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

1987: 19 Hospitals in City Safety Net
1995
12 Safety Net Hospitals in Detroit
4 Run by DMC
2009
6 Safety Net Hospitals in Detroit
4 Run by DMC
A non-profit like DMC can’t get capital even after 6 straight years in the black.
DMC looked to break out of the failing non-profit model and found that nearly 20% of all US hospitals are investor owned.

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
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<tbody>
<tr>
<td>Non-Profit</td>
<td>2,500</td>
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<tr>
<td>Government Owned</td>
<td>1,000</td>
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<tr>
<td>Investor Owned</td>
<td>800</td>
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<td>4,300</td>
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In 2008-2009, there were 20 deals for hospital mergers/acquisitions in which a non-profit hospital was converted to for-profit status.

These occurred in 14 different states:

Arkansas  California  Florida  Georgia  Idaho  Illinois  New Jersey
New York  Ohio  Massachusetts  Michigan  Pennsylvania  Texas  Washington
Vanguard Health Systems

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

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

Urban based hospital system with 17 facilities in 5 states:

5 San Antonio
2 Chicago (2 others in acquisition process)
3 Massachusetts
5 Arizona (3 in Phoenix)
2 So. Cal. (Surgery Centers)
Structure of DMC/Vanguard Partnership

- Vanguard will acquire the DMC system, which will become Vanguard’s Michigan subsidiary (Vanguard currently operates subsidiaries in Arizona, Illinois, Texas, California, and Massachusetts).

- DMC operations will be overseen by a Michigan subsidiary advisory board made up of 4 members appointed by Vanguard and 3 members appointed by DMC Board.

- DMC will continue to operate under our historic names. The current management team will remain in place.
Vanguard’s Investment in DMC hospitals over next 5 years will be the largest private investment in Detroit’s history

Major Capital Projects $500 Million
Routine Capital and Equipment $350 Million
Total $850 Million

More than $800 Million will be spent in the City of Detroit.
What About our Employees?

All employees remain DMC employees, with DMC ID Badges.
Pay, seniority, and benefits are fully protected.
All labor union contracts will be fully honored.
The Heart of the Deal:
Vanguard’s Commitment to DMC’s Mission

Keep all DMC hospitals open for minimum of 10 years.
Keep DMC’s charity care policy for minimum of 10 years.
Fully support the Wayne State partnership and DMC’s education mission.
Keep DMC as a Detroit-based hospital system.
5 Years of Construction will transform DMC's Central Campus and spur redevelopment of all of Midtown Detroit

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