

COALITION TO PROTECT DETROIT
HEALTH CARE

April 6, 2010

Tracy Sonneborn
Office of the Attorney General
Charitable Trust Divison

Dear Tracy,

The following is the list you requested for our meeting on Wednesday April 7, 2010 at 1:30 p.m. in your offices concerning the proposed sale of the Detroit Medical Center to Vanguard Health Systems. If you have a specific room reserved, please let me know. There will be 5 or 6 people attending: myself and Valerie Przywara (MichUHCAN), Gary Benjamin (MichUHCAN and Michigan Legal Services), Ponsella Hardaway and Rev. Kevin Turman (MOSES). The sixth person may be Mary Tuttle, a MichUHCAN Board member, who was very involved in a similar Ingham County issue with Columbia HCA.

1. Health impact study inquiring about what will be the effect on health outcomes to Detroit residents is – both short term and longer term – if the sale is approved. Information needed is:
 - a. Available beds in the converting hospitals and in the service area;
 - b. Expected demographic changes.
 - c. An assessment of the community's health care needs and a comprehensive evaluation on the hospital's:
 - o number of patient days, broken down by payer (particularly Medicaid and other state or local programs providing care to the indigent population) annually for the last five years;
 - o number of hospital discharges, broken down by payer annually for the last five years;
 - o number of emergency services visits annually for the last five years;
 - o number of outpatient visits annually for the last five years;
 - o provision of charity care annually for the last five years; and
 - o Unique services (such as emergency room, obstetrics, and burn unit) offered at the facility.

15687 Surrey
Livonia MI 48154

PHONE 734-812-0664
E-MAIL michuhcan@sbcglobal.net

- d. Data from other Vanguard purchases comparing health outcomes before the purchase and after the purchase and against averages from JCAH and other sources.
- e. What services are offered by the converting hospitals?
 - o Which of these are essential to the region
 - o What will happen to the DRH Trauma center?
 - o What will happen to the premature infant unit at Hutzel?
 - o Are there other unique services that will be put at risk by the conversion?

For a complete discussion, check out this publication written by Community Catalyst: [“Looking at the Full Picture: Analyzing the Community Health Impact of Hospital and Insurer Transactions” \(PDF\)](#)

II. Net value of the non-profit asset sold –

- a. Requires an independent valuation/appraisal – not one done by the DMC or Vanguard.
 - a. Includes tax value to the City and County and State;
 - b. value of real estate;
 - c. Deed restrictions on use of the property and affect on value;
 - d. value of services provided for free or at discount;
 - e. value of the tax payers investment in building Receiving and UHS and turning them over to DMC for \$1;
 - f. value of private investments and of the \$140 million in donations that DMC holds;
 - g. value of foundation and other grants if any;
 - h. Value of the contract with the WSU Med School.
 - i. Liabilities.
- b. Value to be attributed to the conversion foundation
 - a. Should this include the \$140 million or is that designated to specific uses?

A separate board independent of the parties to the sale should be established to manage the \$140 million and other conversion.

III. Finances of Vanguard compared to that of the DMC.

- a. Standard and Poors' and Moody's both rate Vanguard as 'non-investment grade' and 'vulnerable' but 'stable.' It is "Highly leveraged" and ripe for somebody bigger to buy. If that happens what happens to the health care services provided to SE Michigan?
- b. DMC says it could not get bond money? Is that true and can VHS get bond money?
- c. VHS has a major line of credit – 'credit facility' – that expires September of 2010 and other debts due in 2011 and 2012. How does that affect the stability of the proposed arrangement?

IV. Development data – Original press claimed the sale would create 5,000 jobs for capital improvement. We have the following questions:

- a. Who would be hired and where will they be from – i.e. Detroit or elsewhere?
- b. In other markets VHS has closed hospitals or departments within health systems to cut costs within 2 to 3 years of purchase. Is that likely here and what jobs would be lost?
- c. Will the job security of DMC employees be guaranteed for the 10 year period beyond the protections of the collective bargaining agreements?
- d. Original press claimed DMC could not get bond money for capital improvements. Are these improvements really needed? If so why is DMC unable to access bonding money through government sources?

V. Other State's AG's – Vanguard has bought 12 non-profit hospitals. We should get the following information from those AG's

- a. What promises were made by VHS in the sales agreements and to the AG?
- b. Did Vanguard live up to its promises?

VI. Individual deals – Are there any individual financial arrangements between VHS and DMC Directors and/or officers? If so what are the terms and do they amount to a conflict of interest?

VII. Renaissance Zone – The viability of the VHS purchase is reported to depend on not having to pay taxes for awhile. Questions are;

- a. Why is a for-profit not paying taxes by arrangement with the City and County any different, in terms of its duty to provide charity care, than a not-for-profit?
- b. What is the value of the Renaissance Zone to VHS?
- c. Does VHS benefit from the designation as a Renaissance Zone even if it decides to close a hospital, or a department?
- d. Does VHS benefit from the designation even if it decides to operate a business other than a health care business?

IX. Other accountability issues;

- a. The structure of the deal is that there would be a Board with ultimate control in Nashville; an advisory Board with 3 members of the present DMC Board and 4 from VHS to advise the Nashville Board and the CEO on the DMC facilities; and the DMC Board which would retain the power to administer the \$140 million and to determine to close hospitals within the 10 year time from of the proposed LOI.
- b. There are no accountability protections after the 10 year period passes.
- c. VHS is owned by Blackstone Investment which has ultimate authority over VHS and could sell or dismantle that entity with no input from people from Michigan.
- d. Suggested solutions;
 - a. Advisory Board contains non-DMC and non-VHS consumers and providers;
 - b. Conversion foundation should be completely independent from DMC and VHS and have sufficient resources to fill any 'holes' left if VHS/DMC downsizes;
 - c. All changes of services and/or bed count must be approved by CON Commission;
 - d. This sale should be approved by CON Commission since 'beds' are changing hands.

Sincerely,

Marjorie Mitchell, Executive Director MichUHCAN
Ponsella Hardaway, Executive Director MichUHCAN
Rev. Kevin Turman, President MOSES Board of Directors
Marilyn Mullane, Executive Director Michigan Legal Services