it was clear that the financial model of the DMC required fundamental change.

It is no exaggeration to say that the resulting sale to Vanguard Health Systems, Inc. ("Vanguard") changed forever this community by ensuring our region's continued access to a top-notch medical center and by preserving jobs and the pensions of DMC's dedicated employees.

Having itself been purchased by Tenet Healthcare in 2013, the health system has made good on the commitments pledged back in 2010. By way of example:

- The DMC's new owners paid out $391 million to retire DMC bonds and assumed approximately $335 million in unfunded employee pension and physician medical malpractice liability.

- The DMC's new owners made extensive capital improvements of over $850 million, expanded access to programs, engaged in an extensive supplier diversity program of over $248 million, committed to a renewed focus on regulatory compliance, enhanced the DMC's graduate medical education program by increasing the number of residents trained by 20 percent, and maintained a vibrant clinical research program, as evident from the fact that research studies at DMC have grown from over 900 studies annually to now over 1,100.

- The DMC's financial and operational stability likewise enabled it to quickly adapt and leverage the significant changes to the health care funding landscape resulting from the Affordable Care Act and the expansion of Medicaid. The DMC's insurance efforts have netted tens of thousands of Healthy Michigan health insurance emollments.

- The DMC remains a community leader to this day. For instance, the DMC has played an integral role in our community's response to the COVID-19 pandemic, successfully treating thousands of people in the City of Detroit and the other communities we serve. Its personnel have taken steps to create a safe environment that allows us to protect or patients, their families and our staff while continuing to provide the compassionate and high-quality care our community experts and deserves. By way of example, the DMC partnered with the City of Detroit and other health systems to provide free COVID-19 testing at the State Fairgrounds. Since March, more than 62,000 tests have been provided to our community. Additionally, as COVID disproportionately impacted communities of color, the DMC was part of efforts to address racial disparities in our community and our state. Dr. Audrey Gregory, DMC CEO, was appointed to Governor Gretchen Whitmer's Michigan Taskforce on Racial Disparities.

Put simply, the DMC is serving this community well and with pride, and it is well-positioned for the future.

Turning to the issue at hand, the DMC and its owner remain committed to a robust charity care policy. The DMC has provided $1.5 billion in uncompensated care since 2010. In 2020 alone, the DMC committed more than $96 million in charity and uncompensated care as of the end of September. Going forward, the DMC will use the Tenet corporate-wide charity policies. The subject policies include Financial Assistance for Uninsured Patients (COMP-RCC 4.53), Cash Pay Rates (COMP-RCC 4.57) and the Compact with the Uninsured (COMP-RCC 4.56A). These corporate charity and uncompensated care policies are applied throughout Tenet's enterprise, without need of a contractual or monitoring obligation. These policies will continue the DMC's commitment to access to care for Detroit's indigent and low-income patients.

We look forward to discussing the Tenet charity care policies with you at your convenience. We note that you have raised a number of additional issues that concern the DMC's operations and provision of service aside from the specifics of any given financial charity policy. The issues you raised are outside the scope of Article 12.2 of the Purchase Agreement and are not appropriately part of any negotiations.

Thank you again for your engagement, and we look forward to our next discussion.

Sincerely,

Sue Monaco
Vice President, Assistant General Counsel
Tenet Healthcare

cc: Joe Walsh, Legacy Board President (jwalsh@l-dmc.org)
Audrey Gregory, DMC Chief Executive Officer (agregory@dmc.org)
Jason Abel, Esq. (jabel@honigman.com)
Ben Jeffers, Esq. (bjeffers @hhbjs.co m)

EXHIBIT C

Quantum Group, LLC

December 3, 2020

Ms. Sue Monaco
Vice President, Assistant General Counsel
Tenet Healthcare

Re: Charity care commitment at DMC

Dear Sue:

Thank you for your letter of November 12th. We appreciate your summary of the many benefits resulting from the sale of DMC in 2010 and, of course, recognize the ongoing commitment of Tenet to serving the greater Detroit community.

In your letter you offered to discuss with us the Tenet charity care policies which you propose to put in place at DMC following the end of 2020. We would very much like to do that in order to get a better understanding of the changes the implementation of the Tenet policy at DMC would bring about. In particular we are interested in how the ability of Michigan residents to access health care will be affected and the level of certainty our citizens can have that Tenet's new policy will remain unchanged in the future.

While we may have differing views of the scope of negotiations required by section 12.2 of the PSA, it is none-the-less essential that there be a clear understanding between Tenet/DMC and the State of Michigan as to how any future changes to safety-net capacity and scope of services can come about. Tenet's predecessor, Vanguard Health Systems, may be the only for-profit acute care provider in America to ever take on the primary safety-net responsibility for a major metropolitan area. As a participant in those negotiations, I can assure you that Vanguard understood that there is no publicly owned safety-net hospital in Detroit and that they would succeed to the role historically performed by the DMC. I hope you will agree that everyone's best interests are served through an agreement between Tenet and the State with respect to these matters.

Please let me know when it will be convenient for you to continue our discussions,

Very truly yours,

Stephen D'Arcy

Cc: Dana Nessel, Attorney General of the State of Michigan
Richard Widgren, Chairman of Legacy DMC
Joe Walsh, President of Legacy DMC
Jason Abel, Esq.
Ben Jeffers, Esq.

EXHIBIT D

The following correspondence took place prior to the end of 2020 which confirmed THC's commitment to extend negotiations beyond the end of the 180 day period.

From: Sue Monaco <Sue.MONACO@tenethealth.com> **Sent**: Monday, December 28, 2020
To: Stephen D'Arcy <sdarcy001@gmail.com>
Subject: Re: Continuation of Charity Care Discussions

Steve,

Thank you for your time discussing this matter. As I shared with you during our conversation, DMC remains committed to a thoughtful and diligent discussion of its ongoing charity care practices after the end of the Purchase Agreement. We appreciate your commitment to this discussion as well. I want to formally and expressly memorialize DMC's agreement to continue to discuss charity care at DMC, notwithstanding the expiration of the post-closing obligations on 12/31/20. We look forward to regrouping early in the new year to address the requests from Attorney General Nessel and the questions regarding our policies.

If you have any further questions, please do not hesitate to reach out to me.

Happy New Year!

Sue Monaco

Vice President, Assistant General Counsel, Law Department

Tenet Healthcare

From: Stephen D'Arcy <sdarcy001@gmail.com> **Sent:** Monday, December 28, 2020
To: Monaco, Sue <Sue.MONACO@tenethealth.com> **Subject:** Re: Continuation of Charity Care Discussions

Sue:

Since we spoke, I have had the chance to consult with our attorneys and the AG's office and I have only a little latitude here. We all appreciate Tenet's commitment to continuing negotiations, as detailed in your email. However, your email may suggest that it is Tenet's position that the obligation to negotiate in good faith terminates on 12/31/20. This is not consistent with our prior discussions and Legacy cannot agree to let this deadline simply pass without an extension agreement of some kind. While we do not need a formal extension agreement, we at least need your commitment, on behalf of Tenet, that the 12/31/20 deadline for good faith negotiations regarding charity care will be extended at least another 14 days.

Steve

From: Sue Monaco <Sue.MONACO@tenethealth.com> **Sent**: Monday, December 28, 2020
To: Stephen D'Arcy <sdarcy001@gmail.com>
Subject: Re: Continuation of Charity Care Discussions

My apologies for lack of clarity. It was my intention to confirm that the 12/31/20 expiration of the post-closing provisions of the agreement did not impact DMC's commitment to continued discussions future charity care practices. DMC will continue to participate in good faith after expiration of the agreement.

EXHIBIT E

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL

P.O. BOX 30212
LANSING, MICHIGAN 48909

DANA NESSEL
ATTORNEY GENERAL

December 11, 2020

Steve D'Arcy
DMC Legacy Board Representative
Sdarcy001@gmail.com

Re: Detroit Medical Center

Dear Mr. D'Arcy:

For more than 150 years, the Detroit Medical Center (DMC) has maintained a rich and proud history of service and compassion to the Metropolitan Detroit community. It is both my hope and expectation that for the next 150 years and beyond the people of Detroit and the surrounding communities might continue to confidently rely on a level of service that meets, or exceeds, what has been provided

Healthcare is an essential service. Hospitals must be committed to the communities they serve and provide a critical safety net of care for low-income patients. Although nonprofit hospitals have a special obligation to provide charity care, the lift is not theirs alone to bear.

As the monitoring period of the Legacy DMC Board draws to a close, I am reaching out in light of your role as representative for the Legacy Board in their negotiations with Tenet Health Care. Like you, I want to see the Legacy Board secure a commitment for charity care from DMC and Tenet Health Care that will extend beyond the end of this year. Now more than ever hospital charity care remains an important part of the healthcare safety net and I remain committed to advocate for the people of metro Detroit.

To that end, I have identified several key commitments necessary for comprehensive and accessible charity care I am convinced Tenet will agree to. Please let me know if I might assist you in securing these.

Policy

- Continued adherence to the Tenet Health Charity Care Policy and Procedures or other mutually agreed upon policy. ("Charity Care Program")

- Tenet and its successors shall continue to prominently publish on its website and prominently publicize at DMC: (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.

- Information sheets outlining the Charity Care Program, application process and toll-free phone number shall be available at all patient registration desks and in all waiting areas. This information will be available at the sixth-grade reading level. The DMC shall send anyone who requests information on their Charity Care Program a letter, an information sheet and an application form.

- All DMC employees in patient accounting, billing, registration, and emergency areas will be fully versed in the Charity Care Program, have access to the application forms, and be able to direct questions to the appropriate DMC representatives.

- Each hospital within the DMC shall designate an individual to approve Charity Care applications, coordinate outreach efforts and oversee Charity Care practices. The hospital's Charity Care Representative will provide application assistance to patients. Translation services and assistance will be offered to all patients.

- All staff with public and patient contact are trained to understand the basic information related to the Charity Care Program and provide patients with printed material explaining the Charity Care Program.

Internal Publication

- Retention of the existing hotline (if not toll free to be made so) to receive patient concerns about denial of care as well as notice boards with hotline

information posted throughout the DMC hospitals printed in the appropriate languages for the community.

- The availability of Charity Care shall be advertised on poster-sized (2' x 3') signage with at least 48 point font, located in Admissions, Outpatient Registration, Discharge, Emergency Room, Business Office, Day Care and waiting room areas of all DMC facilities.

- All notice boards and signage will include a QR code that when scanned will direct the individual to the DMC Charity Care Program Information Sheet and Application.

External Publication

- Information regarding the Charity Care Program and application forms shall be provided to the local Department of Public Health and sent to local churches, domestic violence shelters, public schools, and programs offering support to the homeless population. This information shall also be posted quarterly on the DMC social medial channels, including but not limited to: Facebook, Instagram, Twitter, and LinkedIn. All materials should be printed in the appropriate languages for the community.

- The Charity Care Program shall be published on a quarterly basis in at least one newspaper of general circulation in the hospital's primary and secondary service areas as well as the Michigan Chronicle, The Arab American News and The Latino Press. The notice shall include a description of the types of services that are offered and the financial criteria used to make eligibility determinations. The notice shall include an invitation for the public to make comments and provide suggestions regarding the Charity Care Program, including directions on how to submit comments. All notices should be printed in the appropriate languages for the community.

- Tenant or DMC will provide information annually regarding the Charity Care Program to local radio and television stations for release through the station's public service announcements.

- All publications and informational materials related to the Charity Care Program will be translated into languages appropriate to the Detroit community.

Record Keeping

- All Charity Care applications will be logged in the Charity Care control log and will be given a sequential control number. The completed applications will be kept on file for five (5) years. A copy of the patient's Charity Care application and all correspondence with the patient regarding the Charity Care application, approval, denial and appeal will be maintained in the patient's file.

- Charity care shall be recorded using the direct write-off method and shall comply with all accounting regulations by the American Institute for Certified Public Accounting.

Reporting

- DMC shall provide a copy of the Charity Care Program and report the amount of Charity Care provided in cost and charges in its annual financial statements. On an annual basis, DMC shall file a copy of the Charity Care Program with the Department of Attorney General and all appropriate local and state agencies.

- DMC shall aggregate and make anonymous information regarding the provision of Charity Care including:
    a) The total number of Charity Care applications granted and denied by zip code and ethnicity.
    b) The number of Charity Care appeals filed and granted by zip code and ethnicity.
    c) The percentage of emergency or scheduled services provided as Charity Care compared to the total amount.
    d) The percentage of care provided as inpatient, outpatient, or ancillary Charity Care compared to the total amount.
    e) The total number of Charity Care patient days.
    f) A listing of all diagnoses for Charity Care patients.
    g) The total number of referrals made to other facilities, their names, and a list of reasons for referrals.
    h) The total cost of Charity Care delivered for the hospital's fiscal year.

- DMC shall make the above information available to the Department of Attorney General and public upon request.

I am eager that there might be an agreement on this matter and look forward to working with all parties to secure the critical health care safety net long provided by the Detroit Medical Center.

Sincerely,

Dana Nessel
Michigan Attorney General

cc: Kelly Keenan, Special Advisor
Joe Walsh, DMC Legacy Board President
jwalsh@l-dmc.org

EXHIBIT F

	Regulatory Compliance Policy	No.	COMP-RCC 4.53
	Title:	**Page:**	**1 of 11**
	FINANCIAL ASSISTANCE FOR UNINSURED PATIENTS	**Effective Date:**	**10-01-16**
		Retires Policy Dated:	
		Previous Versions Dated:	

I. SCOPE:

This policy applies to (1) Tenet Healthcare Corporation and its wholly-owned subsidiaries and affiliates (each, an "Affiliate"); (2) any other entity or organization in which Tenet Healthcare Corporation or an Affiliate owns a direct or indirect equity interest greater than 50%; and (3) any hospital or healthcare facility in which an Affiliate either manages or controls the day-to-day operations of the facility (each, a "Tenet Facility") (collectively, "Tenet").

II. PURPOSE:

The policy provides direction and processes for Tenet's hospitals (each, a "Tenet Hospital") to identify uninsured patients who qualify for financial assistance, which includes full or partial discounts under Tenet's Charity Care, Implementing Tenet's Compact with Uninsured Patients (the "Compact") and Cash Pay Rate policies.

III. DEFINITIONS:

A. "**Charity Care Discount"** means the discount afforded to an individual determined to be Financially Indigent in accordance with the provisions of this policy.

B. "**Compact Discount**" means the discount provided to Uninsured Patients under the Compact, as set forth herein.

C. "**Elective Services**" means scheduled services and certain non-emergent "walk-up" services (*e.g.*, lab services) that are approved for a Cash Pay Rate under the guidelines set forth in this policy.

D. "**Emergent Services**" means any service which is rendered to a patient: (1) presenting to the Emergency Department and determined to have a medical condition that without immediate medical attention would result in serious harm to the patient, whether or not the patient is admitted to the Tenet Facility or treated and released, or (2) presenting as a direct admission with a medical condition that without immediate medical attention would result in serious harm to the patient.

E. "**Federal health care program**" means any plan or program that provides health benefits, whether directly, through insurance, or otherwise, which is funded directly, in whole or in part, by the United States Government, including but not limited to: Medicare, Medicaid/MediCal, managed Medicare/Medicaid/MediCal, TriCare/VA/CHAMPUS, SCHIP, Indian Health Services, Health Services for Peace Corp Volunteers, Federal Employees Health Benefit Plan, Railroad

Retirement Benefits, Black Lung Program, Services Provided to Federal Prisoners, Pre-Existing Condition Plans (PCIPs) and Section 1011 Requests.

F. "**Gross Charge**" means the list price on a Tenet Hospital's Charge Description Master, and represents the amount the Uninsured Patient is obligated to pay prior to any discount contemplated under this policy or the policies incorporated into this policy by reference.

G. "**Financially Indigent**" means an Uninsured Patient with an annual income below 200% of the Federal Poverty Level.

H. "**Health Insurance Policy**" means any Federal health care program, personal or group health policy or plan, whether fully insured or self-funded, which has as its primary purpose the reimbursement, in whole or in part, of medical services provided to a covered patient.

I. **"Income"** means the sum of the total yearly gross income.

J. "**Non-Covered Services**" means those services not covered by a patient's Health Insurance Policy. This definition includes services not covered (i) as a result of a pre-existing condition exclusion; (ii) because a patient has exhausted his or her benefits; (iii) because they are denied through a Health Insurance Policy's pre-authorization process; and (iv) services for which the patient has elected to opt out of his or her Health Insurance Policy coverage and to pay out of pocket. For purposes of a Federal health care program beneficiary, "Non-Covered Services" means only those services that are statutorily excluded from coverage. Patient co-pays and deductibles are not considered "Non-Covered Services."

K. "**Uninsured Patient**" means a patient at a Tenet Hospital who has no Health Insurance Policy in force at any time during which the patient receives treatment at the Tenet Hospital.

IV. POLICY:

All Uninsured Patients receiving care at Tenet Hospitals will be treated with respect and in a professional manner before, during and after receiving care. Tenet Hospitals will provide Uninsured Patients with financial counseling, including assistance applying for state and federal health care programs such as Medicare and Medicaid, and for available coverage under the Affordable Care Act. Uninsured Patients who do not qualify for any state or federal health care program, and who qualify as Financially Indigent in accordance with the processes set forth below, will receive Charity Care Discounts. Uninsured Patients who do not qualify for any state or federal health care program, and who do not quality for Charity Care Discounts, may be eligible for financial assistance either under Regulatory Compliance policies COMP-RCC 4.56

Implementing Tenet's Compact with Uninsured Patients ("Compact Policy") or COMP-RCC 4.57 Cash Pay Rates ("Cash Pay Rate Policy"), which policies are incorporated into this policy by reference. Individuals who are not Uninsured Patients are not eligible for the Charity Care or other discounts described in this Policy, but may be eligible for discounts under Tenet's policy for reduction or waivers of copayments or deductibles in certain cases (see Regulatory Compliance policy COMP-RCC 4.02 Reduction or Waiver of Co-Payments and Deductibles). This policy applies to all Tenet Hospitals except to the extent it is inconsistent with any applicable state law, in which case such state law controls. State-specific procedures, including but not limited to procedures for identifying Charity Care Discounts to report to appropriate agencies under applicable federal or state health care program requirements, will be documented in job aids, addenda to this policy or in separate policies. In the event that any Tenet Hospital is operated as a facility exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, the requirements and conditions of such exemption (including but not limited to Section 501(r) of the Internal Revenue Code) will control, and facility-specific procedures will be documented in job aids, addenda to this policy or in separate policies. Further, to the extent this Policy is inconsistent with any applicable purchase, management, joint venture or other affiliation agreement, such agreement controls and the hospital-specific procedures will be documented in job aids, addenda to this policy, or in separate policies.

Any state-specific or facility-specific addendum to this Policy which establishes procedures or requirements that vary from those described in this Policy must be reviewed by the Tenet Law Department and approved in writing by the Chief Financial Officer for the affected facilities and the Tenet Vice President of Operations Finance, or his or her designee.

V. PROCEDURE:

A. Financial Counseling

Tenet Hospitals will provide Uninsured Patients with financial counseling, including assistance applying for state and federal health care programs such as Medicare and Medicaid, and for available coverage under the Affordable Care Act. If Uninsured Patients are not eligible for governmental assistance or other coverage, the Financial Counselors will inform the patients about this policy and assist with the application process. The Financial Counselors must never indicate or suggest to Uninsured Patients that they will be relieved of all or a portion of the debt through financial assistance until the determination has been made that the patient is eligible for such assistance.

B. Charity Care Application Process

1. Presumptive Charity

The following is a listing of types of accounts where financial assistance is considered to be automatic and may be approved for financial assistance without a financial assistance application or documentation of Income:

- 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

2. Application

Uninsured Patients who do not qualify for a presumptive charity determination must complete an application to document financial need.

a. Patients requesting charity care assistance must verify the number of people in the patient's household.

(1) Adult Patients

In calculating the number of people in an adult patient's household, include the patient, the patient's spouse and any dependents of the patient or the patient's spouse

(2) Minor Patients

In calculating the number of people in a minor patient's household, 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. Patients requesting charity care assistance must verify their income and provide the documentation requested as set forth in the Assistance Application.

(1) Adult Patients. For adult patients, determine the Income of the patient and other adult members of the patient's household. If and to the extent required by law, the hospital may consider other financial assets of the patient and the patient's family and the patient's or the patient's family's ability to pay, as reflected in the applicable state-specific job aid, addendum or procedure

(2) Minor Patients. For minor patients, determine the Income from the patient and the patient's legal guardians or other individuals financially responsible for the patient's care. If and to the extent required by law, the facility may consider other financial assets of the patient and the patient's family and the patient's or the patient's family's ability to pay, as reflected in the applicable state-specific job aid, addendum or procedure.

(3) Homeless patients

Homeless (defined as patients who do not have a primary residence or reside with family or friends) are deemed to have no Income for purposes of the hospital's calculation of income. Documentation of Income is not required for homeless patients. To the extent that family members or others have been identified as financially responsible for the patient's care, income verification is required for such individuals in accordance with this policy in order to determine that individual's eligibility for financial assistance.

(4) Incarcerated Patients

Incarcerated patients (Hospital personnel should attempt to verify incarceration) 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 (*i.e.,* 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.

(5) Expired Patients

Expired patients' accounts may be reviewed for probate or other responsible parties before being considered for charity. Following such review, expired patients may be deemed to have no Income for purposes of the Tenet calculation of Income. The Tenet Hospital will review the

patient's financial status at the time of death to ensure that a Charity Care adjustment is appropriate (*e.g.,* no other guarantor appears on the patient account).

c. Documentation

Income and other information may be verified through any one of the following documents:

- Tax Returns (this is the preferred income verification document) (preceding two years)
- IRS Form W-2 (preceding two years)
- Wage and Earnings Statement (preceding three months)
- Pay Check Remittance (preceding three months)
- 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 (preceding three months)

In cases where the patient is unable to provide documentation verifying Income, the Hospital may at its sole discretion verify the patient's Income in one of the following three ways:

(1) The patient's written certification that the Income Information is true and accurate;

(2) The written certification of the Hospital personnel completing the Assistance Application that the patient orally verified Hospital's calculation of Income Information as true and accurate, where allowed by state law; or

(3) Credit Bureau Report (including the lack thereof).

d. If the Tenet Hospital is unable to verify and document Income as described in sections (b) and (c) above, other information to

demonstrate financial need including, but not limited to, the Tenet Hospital may consider the following:

(1) The patient's employment status, credit status, and capacity for future earnings

(a) Patients who are unemployed and do not qualify for a government program

(b) Patients who have no credit established and no Bad Debt collection accounts

(c) Patients with a lack of revolving credit account(s) information

(d) Patients with a lack of revolving bank accounts(s) information

(e) Patients with delinquencies reported on open trade line accounts

(2) The previous exhaustion of all other available resources.

(3) Catastrophic illness.

(4) Consultation with third-party sources to review a patient's information using predictive models that are recognized by the healthcare industry and based on public record databases, which models evaluate a patient's propensity to pay and permit the Hospital to assess whether a patient has relevant characteristics similar to patients who have historically qualified for Charity Care Discounts through the formal application process.

3. Request for Additional Information

If the patient does not provide adequate documents, or the information in the provided documents is conflicting or unclear, the Tenet Hospital will contact the patient and request additional information. Except to the extent otherwise required by law, the patient's failure to provide requested information within 14 calendar days from the date of the request will result in a denial of the patient's application for Charity Care. Hospital

personnel must enter a note into the Hospital computer system and any and all paperwork that was completed will be filed according to the date of the denial note. The Hospital personnel will take no further actions on the assistance application. If requested documentation is obtained prior to six months after the initial denial, all filed documentation will be retrieved and the patient will be reconsidered for Financial Assistance. If requested documentation is obtained after six months from the initial denial, the Tenet Hospital will re-verify the information provided in the initial application.

4. Classification Pending Income Verification

Except as otherwise required by applicable law, during the income verification process, while the Tenet Hospital is collecting the information necessary to determine a patient's eligibility for Charity Care, the patient will be treated as a self-pay patient in accordance with Tenet policies.

5. Information Falsification

Falsification of information will result in denial of the Assistance Application. If, after a patient is granted financial assistance as Financially Indigent, the Tenet Hospital finds material provision(s) of the Assistance Application to be untrue, the financial assistance will be withdrawn and the patient's account will follow the normal collection processes.

6. Approval Process and Limits

The Tenet Hospital CFO or designee must approve all Charity Care discounts in writing or electronically. Tenet Hospitals may not change the financial assistance applications and other eligibility forms without the prior written approval of the Director of Patient Financial Services and the Tenet Vice President of Operations Finance. If an application is approved, the approval applies to balances eligible for financial assistance for all dates of service with twelve months prior to the approval and for additional services provided within six months after the date of approval.

7. Denial of Financial Assistance

If the Tenet Hospital determines that a patient does not qualify for Charity Care under this policy, the Tenet Hospital must notify the patient of this decision in writing.

C. Applying the Discounts

1. After evaluation of a patient's application, patients who qualify as Financially Indigent will be afforded Charity Care discounts in accordance with Section V.C.2., unless Attachment A indicates that a hospital-specific or state-specific addendum or job aid to this policy applies, in which case the discount to be afforded the patient will be set forth in the applicable addendum or job aid.

2. Charity Care Discounts

Financially Indigent individuals will receive a Charity Care Discount of 100% of the Tenet Hospital's Gross Charges, less any applicable copayment or amount previously paid by the patient or any third party for that care.

D. Billing and Collection Processes

1. Posted Notices

Tenet Hospitals will post notices regarding the availability of financial assistance to uninsured patients. These notices will be posted in visible locations throughout the Tenet Hospital such as admitting/registration, billing office and emergency department. The notices will include a contact telephone number that a patient or family member can call for more information. The following specific language complies with the notice requirements: "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)."

2. Liens on Primary Residences

Tenet Hospitals will not, in dealing with patients who quality for Charity Care under this policy, place or foreclose liens on primary residences as a means of collecting unpaid hospital bills.

3. Interest Free, Extended Payment Plans.

Tenet Hospitals will offer Uninsured Patients extended payment plans to assist in settling past due outstanding hospital bills. In addition, Tenet

Hospitals will not charge Uninsured Patients any interest under such extended payment plans.

4. Body Attachments

Tenet Hospitals will not use body attachment to require that its Uninsured Patients or responsible party appear in court.

E. Revenue Classification

Conifer is responsible for maintaining the integrity of account classification on the hospital patient accounting system in accordance with Tenet policies and directives. Prior to month-end close, the Director of Revenue Analysis is responsible for approving each Revenue Reclass prior to month-end.

Critical changes in account class are defined as:

1. Any account originally assigned to Financial Class as Self-Pay that is re-classed as a result of meeting the criteria for Charity Care

2. Any account originally assigned to Financial Class as Charity that is re-classed to Self-Pay as a result of a loss of eligibility for Charity Care

F. Reservation of Rights

1. Non-Covered Services

Tenet reserves the right to designate certain services as not subject to the Financial Assistance to the Uninsured policy.

2. No Effect on Other Tenet Policies

This policy shall not alter or modify other Tenet policies regarding efforts to obtain payments from third-party payers, patient transfers, emergency care, state-specific regulations, state-specific requirements for statutory charity care classification or programs for uncompensated care.

G. All employees whose responsibilities are affected by this policy are expected to be familiar with the basic procedures and responsibilities created by this policy. Failure to comply with this policy will be subject to appropriate performance management pursuant to all applicable policies and procedures, up to and including termination. Such performance management may also include modification of compensation, including any merit or discretionary compensation awards, as allowed by applicable law.

VI. 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

- Code of Conduct

- Quality, Compliance and Ethics Program Charter

- COMP-RCC 4.02 Reduction or Waiver of Copayments or Deductibles

- COMP-RCC 4.56 Implementation of Tenet's Compact With Uninsured Patients

- COMP-RCC 4.57 Cash Pay Rates

- Job Aids for State-Specific Requirements

Tenet Health	**Regulatory Compliance Policy**	**No.** **COMP-RCC 4.02**
	Title: **REDUCTION OR WAIVER OF CO-PAYMENTS AND DEDUCTIBLES**	**Page:** **1 of 9**
		Effective Date: **07-30-19**
		Previous Versions Dated: **02-11-16; 07-03-01; 10-01-96**
		Corporate Review Dated: **07-19-19**

I. SCOPE:

This policy applies to (1) Tenet Healthcare Corporation and its wholly-owned subsidiaries and affiliates (each, an "Affiliate"); (2) any other entity or organization in which Tenet Healthcare Corporation or an Affiliate owns a direct or indirect equity interest greater than 50%; and (3) any hospital or healthcare entities in which an Affiliate either manages or controls the day-to-day operations of the entities (each, a "Tenet Entity") (collectively, "Tenet").

II. PURPOSE:

The purpose of this policy is to describe the situations in which Tenet Entities may waive or reduce that portion of the patient bill which is the direct responsibility of the patient.

III. DEFINITIONS:

A. "**Determination of financial need**" means a good faith determination depending on an individual patient's circumstances. The factors that may be considered include: the local costs of living; a patient's income, assets, and expenses; a patient's family size; and the scope and extent of a patient's medical bills. A provider should take reasonable measures to document a determination of financial need. Further, because a patient's financial status may change over time; the provider should recheck a patient's eligibility at least yearly to ensure that the patient remains in financial need.

B. "**Federal health care program**" means any plan or program that provides health benefits, whether directly, through insurance, or otherwise, which is funded directly, in whole or in part, by the United States Government, including but not limited to: Medicare, Medicaid/Medi-Cal, managed Medicare/Medicaid/Medi-Cal, Tricare/VA/CHAMPUS, SCHIP, Indian Health Services, Health Services for Peace Corp Volunteers, Federal Employees Health Benefit Plan, Railroad Retirement Benefits, Black Lung Program, Services Provided to Federal Prisoners, Pre-Existing Condition Insurance Plans (PCIPs) and Section 1011 Requests.

C. "**Reasonable collection efforts**" requires that the effort to collect Federal health care program deductible and coinsurance amounts be similar to the effort the provider puts forth to collect comparable amounts from non-Federal health care program patients. Specifically, the collection effort must involve the issuance of a bill on or shortly after discharge or death of the beneficiary to the party

responsible for the patient's personal financial obligations. Additionally, the collection effort should include other actions such as subsequent billings, collection letters and telephone calls or personal contacts with this party which constitute a genuine, rather than a token, collection effort.

IV. POLICY:

The portion of the patient bill that is the direct responsibility of the patient can be reduced or waived only under certain limited circumstances.

A. Federal Health Care Program Patients

Tenet Entities may not routinely waive or reduce copayments, coinsurance, or deductibles for Federal health care program patients. However, Tenet Entities may waive or reduce copayments, coinsurance, or deductibles for Federal health care program patients in accordance with the provisions set forth this Section IV.A. upon approval of the Tenet Entity's Chief Financial Officer (or equivalent title).

1. Hospital Inpatients

a. Safe Harbor Waiver

Waivers or reductions of deductibles and co-payments for Federal health care program patients for inpatient hospital services are permitted, when such waivers meet each of the following criteria:

(1) The hospital must not later claim the amount reduced or waived as a bad debt for payment purposes under any Federal health care program or otherwise shift the burden of the reduction or waiver onto any Federal health care program, State health care program, other payers, or individuals.

(2) The hospital must offer to reduce or waive the coinsurance or deductible amounts without regard to the reason for admission, the length of stay of the beneficiary, or the diagnostic related group for which the claim for reimbursement is filed.

(3) The hospital's offer to reduce or waive the coinsurance or deductible amounts must not be made as part of a price reduction agreement between a hospital and a third-party payer (including a health plan).

b. Financial Need

Hospitals, providers, practitioners or suppliers may waive or reduce a patient's Federal health care program coinsurance or deductible amounts for inpatient hospital services after consideration of a particular patient's financial need so long as:

(1) The waiver is not offered as part of any advertisement or solicitation;

(2) The entity offering the waiver does not routinely waive coinsurance or deductible amounts; and

(3) The entity reduces or waives the coinsurance amounts after determining in good faith that the individual is in financial need *or* after reasonable collection efforts have failed.

c. Prompt Payment

Hospitals, providers, practitioners or suppliers may waive or reduce a patient's Federal health care program coinsurance or deductible amounts for inpatient hospital services in order to provide a legitimate prompt payment incentive, and in order to avoid collection costs. To qualify for a prompt payment discount, the following requirements must be met:

(1) The waiver or discount is not offered as part of any advertisement or solicitation;

(2) Patients and their representatives must only be informed of the prompt pay discount's availability during the course of the actual billing process;

(3) The amount of fees discounted to patients under the prompt pay discount must bear a reasonable relationship to the avoided collection costs; and

(4) The hospital must not later claim the amount reduced or waived as a bad debt for payment purposes under any Federal health care program or otherwise shift the burden of the reduction or waiver onto any Federal health care program, a State health care program, other payers, or individuals.

2. Patients Other than Hospital Inpatients

d. Financial Need

Hospitals, ambulatory surgery centers, independent diagnostic testing facilities, outpatient centers, other health care providers, practitioners or suppliers may waive or reduce a patient's Federal health care program coinsurance or deductible amounts after consideration of a particular patient's financial need so long as:

(1) The waiver is not offered as part of any advertisement or solicitation;

(2) The entity offering the waiver does not routinely waive coinsurance or deductible amounts; and

(3) The entity reduces or waives the coinsurance amounts after determining in good faith that the individual is in financial need *or* after reasonable collection efforts have failed.

e. Prompt Payment

Hospitals, ambulatory surgery centers, independent diagnostic testing facilities, outpatient centers, other health care providers, practitioners or suppliers may waive or reduce a patient's Federal health care program coinsurance or deductible amounts in order to provide a legitimate prompt payment incentive, and in order to avoid collection costs. To qualify for a prompt payment discount, the following requirements must be met:

(1) The waiver or discount is not offered as part of any advertisement or solicitation;

(2) Patients and their representatives may only be informed of the prompt pay discount's availability during the course of the actual billing process;

(3) The amount of fees discounted to patients under the prompt pay discount must bear a reasonable relationship to the avoided collection costs; and

(4) The entity must not later claim the amount reduced or waived as a bad debt for payment purposes under any Federal health care program or otherwise shift the burden of the reduction or waiver onto any Federal health care program, a State health care program, other payers, or individuals.

3. Quality of Care Issues

Where charges are eliminated or reduced as the result of quality of care issues, the adjustment must be made to the total charge, not just the patient's co-payment or deductible part of the charge, so as to also benefit the applicable payer, and not just the patient. (See CO-2.010.04 Bill Hold Process for Possible Preventable Events Resulting in Harm)

4. Other Waivers or Discounts

Waiver or reduction of copayments, coinsurance, or deductibles for Federal healthcare program patients other than those described in this Section require the prior written approval of the Tenet Facility's assigned Regulatory Counsel. Regulatory Counsel may provide approval for categories of waivers or reductions, and is not restricted to case by case approvals.

B. Commercial Payers

Tenet Entities may not routinely waive or reduce copayments, coinsurance, or deductibles for patients with commercial insurance. However, Tenet Entities may waive or reduce copayments, coinsurance, or deductibles for patients with

commercial insurance in accordance with the provisions set forth in this Section B upon approval of the Tenet Entity's CFO (or equivalent title), unless prohibited by applicable law (as described on Attachment A to this policy). Prior to relying on Attachment A, the Tenet Entity's CFO (or equivalent title) is to confer with its assigned Managed Care Counsel to confirm that Attachment A continues to be correct. Other than waivers or reductions for financial need, described in Section IV.B.4. below, waivers or reductions granted under this Section IV.B. must be disclosed to the patient and commercial payer, as advised by Managed Care Counsel, including whether the disclosure is required, and if so, the form of the disclosure.

1. High Deductible Health Plans ("HDHPs")

   Tenet Entities may not waive or reduce copayments, coinsurance, or deductibles obligations for patients enrolled in an HDHP who have not satisfied their deductible. However, a patient may request that a Tenet Facility not file a claim with their HDHP for Elective Services rendered, and instead access the hospital's cash pay rate in accordance with the requirements of COMP-RCC 4.57 Cash Pay Rates.

2. Courtesy Discounts

   Waivers or reductions of deductibles and co-payment amounts may be given for patients with commercial insurance who qualify for a courtesy discount in accordance with Law Department policy L-13 Courtesy Discounts for Physicians and Governing Board Members.

3. Out of Network Patients

   Waivers or reductions of deductibles and co-payment amounts may be given to patients who have commercial insurance through a company that a Tenet Entity does not have a contract with, in order to bring the deductible and co-payment amounts due down to the amount that the patient would incur if the Tenet Entity was "in-Network" with the insurance company.

4. Prompt Pay Discount

Waivers or reductions of deductibles and co-payment amounts may be given to patients in order to provide a legitimate prompt payment incentive, and in order to avoid collection costs. Commercial payers must be informed of the Tenet Entity's prompt payment program, and the amount of fees discounted to patients under the prompt pay discount must bear a reasonable relationship to the avoided collection costs.

5. Financial Need

Hospitals, ambulatory surgery centers, independent diagnostic testing facilities, outpatient centers, other health care providers, practitioners or suppliers may waive or reduce a patient's coinsurance or deductible amounts after consideration of a particular patient's financial need so long as:

a. The waiver is not offered as part of any advertisement or solicitation;

b. The entity offering the waiver does not routinely waive coinsurance or deductible amounts; and

c. The entity reduces or waives the coinsurance amounts after determining in good faith that the individual is in financial need *or* after reasonable collection efforts have failed.

6. Quality of Care Issues

Where charges are eliminated or reduced as the result of quality of care issues, the adjustment must be made to the total charge, not just the patient's co-payment or deductible part of the charge, so as to also benefit the applicable payer, and not just the patient. (See CO-2.010.04 Bill Hold Process for Possible Preventable Events Resulting in Harm)

7. Other Waivers or Discounts

Waivers or reduction of copayments, coinsurance, or deductibles for patients with commercial insurance other than those described in this Section IV.B. require the prior written approval of the Tenet Entity's assigned Managed Care Counsel. Managed Care Counsel may approve

categories of waivers or reductions, and is not restricted to case by case approvals.

V. PROCEDURE:

A. Document Retention

Tenet Entities must retain the documentation required by this policy according to the requirements of Administrative Policy AD 1.11 Records Management and its Record Retention Schedule. The documentation must be retained in the Tenet Entity's patient accounts system.

B. Responsible Person

The Tenet Entity's CFO (or equivalent title) is responsible for ensuring that all individuals adhere to the requirements of this policy. If the CFO (or equivalent title) is unable to create adherence to this policy, the CFO (or equivalent title) will immediately report the non-adherence to the Tenet Entity's Compliance Officer.

C. Auditing and Monitoring

Audit Services Department will audit and monitor adherence to this policy in its routine audits.

D. Enforcement

All employees whose responsibilities are affected by this policy are expected to be familiar with the basic procedures and responsibilities created by this policy. Failure to comply with this policy will be subject to appropriate performance management pursuant to all applicable policies and procedures, up to and including termination. Such performance management may also include modification of compensation, including any merit or discretionary compensation awards, as allowed by applicable law.

VI. REFERENCES:

- 42 USC § 1320a-7a(i)(6)(A)

- 42 CFR § 1001.952(k)

- Office of the Inspector General, "*Hospital Discounts to Patients Who Cannot Afford to Pay Their Hospital Bills*," February 2, 2004

- Office of the Inspector General, "**Addendum to "Hospital Discounts to Patients Who Cannot Afford to Pay their Hospital Bills (02/02/2004)"" July 18, 2007**

- OIG Advisory Opinion 08-03 (Jan. 30, 2008)

VII. ATTACHMENTS:

- Attachment A: Summary of State Laws on Patient Responsibility Waivers and the Patient Protection and Affordable Care Act

	Regulatory Compliance Policy	No. COMP-RCC 4.57
	Title:	**Page:** 1 of 6
	CASH PAY RATES	**Effective Date:** 08-30-18
		Retires Policy Dated: 10-01-16
		Previous Versions Dated: 04-24-14; 12-16-11; 10-01-11

I. SCOPE:

This policy applies to: (1) Tenet Healthcare Corporation and its wholly-owned subsidiaries and affiliates (each, an "Affiliate"); (2) any other entity or organization in which Tenet Healthcare Corporation or an Affiliate owns a direct or indirect equity interest greater than 50%; and (3) any hospital or healthcare facility in which an Affiliate either manages or controls the day-to-day operations of the facility (each, a "Tenet Facility") (collectively, "Tenet").

II. PURPOSE:

The purpose of this policy is to ensure, through the implementation of prudent and reasonable controls, that Tenet Facilities may provide patients with a Cash Pay Rate payment option for certain services. This policy and Regulatory Compliance policy COMP-RCC 4.56 Implementing Tenet's Compact with Uninsured Patients are part of Regulatory Compliance policy COMP-RCC 4.53 Financial Assistance for Uninsured Patients. This policy shall apply except to the extent it is inconsistent with any applicable state or federal law, in which case such state or federal law shall control.

III. DEFINITIONS:

A. "**Elective Services**" means scheduled services and certain non-emergent "walk-up" services (*e.g.*, lab services) that are approved for a Cash Pay Rate under the guidelines set forth in this policy.

B. "**Federal health care program**" means any plan or program that provides health benefits, whether directly, through insurance, or otherwise, which is funded directly, in whole or in part, by the United States Government, including but not limited to: Medicare, Medicaid/MediCal, managed Medicare/Medicaid/MediCal, Tricare/VA/CHAMPUS, SCHIP, Indian Health Services, Health Services for Peace Corp Volunteers, Federal Employees Health Benefit Plan, Railroad Retirement Benefits, Black Lung Program, Services Provided to Federal Prisoners, Pre-Existing Condition Insurance Plans (PCIPs) and Section 1011 Requests.

C. "**Health Insurance Policy**" means any Federal Healthcare Program, personal or group health policy or plan, whether fully insured or self-funded, which has as its primary purpose the reimbursement, in whole or in part, of medical services provided to a covered Patient.

D. "**Patient**" means any person who receives treatment at a Tenet Facility.

E. "**Uninsured**" means a Patient who has no Health Insurance Policy in force at any time during which the patient receives treatment at a Tenet Facility. For purposes of this

policy, and except with respect to patients receiving services in Louisiana, this definition includes a patient who is covered by a High-Deductible Health Plan (HDHP) if the patient requests that the Tenet Facility not file a claim with their HDHP for the Elective Services rendered.

F. "**Non-Covered Services**" means those services not covered by a Patient's Health Insurance Policy. This definition includes services not covered (i) as a result of a pre-existing condition exclusion; (ii) because a patient has exhausted his or her benefits; (iii) because they are denied through a Health Insurance Policy's pre-authorization process; and (iv) services for which the patient has elected to opt out of his or her Health Insurance Policy coverage and to pay out of pocket. For purposes of a Federal Healthcare Program beneficiary, "Non-Covered Services" means only those services that are statutorily excluded from coverage. Patient co-pays and deductibles are not considered "Non-Covered Services."

G. "**High Deductible Health Plan**" is a health plan that meets the minimum annual deductible and out of pocket maximum requirements set forth by the Internal Revenue Code and applicable IRS guidance each year.

IV. POLICY:

Tenet Facilities may implement Cash Pay Rates for certain approved services in order to provide patients a payment option where the patient pays for the service in full at or before the time of service. The policy supports furnishing affordable care to patients and providing another payment option that may be more financially appropriate for the patient. At all times, the policy shall be implemented and applied with sensitivity to the patient's health, privacy, and dignity.

V. PROCEDURE:

A. Who May Access Cash Pay Rates

The following shall apply in determining who may access the Cash Pay Rates for certain Elective Services.

1. Cash Pay Rates are available to Patients who are Uninsured.

2. Cash Pay Rates are available to Patients for Non-Covered Services, including (i) services not covered because a patient has exhausted the benefits available to them under their Health Insurance Policy; (ii) services not covered because of a pre-existing condition exclusion; (iii) services that are denied through a Health Insurance Policy pre-authorization process; and (iv) services for which the patient has elected to opt out of his or her Health

Insurance Policy coverage and to pay out of pocket.

3. Cash Pay Rates are **not** available to Federal health care program beneficiaries, except for services that are statutorily excluded from coverage (*e.g.*, cosmetic surgery).

4. Cash Pay Rates are available to patients with High Deductible Health Plans who also meet the definition of Uninsured, as defined above.

B. Services that are Subject to a Cash Pay Rate

The following shall apply in determining what services may be offered at a Cash Pay Rate.

1. Cash Pay Rates apply only to Elective Services that are approved as set forth in this Policy. This Policy contemplates that appropriate Elective Services include, but may not be limited to, imaging services, obstetrical services, plastic surgery, bariatric surgery, and other elective surgeries.

2. Subject to the provisions of this Policy, each Tenet Facility may decide what services it proposes to be offered at a Cash Pay Rate and at what payment amount. Accordingly, the services offered at a Cash Pay Rate may differ in scope and amount among the different Tenet Facilities.

3. Any rate proposed for a Cash Pay Rate service must be established at an amount that is:

   a. higher than the Medicare rate for the same service, unless otherwise approved by Counsel and the Vice President of Operations Finance or his designee;

   b. no lower than the Medicaid rate for the same service;

   c. providing for a reasonable margin over fixed and variable costs; and

   d. considers any market forces for the furnishing of the service on a cash basis.

4. Cash Pay Rate services must be approved by the Vice President of Operations Finance or his designee before being offered to patients. Once a service is approved, it may be offered at a Cash Pay Rate consistent with this Policy.

5. The availability of Cash Pay Rate services may be communicated to patients and physicians but should not be marketed or advertised in the public domain unless the advertisement is part of a larger Facility or Tenet initiative (*e.g.*, a preventative screening initiative). All advertisements must be submitted for review through Tenet's Marketing and Advertising Review Service (M.A.R.S.).

6. Patients agreeing to the Cash Pay Rate will complete and sign a Cash Pay Rate Agreement. See Attachment A.

C. Approval Process for Cash Pay Rates

The following approval process shall apply for any proposed Cash Pay Rate service.

1. Any proposed Cash Pay Rate service and the proposed rate shall be submitted to the Vice President of Operations Finance or his designee for approval. All information related to the Cash Pay Rate shall be sent with the request for approval, including specifically the information set forth in Section B.3, above. The format and content for the request is the preference of the Vice President of Operations Finance or his designee. Attachment B and B-1 are examples of an appropriate Cash Pay Rate approval request format.

2. All Cash Pay Rates must be reviewed periodically, but at a minimum, on an annual basis. As part of the approval process, all information related to the establishment of the Cash Pay Rate should be updated and submitted in the manner required by the Vice President of Operations Finance or his designee.

D. How Does the Cash Pay Rate Apply to Approved Services

The following shall apply for any patient who wishes to access a Cash Pay Rate for an approved service.

1. The Cash Pay Rate is the amount that will be accepted for an approved Cash Pay Rate service if the amount is paid in full prior to or at the time of the furnishing of the service. The Cash Pay Rate must be paid upfront before services are furnished.

2. The Cash Pay Rate is not available and should not be used if any portion of the amount due is to be paid over time or after the day on which the services are furnished.

3. The Cash Pay Rate does not apply to deductibles, co-payments, or any other co-insurance amounts when insurance is being billed for the service.

4. The Cash Pay Rate is not inclusive of any professional fee generated by the performance of the services furnished, unless the Tenet Facility has an authorized contract to include the professional fee within the Cash Pay Rate.

E. Correlation of the Cash Pay Rates with Other Policies

The following shall apply in determining the correlation of the Cash Pay Rate policy with other Tenet policies.

1. The Cash Pay Rate is not meant to overlap with other policies and should not be used in conjunction with other policies. For example, the Cash Pay Rate may not be used if the patient is using another payment policy, such as a professional discount policy or the Compact for the Uninsured.

2. Some states have regulations that allow patients to apply retroactively for charity or discount programs. Please check with your Tenet legal counsel as to the application of the following paragraph for your hospital.

   A patient's use of the Cash Pay Rate policy is not a waiver of that patient's right to qualify for financial assistance under the Tenet Facility's applicable charity and/or discount policies. A patient who has paid the Cash Pay Rate and received services may subsequently apply for, and be granted, eligibility under these programs. Where eligibility for the facility's charity or a discount program is granted, the facility shall refund all or a portion of the Cash Pay Rate previously paid if required by the terms of the applicable charity or discount policy.

3. Individual State Law Requirements. The Cash Pay Rate policy is subject to any applicable State law requirements.

F. Document Retention

Tenet Facilities that offer Cash Pay Rates shall retain all documentation related to the establishment of the Cash Pay Rate pursuant to this policy according to the requirements of Administrative Policy AD 1.11 Records Management and its Record Retention Schedule. Tenet Facilities shall require each patient to sign the Cash Pay Rate Agreement in Attachment A. The Facility shall retain the Cash Pay Rate Agreement per Tenet's general document retention guidelines.

G. Responsible Person

The Tenet Facility Chief Financial Officer is responsible for assuring that all individuals adhere to the requirements of this policy that these procedures are implemented and followed at the Tenet Facility, and that instances of noncompliance with this policy are reported to the Compliance Officer.

H. Enforcement

All employees whose responsibilities are affected by this policy are expected to be familiar with the basic procedures and responsibilities created by this policy. Failure to comply with this policy will be subject to appropriate performance management pursuant to all applicable policies and procedures, up to and including termination. Such performance management may also include modification of compensation, including any merit or discretionary compensation awards, as allowed by applicable law.

VI. REFERENCES:

- Anti-Kickback Law: 42 U.S.C. § 1320a-7b(b); 42 C.F.R. § 1001.952

- Beneficiary Inducement Law: 42 U.S.C. § 1320a-7a(a)(5); 42 C.F.R. §§ 1003.101, 1003.102(c)(13)

- OIG Special Advisory Bulletin, Offering Gifts and Other Inducements to Beneficiaries, August 2002

- OIG Guidance on Hospital Discounts Offered to Patients Who Cannot Afford to Pay Their Hospital Bills, February 2004

- Text of Letter from Tommy G. Thompson, Secretary of Health and Human Services, to Richard J. Davidson, President, American Hospital Association, February 2004

- The Health Information Technology for Economic and Clinical Health Act § 13405(a)

VII. ATTACHMENTS:

- Attachment A: Cash Pay Rate Agreement

- Attachment B: Standard Technical Only Rate Example

- Attachment B1: Global Rate Example

	Regulatory Compliance Policy	No.	COMP-RCC 4.57
Tenet Health	Title:	Page:	39 of 6
	CASH PAY RATES	Effective Date:	08-30-18
		Retires Policy Dated:	10-01-16
		Previous Versions Dated: 04-24-14; 12-16-11; 10-01-11	

[Tenet Facility]

Cash Pay Rate Agreement

Patient Name:_____ Account#:_____

Date of Service:_____ Service Type:_____

Procedure/Test:_____

_____

_____

_____

_____

Professional fees (i.e., physician fees) are excluded from the Cash Pay Rate unless otherwise indicated. You may receive a separate bill for professional services.

Patient/Guarantor Initials:_____ Date: _____

Amount of Cash Pay Rate: $_____

Date Paid:_____

I understand that the Cash Pay Rate listed above is based on the services described above. The Cash Pay Rate is required to be paid in full at the time of service. If additional services other than those generally included in the procedure/test are required I will be responsible for payment of those services. I understand that the hospital will not bill my insurance carrier for the services and an itemized bill will not be available unless required by state law. I understand that the amounts I pay under the Cash Pay Rate will not be applied to or count toward any deductible or other cost-sharing obligations I may have under my health insurance plan

Date:_____ Patient/Guarantor Signature:_____

Date:_____ Facility Representative:_____

DATE:

TO: Vice President of Operations Finance

FROM: Hospital/Tenet Facility CFO

SUBJECT: Cash Pay Rate Proposal for [TENET FACILITY]

[TENET FACILITY] would like to offer cash pricing to its uninsured patients at its outpatient imaging center. This is a practice common to outpatient imaging centers and is needed to service the community.

Uncomplicated Pricing Schedule

The [TENET FACILITY] management team decided on a schedule that was both simple and comprehensive to quote prices in each major modality category. These prices could be easily identified, quoted and collected.

Cash Pay Pricing Schedule

Attached is the Proposed Cash Pay Schedule for [TENET FACILITY] which will be used for all patients eligible per the Cash Pay policy. The schedule shows the Medicare reimbursement (technical rate), and the proposed Cash Pay Pricing rate. The proposed cash pay rate was set so that an incremental profit margin was achieved for each procedure. .

The proposed Cash Pay Pricing rate was established using the guidelines set forth by the Tenet Cash Pay Rate Policy. Under the policy, the cash pay rates must be set at or above "cost" and Medicare.

Description	Previous DIC Self Pay Rate	Medicare Rate (Avg)	Proposed Flat Rate	Cost
MRI - WITHOUT CONTRAST		$328	$330	$189
MRI - WITH CONTRAST		$378	$400	$230
MRI - WITH & WITHOUT CONTRAST		$484	$500	$246
CT - WITHOUT CONTRAST		$176	$200	$58
CT - WITH CONTRAST		$269	$275	$71
CT - WITH & WITHOUT CONTRAST		$290	$300	$98
Ultrasound		$96	$125	$95
X-Ray		$58	$75	$54

***** Estimated Costs provided through Showcase (Fixed + Variable Cost Only)**

I would appreciate your review and approval of the proposed pricing schedule for [TENET FACILITY'S] outpatient imaging center. Upon your acceptance we will proceed with implementation.

DATE:

TO: Vice President of Operations Finance

FROM: Hospital/Tenet Facility CFO

SUBJECT: Cash Pay Rate Proposal for [TENET FACILITY]

[TENET FACILITY] would like to offer cash pricing to its uninsured patients at its outpatient imaging center. This is a practice common to outpatient imaging centers and is needed to service the community.

The [TENET FACILITY] team evaluated several Methods of setting a price but ultimately decided on keeping a simple rate schedule with varying prices based on whether contrast was used or not, and by modality. The team also decided to provide a global fee to include the radiologist's fee as well. This will allow us to better service our patient community and compete with free standing imaging centers.

Uncomplicated Pricing Schedule
The [TENET FACILITY] management team decided on a schedule that was both simple and comprehensive to quote prices in each major modality category. These prices could be easily identified, quoted and collected.

Professional Fee Payment Rate
The team decided that a flat percentage payment to the radiology group would be most practical from an administrative and maintenance perspective. We would know that payment was made when we forwarded the payment to the radiologists without having to track payment plans etc. Periodically, weekly or monthly, a report of cash pay collections will be generated and a check request will be created based on the radiologist percentage.

The team evaluated industry standards, current practice and Medicare comparisons to set the fee for a global cash pay cash price. A fair market value (FMV) study was established to validate the professional compensation to be 15%-18% of collections. This has been incorporated in the current radiologist service agreement.

Cash Pay Pricing Schedule
Attached is the Proposed Cash Pay Schedule for [TENET FACILITY] which will be used for all patients eligible per the Cash Pay policy. The schedule shows the combined global Medicare reimbursement (technical rate and pro fee), the estimated global cost, and the proposed Cash Pay Pricing rate. The proposed cash pay rate was set so that an incremental profit margin was achieved for each procedure. The final posted schedule will only include the global Cash Pay Price.

The proposed Cash Pay Pricing rate was established using the guidelines set forth by the Tenet Cash Pay Rate Policy. Under the policy, the cash pay rates must be set at or above "cost" and Medicare.

Description	Previous DIC Self Pay Rate	Medicare Rate (Avg)	Medicare Profee (Avg)	Total Medicare	Cost + Radiologist Fee	Proposed Flat Rate	Cost
MRI - WITHOUT CONTRAST		$328	$75	$403	$257	$450	$189
MRI - WITH CONTRAST		$378	$75	$454	$305	$500	$230
MRI - WITH & WITHOUT CONTRAST		$484	$108	$593	$342	$640	$246
CT - WITHOUT CONTRAST		$176	$58	$235	$96	$250	$58
CT - WITH CONTRAST		$269	$63	$332	$122	$340	$71
CT - WITH & WITHOUT CONTRAST		$290	$76	$365	$154	$375	$98
Ultrasound		$96	$37	$132	$115	$135	$95
X-Ray		$58	$15	$73	$67	$85	$54

***** Estimated Costs provided through Showcase (Fixed + Variable Cost Only) plus the professional cost component of 15% of the global rate**

I would appreciate your review and approval of the proposed pricing schedule for [TENET FACILITY'S] outpatient imaging center. Upon your acceptance we will proceed with implementation.

EXHIBIT I

	Tenet	Detroit Medical Center
Policy	• Provide financial counseling and assistance to apply for state and federal healthcare programs and ACA programs • Uninsured financially indigent patients are eligible for charity care discounts • Uninsured patients who do not qualify for charity care may receive cash pay rates or other financial assistance	• The DMC hospitals shall provide uncompensated/charity care (free care) or financial assistance to uninsured patients who qualify or are classified as financially or medically indigent for medically necessary services in accordance with the Uncompensated/Charity Care Financial Assistance process • All uninsured patients will be provided with financial counseling, including assistance applying for state and federal health care programs. 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. Hospital representative will attempt to meet with all uninsured patients prior to discharge from Hospital.
Presumptive Charity	• Medicaid – exhausted days/benefits • Medicaid spend down accounts • Medicaid or Medicare dental denials • Medicare replacement accounts with Medicaid secondary where Medicaid replacement plan left patient with responsibility	• Medicare 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 • Adult Benefit Waiver Enrollees
Applicants for Charity Care		
Households	• Adults – patient, patient's spouse, any dependents of either of them • Minors – patient, mother, father, dependents of either of them	• Adults – patient, patient's spouse, any dependents of either of them • Minors – patient, mother, father, dependents of either of them
Financially Indigent	• 200% Federal Poverty Level	• 200% Federal Poverty Level

Medically Indigent	Tenet does not have a separate definition of medically indigent in its policy. Uninsured patients are eligible for discounts or cash pay rates. Waivers of deductibles and co-pays may also be offered under other policies.	• Eligible for 40-80% discounts • Non-catastrophic - uninsured/underinsured patient with (1) income greater than 200% of Federal Poverty Level or less than 500% of Federal Poverty Level or (2) with outstanding balances for hospital (facility) services in excess of 50% of their annual income • Catastrophic – uninsured/underinsured patient with income in excess of 500% Federal Poverty guidelines if outstanding hospital balances is greater than 50% of the patient's annual income
Deemed No Income	• Homeless • Incarcerated (expenses not paid by incarcerating entity) • Expired patients (after review of probate and other responsible parties)	• Homeless • Incarcerated (expenses not paid by incarcerating entity) • Expired patients
Documentation of Income	• Tax Returns (2 years) • IRS Form W-2 (2 years) • Wage and Earnings Statement (3 mos) • Pay Check Remittance (3 mos) • Social Security • Worker's Compensation or Unemployment Compensation Determination Letters • Qualification within last 6 months for government assistance • Telephone verification by patient's employer • Bank statement which include payroll deposits • Patient written or oral certification • Credit Bureau Report	• Tax Returns • 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 patient's employer of the patient's Income • Bank statements, which indicate payroll deposits • Patient written or oral certification

Other information if unable to document income	• Patient employment status, credit status and capacity for future earnings • Previous exhaustion of other available resources • Catastrophic illness • Consultation with 3rd parties to review patients information against industry models to evaluate propensity to pay	Patient's written or oral certification of income, as noted above
Response to Information requests	14 days	14 days
Approver	CFO	$1 - $2,000 Director $2,001 - $10,000 Director and CFO $10,001+ - Director, CFO and CEO or CEO's Designee
Duration of Charity Care Determination	12 months prior to approval and 6 months after approval	Policy is silent; practice is 12 month look-back, no prospective approval
Amount of Discount	100% of charges, less any applicable copayment or amount previously paid by the patient or 3rd party for care	See Financial Assistance Eligibility Guidelines
Notices	Post notices in visible locations in the hospital, including registration, ED and billing office	• Post notices in visible locations in the hospital, including registration, ED and billing office • Include notice of charity program on patient bills
Liens	No liens on primary residences of charity care patients	No liens on primary residences of Financially Indigent or Medically Indigent patients
Extended payment plans	Hospitals offer extended payment plans to uninsured patients without interest	Hospitals offer extended payment plans to uninsured patients without interest
Non-Covered Services	Hospitals may designate services as not subject to this policy	Hospitals may designate services as not subject to this policy

EXHIBIT J

Quantum Group, LLC

February 1, 2021

Ms. Sue Monaco
Vice President, Assistant General Counsel
Tenet Healthcare

Re: Charity care commitment at DMC

Dear Sue:

Thank you for the analysis of the Tenet Health (Tenet) and Detroit Medical Center (DMC) charity care policies. We have a number of follow up questions which I will outline in this letter. We will also need to cover the specific points raised by the Attorney General in her letter which was forwarded to you. Lastly, as we previously discussed, we will be making recommendations to the AG and others regarding the Detroit safety-net. I have included a list of questions to be addressed and would like Tenet/DMC's point of view. Given the multi-state scope of Tenet's business your insights will be very valuable.

Tenet Charity Care Policies

With respect to your analysis of the Tenet and DMC charity care policies, we have the following questions:

1) The Tenet policies appear to be silent on patient rights, patient ombudsman, publication of collection policies, and several other requirements of Article 12.2 in the *Purchase and Sale Agreement*. Please clarify whether these practices remain part of the new policy.
2) The Tenet procedures attached to your January letter did not include *COMP-RCC 4.56, Implementation of Tenet's Compact with Insured Patients*. This policy refers to *4.56A,* (*Compact with Insured Patients*). Was this an oversight or does its omission indicate a policy change?
3) We made inquiries regarding the policies at Henry Ford Health System (HFHS) and Ascension Health (Ascension). Both systems set their thresholds for indigent 100% discounts at 250% of FPL vs. Tenet/DMC's 200%. Both hospital system's indigent care policies and commitments were much easier to find and clearer than are Tenet/DMC's. Will Tenet consider using 250% and improving these patient communications ("*plain language summaries*")?
4) With respect to the comparison of Tenet to the old DMC policies:
    a. We would like to discuss DMC's reference to "*Adult Benefit Waiver Enrollees*", which is omitted from Tenet's list.

b. We would like to work through some specific examples of how Tenet's policies actually affect patients financially, particularly the requirement for "*full pay upfront*", and the various definitions/amounts for cash pay rate, managed care rate, and gross charges.
c. Tenet's policy includes *Credit Bureau* report as a source of documentation of income. Is this a requirement or simply an option for the patient to demonstrate eligibility?
d. Under "*Other Documentation of Income*" you refer to "capacity for future earnings" and "consultation with 3rd parties re: propensity to pay". In practice, what does this mean?
e. Tenet's policy raises authority level for relatively minor amounts to the CFO level. Would like to discuss impact on decision timing and impact of delay on patients.
f. Under "duration" Tenet policy indicates 12 months prior and 6 months after approval. What happens after the end of the 6-month period?
g. What are the "*Non-Covered Services*"? Specifically, will DMC use a single procedure for Detroit, or will it vary by hospital?

The Procedures Identified in the Attorney General's Letter

With respect to the AG's requests outlined in her letter, we have heard back from Ascension and HFHS. They indicate that they either follow the processes suggested by the AG or have alternative procedures that essentially achieve the same objective. I thought it might be useful if we could establish in each case if: (a) Tenet/DMC will comply specifically with the AG's request, (b) there are other procedures Tenet/DMC follow which essentially provide what the AG is looking for or (c) Tenet/DMC declines to adopt the requested process. Perhaps you could have someone at Tenet/DMC work with me on creating a summary of your response.

The Detroit Safety-Net

The safety-net health care system for the City of Detroit has historically been anchored by several not-for-profit and government owned institutions.

Prior to the formation of the DMC in 1985 the Detroit safety-net was primarily comprised of, (a) Grace, Harper, Henry Ford, Providence and St John hospitals which provided general adult services, (b) Detroit General Hospital which dealt primarily with emergency and indigent care, (c) Children's' Hospital of Michigan which was the primary pediatric acute and ambulatory care facility and (d) Hutzel Women's' Hospital which provided comprehensive obstetric and other services for women. These facilities met most of the uninsured care needs of the community.

In 1985, the safety-net structure was altered when Grace, Harper, Children's and Hutzel came together to form the DMC. Subsequently they were joined by Detroit General which was transferred to the DMC by the City of Detroit. DMC paid nothing for the transfer of ownership but committed to maintain a semi-autonomous board at Detroit General and to preserve its safety-net mission. At that time Detroit General changed its name to Detroit Receiving Hospital. In addition to strengthening the safety-net for City

residents, the creation of DMC was intended to consolidate the multi-faceted medical education relationship with the Wayne State School of Medicine.

Today the safety-net system is operated by Tenet (owner of DMC), HFHS and Ascension (owner of St. John and Providence). All three are private corporations with Tenet being investor owned and the others being charitable not-for-profits. As private corporations, each is empowered to establish their own indigent care polices and scope of services. While HFHS and Ascension have obligations to maintain a charitable mission, Tenet, beginning in 2021, has no such obligation.

In the event that any of the safety-net institutions abruptly curtailed their allowances for care to the indigent or their scope of services in the City of Detroit a health care crisis could ensue. The safety-net is particularly vulnerable to any such changes at Tenet due to the fact that DMC operates the majority of the safety-net and offers essential services not available at the other institutions.

As a result, it is a matter of public interest that steps be taken to assure that there is no abrupt or unilateral alteration to the safety-net system. Some of the questions that need to be addressed include:

1) What type of notice the State should require in order for one of the safety-net providers to alter its indigent care policies or to curtail essential services? What transition period should be required?
2) What are the essential services and what scope of services must each safety-net institution support?
3) What, if any, financial penalties should be assessed for withdrawal from safety-net functions?
4) Should minimum capacity standards be established for ICU beds, NICU, operating rooms, etc….
5) What level of commitment to medical education is required to support the safety-net?

The State has a variety of alternatives with respect to establishing policies in these areas. A plan that is endorsed by Tenet and the other safety-net providers would, in my opinion, be preferable.

Sincerely,

Steve

Stephen D'Arcy

Cc: Richard Widgren, Chairman of Legacy DMC
Joe Walsh, President of Legacy DMC
Jason Abel, Esq.
Ben Jeffers, Esq.

EXHIBIT K

Tenet Health

February 26, 2021

Via email Sdarcy001@gmail.com

Steve D'Arcy
DMC Legacy Board Representative

Dear Steve:

Attorney General Nessel's letter dated December 11, 2020 contains a number of suggestions aimed at assuring the public is aware of DMC's policies. We share the commitment of the Attorney General and the Legacy Board to maintaining a generous charity care program and making potentially eligible individuals aware that DMC stands ready to meet their health needs in consideration of their financial means. I want to personally recognize our financial assistance team for their dedication to making care available to all in a manner that honors their dignity. These team members take immense pride in their mission and their outstanding results. As promised in our last discussion, DMC is pleased to outline its processes implementing its charity and indigent care policies.

DMC has proposed to maintain its current charity care policy, adopted in 2010 with the approval of the Attorney General as more generous than DMC's historical policies. In order to continue to publicize our policy, it be will continue to be outlined on the system's website and prominently displayed throughout the hospitals through maintenance of the signage program, generally as currently reviewed by the Legacy Board, and availability of explanatory written materials at patient registration areas. As Legacy representatives know, it has been our experience that these efforts work quite effectively. Additionally, our personnel are trained and attuned to providing one-off, specific assistance to individuals who ask and need information. It is impossible, of course, to script out and anticipate every potential encounter among our staff and the patient base, but we are proud of our history that shows that our employees are mindful of getting information packets and applications to any person who requests them and to navigate unique challenges, such as when language assistance is needed. Our on-site representatives provide Spanish translation, and other language translation is available through a contracted service.

Indeed, we are confident that our leadership will continue to emphasize training and awareness and involvement, so that patient access representatives remain well-versed in DMC's programs for indigent and low-income patients. Our first focus is qualifying patients for on-going healthcare coverage through enrollment in government programs. DMC feels strongly that ensuring on-going health benefits coverage is the best path forward to assure health needs are met on a long-term basis. Coupled with this assistance, eligibility experts assist all patients who

request discounted care or who appear to be potentially eligible for charity care with application for these programs. In fact, we have recently expanded our patient assistance programs to include facilitation of Medicaid spend-down eligibility.

Charity care applications are approved according to the approval levels set out in DMC's policy. Applications, supporting documentations and determinations are retained by the system and can be retrieved for review as needed.

Charity care accounting is governed at all times by GAAP principles, as suggested by Attorney General Nessel. It is reported to governmental agencies, such as the Medicare cost-reporting program, in accordance with applicable standards law.

DMC participates, along with its Michigan counterparts, in reporting its charity care and other community efforts through the Michigan Hospital Association and plans to continue to do so. These requirements are robust and will ensure that the goals set forth Attorney General Nessel's letter are likewise met in this regard. At any time requested, we stand willing to address any other specific questions you, the Attorney General or her Office might have.

Kind regards,

..Q_.J\ur1-u..W

Sue Monaco

c: Audrey Gregory, Ph.D.
Richard Widgren, Chairman of Legacy DMC
Joe Walsh, President of Legacy DMC
Jason Abel, Esq.
Ben Jeffers, Esq.

EXHIBIT I

HONIGMAN

Jason R. Abel
Office: 313.465.7302
jabel@honigman.com

Via Email and Federal Express

October 4, 2020

Benjamin W. Jeffers, Esq.
Hickey Hauck Bishoff & Jeffers PLLC
One Woodward Avenue, Suite 2000
Detroit, Michigan 48226

Re: Requirement to Meet Under Section 12.2 of the Restated Purchase Agreement

Dear Ben:

On behalf of the Legacy DMC Board ("Legacy"), I write to you, as counsel for VHS of Michigan, Inc., d/b/a the Detroit Medical Center ("DMC"), to schedule the required meeting between our clients pursuant to Section 12.2 of the Restated Purchase and Sale Agreement, effective December 31, 2010 (the "PSA"). As you know, Section 12.2 of the PSA provides in relevant part that:

> 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. . . .

Please provide me, at your earliest convenience, with a list of dates and times that DMC will be available for this critical meeting. We can then arrange for a mutually convenient time for our clients to have the required discussion.

Very truly yours,

HONIGMAN LLP

/s/Jason R. Abel

Legacy DMC

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

Lorna Thomas MD
Chair
DMC Foundation

Rhonda Welburn
Retired - Dickinson Wright PLLC