

Detroit Free Press

June 15, 2010

State hires 2 consulting firms to review DMC sale

By PATRICIA ANSTETT
FREE PRESS MEDICAL WRITER

The Michigan Attorney General's Office finalized contracts Monday with two consulting firms that have two months to review the pending sale of the Detroit Medical Center to Vanguard Health Systems.

The contracts, which the office posted on its Web site Monday, call for AlixPartners of Chicago and Focus Management Group of Tampa to evaluate the financial viability of the purchase, along with reviewing whether the DMC's historic commitment to serve the poor will be maintained.

The DMC will pay about \$200,000 each to both firms, or if the state approves, as much as \$600,000 each, but will not get details of the investigation. That will go directly to the attorney general.

The firms will be penalized

financially for each day after 60 days that the reviews are not done.

Friday, the DMC, the state's largest provider of safety-net care to the poor, announced it had signed a \$1.2-billion contract with Vanguard Health Systems of Nashville, Tenn., to sell the eight-hospital system. The two partners hope to complete the sale by Nov. 1, pending state reviews.

Greg Moore, the lead health care attorney at the Detroit-based Clark Hill law firm, said the analysis will help the state decide whether the Medical Center's assets are being sold at a fair price and whether any of the money should be used for other uses. He said that consultants could question whether the \$417 million that Vanguard plans to spend to retire the DMC's pension and bond debt is appropriate, or whether the money should be

given to a private foundation Vanguard and DMC plan to set up to oversee community assets in the sale.

Mike Boudreau, a financial and turnaround specialist at O'Keefe & Associates in Bloomfield Hills, said the reviews are likely to examine whether the sale is necessary and whether Vanguard has the financial health to deliver on its written commitment to spend \$850 million in improvements at the DMC.

Mike Duggan, the DMC's CEO, has said the sale is essential for the health system to compete with suburban hospitals and to find new sources of money not available to it as a nonprofit firm. Vanguard has pledged to keep DMC hospitals open and keep the system's commitment to caring for the poor for 10 years.

CONTACT PATRICIA ANSTETT: 313-222-5021
OR PANSTETT@FREEPRESS.COM