

DMC-Vanguard deal could benefit university

*Dean Parisi says
'best education'
remains top priority*

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Staff Writer

The Detroit Medical Center signed a nonbinding letter of intent March 19 to join Vanguard Health Systems Inc., which will invest \$850 million in capital improvements for DMC. Vanguard plans to pay \$417 million to "retire" DMC's outstanding bonds and other debts.

"Health care is very expensive, and we have equipments that are at the end of their life," said Dr. M. Safwan Badr, executive president and chief medical officer of DMC. "And they need to be replaced."

Badr, who has been at DMC for about 14 years, said it's the largest single investment in Detroit.

The LOI extends to June, after which a binding agreement is expected. Vanguard plans to spend its investments over the next 5 years, using \$500 million on specific projects

agreed to by DMC's board. The new \$33 million Children's Hospital tower is a highly anticipated project.

"That money was nowhere on the horizon without Vanguard coming in," Dr. John M. Flack, professor and chair of Wayne State University School of Medicine's Department of Internal Medicine, said.

Vanguard owns and operates 15 hospitals in Illinois, Arizona, Texas and Massachusetts. Its 2009 fiscal year revenues were roughly \$3.2 billion. DMC's 2008 fiscal year revenues were almost \$2 billion.

"They actually picked DMC because DMC is on a successful trajectory over the past six years. The DMC has consistently made money," Badr said. "And that's exactly the kind of institution you want to invest in."

Vanguard aspires to lead the health care industry in delivering care and serve as the bridge between nonprofit health systems and the strengths of a for-profit corporation, according to its Web site.

Flack said Vanguard previously conducted a study on residents who lived near DMC facilities and found

that 30 to 40 percent of those who lived five minutes away sought care in other health systems.

"Their M.O. appears to be to come into distressed urban health systems, buy them up, invest in them and gain market share by making them attractive and upgrading them," Flack said.



Parisi

Dr. Valerie Parisi, interim dean of the School of Medicine, said the school is excited about the opportunity because it means new facilities and the best technology for faculty and students to work with. But, since the SOM had no say in the arrangements, they are still working to understand Vanguard's machinery.

"They have investors pushing them, which is very different for a not-for-profit company," Parisi said.

She said she doesn't want the usual "stringent" models of for-profit hospitals to become a problem for students, such as limiting medical students' access to the hospital

because they'll slow down doctors.

"As the interim dean of the medical school, my first responsibility is to the medical students and to make sure they get the best education possible," she said.

Parisi said Vanguard executives have reassured her they would honor the SOM's contracts with DMC.

"They've sent every signal that they actually value, if not covet, the relationship with an academic medical center," Flack said.

Frank Cao, a second-year WSU medical student, said most students don't know much about the plans and are more interested in how the hospital will utilize students differently.

"We expect that nothing much is going to change regarding that, but we don't really know for sure. That's just kind of what we're assuming," Cao said.

Part of Vanguard's strategy is to develop locally branded health care networks in urban markets.

"I think the indigent care is an integral part of this," Badr said. "I don't think that will go away. And I think that's what defines us."